

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF CWA AUTHORITY, INC. FOR (1))
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WASTEWATER UTILITY SERVICE)
IN THREE PHASES AND APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES)
APPLICABLE THERETO; (2) APPROVAL OF A)
LOW-INCOME CUSTOMER ASSISTANCE)
PROGRAM; AND (3) APPROVAL OF CERTAIN)
CHANGES TO ITS GENERAL TERMS AND)
CONDITIONS FOR WASTEWATER SERVICE.)**

CAUSE NO. 45151

**DIRECT TESTIMONY
of
DAVID J. WATHEN**

**On
Behalf of
Petitioner,
CWA AUTHORITY, INC.**

Petitioner's Exhibit No. 8

1 **INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A1. My name is David J. Wathen. My business address is 5 Concourse Parkway, Suite
4 1800, Atlanta, Georgia 30328.

5 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A2. I have been employed by Willis Towers Watson since 1996, and my position is
7 Senior Director, Southeast Rewards Practice Leader in Atlanta. I am also the leader
8 of Willis Towers Watson's utility industry compensation team. Willis Towers Watson
9 is a leading global advisory, broking and solutions company, which has over 35,000
10 associates throughout the world, who offer solutions in the areas of employee
11 benefits, talent management, rewards, and risk and capital management.

12 **Q3. PLEASE SHARE YOUR EDUCATIONAL BACKGROUND.**

13 A3. I graduated from Vanderbilt University in 1990 with a B.A. in Economics and earned
14 an M.B.A. with an emphasis in Human Resources from The Owen Graduate School
15 of Management at Vanderbilt University in 1996.

16 **Q4. PLEASE SHARE YOUR QUALIFICATIONS IN ASSESSING UTILITY**
17 **COMPENSATION PROGRAMS.**

18 A4. In my 20 plus year career with Willis Towers Watson, I have assisted senior
19 management and boards of directors at numerous companies in designing and
20 assessing all aspects of their compensation programs. Since joining the firm in 1996,
21 I have consulted with numerous utilities and currently serve as the leader of the firm's
22 utility industry compensation team. I have conducted competitive assessments of

1 total compensation levels and at-risk compensation plans for numerous public power
2 and investor-owned utilities. Currently, I am providing compensation consulting
3 services to several utility clients located across the U.S., including Citizens Energy
4 Group.

5 **Q5. PLEASE DESCRIBE IN GENERAL TERMS THE COMPENSATION**
6 **SERVICES WILLIS TOWERS WATSON PROVIDES TO ITS CLIENTS.**

7 A5. Willis Towers Watson advises organizations throughout the globe on all aspects of
8 their compensation programs, with the goal of paying employees competitively and
9 enabling these organizations to attract, retain, motivate, and engage employees
10 efficiently and cost-effectively. Typical areas of compensation consulting assistance
11 include pay philosophy development, variable or at-risk compensation plan design,
12 total compensation benchmarking, and compensation structure development.

13 **Q6. WHY DO COMPANIES SUCH AS CITIZENS ENERGY GROUP RETAIN A**
14 **CONSULTING FIRM SUCH AS WILLIS TOWERS WATSON FOR**
15 **COMPENSATION SERVICES?**

16 A6. Companies retain the services of compensation consultants like Willis Towers
17 Watson because they need access to the expertise and resources that consulting firms
18 have to offer regarding current and emerging market practices, compensation
19 program design and market competitiveness. Willis Towers Watson has extensive
20 experience serving clients in the energy services industry, having served more than
21 150 energy services industry organizations last year alone. Because we invest heavily
22 in our energy services industry capabilities, we have rich competitive industry

1 information that enables Citizens Energy Group to benchmark its compensation
2 programs against similar companies in the U.S. Given Willis Towers Watson's
3 breadth and depth of resources, we are frequently engaged by companies to conduct
4 competitive assessments of compensation programs, including pay philosophy,
5 compensation levels by position, at-risk compensation plan design, and other
6 consulting services.

7 **Q7. PLEASE SUMMARIZE THE GENERAL APPROACH THAT IS USED BY**
8 **WILLIS TOWERS WATSON IN CONDUCTING AN EXECUTIVE**
9 **COMPENSATION BENCHMARKING STUDY.**

10 A7. An executive compensation benchmarking study can vary in depth and breadth of
11 analyses, but a study covering compensation benchmarking for one of our utility
12 clients would typically entail the following:

- 13 1. Review and validate the executive compensation philosophy
- 14 2. Benchmark analysis of selected executive positions using applicable industry-
15 specific and/or general industry surveys covering the following market pay
16 components:
 - 17 a. Base salary
 - 18 b. Short-term at-risk compensation
 - 19 c. Total cash compensation (base salary + short-term at-risk
20 compensation)
 - 21 d. Long-term at-risk compensation
 - 22 e. Total direct compensation (total cash compensation + long-term at-risk
23 compensation)
- 24 3. Assess gaps to market in levels of compensation
- 25 4. Identify possible compensation adjustments that would better align
26 compensation with competitive market levels

27 **Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS GENERAL**
28 **RATE CASE PROCEEDING FOR PETITIONER CWA AUTHORITY, INC.**
29 **(“CWA”)?**

1 A8. The primary purpose of my testimony is to provide the Commission with an
2 executive compensation study examining competitive compensation levels for peer
3 companies that are reflective of Citizens Energy Group's market for executive talent
4 as defined in the company's executive compensation philosophy. In addition, I was
5 asked by Citizens Energy Group to provide an updated compensation study that
6 examines only municipal/public power utility compensation in response to the
7 Commission's directive in the last CWA rate case for the filing of an updated study in
8 the next CWA rate case. I will address the results of the municipal only compensation
9 study later in my testimony.

10 The first compensation study will demonstrate that the target total cash
11 compensation provided to Citizens Energy Group executives aligns with the
12 company's stated executive compensation philosophy and is reasonable relative to the
13 competitive market for executive talent for similar industry positions. In reaching
14 these conclusions, Willis Towers Watson specifically focused on the following
15 aspects of the Citizens Energy Group compensation program:

- 16 • Executive compensation philosophy; and
- 17 • Competitive market positioning of target total cash compensation.

18 **OVERVIEW OF CITIZENS ENERGY GROUP'S EXECUTIVE COMPENSATION**

19 **PHILOSOPHY**

20 **Q9. DOES CITIZENS ENERGY GROUP HAVE A DEFINED EXECUTIVE**
21 **COMPENSATION PHILOSOPHY?**

1 A9. Yes, Citizens Energy Group's executive compensation philosophy, as defined by the
2 Board of Directors (the "Board"), is to provide compensation that is competitive with
3 target total direct compensation of comparable utility organizations for jobs of similar
4 responsibility. The Board has reviewed and affirmed this executive compensation
5 philosophy each year since at least 2014. Citizens Energy Group targets total cash
6 compensation¹ at approximately the median (50th percentile) target total direct
7 compensation² of the market. The primary market for executive talent is defined by
8 the Board as a blend of similarly-sized investor-owned and municipal/public power
9 utilities. In addition, the Board identified the general industry as a secondary market
10 for executive talent, particularly for functional roles (*i.e.*, Finance, Information
11 Technology, Human Resources, etc.).

12 **Q10. HOW DOES CITIZENS ENERGY GROUP'S EXECUTIVE**
13 **COMPENSATION PHILOSOPHY COMPARE WITH OTHER UTILITIES?**

14 A10. Willis Towers Watson examined the proxy disclosures for 14 investor-owned utilities
15 comparable in size to Citizens Energy Group (*e.g.*, revenues ranged from
16 approximately one-half to two times Citizens Energy Group's annual revenues of
17 \$874 million). Peer companies examined are listed in Attachment DJW-1.

18 Based on Willis Towers Watson's review, we believe Citizens Energy
19 Group's executive compensation philosophy remains well-aligned with investor-
20 owned utility peers as almost all of the utility peers (13 of 14 utility peers) position

¹ Citizens Energy Group's target total cash compensation is defined as base salary plus short-term at-risk compensation, but excludes long-term at-risk compensation as the Board eliminated this plan.

² Market target total direct compensation is defined as base salary plus short and long-term at risk compensation.

1 their target total direct compensation at the market median (50th percentile) for some
2 or all pay elements. Likewise, our consulting experience also suggests that larger
3 municipal/public power utilities, as well as general industry companies typically
4 target executive total direct compensation at the market median (50th percentile).

5 **Q11. IN YOUR OPINION, WHY IS BENCHMARKING WITH A PEER GROUP**
6 **AN APPROPRIATE WAY TO ASSESS THE COMPETITIVE POSITION OF**
7 **EXECUTIVE COMPENSATION?**

8 A11. A compensation benchmarking study enables the Board to assess the competitive
9 position of executive compensation relative to a defined peer group, representing the
10 company's defined market for executive talent, and ensures alignment with the
11 Board's articulated executive compensation philosophy. By understanding the
12 competitive levels and mix of pay the Board is able to determine what adjustments, if
13 any, are needed to ensure a competitive compensation package is in place to continue
14 to be able to attract, retain and motivate the executive talent needed to successfully
15 lead the utilities and other businesses operated and managed by Citizens Energy
16 Group.

17 **Q12. IS THE UPDATED MUNICIPAL-ONLY COMPENSATION STUDY**
18 **DIRECTED BY THE COMMISSION APPROPRIATE FOR CITIZENS**
19 **ENERGY GROUP TO USE FOR DETERMINING EXECUTIVE**
20 **COMPENSATION?**

21 A12. No. As noted previously regarding the defined executive compensation philosophy
22 approved by the Board, the municipal-only group is not reflective of the market

1 where Citizens Energy Group competes for executive talent. Rather, it is too limited
2 and excludes other market perspectives where Citizens Energy Group competes for
3 talent, primarily investor-owned utilities and general industry. It is critical when
4 benchmarking executive compensation, that the peer group used for assessing
5 executive compensation competitiveness be aligned with the market for talent and in
6 Citizens Energy Group's case that should reflect investor-owned utilities,
7 municipally-owned/public power utilities, and for selected executive positions,
8 general industry.

9 **Q13. WHY IS THE EXECUTIVE COMPENSATION PHILOSOPHY ALIGNED**
10 **PEER GROUP OF INVESTOR-OWNED UTILITIES AND**
11 **MUNICIPAL/PUBLIC POWER UTILITIES USED TO MEASURE THE**
12 **COMPETITIVENESS OF EXECUTIVE COMPENSATION APPROPRIATE**
13 **IN YOUR OPINION?**

14 A13. The 24 company peer group Willis Towers Watson used to assess the competitiveness
15 of executive compensation at Citizens Energy Group is based on utilities comparable
16 in size to Citizens Energy Group (revenues ranging from approximately one-half to
17 two times Citizens Energy Group revenues of \$874 million) that participated in Willis
18 Towers Watson's Energy Services Industry Executive Compensation Database.
19 When developing a relevant peer group for benchmarking, a competitive range of
20 one-half to two times revenues is a standard practice in our business and is also
21 utilized by Institutional Shareholder Services, a noted proxy advisor firm. The peer
22 group used for benchmarking executive positions at Citizens Energy Group (investor-

1 owned utilities and municipal/public power utilities) was chosen, as it reflects the
2 primary market where the company competes for executive talent.

3 **Q14. IN YOUR OPINION, WHY DO MUNICIPAL AND PUBLIC POWER**
4 **UTILITIES, LIKE CITIZENS ENERGY GROUP, INCLUDE INVESTOR-**
5 **OWNED UTILITIES IN THE PEER GROUP FOR BENCHMARKING**
6 **EXECUTIVE POSITIONS?**

7 A14. Based on my consulting experience, large municipal and public power utilities
8 include investor-owned utilities in their executive compensation benchmarking peer
9 group because the executives in these utilities have the requisite experience and
10 expertise needed to manage large, complex organizations covering vertically
11 integrated operations, multiple business/operating units and/or support functions
12 needed to provide safe, reliable and cost effective services to customers.

13 As noted in Petitioner's witness Jodi L. Whitney's testimony, Citizens Energy
14 Group's officers are responsible for managing long-term strategic objectives,
15 financial objectives, regulatory initiatives and overall operations for Citizens Energy
16 Group's seven utilities. The utilities cover water, wastewater, natural gas and steam
17 operations with four utilities regulated by the Commission under the municipal
18 ratemaking statute and three regulated as investor-owned utilities. Given the
19 complexity of operations and necessary managerial and other skills needed to
20 effectively run such an organization, Citizens Energy Group has found investor-
21 owned utilities to provide a strong talent pool to meet their executive leadership
22 needs.

1 **SUMMARY OF WILLIS TOWERS WATSON'S EXECUTIVE COMPENSATION**
2 **BENCHMARKING STUDIES**

3 **Q15. DID YOU CONDUCT A COMPETITIVE BENCHMARKING ANALYSIS OF**
4 **CITIZENS ENERGY GROUP'S EXECUTIVE COMPENSATION**
5 **REFLECTIVE OF THE BOARD'S DEFINED MARKET FOR EXECUTIVE**
6 **TALENT?**

7 A15. Yes. The results of that analysis are included as Attachment DJW-2.

8 **Q16. PLEASE DESCRIBE HOW THE STUDY WAS CONDUCTED.**

9 A16. Willis Towers Watson assessed the competitiveness of target total cash compensation
10 for 12 executive positions as compared against market target total direct
11 compensation. Target total cash compensation for Citizens Energy Group's officers is
12 defined as base salary + short-term at-risk compensation, as the long-term at-risk
13 compensation plan was eliminated by the Board in September of 2014.

14 To conduct this analysis, we reviewed compensation data provided to us by
15 Citizens Energy Group and examined competitive market data from the Willis
16 Towers Watson Energy Services Industry Executive Compensation Database. This
17 database is comprised of compensation data for over 100 energy services companies,
18 including investor-owned, municipal and public power utilities. Willis Towers
19 Watson has been conducting this survey for over 20 years.

20 In assessing the competitiveness of Citizens Energy Group's executive
21 compensation, we examined market data from Willis Towers Watson's Energy
22 Services Industry Executive Compensation Database, including a custom peer group

1 reflecting 24 regulated utilities with revenues in a range of approximately one-half to
2 two times Citizens Energy Group's revenues of \$874 million, as the primary market
3 reference point for comparison (See Attachment DJW-3 for a listing of the peer
4 companies).

5 **Q17. PLEASE SUMMARIZE HOW CITIZENS ENERGY GROUP'S EXECUTIVE**
6 **COMPENSATION COMPARED TO THE MARKET MEDIAN.**

7 A17. The table below summarizes the aggregate variance of compensation for the Citizens
8 Energy Group executives as compared to the market median (50th percentile) for each
9 pay component of the utility peers examined by Willis Towers Watson:

	Aggregate Variance from Market Median (50 th Percentile)		
	Base Salary	Target Total Cash Compensation	Target Total Direct Compensation
Citizens Energy Group Executives	1%	-5%	-40%

10 When determining the competitiveness of compensation relative to market, Willis
11 Towers Watson defines an executive position as being competitive or "at market" if
12 compensation is within +/-15% of the market rate of compensation.

13 In aggregate, Citizens Energy Group executive pay falls within the
14 competitive range of the market for base salary and target total cash compensation
15 (base salary + short-term at-risk compensation), but falls well below the competitive
16 market range when compared to the Board's targeted market position of the 50th
17 percentile of target total direct compensation (base salary + short-term at-risk
18 compensation + long-term at-risk compensation), which is due to below market target

1 short-term at-risk opportunities for selected positions with Citizens Energy Group and
2 the lack of long-term at-risk compensation due to the elimination of this plan in 2014.

3 **Q18. DID YOU CONDUCT A COMPETITIVE BENCHMARKING ANALYSIS OF**
4 **CITIZENS ENERGY GROUP'S EXECUTIVE COMPENSATION TO THE**
5 **COMMISSION MANDATED MUNICIPAL-ONLY UTILITY MARKET**
6 **PERSPECTIVE?**

7 A18. Yes. The results of that analysis are included as Attachment DJW-4.

8 **Q19. PLEASE DESCRIBE HOW THE UPDATED MUNICIPAL-ONLY STUDY**
9 **WAS CONDUCTED.**

10 A19. Based on the Commission's directive from CWA's last rate case, Willis Towers
11 Watson assessed the competitiveness of target total cash compensation for 12
12 executive positions, as compared against market target total cash compensation (base
13 salary + short-term at-risk compensation).

14 To conduct this analysis, we again reviewed compensation data provided to us
15 by Citizens Energy Group and examined competitive market data for comparably-
16 sized organizations based on revenues in a range of one-half to two times Citizens
17 Energy Group revenues of \$874 million from the Western Management Group
18 Utilities Compensation Survey (See Attachment DJW-5 for a listing of the 37
19 comparably-sized companies). This survey is comprised of total cash compensation
20 data (base salary + short-term incentives) for over 100 utilities, primarily covering
21 public power utilities, cooperative power utilities and joint action agencies.

1 Competitive market compensation data were only available for 7 of the 12 Citizens
2 Energy Group executive positions examined.

3 **Q20. HAVE YOU REVIEWED THE TESTIMONY OF JODI L. WHITNEY, VICE**
4 **PRESIDENT, HUMAN RESOURCES AND CHIEF DIVERSITY OFFICER**
5 **OF CITIZENS ENERGY GROUP AND ATTACHMENT JLW-2 REGARDING**
6 **CHANGES TO THE CITIZENS ENERGY GROUP SHORT-TERM AT-RISK**
7 **INCENTIVE PLAN DESIGN?**

8 A20. Yes.

9 **Q21. IN YOUR OPINION WAS THE SHORT-TERM AT-RISK INCENTIVE PLAN**
10 **ALIGNED WITH COMPETITIVE UTILITY MARKET PRACTICE PRIOR**
11 **TO CHANGES MADE IN SEPTEMBER 2018?**

12 A21. No, it was not. Given views expressed by the Commission in 2014 on differences in
13 executive and non-executive incentive opportunities, the Board set the target short-
14 term at-risk incentive opportunity, its Short-Term Incentive Pay (“STIP”) Plan award
15 opportunity at 35% of base salary for all officers and capped the maximum award
16 opportunity at 100%, reflecting a reduction from the prior maximum award
17 opportunity of 150% of target for achieving stretch levels of performance. A tiered
18 short-term at-risk incentive opportunity structure (*i.e.*, different target incentive
19 opportunities based on level or position in the organization) is typical for most
20 investor-owned utilities and larger municipal/public power utilities. Willis Towers
21 Watson’s analysis of executive positions at Citizens Energy Group found the more
22 prevalent competitive market practice to be a tiered market short-term at-risk

1 incentive opportunity structure (CEO target incentive opportunity was the highest and
2 incentive targets declined from that point downward throughout the organization).
3 Typically, utility positions with greater duties or scope of responsibility have a higher
4 target incentive opportunity than positions with lesser duties or responsibilities,
5 reflecting greater compensation being “at-risk” (*i.e.*, tied to defined performance
6 measures). Our consulting experience also suggests a tiered short-term at-risk
7 incentive opportunity structure is the most common approach used in general
8 industry. Likewise, our consulting experience indicates that typical short-term at-risk
9 incentive plan designs include a leveraged award opportunity, whereby, incentive
10 plan participants can earn some award payout for achieving defined performance
11 levels above target with the maximum award opportunity being 150% of target for
12 investor-owned utilities and municipal/public power utilities of Citizens Energy
13 Group’s size.

14 **Q22. WERE THE SHORT-TERM AT-RISK INCENTIVE PLAN CHANGES**
15 **REFLECTED IN ATTACHMENT JLW-2 ALIGNED WITH COMPETITIVE**
16 **UTILITY MARKET PRACTICE?**

17 A22. Yes. Changes implemented by the Board aligned the Citizens Energy Group short-
18 term at-risk incentive plan design with competitive utility peer designs. The two key
19 plan design changes that aligned the Citizens Energy Group short-term at-risk
20 incentive plan design with incentive plan designs of investor-owned utility and larger
21 municipal/public power utility plan designs were as follows: i) implement a tiered
22 target short-term at-risk incentive opportunity structure (*i.e.*, CEO = 50%, SVPs and

1 VPs = 35%) for all executives, whereby positions with greater duties and
2 responsibilities have higher target incentive opportunities and ii) removing the cap on
3 award payouts at 100% of target and to allow a maximum award opportunity of 150%
4 of target based on outstanding performance achievement.

5 **CONCLUSION**

6 **Q23. WHAT ARE THE CONCLUSIONS OF YOUR ANALYSIS OF**
7 **COMPENSATION FOR THE OFFICERS OF CITIZENS ENERGY GROUP**
8 **WHEN COMPARED TO THE PEER GROUP DETERMINED BY THE**
9 **BOARD?**

10 A23. Overall, our analysis of utility peers aligned with the Board's articulated executive
11 compensation philosophy indicates that Citizens Energy Group's executive
12 compensation is generally competitive with the utility peers' market median base
13 salary and target total cash compensation, but falls well below the market median
14 competitive range for target total direct compensation. Given the competitive market
15 for talent, Citizens Energy Group must provide market competitive compensation in
16 order to be able to attract, retain and motivate officers needed to successfully run
17 Citizens Energy Group's seven utilities and other businesses.

18 **Q24. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?**

19 A24. Yes.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of his knowledge, information and belief.



David J. Wathen

Attachment DJW-1 to the Direct Testimony of David J. Wathen

Executive Compensation Philosophy Analysis Peer Group

1. ALLETE, Inc.
2. Avista Corp.
3. Black Hills Corp.
4. Cleco Corp.
5. El Paso Electric Co.
6. Idaho Power
7. MGE Energy, Inc.
8. Northwest Natural Gas Co.
9. Northwestern Corp.
10. PNM Resources, Inc.
11. Questar Corp.
12. UIL Holdings Corp.
13. Unitil Corp.
14. UNS Energy

Executive Compensation Benchmarking Analysis for FY2019

Citizens Energy Group
Executive Summary

September 26, 2018

Attachment DJW-2 to the Direct
Testimony of David J. Wathen

Executive Summary

The Compensation and Finance Committee of the Board of Directors of Citizens Energy Group (“Citizens” or “CEG”) engaged Willis Towers Watson to conduct a competitive market review of Citizens’ top twelve (12) positions

- The table below summarizes Citizens’ executive compensation philosophy that was defined in 2014 and confirmed annually thereafter:

Component	Philosophy
Market for Talent	<ul style="list-style-type: none"> ▪ Investor Owned Utilities ▪ Municipal/Public Power Utilities (“Public Power”) ▪ General Industry
Competitive Market Pay Reference Point	<ul style="list-style-type: none"> ▪ Primary market reference point is investor owned utilities and municipal/public power utilities ▪ Secondary market reference point (functional roles) is general industry
Targeted Market Pay Position	<ul style="list-style-type: none"> ▪ Market 50th percentile
Targeted Market Pay Component	<ul style="list-style-type: none"> ▪ Target total direct compensation (base salary + short-term incentive + long-term incentive)

Executive Summary *(cont'd)*

Given Citizens' defined executive compensation philosophy, the Board and Management requested an analysis of competitive compensation data from the following two market perspectives:

1. Combined Investor-Owned and Public Power Utilities

- Reflects the primary market for executive talent as defined by the Board and Management
- Data comprises investor owned utilities, municipal/public power and joint action agencies

2. General Industry

- Reflects the secondary market for talent for selected functional roles (e.g. HR, Finance, IT, etc.) as defined by the Board and Management

Executive Summary (cont'd)

Primary Market for Talent: Investor Owned and Public Power Utilities

Based on the investor owned and public power utility data reviewed, the table below presents the variance of each executive's base salary, target total cash and target total direct compensation relative to the market median

Executive	Position	CEG Current Compensation			Median Market Data					
		Base	TTC ¹	TTDC ²	Investor Owned and Public Power Utilities					
		Base	TTC ¹	TTDC ²	Base	% Diff	TTC ¹	% Diff	TTDC ²	% Diff
Harrison	President & Chief Executive Officer	\$659,167	\$889,875	\$889,875		-4%		-29%		-65%
Brehm	SVP & CFO	\$439,095	\$592,778	\$592,778		11%		3%		-38%
Hill	SVP & General Counsel	\$386,822	\$522,210	\$522,210		2%		-5%		-41%
Strohl	SVP Chief Customer Officer	\$368,368	\$497,297	\$497,297		7%		3%		-33%
Braun	VP Energy Operations	\$312,297	\$421,601	\$421,601		6%		5%		-19%
Willman	VP Water Operations	\$289,750	\$391,163	\$391,163		-7%		-8%		-33%
Lucas	VP Information Technology	\$272,224	\$367,502	\$367,502		-4%		-5%		-35%
Whitney	VP Human Resources	\$264,191	\$356,658	\$356,658		2%		3%		-26%
Jacob	VP Capital Programs & Engineering	\$258,191	\$348,558	\$348,558		3%		7%		-16%
Popp	VP Customer Operations	\$258,191	\$348,558	\$348,558		8%		12%		-15%
Prentice	VP Regulatory & External Affairs	\$250,137	\$337,685	\$337,685		6%		13%		-11%
Karner	VP Controller	\$223,258	\$301,398	\$301,398		-11%		-7%		-32%
Aggregate³		\$3,981,691	\$5,375,283	\$5,375,283		1%		-5%		-40%

Source: Willis Towers Watson Analysis; Citizens Management

¹ TTC (Target Total Cash) = base salary + target short-term incentive

² TTDC (Target Total Direct Compensation) = base salary + target short-term incentive + long-term incentive; for Citizens, TTC equals TTDC because Citizens does not provide long-term incentives.

³ Aggregate reflects the sum of the value in each column where market data are available. The "% diff" column represents the percentage difference between the Current TTC and Current TTDC columns and the market data. When market data are not available, Citizens' Current TTC and TTDC values are not included in the calculation.

Executive Summary (cont'd)

Secondary Market for Talent: General Industry

Based on the general industry data reviewed, the table below presents the variance of each executive's base salary, target total cash and target total direct compensation relative to the market median

Executive	Position	CEG Current Compensation			Median Market Data					
		Base	TTC ¹	TTDC ²	General Industry					
		Base	TTC ¹	TTDC ²	Base	% Diff	TTC ¹	% Diff	TTDC ²	% Diff
Harrison	President & Chief Executive Officer	\$659,167	\$889,875	\$889,875						
Brehm	SVP & CFO	\$439,095	\$592,778	\$592,778		-12%		-41%		-73%
Hill	SVP & General Counsel	\$386,822	\$522,210	\$522,210		7%		-9%		-47%
Strohl	SVP Chief Customer Officer	\$368,368	\$497,297	\$497,297		-1%		-14%		-48%
Braun	VP Energy Operations	\$312,297	\$421,601	\$421,601		5%		-6%		-40%
Willman	VP Water Operations	\$289,750	\$391,163	\$391,163		-5%		-14%		-43%
Lucas	VP Information Technology	\$272,224	\$367,502	\$367,502		-14%		-22%		-49%
Whitney	VP Human Resources	\$264,191	\$356,658	\$356,658		-6%		-10%		-38%
Jacob	VP Capital Programs & Engineering	\$258,191	\$348,558	\$348,558		-16%		-22%		-48%
Popp	VP Customer Operations	\$258,191	\$348,558	\$348,558		-3%		-5%		-32%
Prentice	VP Regulatory & External Affairs	\$250,137	\$337,685	\$337,685		1%		0%		-28%
Karner	VP Controller	\$223,258	\$301,398	\$301,398		2%		2%		-26%
						-7%		-7%		-32%
Aggregate³		\$3,981,691	\$5,375,283	\$5,375,283		-5%		-18%		-51%

Source: Willis Towers Watson Analysis; Citizens Management

¹ TTC (Target Total Cash) = base salary + target short-term incentive

² TTDC (Target Total Direct Compensation) = base salary + target short-term incentive + long-term incentive; for Citizens, TTC equals TTDC because Citizens does not provide long-term incentives.

³ Aggregate reflects the sum of the value in each column where market data are available. The "% diff" column represents the percentage difference between the Current TTC and Current TTDC columns and the market data. When market data are not available, Citizens' Current TTC and TTDC values are not included in the calculation.

Attachment DJW-3 to the Direct Testimony of David J. Wathen

Executive Compensation Benchmarking Analysis for FY2019 Peer Group

1. ALLETE, Inc.
2. Aqua America, Inc.
3. Avista Corp.
4. Black Hills Corp.
5. Chesapeake Utilities Corp.
6. Colorado Springs Utilities
7. El Paso Electric Co.
8. Energy Northwest
9. Great River Energy
10. Idaho Power Co.
11. JEA
12. Knoxville Utilities Board
13. Lower Colorado River Authority
14. Northwestern Energy
15. NW Natural
16. Oglethorpe Power Corp.
17. Old Dominion Electric Cooperative
18. Omaha Public Power District
19. Otter Tail Power Co.
20. PNM Resources, Inc.
21. Santee Cooper
22. South Jersey Industries, Inc.
23. Spire, Inc.
24. Unitil Corp.

An aerial photograph of a city, likely New York City, showing a dense urban landscape with various buildings, streets, and highways. Overlaid on the image are several semi-transparent architectural renderings of modern buildings, including a prominent white, curved structure and a large, multi-story building with a green roof. The text is positioned in the upper left and upper right areas of the image.

Municipal Only Benchmark Compliance Report

Citizens Energy Group

September 26, 2018

Attachment DJW-4 to the Direct
Testimony of David J. Wathen

Compensation Analysis Summary

The comparison of Citizens Energy Group (Citizens or CEG) executive compensation to municipal/public power utility market data set forth in this benchmarking analysis is in compliance with the Indiana Utility Regulatory Commission's Order in Cause No. 44685 (Order) requiring CWA Authority, Inc. in its next rate case to "include with its case-in-chief an updated compensation study of executive salaries that includes only municipal utilities."

Based on the Order, a compensation analysis was conducted reflective of the following scope:

- Given insufficient municipal utility market data, a broader market perspective of municipal/public power utilities was examined
 - Reflects municipal utilities, public power utilities, cooperatives, joint action agencies and service providers to municipal utilities in published surveys available to Willis Towers Watson
 - Note: this perspective does not reflect Citizens' market for executive talent, as defined by the Board
- Data provided are from a custom cut of the Western Management Group Survey (WGMG) of comparably sized utilities
 - Utilities included in the study were selected based on self-reported revenue using a criteria of one-half to two times Citizens' annual revenues of \$874 million
 - Revenue scope of one-half to two times Citizens' revenues is a compensation consulting standard and a best practice for benchmarking and scoping executive positions to survey data
 - Data are provided for seven of the twelve positions identified by Citizens due to available survey benchmark data
- There can be inconsistency year-to-year in compensation survey participation due to a company's choice to participate in a particular survey or not; Citizens did not use the WGMG survey previously to assess executive pay levels as the peer group did not align with their primary market for executive talent

Compensation Analysis Summary

The table below presents the variance of each executive’s base salary, target total cash and target total direct compensation relative to the requested municipal/public power market perspective:

Executive	Position	CEG Current Compensation			Median Market Data					
		Base	TTC ¹	TTDC ²	Municipal / Public Power					
					Base	% Diff	TTC ¹	% Diff	TTDC ²	% Diff
Harrison	President & Chief Executive Officer	\$659,167	\$889,875	\$889,875						
Brehm	SVP & CFO	\$439,095	\$592,778	\$592,778		37%		65%		65%
Hill	SVP & General Counsel	\$386,822	\$522,210	\$522,210		69%		116%		116%
Strohl	SVP Chief Customer Officer	\$368,368	\$497,297	\$497,297		38%		77%		77%
Braun	VP Energy Operations	\$312,297	\$421,601	\$421,601		--		--		--
Willman	VP Water Operations	\$289,750	\$391,163	\$391,163		--		--		--
Lucas	VP Information Technology	\$272,224	\$367,502	\$367,502		40%		67%		67%
Whitney	VP Human Resources	\$264,191	\$356,658	\$356,658		29%		70%		70%
Jacob	VP Capital Programs & Engineering	\$258,191	\$348,558	\$348,558		17%		58%		58%
Popp	VP Customer Operations	\$258,191	\$348,558	\$348,558		--		--		--
Prentice	VP Regulatory & External Affairs	\$250,137	\$337,685	\$337,685		--		--		--
Karner	VP Controller	\$223,258	\$301,398	\$301,398		21%		59%		59%
Aggregate³		\$2,502,948	\$3,378,980	\$3,378,980		37%		73%		73%

Source: Willis Towers Watson Analysis; Citizens Management

A “--” reflects insufficient data reported.

¹ TTC (Target Total Cash) = base salary + target short-term incentive

² TTDC (Target Total Direct Compensation) = base salary + target short-term incentive + long-term incentive; for Citizens, TTC equals TTDC because Citizens does not provide long-term incentives.

³ Aggregate reflects the sum of the value in each column where market data are available. The “% diff” column represents the percentage difference between the Current TTC and Current TTDC columns and the market data. When market data are not available, Citizens’ Current TTC and TTDC values are not included in the calculation.

Attachment DJW-5 to the Direct Testimony of David J. Wathen

Municipal Only Benchmark Compliance Report Peer Group

1. American Municipal Power
2. American Transmission
3. Arkansas Electric Cooperative
4. Associated Electric Cooperative
5. Basin Electric Cooperative
6. City of Anaheim Public Utilities
7. City of Tacoma
8. City Utilities of Springfield
9. Colorado Springs Utilities
10. ElectriCities of North Carolina
11. Energy Northwest
12. Florida Municipal Power Agency
13. Gainesville Regional Utilities
14. Georgia System Operations
15. Great River Energy
16. Indiana Municipal Power Agency
17. Intermountain Power Agency
18. JEA
19. Knoxville Utilities Board
20. Lafayette Utilities System
21. Lower Colorado River Authority
22. Nashville Electric Service
23. Nebraska Public Power District
24. Northern California Power Agency
25. Old Dominion Electric Cooperative
26. Omaha Public Power District
27. Orlando Utilities Commission
28. Pedernales Electric Cooperative
29. Philadelphia Gas Works
30. Sacramento Municipal Utility District
31. Santee Cooper
32. Seattle City Light
33. Seminole Electric Cooperative
34. Southern California Public Power Authority
35. Tri-State Generation & Transmission Association Inc.
36. Western Farmers Electric Cooperative
37. WPPI Energy