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Witness: Sasha P. Lazor and Marianne H. Eichler
Request from: Public Utilities Regulatory Authority

Question:

(OFFICER VARIABLE COMPENSATION—MARKET BENCHMARKING) Application, Schedule C-3.7; Ex. CLP-EMPLOYEE-1, pp. 7–11. The referenced exhibit provides aggregate CL&P and ESC market-median comparisons, variable-pay prevalence data, and an illustrative Accounting Supervisor market-pricing example. Provide the market study or studies, survey results, benchmarking analyses, or other materials relied upon to establish or assess the compensation for each officer/executive job or job-scope level included in Schedule C-3.7. For each such position or job-scope level, explain how the Company used the results of those materials to determine or support the Rate Year compensation reflected in Schedule C-3.7, including the compensation components benchmarked, the relevant market positioning or comparison relied upon, and any adjustments or other judgment applied in translating the benchmarking results into the Rate Year amounts. Provide the underlying survey output, analysis, or workpapers sufficient to verify the benchmarking and its application, subject to appropriate confidentiality protections.

Response:

Please refer to OCC-193, Attachments 1 through 8 CONFIDENTIAL, for the studies and/or research that the Eversource Compensation Group has utilized from 2018 to present. These surveys provide the Compensation Group with market data for the energy/utility and general industry sectors encompassing the following total compensation elements:

- Base salary targets
- Variable compensation targets (annual and long-term)
- Job leveling models
- Salary structures
- Variable compensation prevalence

As described in CLP-EMPLOYEE-1, Eversource tests the competitiveness of its base pay, variable compensation, and total compensation levels against the external market on an ongoing basis. The Company utilizes established third-party market compensation survey data and market benchmarking analyses to assess the competitiveness and appropriateness of compensation, as shown in OCC-193, Attachments 1 through 8 CONFIDENTIAL. The Company's compensation review process includes both quantitative market benchmarking and qualitative job evaluation to ensure consistency and alignment across the organization.

To accomplish this task, the Company has contracted with Workday to provide a Human Resources Information System (HRIS). This HRIS tool is the warehouse for all employee data, which includes compensation data (both base salary and variable compensation) along with market data from the referenced surveys.

In order to effectively utilize these third-party market compensation survey sources, the Company employs Compensation Professionals within the Human Resources department. These Compensation Professionals are responsible for managing the survey results and benchmarking analyses relied upon to establish and assess the base salary and variable compensation targets (otherwise known as Total Compensation) across the organization. Thus these Compensation Professionals utilize both the internal tools available (Workday, as described above), and the external compensation surveys available to them. While copies of these surveys were provided in OCC-193, Attachments 1 through 8 CONFIDENTIAL, it is important to note that these external tools are primarily used in their electronic formats through subscriptions. The Company not only purchases these survey tools but is an active participant in the survey data to ensure effective utility participation. The Company has selected Willis Towers Watson in large part due to its market leading utility database and participants.

Managing the total compensation (base salary plus variable compensation) for each position specific to the Company's positions encompasses two key disciplines. These two disciplines are core to the compensation function and are the primary reason that the Company employs Compensation Professionals. These two disciplines are Job Evaluation and Market Pricing. These functions are described in Exhibit CLP-EMPLOYEE-1, page 9, as follows:

The process of establishing a market-based compensation structure includes several critical steps:

- **Job Evaluation**. All jobs across the Eversource organization are evaluated and leveled into the compensation structure based on the three key components: (1) knowledge and experience requirements; (2) problem solving requirements; and (3) managerial accountabilities. The evaluation process is grounded in market practices. Through this process, Eversource is able to both compare its jobs to those in the market, and to group its jobs into an overall structure. he Job Levelling criteria utilized at Eversource are included in Attachment 1. These criteria are applied to all non-union positions across the Company, regardless of level, to ensure absolute consistency.

- **Market Pricing**. Market pricing is an integral step where a compensation range is established for each job based on market data, Eversource utilizes external survey data to inform this process. Through this process Eversource gains intelligence needed to set both the base salary levels and variable compensation targets for all jobs in order to ensure that Total Compensation is competitive with market pricing.

Positions are matched to comparable benchmark positions within applicable compensation surveys based on job content, scope of responsibility, reporting relationships, organizational impact, and other relevant factors. The Company utilizes market data to evaluate compensation components including base salary and target variable compensation opportunities. The benchmarking process is designed to identify the prevailing market compensation levels for similarly situated positions. This framework supports consistent alignment of positions across the organization and serves as an input to compensation benchmarking and pay band assignment. It is important to note that not all jobs have a one-to-one match to survey benchmarks. Thus, where jobs do not have a direct match to the market, the Compensation team uses its job evaluation/leveling framework to "slot" jobs into the structure with jobs of similar scope.

In addition to the market matching process, the Company's compensation professionals review the job matches and resulting market analyses to confirm that positions are appropriately aligned across the organization by job level, pay band, responsibilities, and scope. This review helps ensure consistency in the application of compensation practices and appropriate internal alignment among similarly situated roles within the Company.

Market median and other relevant survey reference points are used as guides in assessing compensation competitiveness. The Company may also apply professional judgment based on factors such as job scope, organizational structure, individual role responsibilities, and internal pay relationships when evaluating compensation levels relative to market data.

The Compensation Professionals at the Company engage in Job Evaluation and Market Pricing efforts on an ongoing basis throughout the year.

1. Annual Updates: The Compensation Professionals participate in external compensation surveys each spring. At the end of each calendar year, the Compensation Professionals receive the results of these surveys. These surveys provide data on job levels, base salary targets, variable compensation targets and their prevalence, as well as trends concerning merit and base salary updates. In the first quarter of each calendar year, the results of these surveys are uploaded to Workday in order to ensure that the market rates (which are the base salary and variable compensation targets) are current in order to allow the Company to effectively attract and retain its key talent.

2. Ongoing Updates: The Compensation Department works with the organization throughout the year to review base salary and variable compensation targets for specific departments in greater detail. In addition to providing market data, the Compensation Department is responsible for evaluating jobs when Departments reorganize themselves to ensure that new or current jobs are aligned with the leveling guidelines included as UPA-011, Attachment 1.

In Exhibit CLP-EMPLOYEE-1, at page 10, an illustrative example of market-pricing data for an "Accounting Supervisor" was provided.

Through this example, the Company described the following elements that translated to the Company's compensation structure and tools:

- A base salary market target (50th percentile) is able to be uploaded to Workday. This base salary market target will be benchmarked to all incumbents in the Workday system.

- A variable compensation target will be assigned to each role in the Workday system. It is important to note that since the Company uses a compensation structure (i.e. levels which align with our leveling guidelines), variable compensation targets are assigned across levels. In other words, each employee does not have a unique target but, rather, positions within the same level are assigned the same variable compensation targets.

- Lastly, the prevalence of market data allows for alignment with job leveling guidelines. Since the Company's job leveling guidelines are matched to external references, the Company can ensure that, for example, the Accounting Supervisor is slotted to the correct market level.