

**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  
JODI L. WHITNEY**

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

**Petitioner's Exhibit No. 7**

1 **INTRODUCTION AND BACKGROUND**

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

3 A1. My name is Jodi L. Whitney. My business address is 2020 North Meridian Street,  
4 Indianapolis, Indiana.

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

6 A2. I am employed by the Board of Directors for Utilities of the Department of Public  
7 Utilities of the City of Indianapolis (the "Board of Directors" or "Board"), which  
8 does business as Citizens Energy Group. Citizens Energy Group owns a number  
9 of businesses including the gas, steam and water utilities serving Indianapolis.  
10 Citizens Energy Group is also affiliated with CWA Authority, Inc. ("CWA"),  
11 which owns the wastewater utility that provides wastewater collection and  
12 treatment services in Indianapolis and wastewater treatment services to  
13 surrounding communities. Pursuant to a Management and Operating Agreement  
14 approved by this Commission in Cause No. 43936, Citizens Energy Group  
15 provides management and operational services necessary and desirable for the  
16 operation of the wastewater utility owned by CWA. CWA is the Petitioner in this  
17 proceeding. I am Vice President, Human Resources and Chief Diversity Officer  
18 of Citizens Energy Group.

19 **Q3. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES AS VICE**  
20 **PRESIDENT, HUMAN RESOURCES AND CHIEF DIVERSITY**  
21 **OFFICER.**

1 A3. I am responsible for overseeing and coordinating the attraction and retention of all  
2 Citizens Energy Group employees; executive and non-executive total  
3 compensation; oversight of diversity and inclusion initiatives; employee  
4 development and training; succession planning; union relations and negotiations;  
5 payroll; employee relations; safety programs and compliance; and security  
6 programs and compliance.

7 **Q4. HOW LONG HAVE YOU BEEN EMPLOYED BY CITIZENS ENERGY**  
8 **GROUP?**

9 A4. I began my employment with Citizens Energy Group in 2000 as a Customer  
10 Service Supervisor. In 2003, I was promoted to Manager of Customer Services  
11 and served in that position for five years. In 2008, I was named Director of  
12 Human Resources. I was appointed Vice President, Human Resources in 2013.  
13 My title changed to Vice President, Human Resources and Chief Diversity Officer  
14 in January 2018, in recognition of my additional duties and responsibilities.

15 **Q5. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

16 A5. I received a Bachelor of Science degree in Business Administration from Indiana  
17 University, Indianapolis in 1994, focusing on areas of Management and Human  
18 Resources. Additionally, I received an MBA from the University of Indianapolis  
19 in 2012. In 2013, I was certified as a Senior Professional in Human Resources.

20 **Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

1 A6. Yes. I prepared testimony and exhibits in Cause No. 44462 on behalf of  
2 Respondents, Citizens Energy Group and CWA. I also provided testimony in  
3 Cause No. 44644 for Citizens Water.

4 **Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 A7. I sponsor the Board Resolution adopted on September 27, 2017 establishing the  
7 executive compensation programs and level of compensation during fiscal year  
8 2018 for Citizens Energy Group's officers, which is identified as Attachment  
9 JLW-1 to my testimony. As I explain in this testimony, while Attachment JLW-1  
10 reports total officer compensation on Exhibit B for the fiscal year pay period  
11 beginning October 2, 2017, it is important to note that for most of the officers  
12 listed in Attachment JLW-1, less than 25 percent of the total compensation has  
13 been allocated to CWA on a pro forma basis and included as 0.4 percent of the  
14 revenue requirement in this rate case. I further explain why I believe the current  
15 compensation structure and resulting level of compensation are necessary,  
16 appropriate and satisfy the need of Citizens Energy Group to provide a  
17 competitive level of compensation for its officers and why the results of the  
18 updated municipal compensation study which Mr. Wathen prepared in  
19 compliance with the Commission's directive in Cause No. 44685 is not the  
20 appropriate measure of executive compensation for Citizens Energy Group. I also  
21 address the Board's authority to determine the level of compensation of our  
22 managers and employees and the necessary experience and expertise the officers

1 must have to manage and operate seven different utilities. Finally, I provide my  
2 opinion regarding the aggregate level of target total cash compensation (base pay  
3 and target short-term at-risk compensation) for officers, which is included in  
4 CWA's annual revenue requirement in this case.

5 **Q8. GENERALLY SPEAKING, WHAT SKILLS AND EXPERIENCE DO**  
6 **OFFICERS OF CITIZENS ENERGY GROUP NEED IN ORDER TO**  
7 **SUCCESSFULLY MANAGE THE UTILITIES UNDER THE BOARD'S**  
8 **CONTROL?**

9 A8. Citizens Energy Group is comprised of seven regulated utilities in the water,  
10 wastewater and energy sectors. The Board has the responsibility of managing  
11 these utilities in the most cost effective and efficient manner for our current and  
12 future customers. Citizens Energy Group's officers must have the skills and  
13 experience necessary to execute both short-term and long-term strategic plans for  
14 safely and reliably delivering utility services across a broad array of utilities in a  
15 manner that is financially sustainable. In order to meet this requirement, Citizens  
16 Energy Group must be able to recruit, retain and motivate qualified executive  
17 talent to operate and manage this diverse portfolio of utilities. The compensation  
18 of our executive talent must be commensurate with those skills and experience.

19 **Q9. ARE ANY OTHER WITNESSES TESTIFYING IN THIS CAUSE**  
20 **REGARDING CITIZENS ENERGY GROUP'S EXECUTIVE**  
21 **COMPENSATION PROGRAM?**

1 A9. Yes. Petitioner's witness David J. Wathen, Senior Director Executive  
2 Compensation for Willis Towers Watson, provides testimony describing why the  
3 target total cash compensation (base pay and target short-term at-risk  
4 compensation) provided to Citizens Energy Group officers aligns with the  
5 Board's stated compensation philosophy and is competitive with other  
6 comparably sized companies with similar industry positions. The Executive  
7 Compensation Benchmarking Analysis for fiscal year 2019, which was prepared  
8 for the Board in September 2018, is Attachment DJW-2 to Mr. Wathen's  
9 testimony and Attachment JLW-2 is the resulting Board Resolution.

10 **Q10. BRIEFLY DESCRIBE ATTACHMENT JLW-2 TO YOUR TESTIMONY.**

11 A10. Attachment JLW-2 is an excerpt from the regular meeting of the Board of  
12 Directors held on September 26, 2018. Exhibit A to the Resolution is the  
13 Executive Compensation Benchmarking Analysis for September 26, 2018  
14 prepared by Willis Towers Watson. In reliance upon Exhibit A and the  
15 recommendation of the Compensation and Finance Committee, the Board adopted  
16 the compensation set forth on Exhibit B for each listed officer along with certain  
17 design changes to the Short-Term Incentive Plan for Citizens Energy Group, both  
18 of which are effective for fiscal year 2019.

19 **Q11. IS CWA FILING WITH ITS CASE-IN-CHIEF AN UPDATED**  
20 **COMPENSATION STUDY THAT INCLUDES ONLY MUNICIPAL**  
21 **UTILITIES AS DIRECTED BY THE COMMISSION?**

1 A11. Yes, CWA is making this filing in response to a directive from the Commission.  
2 The Commission's Order in the last CWA rate case provided that "In its next rate  
3 case, CWA shall include with its case-in-chief an updated compensation study of  
4 executive salaries that includes only municipal utilities." (Cause No. 44685, at  
5 page 24). To respond to the Commission's directive, Petitioner requested Mr.  
6 Wathen to prepare an updated comparison of executive compensation for Citizens  
7 Energy Group to a group of municipally-owned utilities and public power  
8 utilities, which is identified as Attachment DJW-4 to his testimony. Further,  
9 Citizens Water complied with the Commission's similar directive for the filing of  
10 a municipal-only compensation study pursuant to the Commission's Order in  
11 Cause No. 44644 dated April 20, 2016. (Cause No. 44644, at page 29). Citizens  
12 Water submitted said compliance filing of a compensation study including  
13 municipally-owned and public power utilities in June 2016. The Commission  
14 acknowledged in CWA's last rate case that "Citizens Water complied with the  
15 [Cause No. 44644] Order." (Cause No. 44685, at page 24). While CWA is filing  
16 the updated municipal-only compensation study at the Commission's specific  
17 direction, the Commission made it clear that this carry-over requirement from the  
18 Cause No. 44644 Order does not prevent CWA from also "providing testimony  
19 and evidence in its next rate case about why it disagrees with the municipal-only  
20 compensation study or from submitting an additional, alternative study." (Cause  
21 No. Order 44644, at page 28). The submission of an additional study will be  
22 discussed later in my testimony.

1 **Q12. DOES CWA AGREE WITH THE IMPLICIT PROPOSITION THAT A**  
2 **MUNICIPAL-ONLY COMPENSATION STUDY SHOULD BE USED IN**  
3 **THE DETERMINATION OF EXECUTIVE COMPENSATION FOR**  
4 **CITIZENS ENERGY GROUP?**

5 A12. No. CWA does not agree with that proposition for the following reasons: (1) the  
6 Commission expects Citizens Energy Group's officers to exhibit professional  
7 utility management skills, as articulated in the Commission's Orders in Cause  
8 Nos. 43645 and 43936, which requires compensation commensurate with such  
9 skills and experience; (2) Citizens Energy Group officers must be fairly  
10 compensated for having the necessary technical, financial and managerial  
11 capabilities to operate and manage seven separate utilities in four different utility  
12 industries; and (3) by statute, the Board has the exclusive management, regulation  
13 and control of the Citizens Energy Group utilities and it makes the determination  
14 each year of what officers should be paid in recognition of their responsibilities,  
15 qualifications, skills, and performance, as compared to a competitive market for  
16 talent.

17 **Q13. HOW DID THE COMMISSION ARTICULATE ITS EXPECTATION FOR**  
18 **PROFESSIONAL UTILITY MANAGEMENT OF UTILITIES IN CAUSE**  
19 **NO. 43645?**

20 A13. In 2009, the City of Indianapolis ("City") was facing a crisis with regard to its  
21 water and wastewater utilities. The City's water utility ("DOW") had filed with  
22 the Commission a request for emergency rate relief, and the City's wastewater



1 utility ("DPW") was facing a massive capital program driven by a \$2.4 billion  
2 federal Consent Decree. In the DOW Emergency Rate Order and the Final Order  
3 in Cause No. 43645, the Commission made several observations regarding the  
4 City's management of the DOW. Among those observations were the following:

5 " . . . The [DOW] has lacked the necessary staff and expertise to  
6 effectively manage the utility and oversee Veolia's operation under  
7 the terms of the Management Agreement since the inception. In  
8 addition, while it appears that for most of the past eight years the  
9 [DOW] Board has operated as a group of well-regarded civic and  
10 professional leaders who were motivated by the highest of  
11 intentions, it also appears that they were overmatched, understaffed  
12 and inadequately supported by the City." (Final Order, page 13)

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13 " . . . we have concerns whether the [DOW] currently has the  
14 managerial capabilities to address the financial emergency  
15 situation in which it finds itself." (Emergency Rate Order, page  
16 13)

\*\*\*\*\*

17 " . . . several factors related to the [DOW's] financing situation are  
18 simply related to poor management." (Emergency Rate Order,  
19 page 25)

\*\*\*\*\*

20 " . . . the Commission finds that the [DOW] shall provide sufficient  
21 evidence in the permanent rate proceeding to demonstrate that it  
22 has the technical, financial, and managerial capabilities to  
23 reasonably and adequately operate the water utility." (Emergency  
24 Rate Order, page 27)

25 In July 2009, immediately following the Commission's June 30th Interim  
26 Emergency and Prehearing Conference Order in the DOW's Cause No. 43645,  
27 the City issued the Request for Expression of Interest ("REI") to look for ways to  
28 create synergies between the City's water and wastewater utilities and for partners

1 to help achieve those synergies. The responses to the City's REI ultimately led to  
2 Citizens Energy Group's acquisition of the City's water and wastewater utilities.

3 **Q14. WHAT OBSERVATIONS ABOUT CITIZENS ENERGY GROUP'S**  
4 **MANAGEMENT DID THE COMMISSION MAKE IN ITS ORDER IN**  
5 **CAUSE NO. 43936, WHEN CITIZENS ENERGY GROUP'S**  
6 **ACQUISITION OF THE CITY'S WATER AND WASTEWATER**  
7 **UTILITIES WAS APPROVED?**

8 A14. The Commission agreed with the City's and Citizens Energy Group's witnesses  
9 that Citizens Energy Group had significant experience operating utilities and that  
10 it had the managerial capability and experience to successfully operate the water  
11 and wastewater utilities. The Commission's Order in Cause No. 43936 included  
12 the following finding:

13 "The Commission was presented with evidence demonstrating the  
14 significant challenges the Water and Wastewater Systems face in  
15 the upcoming years, which underscores the need to ensure these  
16 critical utility assets are under the operational control of a qualified  
17 and experienced utility organization." (Order at p. 18).

18 The Commission further found:

19 ". . . Citizens has extensive experience operating public utilities  
20 based on its provision of natural gas, steam, and chilled water  
21 services. With respect to its managerial capability to run the Water  
22 and Wastewater Systems, we find this experience highly relevant.  
23 Both the evidence presented and our experience with Citizens in  
24 other cases convinces us that Citizens and [CWA] have the  
25 managerial capability to own and operate the Water and  
26 Wastewater Systems." (Order at p. 21).

1 **Q15. WHAT IS THE SIGNIFICANCE OF MANAGEMENT'S NECESSARY**  
2 **SKILLS AND EXPERIENCE TO OPERATE AND MANAGE SEPARATE**  
3 **UTILITIES IN FOUR UTILITY INDUSTRIES?**

4 A15. Citizens Energy Group's officers are responsible for developing, coordinating and  
5 managing the implementation of long-term strategic objectives, financial  
6 objectives, regulatory initiatives, and overall operations for Citizens Energy  
7 Group's utilities. These seven utilities represent a diverse group of businesses  
8 that require knowledge and experience in water, wastewater, natural gas, steam,  
9 general industry and other professional backgrounds. Operating and managing  
10 such a diverse group of utilities requires a heightened degree of expertise and  
11 business acumen. The multiple utilities under the Citizens Energy Group umbrella  
12 allows for a cost allocation of shared services, including executive compensation,  
13 that is lower than would be experienced by each utility if they were operating as  
14 individual entities.

15 **Q16. PLEASE EXPLAIN THE BOARD'S EXCLUSIVE MANAGEMENT,**  
16 **REGULATION AND CONTROL OF THE CITIZENS ENERGY GROUP**  
17 **UTILITIES.**

18 A16. The Board has the statutory authority under Ind. Code § 8-1-11.1-3(c)(4) to "fix  
19 the compensation of all such employees" and respectfully disagrees with the  
20 implicit premise from the above-cited Commission orders in Cause Nos. 44644  
21 and 44685 that compensation for Citizens Energy Group officers should be  
22 predicated on a comparison with only municipally-owned utilities, to the

1 exclusion of a comparison peer group that also includes investor-owned utilities  
2 and general industry. It is the Board's judgment, based on its experience in the  
3 exclusive management, regulation and control of the Citizens Energy Group  
4 utilities, that its comparative peer group for executive talent and compensation has  
5 been and remains a blend of investor-owned utilities, municipally-owned/public  
6 power utilities and general industry, for certain positions. Further, "The Board has  
7 the power, authority and discretion to hire employees necessary for the proper  
8 carrying on and operation of any such utility plant or plants and the business and  
9 to fix the compensation of all such employees." (Ind. Code § 8-1-11.1-3(c)(4)).  
10 Equally as important, the Board, in selecting its management team "shall consider  
11 character, training, and general expert and executive fitness and experience for the  
12 position...." Id.

13 The expertise and experience required to manage and operate the State's  
14 third largest gas utility, the State's largest water and wastewater utilities, the  
15 country's second largest steam utility and three investor-owned utilities providing  
16 natural gas, water and wastewater utility services, all in a regulated environment,  
17 calls for executive talent that does not solely reside in municipal utilities. The  
18 Board frequently relies on talent from investor-owned utilities and general  
19 industry to assemble an executive team that fulfills its statutory duties. Simply  
20 put, the municipal utility talent pool has not been exclusively relied upon by the  
21 Board to fill vacancies among its executive team. Therefore, I concur with the  
22 Board that it would not be appropriate, and could be detrimental, to base

1 executive compensation for officers on a comparison with only municipally-  
2 owned utilities. Doing so would significantly hinder Citizens Energy Group's  
3 ability to hire and retain qualified, experienced individuals to run our critical  
4 infrastructures and maintain continuity of technical, financial, and managerial  
5 expertise.

6 **Q17. HOW IS COMPENSATION DETERMINED FOR CITIZENS ENERGY**  
7 **GROUP'S OFFICERS?**

8 A17. In exercising its statutory authority to fix the compensation of its officers, each  
9 year, the Board retains and works with an experienced and independent  
10 compensation consultant, which for the last several years has been Willis Towers  
11 Watson. That firm provides to the Board comparative market data from a peer  
12 group to benchmark the level of target total direct compensation (base salary and  
13 short-term and long-term at-risk compensation) for each executive position.  
14 Consideration of the appropriate market data is necessary to provide executive  
15 compensation for Citizens Energy Group officers that is comparable to and  
16 competitive with market practices in the utility industry.

17 **Q18. WHAT IS CITIZENS ENERGY GROUP'S MARKET FOR EXECUTIVE**  
18 **TALENT?**

19 A18. Citizens Energy Group's market for executive talent is determined based on the  
20 source from which we recruit successful executives. Most of Citizens Energy  
21 Group's officers previously held positions with investor-owned utilities or with  
22 organizations in the general industry sector. The remainder of the officers gained

1 their work experience and increased skillsets while working many years for  
2 Citizens Energy Group. Historically, Citizens Energy Group has recruited very  
3 few employees from municipally-owned utilities – further underscoring the fact  
4 that this sector is not our market for talent. Since 2011, Citizens Energy Group's  
5 executive team has been tasked with further developing an in-house professional  
6 management team experienced in the efficient delivery of utility services with  
7 specific emphasis on improving the financial stability and infrastructure needs of  
8 the largest wastewater and water utilities in the State of Indiana. Citizens Energy  
9 Group takes this charge very seriously and has been successful because of  
10 talented employees at all levels of the organization. Beyond improving the  
11 systems and financial position of the wastewater utility serving Indianapolis and  
12 surrounding communities, Citizens Energy Group has done so while successfully  
13 operating and improving upon the other large utilities and businesses under the  
14 Citizens Energy Group umbrella.

15 Citizens Energy Group faces, and will continue to face, a number of  
16 challenges that will require the leadership of experienced and qualified  
17 employees, including the significant effort to address aging infrastructure needs  
18 and comply with the obligations imposed on CWA under the federal Consent  
19 Decree as discussed in the testimony of Petitioner's witness Mr. Mark C. Jacob,  
20 Citizens Energy Group's Vice President, Capital Programs & Engineering and  
21 Quality and the testimony of CWA's witness Mr. Jeffrey A. Willman, Citizens  
22 Energy Group's Vice President of Water Operations. I expect that as Citizens

1 Energy Group officers turn over, we will continue to recruit executives from other  
2 comparably sized investor-owned utilities and the general industry or fill open  
3 roles through succession planning from within the organization. Citizens Energy  
4 Group will be able to recruit experienced and qualified executives to fill those  
5 roles because the Board has recognized the need to maintain continuity of  
6 management and control over the safety and reliability of these critical utility  
7 assets. In performing its statutory function to fix the compensation of officers, the  
8 Board has identified the appropriate competitive market for compensation to  
9 attract and retain qualified, professional employees.

10 **Q19. ARE THERE OTHER REASONS IT IS IMPORTANT THAT**  
11 **COMPENSATION OF CITIZENS ENERGY GROUP'S OFFICERS BE**  
12 **COMPARABLE TO AND COMPETITIVE WITH THE COMPENSATION**  
13 **OF EXECUTIVES IN THE APPROPRIATE MARKET?**

14 A19. Yes. In addition to seeking to attract, retain and motivate qualified and  
15 experienced executive talent, competitive officer compensation is important to  
16 ensure continuity among the management team and to capitalize on the  
17 experience of managing the seven utilities and businesses that comprise Citizens  
18 Energy Group. Having a management team with such experience and knowledge  
19 is beneficial to the customers and the communities we serve, which, as previously  
20 discussed, was highlighted during the proceeding before the Commission  
21 involving approval for the acquisition of the City's water and wastewater assets.  
22 Providing compensation programs that are comparable to and competitive with

1 other peer group companies is necessary to attract qualified employees and  
2 minimize turnover among Citizens Energy Group officers; thereby assuring the  
3 continuity of the management team charged with the challenges of improving  
4 infrastructure, expending billions of dollars to comply with the obligations  
5 imposed by a federal Consent Decree, all while improving the financial stability  
6 of this wastewater utility as well as the water utility, both acquired from the City.  
7 Also, it is important for continuity of management and succession planning that  
8 the target total cash compensation for senior management is competitive and  
9 sufficient to motivate our employees to remain with Citizens Energy Group and  
10 work toward the goal of being promoted to an officer position. Not paying current  
11 and future officers appropriately for their skillsets and experience will result in  
12 increased turnover, which would greatly impact our ability to address  
13 infrastructure, reliability and safety needs in the short-term and long-term.

14 **Q20. PLEASE DESCRIBE BRIEFLY THE DETERMINATION OF**  
15 **COMPENSATION BY THE BOARD AND IDENTIFY ATTACHMENT**  
16 **JLW-1.**

17 A20. In early 2017, the Compensation and Finance Committee (“Committee”) of the  
18 Board engaged leading compensation consultant Willis Towers Watson to prepare  
19 a competitive benchmarking analysis for executive employee positions within  
20 Citizens Energy Group. The Board addresses the appropriate level of  
21 compensation for Citizens Energy Group officers each year and relies upon the  
22 Committee’s input. The September 27, 2017 Board Resolution attached to my



1 testimony (Attachment JLW-1) includes the Willis Towers Watson benchmarking  
2 study in which the Board reaffirmed the executive compensation philosophy.  
3 The Resolution further indicates that, at the recommendation of the Committee,  
4 the Board adopted the level of compensation set forth in Exhibit B for each of the  
5 listed executives for Fiscal Year 2018 beginning on October 1, 2017. It is  
6 important to note that the levels of compensation in Exhibit B reflect total base  
7 pay for each executive, which together with at-risk pay is then allocated to each  
8 utility for rate making purposes. The level of executive compensation for CWA,  
9 as depicted below, totals \$1,349,642.

Title	% to CWA	Total
President & Chief Executive Officer	24.69%	\$226,302
Senior VP & CFO	24.69%	\$150,748
VP Water Operations	47.00%	\$189,362
Senior VP & General Counsel	24.69%	\$132,802
Senior VP Chief Customer Officer	24.69%	\$126,466
VP Energy Operations	0.00%	\$0
VP Information Technology	24.69%	\$93,458
VP Human Resources & Chief Diversity Officer	24.69%	\$90,701
VP Capital Programs & Engineering	24.69%	\$88,641
VP Customer Operations	24.69%	\$88,641
VP Regulatory & External Affairs	24.69%	\$85,876
VP & Controller	24.69%	\$76,648
		<u>\$1,349,642</u>

10 **Q21. WHAT OCCURRED AFTER THE COMMITTEE ENGAGED WILLIS**  
11 **TOWERS WATSON FOR FISCAL YEAR 2018?**

12 A21. Willis Towers Watson reviewed Citizens Energy Group's executive compensation  
13 philosophy, which is driven by the market for talent with consideration of the  
14 Commission's views, and provided comparative data to benchmark the level of

1 target total cash compensation for each executive position based on the duties and  
2 responsibilities of each position against market target total direct compensation.  
3 The process is further explained in Mr. Wathen's testimony. The Board used this  
4 benchmarking analysis in establishing the new compensation levels for senior  
5 executives in fiscal year 2018, which began on October 1, 2017.

6 **Q22. PLEASE DESCRIBE THE PURPOSE OF CITIZENS ENERGY GROUP'S**  
7 **EXECUTIVE COMPENSATION PHILOSOPHY.**

8 A22. Citizens Energy Group strives to provide its officers with target total cash  
9 compensation that is competitive with the market in which it competes for talent  
10 in order to attract, retain and motivate talented and capable employees. Citizens  
11 Energy Group's compensation program is designed to provide its officers an  
12 opportunity to earn target total cash compensation that is competitive with target  
13 total direct compensation at the 50th percentile of the peer group market, which  
14 Mr. Wathen will explain is an industry best practice.

15 **Q23. WHAT PEER OR COMPARISON GROUP (MARKET) DID WILLIS**  
16 **TOWERS WATSON USE IN THE BENCHMARKING ANALYSIS AS**  
17 **THE APPROPRIATE LABOR MARKET FOR CITIZENS ENERGY**  
18 **GROUP?**

19 A23. Willis Towers Watson benchmarked Citizens Energy Group's executive  
20 compensation against similar employee positions from a blend of investor-owned  
21 and municipal/public power utilities with annual revenues in a range of  
22 approximately one-half to two times Citizens Energy Group's aggregate annual

1 revenues. For purposes of evaluating officer compensation, the Board requested  
2 that Willis Towers Watson include municipal/public power utilities in the  
3 benchmarking comparison group to the extent the data was available. The list of  
4 the peer group utilities Willis Towers Watson used in its executive compensation  
5 benchmarking analysis for Citizens Energy Group officers is described in the  
6 testimony of Mr. Wathen.

7 **Q24. IN YOUR OPINION, DOES THE METHODOLOGY FOR**  
8 **DETERMINING TARGET TOTAL CASH COMPENSATION APPROVED**  
9 **BY THE BOARD ALLOW CITIZENS ENERGY GROUP TO ATTRACT**  
10 **AND RETAIN QUALIFIED OFFICERS, AND RESULT IN A**  
11 **NECESSARY AND APPROPRIATE AMOUNT OF OFFICER**  
12 **COMPENSATION BEING ALLOCATED TO CWA?**

13 A24. In my opinion, the amount of officer compensation approved by the Board and the  
14 annual revenue requirement attributable to the portion of officer compensation  
15 allocable to CWA in this rate case are necessary and appropriate based on the  
16 need of Citizens Energy Group to determine total cash compensation at a level  
17 that will attract, retain and motivate qualified and capable officers. Citizens  
18 Energy Group has used a process of benchmarking executive compensation for  
19 over 20 years, with various compensation consultants, and has been able to  
20 attract, retain and motivate qualified and capable executive employees, creating  
21 safe and reliable utility systems for our customers and the communities we serve.  
22 Citizens Energy Group provides natural gas, thermal energy, water and

1 wastewater services to over one million people and thousands of businesses in  
2 Indianapolis and the surrounding area. Because of the critical nature of the  
3 services provided by Citizens Energy Group, it is imperative that the Board  
4 continues to be in a position to attract and retain qualified, competent and  
5 experienced officers that have the ability and expertise to meet those challenges.  
6 To achieve this objective, the Board will continue to retain a third-party  
7 consultant to review Citizens Energy Group's executive compensation with the  
8 appropriate benchmark companies and consider market best practices in terms of  
9 its compensation strategy.

10 **Q25. FOR REVENUE REQUIREMENT PURPOSES IN THIS RATE CASE,**  
11 **WHAT IS THE COMPENSATION FOR OFFICERS?**

12 A25. According to the workpapers prepared by Petitioner's witness Sabine E. Karner,  
13 Citizens Energy Group's Vice President & Controller, and as mentioned earlier in  
14 my testimony, pro forma senior executive compensation (base pay plus short-term  
15 at-risk compensation) allocated to CWA totals \$1,349,642. Executive  
16 compensation represents less than ½ percent of the total pro forma revenue of  
17 \$333,924,357 presented in this case in the testimony of Petitioner's witness  
18 Korlon L. Kilpatrick, Citizens Energy Group's Director of Regulatory Affairs.

19 **Q26. DO YOU BELIEVE THE LEVEL OF TARGET TOTAL CASH**  
20 **COMPENSATION FOR OFFICERS REFLECTED IN THE PROPOSED**  
21 **REVENUE REQUIREMENT FOR LABOR TO BE REASONABLE AND**

1           **NECESSARY FOR THE PROVISION OF ADEQUATE AND RELIABLE**  
2           **WASTEWATER SERVICE BY CWA?**

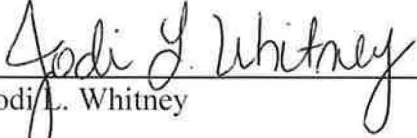
3   A26.   Yes, based on the current peer group data provided to the Board by Willis Towers  
4           Watson.

5   **Q27.   DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6   A.27   Yes, at this time.

**VERIFICATION**

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

  
\_\_\_\_\_  
Jodi L. Whitney

STATE OF INDIANA )  
 ) SS:  
COUNTY OF MARION )

In Re: An excerpt from the  
Regular Meeting held  
September 27, 2017

**VERIFIED CERTIFICATE OF RESOLUTION OF  
THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF  
PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS**

The undersigned officer hereby certifies the following resolution was adopted by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis on September 27, 2017, to-wit:

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**RESOLUTION OF THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT  
OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS,  
D/B/A CITIZENS ENERGY GROUP**

**WHEREAS**, by statute, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis (the “Board”) has the “exclusive government, management, regulation and control of all public utilities consisting of any waterworks, gasworks . . . heating and power plants of any kind [owned and] operated [by the Board] . . . within the city, or outside the city . . .” IC 8-1-11.1-3(a); and

**WHEREAS**, the Board also has the statutory power to “employ such managers . . . and other employees necessary for the proper carrying on and operation of any such utility plant or plants . . . and to fix the compensation of all such employees” and in so doing “shall consider character, training, and general expert and executive fitness and experience for the position in the particular utility to which such [executive] is to be assigned as the necessary requirements . . .” IC 8-1-11.1-3(c)(4); and

**WHEREAS**, the Board has periodically reviewed and made necessary changes in the base pay and other compensation for executives employed by the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group based upon the recommendations of the Compensation and Finance Committee of the Board (the “Committee”) and its consideration of an analysis of executive compensation performed by a third-party compensation expert and other factors, such as the current level of compensation in the primary market for executive talent necessary to perform the duties of each executive position within Citizens Energy Group; and

**WHEREAS**, the Committee engaged leading compensation consultant Willis Towers Watson to prepare for its consideration and the Board’s information a competitive benchmarking analysis for certain executive positions within Citizens Energy Group; and

**WHEREAS**, on August 9, 2017, Mr. David Wathen of Willis Towers Watson presented to the Committee the executive compensation benchmarking analysis for fiscal year 2018 and the Committee indicated that it would take the information in the analysis under advisement in making recommendations to the Board for its use in setting executive compensation for the fiscal year beginning October 2, 2017; and

**WHEREAS**, by Memorandum dated September 27, 2017, Jeff Harrison, President and Chief

Executive Officer, and Jodi Whitney, Vice President for Human Resources, recommended the following two items to the Committee for its consideration—Item 1: Fiscal Year 2018 Base Pay Recommendation (supported by the September 27, 2017 Willis Towers Watson Executive Compensation Benchmarking Analysis and the Fiscal Year 2018 Base Pay Recommendation for each officer) and Item 2: Recommendation of Short Term Incentive Plan (STIP) Measures for 2018; and

**WHEREAS**, at its September 24, 2014 Board meeting, based upon the recommendation of the Committee, input from executives of Citizens Energy Group and consideration of other factors, the Board determined that (a) the primary market for talent for the executives of Citizens Energy Group consisted of a blended peer group of public power utilities and investor owned utilities with annual revenues between one-half to two times the annual revenues of Citizens Energy Group, (b) the secondary market reference point for an executive performing a functional role should be general industry, (c) the targeted market pay position should be the market 50<sup>th</sup> percentile, and (d) the targeted market pay component should be target total direct compensation; and

**WHEREAS**, based upon the foregoing, the Board continues to believe that the primary market for talent necessary to perform the duties of each executive position within Citizens Energy Group consists of a peer group of utilities made up of a blend of similarly-sized public power utilities and investor owned utilities.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS (the “Board”), that:**

**SECTION 1.** The foregoing recitals are incorporated herein by reference and are ratified confirmed, and approved.

**SECTION 2.** After consultation with Willis Towers Watson, review of the Willis Towers Watson Executive Compensation Benchmarking Analysis dated September 27, 2017 (a copy of which is attached hereto as Exhibit “A”), and the Committee’s recommendations to the Board, the Board hereby adopts the compensation set forth in Exhibit B for each of the listed executives for the fiscal year beginning October 2, 2017.

**SECTION 3.** The Board, having considered the necessary and appropriate measures for inclusion in the Short Term Incentive Plan for fiscal year 2018, hereby adopts the financial trigger and performance measures (overall customer satisfaction, safety and cost containment) set forth on the attachment labeled “FY 2018 Short Term Incentive Plan.”

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The undersigned officer of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, a municipal corporation of the State of Indiana, duly authorized to do business pursuant to Indiana Code 8-1-11.1, hereby certifies that the foregoing is a full, true and correct copy of the resolution adopted by the Board of Directors for Utilities on September 27, 2017.



IN WITNESS WHEREOF, I have hereunto set my hand this 8<sup>TH</sup> day of October 2018.

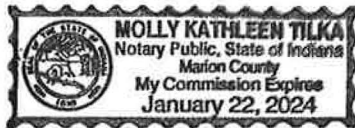


Jennett M. Hill  
Assistant Secretary of the  
Board of Directors

ACKNOWLEDGEMENT

Before me appeared Jennett M. Hill to me personally known, who being by me duly sworn did affirm that she is the Assistant Secretary of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, Inc., a municipal corporation of the State of Indiana, that has no corporate seal and that this certificate was made and executed by her for and on behalf of said Board by the authority vested in said Board pursuant to Indiana Code 8-1-11.1 as its free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in Indianapolis, Indiana, this 6 day of October 2018.



Molly Tilka, Notary Public and Resident of  
Marion County, State of Indiana

My Commission Expires:

01 / 22 / 2024

# Executive Compensation Benchmarking Analysis for FY2018

Citizens Energy Group  
*Executive Summary*

September 27, 2017

# Executive Summary

**The Compensation and Finance Committee of the Board of Directors of Citizens Energy Group (“Citizens”) 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"> <li>▪ Investor Owned Utilities</li> <li>▪ Municipal/Public Power Utilities (“Public Power”)</li> <li>▪ General Industry</li> </ul>
Competitive Market Pay Reference Point	<ul style="list-style-type: none"> <li>▪ Primary market reference point is investor owned utilities and municipal/public power utilities</li> <li>▪ Secondary market reference point (functional roles) is general industry</li> </ul>
Targeted Market Pay Position	<ul style="list-style-type: none"> <li>▪ Market 50<sup>th</sup> percentile</li> </ul>
Targeted Market Pay Component	<ul style="list-style-type: none"> <li>▪ Target total direct compensation (base salary + short-term incentive + long-term incentive)</li> </ul>



## 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

Executive	Position	CEG Current Compensation			Median Market Data					
		Base	TTC <sup>1</sup>	TTDC <sup>2</sup>	Investor Owned and Public Power Utilities					
					Base	% Diff	TTC <sup>1</sup>	% Diff	TTDC <sup>2</sup>	% Diff
Harrison	President & Chief Executive Officer	\$627,778	\$847,500	\$847,500		1%		-24%		-64%
Brehm	SVP & CFO	\$426,306	\$575,513	\$575,513		14%		9%		-33%
Hill	SVP & General Counsel	\$375,555	\$506,999	\$506,999		-5%		-11%		-46%
Strohl	SVP Chief Customer Officer	\$357,639	\$482,813	\$482,813		2%		-7%		-33%
Braun	VP Energy Operations	\$303,201	\$409,321	\$409,321		-1%		0%		-33%
Lucas	VP Information Technology	\$264,295	\$356,798	\$356,798		-6%		-4%		-32%
Whitney	VP Human Resources	\$256,496	\$346,270	\$346,270		1%		5%		-23%
Willman	VP Water Operations	\$252,000	\$340,200	\$340,200		-17%		-17%		-44%
Jacob	VP Capital Programs & Engineering	\$250,671	\$338,406	\$338,406		-4%		-5%		-26%
Popp	VP Customer Operations	\$250,671	\$338,406	\$338,406		11%		15%		-9%
Prentice	VP Regulatory & External Affairs	\$242,851	\$327,849	\$327,849		-1%		-1%		-22%
Kamer	VP Controller	\$207,200	\$279,720	\$279,720		-12%		-7%		-29%
<b>Aggregate<sup>3</sup></b>		<b>\$3,814,663</b>	<b>\$5,149,795</b>	<b>\$5,149,795</b>		<b>-1%</b>		<b>-7%</b>		<b>-41%</b>

Source: Willis Towers Watson Analysis; Citizens Management

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

<sup>2</sup> 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.

<sup>3</sup> 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.



Public Session 9/27/2017

<b>Fiscal Year 2018 Management Base Pay Recommendation</b>				
<b>Name</b>	<b>Job Title</b>	<b>10/3/2016 Salary</b>	<b>10/2/2017 Salary</b>	<b>Reference Note</b>
Harrison	President & Chief Executive Officer	\$ 627,778	\$ 659,167	
Brehm	SVP, Chief Financial Officer	\$ 426,306	\$ 439,095	
Hill	SVP, General Counsel	\$ 375,555	\$ 386,822	
Strohl	SVP, Chief Customer Officer	\$ 357,639	\$ 368,368	
Braun	VP, Energy Operations	\$ 303,201	\$ 312,297	
Lucas	VP, Information Technology	\$ 264,295	\$ 272,224	
Whitney	VP, Human Resources, Safety and Security	\$ 256,496	\$ 264,191	
Jacob	VP, Capital Projects & Engineering	\$ 250,671	\$ 258,191	
Popp	VP, Customer Operations	\$ 250,671	\$ 258,191	
Prentice	VP, Regulatory & External Affairs	\$ 242,851	\$ 250,137	
Willman	VP, Water Operations (eff 2/1/15)	\$ 252,000	\$ 289,750	*
Karner	VP, Controller (eff 10/1/15)	\$ 207,200	\$ 223,258	*
		\$ 3,814,664	\$ 3,981,690	
*New Officer Step Up - Final Year				

STATE OF INDIANA )  
 ) SS:  
COUNTY OF MARION )

In Re: An excerpt from the  
Regular Meeting held  
September 26, 2018

**VERIFIED CERTIFICATE OF RESOLUTION OF  
THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF  
PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS**

The undersigned officer hereby certifies the following resolution was adopted by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis on September 26, 2018, to-wit:

---

**RESOLUTION OF THE BOARD OF DIRECTORS FOR UTILITIES  
OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS, D/B/A  
CITIZENS ENERGY GROUP**

**WHEREAS**, by statute, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis (the “Board”) has the “exclusive government, management, regulation and control of all public utilities consisting of any waterworks, gasworks . . . heating and power plants of any kind [owned and] operated [by the Board] . . . within the city, or outside the city . . .” IC 8-1-11.1-3(a); and

**WHEREAS**, the Board also has the statutory power to “employ such managers . . . and other employees necessary for the proper carrying on and operation of any such utility plant or plants . . . and to fix the compensation of all such employees” and in so doing “shall consider character, training, and general expert and executive fitness and experience for the position in the particular utility to which such [executive] is to be assigned as the necessary requirements . . .” IC 8-1-11.1-3(c)(4); and

**WHEREAS**, the Board has periodically reviewed and made necessary changes in the base pay and other compensation for executives employed by the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group based upon the recommendations of the Compensation and Finance Committee of the Board (the “Committee”) and its consideration of an analysis of executive compensation performed by a third-party compensation expert and other factors, such as the current level of compensation in the primary market for executive talent necessary to perform the duties of each executive position within Citizens Energy Group; and

**WHEREAS**, the Committee engaged leading compensation consultant Willis Towers Watson to prepare for its consideration and the Board’s information a competitive benchmarking analysis for certain executive positions within Citizens Energy Group; and

**WHEREAS**, on September 26, 2018, Mr. David Wathen of Willis Towers Watson presented to the Committee the executive compensation benchmarking analysis for fiscal year 2019 and the Committee indicated that it would take the information in the analysis under advisement in making recommendations to the Board for its use in setting executive compensation for the fiscal year beginning October 1, 2018; and



**WHEREAS**, based upon the recommendation of the Committee, input from officers of Citizens Energy Group who are responsible for the delivery of utility services provided by seven regulated utilities, and consideration of other factors, the Board has determined that (a) the primary market for talent for the officers of Citizens Energy Group consists of a blended peer group of public power utilities and investor owned utilities with annual revenues between one-half to two times the annual revenues of Citizens Energy Group, (b) the secondary market reference point for an officer performing a functional role should be general industry, (c) the targeted market pay position should be the market 50<sup>th</sup> percentile, and (d) the targeted market pay component should be target total direct compensation; and

**WHEREAS**, the Board understands that in compliance with the Indiana Utility Regulatory Commission's ("Commission") directive in the last CWA Authority, Inc. ("CWA") rate case Order in Cause No. 44685, CWA will file with the Commission a municipal-only compensation study along with its case-in-chief and will explain in its testimony in support of reasonable and just rates and charges for services why it disagrees with the use of that study in the determination of compensation for officers of Citizens Energy Group, given that it is the Board's duty and prerogative by statute "to fix compensation of all such employees" IC 8-1-11.1-3(c)(4); and

**WHEREAS**, it has been over four years since the Committee and the Board have reviewed the design of the compensation programs for Citizens Energy Group and the Committee and the Board believe that changes in program design are necessary to align the Board's current compensation programs with the competitive market for executive talent; and

**WHEREAS**, based upon the recommendation of Willis Towers Watson, the Committee's recommendations to the Board, and the results of its own consideration of the comparison of the mix in base pay and incentive pay to market practice, the Board determines that it is necessary and appropriate to adopt the following design changes to the compensation program for officers of Citizens Energy Group: (i) implement a tiered target Short-Term Incentive Pay ("STIP") Plan effective FY2019 (i.e., CEO = 50%, Officers = 35%) for all officers to ensure target cash compensation is competitive with the market medium, and (ii) remove the cap on STIP award levels to allow maximum award opportunity of 150% of target STIP.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS FOR UTILITIES OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE CITY OF INDIANAPOLIS (the "Board"), that:**


**SECTION 1.** The foregoing recitals are incorporated herein by reference and are ratified, confirmed, and approved.

**SECTION 2.** After consultation with Willis Towers Watson, review of the Willis Towers Watson ("WTW") Executive Compensation Benchmarking Analysis for FY2019 dated September 26, 2018 (a copy of which is attached hereto as Exhibit "A") and Committee's recommendations to the Board, the Board hereby adopts the compensation set forth in Exhibit B for each of the listed officers for the fiscal year beginning October 1, 2018.

**SECTION 3.** The Board, having considered the necessary and appropriate measures for inclusion in the Short-Term Incentive Plan for fiscal year 2019, hereby adopts the following design changes: (i) implement a tiered target STIP award opportunity structure (i.e., CEO = 50 percent, Officers = 35 percent) for all officers to ensure target cash compensation is competitive with the market medium, and (ii) remove the cap on STIP award levels to allow maximum award opportunity of 150% of target STIP.

The undersigned officer of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, a municipal corporation of the State of Indiana, duly authorized to do business pursuant to Indiana Code 8-1-11.1, hereby certifies that the foregoing is a full, true and correct copy of the resolution adopted by the Board of Directors for Utilities on September 26, 2018.

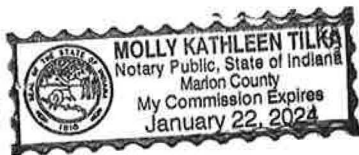
IN WITNESS WHEREOF, I have hereunto set my hand this 8<sup>th</sup> day of October 2018.


  
\_\_\_\_\_  
Jennett M. Hill  
Assistant Secretary of the  
Board of Directors

ACKNOWLEDGEMENT

Before me appeared Jennett M. Hill to me personally known, who being by me duly sworn did affirm that she is the Assistant Secretary of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, Inc., a municipal corporation of the State of Indiana, that has no corporate seal and that this certificate was made and executed by her for and on behalf of said Board by the authority vested in said Board pursuant to Indiana Code 8-1-11.1 as its free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in Indianapolis, Indiana, this 8 day of October 2018.



  
\_\_\_\_\_  
Molly Tilka, Notary Public and Resident of  
Marion County, State of Indiana

My Commission Expires:

01 / 22 / 2024

# Executive Compensation Benchmarking Analysis for FY2019

Citizens Energy Group  
*Executive Summary*

September 26, 2018

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

## 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 <sup>1</sup>	TTDC <sup>2</sup>	Investor Owned and Public Power Utilities					
		Base	TTC <sup>1</sup>	TTDC <sup>2</sup>	Base	% Diff	TTC <sup>1</sup>	% Diff	TTDC <sup>2</sup>	% 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%
<b>Aggregate<sup>3</sup></b>		<b>\$3,981,691</b>	<b>\$5,375,283</b>	<b>\$5,375,283</b>		<b>1%</b>		<b>-5%</b>		<b>-40%</b>

Source: Willis Towers Watson Analysis; Citizens Management

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

<sup>2</sup> 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.

<sup>3</sup> 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.





9/26/18 Public Session

<b>Fiscal Year 2019 Proposed Base Pay Summary and STI Adjustment</b>					
<b>Name</b>	<b>Job Title</b>	<b>10/2/2017 Salary</b>	<b>10/1/2018 Salary</b>	<b>Note</b>	
Harrison	President & Chief Executive Officer	\$ 659,167	\$ 705,309	1	
Brehm	SVP, Chief Financial Officer	\$ 439,095	\$ 452,268		
Hill	SVP, General Counsel	\$ 386,822	\$ 398,427		
Strohl	SVP, Chief Customer Officer	\$ 368,368	\$ 379,419		
Braun	VP, Energy Operations	\$ 312,297	\$ 321,666		
Willman	VP, Water Operations	\$ 289,750	\$ 310,033		
Lucas	VP, Information Technology	\$ 272,224	\$ 280,391		
Whitney	VP, Human Resources	\$ 264,191	\$ 272,117		
Jacob	VP, Capital Programs & Engineering	\$ 258,191	\$ 265,937		
Popp	VP, Customer Operations	\$ 258,191	\$ 265,937		
Prentice	VP, Regulatory & External Affairs	\$ 250,137	\$ 257,641		
Karner	VP, Controller	\$ 223,258	\$ 250,049		
		\$ 3,981,691	\$ 4,159,192		
1) The Short Term Incentive (STI) proposed tiered target opportunity for the CEO position will move from 35% to 50% of base salary					