

REPORT FROM

OFFICE OF PUBLIC ACCOUNTABILITY

Date: April 23, 2024

To: The Board of Water and Power Commissioners

From: Frederick H. Pickel, Ph.D., Executive Director/Ratepayer Advocate



Subject: OPA Report on Incentive Compensation at DWP and Agenda Item 18
General Manager salary

RECOMMEDATIONS

1. OPA recommends that the Department of Water and Power (DWP) work together with the City to develop and obtain approval of an Annual Incentive Plan (“AIP”) to attract and retain DWP employees. This should start at the executive level, but broaden with time, perhaps to all levels. For a utility at DWP’s scale relative to its public and investor-owned peers, OPA’s opinion is that compensation without an AIP component is wasteful, and consistently produces accidents of coordination within the firm. Attachment 1 chart shows the relative scale of executive costs relative to other utility cost elements. The attached Mercer report, Attachment 2, discusses an AIP design.
2. OPA supports the General Manager salary resolution, Item 18 on the DWP Board Agenda, April 23, 2024. The salary is reasonable given the scale of DWP and 2023 market salary compensation for utility leadership. Appendix A-2 of the attached Mercer report shows utility GM salaries, base and AIP components, by percentile.

BACKGROUND

DWP is a major US utility. Based on DWP’s 2022 retail electricity revenues alone, it ranks 16th out of over 1,600 US retail electricity entities, investor-owned or public. The DWP is in the top 1% based on electricity revenue alone.

There are 189 investor-owned utilities, which are usually the larger utility entities. DWP also ranks 16th if included in comparison to the investor-owned utilities retail revenues in 2022 - DWP is in the top 10%.

DWP needs to have competitive compensation to attract and retain utility management and technical expertise. Based on 2017 (2014/2015 data) and 2021 (2019 data) OPA total compensation studies, supported by the recent 2023 Mercer report Appendix A-2, most of DWP's top management and technical employees are underpaid relative to their utility peers. The 2020 OPA functional cost benchmarking study identified the need for strengthening and integrating DWP's upper management and middle management all the way to first line managers. This was 40% of the top recommendations from the 2020 functional cost study. These recommendations included the development of an Annual Incentive Plan.

DWP has no Annual Incentive Plan. Over 90% of the investor-owned utilities do - and DWP's size is equivalent to the top 10% of this group. An estimated 10 to 15% of the publicly-owned utilities have an AIP - and DWP is larger than any of them. **It is not reasonable for DWP to rely on a total compensation system without adding an AIP.** For as long as this situation persists, the chain of command is far too readily disabled and distracted by the many sudden and urgent matters consuming the political discourse of the day.

The proposed GM salary of \$750,000 is not excessive, based on the 2023 market information in the attached Mercer report appendix page A-2. The proposed salary is in the lowest (least-paid) 25th percentile of CEO Target Total Annual Compensation of \$844,200, which is combined base salary plus expected Target Bonus. The GM's proposed salary is above 75th percentile of the survey's Base Salaries (\$645,500). DWP is well above 75th percentile in size, with all the scale complexity and delayed modernization that this size brings. This also illustrates the need to add an AIP to attract and retain senior management, expeditiously.

cc: The Honorable Karen Bass, Mayor
The Honorable Paul Krekorian, Council President
Martin L. Adams, General Manager & Chief Engineer, Department of Water and Power
Matt Szabo, CAO, City of LA
Sharon Tso, CLA, City of LA
Dana Brown, General Manager, Personnel Department, City of LA

Attachment 1

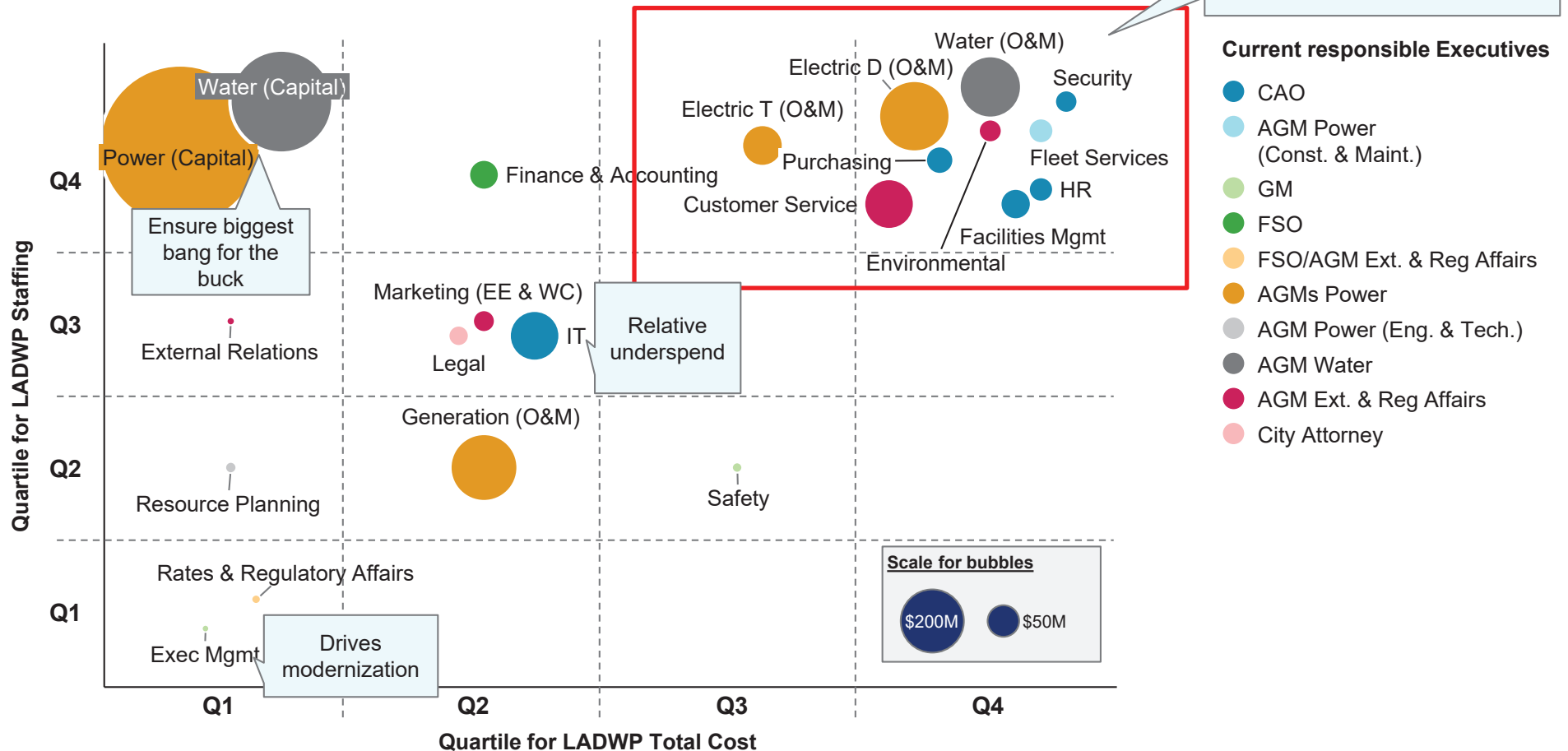
Summary of Performance: Staffing and total cost by executive

4th quartile total cost and staffing suggest areas for improvement; functions with underspending represent potential areas to deliver incremental impact

Summary of staffing quartile and total cost quartile by function

Size indicates total cost; total cost and staffing quartiles

Typical targets for improvement: high total cost and staffing





Incentive Plan Design Framework

For Discussion

February 26, 2024

A business of Marsh McLennan

Background

- The Los Angeles Department of Water & Power (“DWP”) Joint Study of Total Compensation conducted by Mercer in 2021 revealed a large gap to market for compensation at the upper levels of the organization. One potential alternative to help close the gap is an annual incentive plan (“AIP”)
- Thus, the Office of Public Accountability (“OPA”) has asked Mercer to provide market perspectives on AIP designs among both publicly-owned utilities (“POUs”) and investor-owned utilities (“IOUs”) to help illustrate what a potential framework might look like at DWP
- Mercer conducted a number of interviews with key stakeholders⁽¹⁾ to gather reactions regarding a potential AIP at DWP. Perspectives included:
 - While the long-term goal might be to include more positions in the organization, the priority now is at the upper levels of DWP (GM and AGMs)
 - Key performance indicators (“KPIs”) to assess performance should consider a mix of financial, operational, and strategic objectives
 - Currently, there is no process in place to assess individual performance at DWP - - no performance reviews or evaluations currently exist
 - Maintaining balance between different types of goals is crucial so that goals cannot be “gamed”These materials have been prepared with these perspectives in mind
- The following materials provide an overview of
 - Fundamentals of AIP Design: Targets, mechanics, and determination of final actual payouts
 - Review of IOU AIP Market Practices:⁽²⁾ Metrics, payout curves, and performance goal-setting
 - Examples of IOU and POU AIPs
 - Considerations for DWP: note that potential target award levels (previously defined via the Joint Study of DWP Total Compensation) are included in the Appendix A-1. As the analysis is now four years old, the data shown in Appendix A-1 likely understate the market today - - at the request of the OPA, updated market data for the GM and CIO roles are provided on Appendix A-2

Notes:

(1) Interviews conducted with Comm’rs Katz, McClain-Hill, and Neeman Brady, City of LA executives Matt Szabo and Dana Brown, and DWP executives Marty Adams, Aram Benyamin, and Jason Perez

(2) Due to the limited prevalence and wide-ranging practices among POUs with an incentive plan, a consolidated summary of specific details on “typical” market practices for POUs is not available

Definitions

A number of acronyms and various utility industry KPIs are referenced in this document, including:

Performance Measures	Description
O&M Expense	<ul style="list-style-type: none"> • Operations & maintenance expense • A lower O&M result indicates better performance
Earnings per Share (EPS)	<ul style="list-style-type: none"> • Serves as an indicator of profitability and is calculated as a company's profit divided by the outstanding shares of its common stock • A higher EPS indicates better performance
Total Recordable Incident Rate (TRIR)	<ul style="list-style-type: none"> • The number of OSHA injuries per 100 full-time employees • A lower TRIR result indicates better performance
Days Away, Restricted, or Transferred Incident Rate (DART)	<ul style="list-style-type: none"> • The number of OSHA injuries per 100 full-time employees that resulted in days away from work, restricted duty, or transfer of duties • A lower DART result indicates better performance
Preventable Vehicle Incident Rate (PVIR)	<ul style="list-style-type: none"> • The number of preventable vehicle incidents per 1,000,000 miles driven • A lower PVIR result indicates better performance
System Average Interruption Duration Index (SAIDI)	<ul style="list-style-type: none"> • Industry metric for outages and grid reliability measured in number of minutes • The measure is tracked based on "all weather" and excluding major events (for example, major storms) and is calculated consistent with the Institute of Electrical and Electronics Engineers standards • A lower SAIDI result indicates better performance
System Average Interruption Frequency Index (SAIFI)	<ul style="list-style-type: none"> • Customer reliability measure that indicates how often the average customer experiences a sustained interruption over a one-year period • The measure is tracked based on "all weather" and excluding major events (for example, major storms) and is calculated consistent with the Institute of Electrical and Electronics Engineers standards • A lower SAIFI result indicates better performance
Customer Average Interruption Duration Index (CAIDI)	<ul style="list-style-type: none"> • The average time required to restore service calculated as total minutes of customer interruption divided by the total number of interruptions • The measure is tracked based on "all weather" and excluding major events (for example, major storms) and is calculated consistent with the Institute of Electrical and Electronics Engineers standards • A lower CAIDI result indicates better performance

Definitions (continued)

A number of acronyms and various utility industry KPIs are referenced in this document, including:

Performance Measures	Description
JD Power Residential Customer Satisfaction Survey	<ul style="list-style-type: none">• This JD Power survey measures the top drivers of residential customer satisfaction for the electric power industry, as well as overall satisfaction with each operating business segment. Customer satisfaction is measured based on power quality/reliability, price, billing and payment, communications, corporate citizenship, and customer service• For 2022, overall residential utility satisfaction is achieved with a score of 731 (on a 1,000-point scale)
Environmental, Social, and Governance (ESG)	<ul style="list-style-type: none">• Large majority of ESG metrics are part of a grouping of metrics (such as individual performance, strategic goals, etc.) and are not standalone; however, metrics can be standalone or grouped with other strategic / non-financial goals, qualitative or quantitative
Diversity, Equity & Inclusion (DEI)	<ul style="list-style-type: none">• Actions to address racial injustice internally, diversity goals at particular employee levels, diversity recruiting goals, increasing supplier spend to minority- and female-owned firms, etc.• Along with Environmental Stewardship/Sustainability (see below), DEI is the most prevalent type of ESG metric being utilized in incentive plans
Environmental Stewardship	<ul style="list-style-type: none">• Actions to address environmental conservation including reducing CO2 emissions, prioritizing green energy, sustainability initiatives, etc.• Along with DEI (see above), Environmental Stewardship/Sustainability is the most prevalent type of ESG metric being utilized in incentive plans

Fundamentals of AIP Design

Target Bonuses and Mechanics

- Target bonuses are typically **defined as a percent of salary**
- An employee's target bonus dollars are calculated by multiplying the target bonus percentage by the employee's salary. For example, if the company sets a target bonus of 50% of salary, and the employee's salary is \$300,000, the employee's target bonus will be \$150,000
- Adding an AIP and target bonuses for DWP's executives would help close the gap to market for target total annual compensation ("TAC") as, on average, roughly 60% of all utilities offer AIPs. Continuing the example above, adding a target bonus of 50% of salary would move this illustrative employee closer to the median for target TAC by \$150,000

- **Actual bonus amounts earned are dependent on the actual level of performance achieved relative to the plan's goals.** Defined payout opportunities are typically set at three levels: Target, Threshold, and Maximum

Salary	\$300,000
Target bonus % of salary	x 50%
Target bonus \$	\$150,000
Target total annual compensation (TAC)	Salary = \$300,000 + Target bonus = \$150,000 = Target TAC = \$450,000

- Details regarding DWP salary levels and gap to market for the GM and AGMs based on the Joint Study of DWP Total Compensation conducted in 2021 based on 2019 DWP census data are included in Appendix A-1. As the analysis is now four years old, the data shown in Appendix A-1 likely understate the market today. At the request of the OPA, updated market data for the GM and CIO roles are provided on Appendix A-2

Level of Bonus Opportunity	Description
Threshold	<ul style="list-style-type: none"> • The lowest (non-zero) bonus permitted under the plan • The "threshold" bonus amount is awarded for the lowest level of overall performance deemed worthy of a payout • Generally expected to be met or exceeded 90% of the time
Target	<ul style="list-style-type: none"> • Paid for expected, "on target" performance overall, often "budget" or "plan" • On average over a number of years, companies tend to pay out near the target level
Maximum	<ul style="list-style-type: none"> • Paid for "outstanding" overall performance • Generally expected to be achieved around 10% of the time

Performance between levels will be interpolated (see next page)

Fundamentals of AIP Design

Illustration: Actual Payout Determination

- For illustrative purposes, assume a basic program with only two metrics: O&M expense (50% of the AIP) and TRIR (also 50%)
- Actual performance for each metric is measured at the end of the performance period and an achievement level is determined for each metric. An example of the potential range of achievement for O&M expense and corresponding payouts is outlined below:

Level of Bonus Opportunity	O&M Expense	Payout % of Target	TRIR	Payout % of Target
Maximum	\$665 million (95% of Target)	200%	0.89	200%
Target	\$700 million	100%	0.99	100%
Threshold	\$735 million (105% of Target)	50%	1.22	50%
Below Threshold	>\$735 million	0%	1.23	0%

Performance between levels will be determined based on linear interpolation

For example, actual O&M expenses of \$682.5 million (97.5% of target) would generate a payout of 150% of target

- The actual amount earned will be determined after the completion of the performance period based on aggregating the corresponding payout for the actual achievement for each metric. To illustrate, assume:
 - Actual O&M expense of \$682.5 million is achieved, corresponding to a payout of 150% of target (calculated using linear interpolation, see box above)
 - Actual TRIR performance of 1.11 is achieved, corresponding to a payout of 75% of target
 - The aggregate payout would therefore be 112.5% of target:

Metric	Target	Actual	Payout	Weight	Weighted Payout	Target Bonus \$	Actual Bonus \$
O&M Expense	\$700 million	\$682.5 million	150%	50%	75%		
TRIR	0.99	1.11	75%	50%	37.5%		
Total					112.5%	x \$150,000	= \$168,750

Review of AIP Market Practices

IOUs vs. POU

- On average, roughly 60% of all utilities offer AIPs, although the design varies significantly between IOUs and POU:

Typical IOU AIP Framework

- **Prevalence:** *More than 90% of IOUs have a structured AIP* based on metrics and goals, with 80% extending eligibility to all salaried employees. The 10% without a structured AIP offer a mainly discretionary bonus program
- **Design:** IOUs typically have a “corporate” plan for senior executives with a limited number of key metrics. Most have other employees in a separate (but similar) plan
- **Metrics:** A median of 4 or 5 metrics are typically measured in IOU AIPs
 - Among IOUs, **metrics tend to be more narrowly focused** (than for POU). **Profitability, safety, customer service/satisfaction, and operational metrics such as availability/reliability** have historically been the most prevalent metrics used in the design of IOU AIPs
 - A growing number of IOUs (roughly 75%) are **now also including ESG metrics**, typically via an environmental/sustainability and/or DEI metric
- Details for typical AIP design for IOUs are provided on pages 7 through 9; an example of an IOU AIP is included on page 10

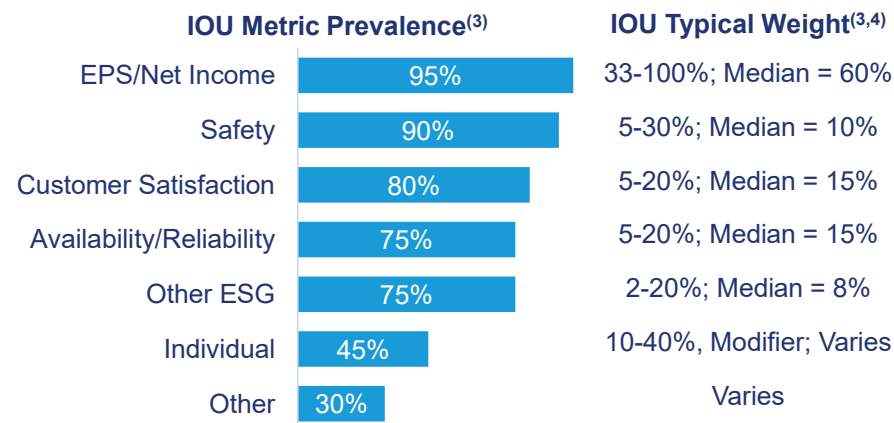
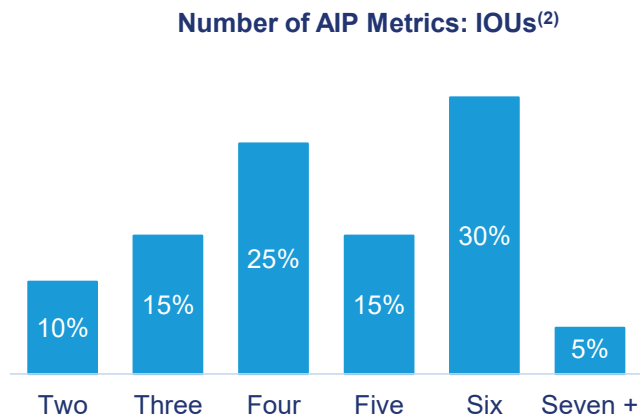
Typical POU AIP Framework

- **Prevalence:** Annual bonus programs are less common among POU; overall, AIPs are **less than 10% to 15% prevalent** among POU. In our experience, participation is generally limited to the most senior people at the organization
- **Design:** Bonus programs for POU typically have a **large number of metrics** with a low weighting on each and could be considered overly complex. Practices vary widely and reflect a wide range of priorities and strategies
- **Metrics:** Typically, 10+ metrics are included in POU AIPs. Because POU AIPs are generally based on a large variety of metrics, both quantitative and subjective/discretionary, judgement is often needed to determine overall results
 - In addition, due to the volume of metrics, many often have a very low weighting, creating a line-of-sight challenge for participants
 - **Individual performance is often included**, even at the senior executive level
 - **Discretionary components are common**
- Note that plan design among POU varies significantly and a summary of specific details on “typical” practices is not available. An example of a POU AIP is included on page 11

Review of IOU AIP Market Practices

IOU Metrics⁽¹⁾

- Among IOUs, the number of metrics used in the AIP plan typically ranges from two to six, with a median of between four and five metrics used (see distribution below)⁽²⁾
- Metrics can be measured on an absolute (vs. predetermined internal target) or relative basis (e.g., 65th percentile performance for TRIR relative to peers yields a target result for that metric). Financial metrics are typically measured on an absolute basis given the challenges of comparability of data (particularly when adjustments are necessary) and lag in availability of results for peers
- There is no correlation between payout/success and the number of metrics used. Rather, those with just a few metrics (2 or 3) favor simplicity and focus, while those with many metrics (6+) favor strategic considerations
- **Profit measures are the most prevalent** metrics, used by nearly all IOUs. In aggregate, **profit typically comprises at least 60%** of the AIP payout



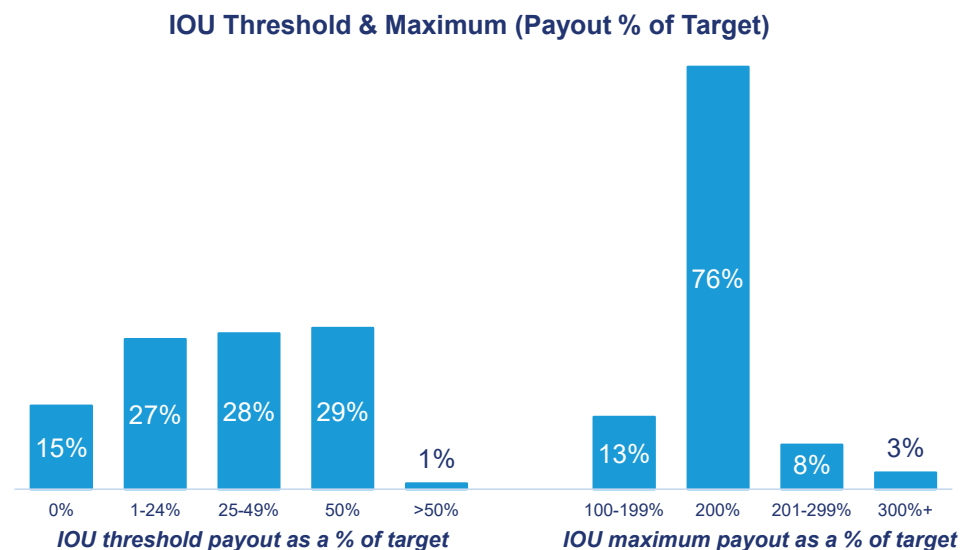
Notes:

- (1) Represents market practices for Edison Electric Institute Index constituents, rounded to the nearest 5%
- (2) For purposes of these calculations, safety goals (i.e., TRIR, DART, PVIR, etc.) are counted as a single metric, regardless of the number of measures used to assess overall safety performance. The same is true for other ESG metrics
- (3) Not all charts sum to 100% due to use of multiple metrics
- (4) Reflects typical range of weighting for those companies that include the relevant metric in their AIP (i.e., excludes zeros and does not add to 100%)

Review of IOU AIP Market Practices

IOU Threshold and Maximum Payout Levels⁽¹⁾

- The most common factors considered when setting AIP performance goals are budget (90%), historical company performance (55%), and industry/peer performance and/or standards (35%)
- Typical threshold/target/maximum approach in AIPs is as follows:
 - **Target** bonus provided at 100% achievement of target level of performance for the applicable metric (typically, AIPs consist of multiple metrics and performance is assessed against each metric separately and payout is determined based on weighting of each metric)
 - The **threshold** level of performance is the lowest level at which a bonus is felt warranted. At ~85% of companies, **a threshold payment of 50% of target or less** is earned for achieving the threshold level of performance, with zero bonus awarded if performance is below threshold. Roughly 15% of companies use a “First Dollar” approach, where payouts are interpolated on a straight-line basis starting at \$1 for performance that exceeds threshold
 - The **maximum** level of performance is superior performance that is difficult to achieve; **typically, a maximum payout of 200% of target is earned** for achieving the maximum level of performance (approximately 75% of companies)



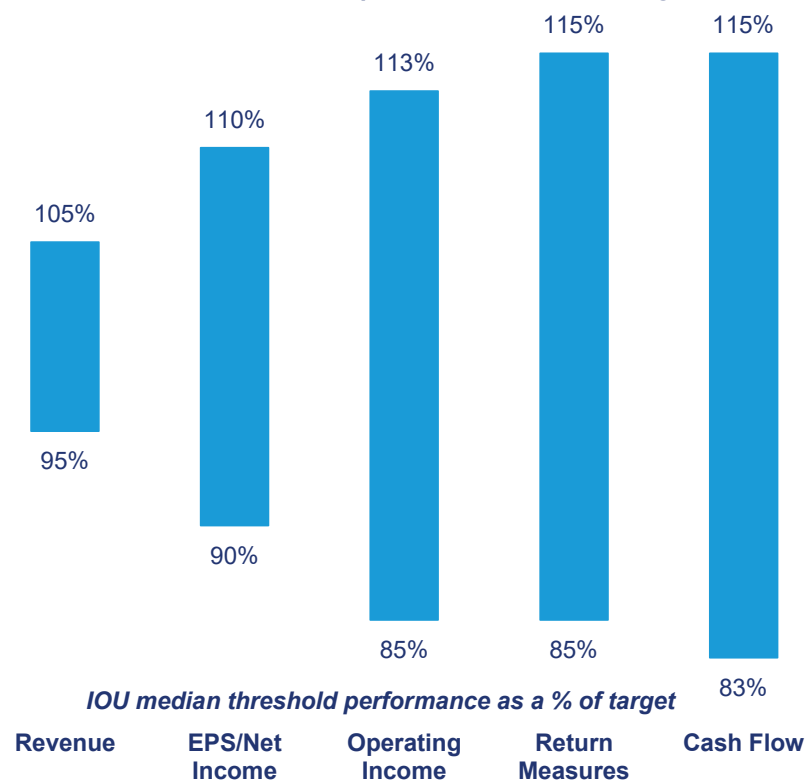
Note: (1) Represents market practices for Edison Electric Institute Index constituents

Review of IOU AIP Market Practices

IOU Threshold and Maximum Performance Levels⁽¹⁾

- The range of performance required to achieve threshold and maximum payouts varies by type of metric (see right)
- Smaller performance ranges around target are more common for revenue goals than for other financial metrics, reflecting the improved line of sight for management to achieving financial goals that are further up the income statement
- Metric goals are **symmetrical** (i.e., 80% and 120%, etc.) roughly 70% of the time. Others have an asymmetrical performance range. Note that **for those with asymmetrical standards, the performance range is typically wider/higher above target than it is below target**
- Theoretically, the setting of thresholds and maximums usually revolves around the perceived degree of difficulty of the goal itself
 - A challenging goal usually comes with a lower threshold and smaller range of overachievement
 - A reasonably achievable goal comes with an equal spread on either side of the goal from threshold to target and from target to maximum
 - A relatively easy goal usually comes with a high threshold and a wide range from target to maximum

IOU median maximum performance as a % of target



Note: (1) Represents market practices for Edison Electric Institute Index constituents

Example of IOU AIP

IOUs: More formulaic, with an emphasis on profit and minimal discretion

Performance Measures	Weight	Threshold	Target	Maximum
EPS	60%	\$4.72	\$5.25	\$5.78
Safety (TRIR)	10%	1.22	0.99	0.89
Customer Satisfaction (JD Power, 1,000 point scale with 731 representing “overall residential utility satisfaction”)	10%	736	741	750
Operating Excellence (SAIDI minutes)	10%	138	124	112
Environmental (e.g., represents annual progress toward, measured by percent reduction, the long-term goal of a 50% reduction in CO ₂ emissions by 2030 from 2010 levels)	10%	16%	24%	31%

Example of POU AIP

POUs: Large number of metrics, small weights, high amount of discretion and individual performance

Performance Measures	Weight	Threshold	Target	Maximum
Enterprise O&M	10%	5% or more above budget	At budget	5% or more below budget
Direct Cost / Customer	5%	5% or more above budget	At budget	5% or more below budget
Bond Rating	5%	Any 1 of the 3 ratings from the agencies less than target	Standard & Poors: AA Moody's Investors Service: Aa2 Fitch Ratings: AA	Any 1 of the 3 ratings from the agencies greater than target
Safety (TRIR)	5%	1.22	0.99	0.89
Customer Satisfaction (JD Power, 1,000 point scale with 731 representing "overall residential utility satisfaction")	5%	736	741	750
Cumulative Electric Vehicle Fleet Target	5%	304 electric vehicles	333 electric vehicles	397 electric vehicles
Average Windfarm Availability	5%	95%	96%	97%
Major Projects Progress	5%	80% complete by year end	90% complete by year end	100% complete by year end
Skilled Workforce	2.5%	92% retention of key talent	95% retention of key talent	98% retention of key talent
Coordination with State/City (1 – 5 scale)	2.5%	2 / Below Expectations	3 / Meets Expectations	5 / Far Exceeds Expectations
Strategic Initiatives	15%	1 complete	2 complete	3 complete
Individual Performance (1 – 5 scale)	35%	2 / Below Expectations	3 / Meets Expectations	5 / Far Exceeds Expectations

Note that plan design among POUs varies significantly and a summary of specific details on "typical" practices is not available

Considerations for DWP

- Given prevailing market trends, DWP should likely consider an AIP plan design that incorporates (at a minimum):
 - Financial goal(s): performance vs. operating budget, etc.
 - Safety goal(s): TRIR, DART, PVIR, training exercises completed, etc.
 - Availability/Reliability goal(s): SAIDI minutes, SAIFI performance, CAIDI minutes, etc.
 - Customer service goal(s): call center survey results, hold time, etc.
- Consideration should also be given to the unique goals/challenges DWP is facing that could be incorporated in the AIP program (e.g., rebuilding aging infrastructure, improved sustainability, talent acquisition, and other goals as stated in DWP Fiscal Year 2023-2024 Goals & Objectives)
- For illustrative purposes, sample DWP metrics along with threshold/target/maximum performance levels are provided on the following page

Considerations for DWP (continued)

ILLUSTRATION

- For illustrative purposes, sample DWP metrics along with threshold/target/maximum performance levels are provided below

ILLUSTRATION ⁽¹⁾			
Performance Measures	Threshold	Target	Maximum
Power Revenue Fund Operating Budget ⁽²⁾	\$5.08B (85% of target)	\$5.98B	\$6.88B (115% of target)
Water Revenue Fund Operating Budget ⁽²⁾	\$1.92B (85% of target)	\$2.26B	\$2.60B (115% of target)
Power Infrastructure Replacement ⁽³⁾	90% achieved at budget	100% achieved at budget	100% achieved at 90% of budget
Water Infrastructure Replacement ⁽⁴⁾	90% achieved at budget	100% achieved at budget	100% achieved at 90% of budget
Employee Participation in Enhanced Safety Training Programs	95% participation	97.5% participation	100% participation
Sustainability:⁽⁵⁾ Power: Carbon Neutral Progress	10 point improvement from 2023 by the end of 2024	50% renewable energy by the end of 2024	55% renewable energy by the end of 2024
Water: Increase Local Water ⁽⁶⁾	Annual progress (TBD) towards recycled water and stormwater capacity goals	Annual progress (TBD) towards recycled water and stormwater capacity goals	Annual progress (TBD) towards recycled water and stormwater capacity goals

Notes:

- (1) Other metrics that could also be considered that are not included here include various metrics of customer satisfaction (both commercial and residential customers), reliability/resilience, talent acquisition, etc.
- (2) Source: DWP Fiscal Year 2023-2024 Final Budget
- (3) Meet targets for the PSRP infrastructure replacement of 1,255 distribution transformers, 12,600 deteriorated crossarms, 3,700 deteriorated poles, 60 miles of 4.8kV and 34.5kV underground distribution cables, and PSRP Distribution load growth and upgrades through 15 miles of 4.8kV Feeders and 10 miles of 4.5kV Trunk Circuits
- (4) Meet targets for Water infrastructure replacement of 210,000 feet of mainline, 11,515 feet of trunkline, and 33,500 meters
- (5) Power & Water Sustainability goals shown as combined for illustrative purposes to recognize balance of resources for Sustainability projects (could also be bifurcated into separate goals)
- (6) Annual progress towards Fiscal Year 2026-2027 recycled water use goal of 17,300 acre-feet per year and stormwater capture capacity of 150,000 acre-feet per year by 2035

Considerations for DWP (continued)

Questions for Discussion

- What metrics best facilitate alignment with strategic priorities?
- Desired balance between financial and strategic/non-financial objectives?
- Include a discretionary component (not shown on prior page)?
 - If not included, yields pure financial and/or quantitative metric-driven model without subjective evaluation
 - If included, provides ability to incent behaviors not covered in the plan
- Role of individual performance in final award (not shown on prior page)?
 - Emphasizes individual accountability
 - Holding the line on “grade inflation” can be challenging
 - Adds administrative complexity
 - No existing system for tracking at DWP
- Other considerations

Appendix

Potential Target Awards at DWP

- Target bonuses are typically defined as a percent of salary
- Assuming the goal is to position “target” bonuses as a percentage of salary at DWP at the market median, the following target levels are recommended:

Position	Class Code	DDR	Market Base Salary		Market Target Bonus (%)		Market Target TAC		Base Salary	LADWF PROPOSED		PROPOSED Deviation to Market TAC	
			25th %ile	Median	25th %ile	Median	25th %ile	Median		Target Bonus %	Target TAC	25th %ile	Median
GNL MGR & CHF ENGR WP (MARTY ADAMS)	9998	9199002	\$400,255	\$470,330	66%	79%	\$722,586	\$842,832	\$400,019	80%	\$720,034	(0%)	(15%)
AUDTR WP (ANN SANTILLI)	9759	9101503	\$280,121	\$329,073	48%	62%	\$449,890	\$532,275	\$299,043	60%	\$478,469	6%	(10%)
AGM POWER CONSTRUCTION, MAINTENANCE & OPERATIONS (A. KENDALL)	151	9501905	\$277,497	\$321,739	48%	61%	\$442,033	\$516,939	\$312,843	60%	\$500,548	13%	(3%)
AGM POWER ENGINEERING & TECHNICAL SERVICES (REIKO KERR)	151	9501905	\$277,497	\$321,739	48%	61%	\$442,033	\$516,939	\$312,720	60%	\$500,352	13%	(3%)
AGM WATER (RICHARD HARASICK)	151	9501905	\$277,497	\$321,739	48%	61%	\$442,033	\$516,939	\$312,720	60%	\$500,352	13%	(3%)
CAO (LINDA LE)	151	9101904	\$254,451	\$300,894	40%	53%	\$389,491	\$461,383	\$299,043	45%	\$433,613	11%	(6%)
CIO (LOUIS CARR)	151	9105125	\$267,326	\$309,698	37%	50%	\$396,343	\$462,998	\$276,472	45%	\$400,885	1%	(13%)
AGM EXTERNAL & REGULATORY AFFAIRS (NANCY SUTLEY)	151	9101904	\$234,909	\$274,790	31%	45%	\$332,833	\$406,414	\$254,130	45%	\$368,489	11%	(9%)
EXEC ASST TO THE GM (JOE RAMALLO)	360	9103300	\$235,821	\$273,765	33%	45%	\$339,257	\$396,959	\$229,795	45%	\$333,203	(2%)	(16%)

- At these levels, the **target bonuses represent a total bonus pool of \$1,540,000** at the target level of performance
- Positioning relative to the median for each position improves with the addition of an AIP

Market data and DWP salary levels are based on the Joint Study of DWP Total Compensation conducted in 2021 based on 2019 DWP census data

As the analysis is now four years old, the data shown above likely understate the market today -- at the request of the OPA, updated market data for the GM and CIO roles are provided on the following page

Memo

To: Fred Pickel; Camden Collins
Date: February 26, 2024
From: Mike Halloran; Elizabeth Toro
Subject: Market Data: Requested Roles

Per your request, market levels of 2023 compensation for the GM & Chief Engineer and Highest Paid IT role (CIO) at the DWP are outlined below. The methodology and sources used in this analysis are consistent with the 2019 Total Compensation Study conducted in 2021.

Note that the market data for each element are independently arrayed and reflect percentiles and not averages; therefore, the numbers do not add down.

(\$000s)	CEO		
	25th %ile	Median	75th %ile
Base Salary	\$469,600	\$547,500	\$645,500
Target Bonus %	66%	80%	95%
Target Total Annual Compensation	\$844,200	\$975,600	\$1,163,200

(\$000s)	CIO		
	25th %ile	Median	75th %ile
Base Salary	\$339,100	\$398,000	\$465,000
Target Bonus %	38%	50%	66%
Target Total Annual Compensation	\$508,600	\$603,000	\$716,300

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We hope this information is helpful. Please feel free to call with any questions.