

## **Total Compensation Study Statement of Work**

### **Project Background**

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. The selected vendor (Consultant) shall manage the overall study with guidance from PG&E and DRA.

The components of the 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 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.

### **Scope of Work**

Consultant shall utilize its existing databases 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 the Consultant's database would be used for the benefits valuation comparison. Activities and products required of the consultant include, but are not limited to, the following:

- Working Meetings:
  - Manage and facilitate working meetings with PG&E and DRA as needed to accomplish the project. Minimum number is estimated at five to six meetings.
  - Provide meeting materials.
- Meeting Notes:
  - Take detailed notes of each working meeting to document discussions and methodological decisions made by the team. Notes are to be in a format agreed to by PG&E and DRA and subject to review and editing by PG&E and DRA. These meeting notes will be included as an attachment to the final report that will be submitted to the CPUC in order to make the study process transparent.
- Methodology:
  - Explain methodology and facilitate methodological decisions that are required, including but not limited to, criteria for selection of benchmark jobs, criteria for selection of companies to be included in the study, all survey sources to be utilized and which will be used for each of the five employee groups, aging factor, and customer or standard demographic profile for benefits valuation.

- 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.
- Preliminary Data Analysis:
  - Gather survey data and conduct initial analysis of base pay and short-term incentives relative to PG&E benchmark jobs.
  - Review preliminary results with PG&E and DRA.
- Final Data Analysis and Summary:
  - Add benefits component to preliminary data analysis for review with PG&E and DRA.
  - Calculate position to market for each component of compensation for each defined employee group and overall.
  - 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.
- Consulting Expertise:
  - Provide consulting expertise throughout the study process to assist PG&E and DRA in making study decisions.
- Expert Testimony:
  - 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 in June or July 2013.

## **Deliverables**

- 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.
- Provide market-based comparison of total compensation (cash, compensation and benefits) of PG&E employees in five employee groups.
- Gather, analyze, display and summarize data by job, employee group, and total jobs in study.
- Develop a report that describes the methodology and results of the Total Compensation Study to provide to the CPUC as part of PG&E's GRC filing.
- The report shall include, but is not limited to, 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. Appendices shall provide the base pay, incentive, benefits and total compensation results by job in each of the five employee groups, the meeting notes, details of benefits valuation methodology and other information as determined by PG&E and DRA.
- The study and final report must be initiated in January 2012 and must be completed no later than June 19, 2012.

## RFP Questionnaire

### Relevant Experience

1. Does your company have a utility practice?
2. 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.
3. Please provide 3 references.
4. Has your company ever provided expert witness testimony in a regulatory proceeding?
5. 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.

### Capabilities/Database Resources

6. What qualifies your company to perform this study?
7. What type of compensation surveys relevant to this effort do you regularly conduct? What types of jobs are included? What types of companies participate?
8. 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?
9. How current is your database? How do you ensure the integrity of the data?
10. 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?
11. Does your compensation and/or benefits database include Arizona Public Service, NV Energy, Southwest Gas, and/or the Sacramento Municipal Utilities District? If not, are you able to obtain the relevant study data for these companies should they be included in the study?
12. Please provide a list of companies based on the categories below that are in your database, and indicate if both compensation and benefits data are available for them per Attachment A:
  - o California-based utilities, including water utilities and municipal utilities;
  - o Municipal utilities in the Western United States;
  - o Utilities in other states either serving a major metropolitan area or of comparable size to PG&E (2010 revenues - \$13,840 million);
  - o California-based general industry companies that have job functions and employee positions similar to PG&E; and
  - o The companies selected for the 2011 Total Compensation Study, a list of which is provided in Attachment A.

### Approach/Process

12. Describe how you would conduct this project:
  - your project plan with major steps,
  - your assumptions,
  - methodology, and
  - timeline.
13. What time commitments from PG&E and DRA and resources would be needed to complete this study?
14. What obstacles can you envision in a study like this?

15. What approach would you take to resolve differences between PG&E and DRA should they occur during the study effort?
16. Does your company have any proprietary processes or information that you would be unwilling to share with PG&E and/or DRA? If so, please describe.

### **Pricing and Cost Effectiveness**

17. Provide projected costs broken down by major activity, with variables that would influence the costs in Attachment B.
18. How do you keep your prices competitive with the marketplace?
19. Describe any additional cost savings opportunities that your company can help PG&E take advantage of.

### **Supplier Diversity**

1. Is your company certified by the CPUC Supplier Clearinghouse as a WMDVBE?
2. If your company is service disabled veteran-owned, is your company certified by the Department of General Services? Please provide certification number and expiration date.
3. If your company is WMDVBE owned but not certified by the CPUC or Department of General Services, does your company hold a Women's Business Enterprise National Council (WBENC), National Minority Supplier Development Council (NMSDC) or SBA 8(a) certification. Please provide certification number and expiration date.
4. Does your company have a Supplier Diversity Program? If so, describe the efforts your company has made to increase business with WMDVBEs (i.e. does your company have a policy statement, participate in outreach activities, promote diverse firm subcontracting, publicize contract opportunities, provide certification assistance, etc.?) Please provide examples.
5. If your company has a Supplier Diversity Program, does your company mentor women, minority and/or service disabled veteran-owned suppliers? Please provide examples.
6. What percentage of your company's total contracting and procurement spend for the prior year was with WMDVBEs?

### **Green**

1. Describe your company's efforts and practices to reduce the environmental impacts of your services specified in this RFP. Please provide quantitative examples where possible.
2. In regards to the service specified in this RFP, what innovative ideas or alternate solutions can your company offer to help reduce the overall carbon footprint of the service you will be providing to PG&E?
3. Describe in detail your company's efforts and practices to reduce the environmental impacts of products and materials your company will be providing. Please provide quantitative examples where possible.
4. In regards to the materials specified in this RFP, what innovative ideas or alternate solutions can your company offer to help reduce the overall carbon footprint of the service you will be providing to PG&E?
5. Describe in detail your company's plans to mentor or work in partnership with other companies on potential green projects.
6. Describe in detail your company's environmental efforts (present and future) to help reduce and offset the impact of your company's business activities on the environment. Please provide a copy of your company's environmental policy and/or green supply chain program (e.g. recycling, conservation, protection of the environment against pollution, etc.) as an attachment to your RFP response.

**Attachment A**

**Companies in your database**

<b>Category</b>	<b>Name</b>	<b>Compensation Data Yes / No</b>	<b>Benefits Data Yes / No</b>
California-based utilities, including water utilities and municipal utilities			
Municipal utilities in the Western United States			
Utilities outside California serving major metropolitan areas and/or with revenues similar to PG&E			
California-based general industry companies that have job functions and employee positions similar to PG&E			

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

<b>Utilities</b>	<b>Yes</b>	<b>No</b>	<b>Comp. Data Yes / No</b>	<b>Benefits Data Yes / No</b>	<b>General Industry</b>	<b>Yes</b>	<b>No</b>	<b>Comp. Data Yes / No</b>	<b>Benefits Data Yes / No</b>
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					Sun Microsystems				

General Electric									
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									

**Attachment B**

**Pricing Sheet**

Activities	Explanation of Activities	Assumptions	Fee	Variables	Fee Impacted by Variables
Planning & Methodology					
Comparator Companies					
Benchmark Jobs					
Job Matching					
Survey Data Collection					
Benefits Valuation					
Data Analysis, Review and Validation					
Meeting Notes					
Report Draft and Revisions					
Administrative Fees					
Out-of-pocket Expenses, if any					
Total					