



Subject: Total Compensation Study Request for Proposal

Dear ,

Pacific Gas and Electric Company (PG&E) plans to file an application for its test year 2014 General Rate Case (GRC) with the California Public Utilities Commission (CPUC). PG&E expects to make this filing in draft form (known as the Notice of Intent or NOI) to the CPUC's Division of Ratepayer Advocates (DRA) in early July 2012. A component of the application is a Total Compensation Study, which is used during the GRC process to evaluate the competitiveness of PG&E's compensation. This study is jointly managed by PG&E and DRA and requires high standards of transparency and objectivity throughout the process.

Study Components

The components of the total compensation study will include:

- Base pay
- Short-term (annual) incentives
- Employee benefits as measured by a benefits valuation methodology. Benefits would include quantifiable, non-legally mandated programs such as tax-qualified and nonqualified defined benefit pension and defined contribution retirement plans, pre-retirement and post-retirement life insurance, short-term and long-term disability plans, and health care (including medical, dental, and vision care) for both active employees and retirees. The targeted labor market will be the same as for the cash compensation
- Total compensation as measured by a combination of the results of the above components to comparable jobs in the relevant market.

Approximately 175-200 benchmark positions would need to be included in the study to meet the goal of representing at least 50% of the employee population. The benchmark positions represent all employees at PG&E grouped into the following categories: executive, manager/supervisor, professional, physical/technical, and clerical. Some jobs in the three latter categories are covered by collective bargaining agreements. The targeted labor market, consisting of large utilities and Bay Area general industry companies, would need to be represented by approximately 40-50 companies. The relevant labor market companies may vary for each of the employee groups.

PG&E and DRA are now seeking proposals for this study from firms with this type of experience in California, and invite you to submit a proposal. If selected you will manage the overall study with guidance from PG&E and DRA.

Study Requirements

The intent is that the study should utilize your existing databases to the greatest degree possible and other readily available survey sources as needed. A custom cut of data for PG&E benchmark jobs and the identified labor market companies would be generated for this analysis and the report. Benefit plan data for labor market companies contained in your database would be used for the benefits valuation comparison. Activities and products required of the consultant include, but are not limited to, the following:

- Meetings and Notes: Manage a schedule of working meetings (estimated at five to six) with PG&E and DRA. Provide meeting materials. Create meeting notes that document discussions and methodological decisions made by the team to include in a final report in order to make the study process more transparent.
- Job Matching: Participate in initial job matching with PG&E and/or confirm job matches.
- Benefits Valuation: Determine a value for employee benefits that can be related to compensation, and determine the dollar value for each job matched based on the benefit plan design in each comparator company. Describe the methodology used to value the benefits, including assumptions for either a standard demographic profile or a custom demographic profile.
- Analyses and Summary: Provide survey data, protecting participants' confidentiality, in a computer readable format such as Excel, calculate position to market for each component of compensation for each defined employee group and overall, and provide a summary of PG&E's average cost for base pay, short-term incentives, and benefits and the total compared to the same for the aggregate comparator group by employee group and overall.
- Report: Develop a report that describes the results of the Total Compensation Study to provide to the CPUC. The report could include: the process for identifying benchmark jobs, how jobs were matched, how labor market companies were selected, the methodology used for the pay, incentives, and benefits components, details of the study results, and meeting notes. This report will be submitted to the CPUC as part of PG&E's GRC filing.
- Expert Testimony: The consultant may be required to provide expert testimony before the CPUC about the total compensation study methodology and results during hearings which will occur approximately June or July 2013.

Questions to Address in the Proposal

Your proposal should include your assumptions, methodology, projected costs, proposed timeline, and qualifications. Specific questions to address are shown below:

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- Does your company have a utility practice? What qualifies your company to perform this study?
- Have you conducted this type of study for other utilities or companies involved in a regulatory process? If so, please provide information about those studies including the company, date of the study, and a description of the study.
- Has your company ever provided expert witness testimony in a regulatory proceeding?
- Has your company ever worked jointly with both a company and staff of a regulatory agency as the client? If so, please provide information about that experience.
- What type of compensation surveys relevant to this effort do you regularly conduct? What types of jobs are included? What types of companies participate?
- This study may require using survey resources from other companies or consultants. What has been your company's experience obtaining survey data for a client from other consultants that are possibly competitors?
- How current is your database? How do you ensure the integrity of the data?
- What type of benefits database do you maintain? How current are the data? Does your database reflect differing benefits offered to different employee categories, such as management, professional/technical and clerical?
- Please provide a list of utilities serving major metropolitan areas and Bay Area and Los Angeles general industry companies of comparable size to PG&E Company (2010 revenues = \$13,840 million) that are in your database. Please indicate if the companies selected by PG&E and DRA for the 2011 GRC Total Compensation Study, provided in Attachment 1, are among those in your database and if both compensation and benefits data are available for them.
- If there are proprietary processes or information that you would be unwilling to share with PG&E and/or DRA, please describe.
- Describe how you would conduct this project:
 - a) your project plan with major steps,
 - b) your assumptions,
 - c) methodology,
 - d) timeline, and
 - e) projected costs broken down by major activity, with variables that would influence the costs.
- What time commitments from PG&E and DRA and resources would be needed to complete this study?
- What obstacles can you envision in a study like this? What approach you take to resolve differences between PG&E and DRA should they occur during the study effort?

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Process for Selecting a Consultant and Timeline

(this section will change, with more specific information about what to provide, how and to whom RFP is to be sent)

In order to meet the filing date, the study and final report must be initiated in January 2012 and must be completed no later than May x, 2012. Please contact (whom) at (phone) or (email) at if you have questions before submitting your proposal. Proposals must be submitted by close of business on November xx and may be sent electronically to (name).

PG&E and DRA will meet with the consulting firms the week of December x and will make a final selection no later than December x.

Sincerely,

Gene Tate
Senior Manager, Compensation

cc: Division of Ratepayer Advocates, CPUC
2014 General Rate Case Project Manager, PG&E
Compensation, PG&E

Companies included in the PG&E 2011 GRC Total Compensation Study

Utilities	General Industry
Ameren	Alcatel-Lucent
American Electric Power	AT&T
CenterPoint Energy	Bank of America
Consolidated Edison	Bechtel Group
Constellation Energy	Calpine
Dominion Resources	Catholic Healthcare West
Duke Energy	Chevron
Energy Future Holdings	Clorox
Entergy	eBay
Exelon	Fireman's Fund Insurance
FirstEnergy	Gap
FPL Group	Genentech
Hawaiian Electric	Hewlett-Packard
Integrus Energy Group	IBM
Los Angeles Department of Water and Power	Intel
National Grid USA	Kaiser Foundation Health Plan
PacifiCorp	Mckesson
Portland General Electric	Sun Microsystems
PPL	Visa Inc
Progress Energy	Wells Fargo
Public Service Enterprise Group	
San Diego Gas & Electric	
Southern California Edison	
Southern California Gas Company	
Southern Company Services	
Xcel Energy	