
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Increase Rates and	:	Docket No. 08-046-01
Charges and Increase in USF	:	DPU Exhibit 6.0 DIR-REV REQ
Eligibility for Manti Telephone Company	:	(REDACTED)
	:	
	:	
	:	
	:	

DIRECT TESTIMONY

OF

JILL E. CARTER
CARTER CONSULTING, LLC

OCTOBER 18, 2012

1 **Q. Please state your name and business address for the record.**

2 A. Jill E. Carter. My business address is P.O. Box 58222 Salt Lake City, Utah
3 84158.

4 **Q. For which party will you be offering testimony in this case?**

5 A. I will be offering testimony on behalf of the Utah Division of Public Utilities
6 (“Division”).

7 **Q. Please describe your position and duties with Carter Consulting, LLC?**

8 A. I am a Human Resource Consultant and I am the Principal Consultant for Carter
9 Consulting, LLC. Among other Human Resource matters, I serve as a consultant
10 on issues concerning compensation, market-driven pay systems, motivation,
11 incentive and variable pay models and plans. I survey the market to find
12 competitive rates of pay for jobs in organizations, analyze the market data, and
13 draw comparisons between the market data and the organizations for which I
14 consult and recommend rates of pay and pay structures based upon my research. I
15 examine existing pay rates and structures and make recommendations for change
16 in order to align organizations more closely with their competitors.

17 *Education and Experience*

18 My educational and professional experience is as follows: I received a Bachelor’s
19 of Arts Degree in Political Science in May of 1980 from the University of Utah. I
20 received a Masters in Public Administration with an emphasis in Human
21 Resource Management from the University of Utah in May of 1982. I have been
22 the Principal Consultant for Carter Consulting, LLC for the past 24 years. Prior to

23 that, I worked for the University of Utah from February 1987 to December 1987
24 in the capacity of an HR System Advisor consulting with local governments in
25 building human resource systems including salary structures. Prior to that, I
26 worked as the Supervisor of Compensation for Questar Corporation from
27 December 1984 to February 1987. I worked for National Semiconductor from
28 July 1983 to December 1984 as the Supervisor of Compensation and Benefits.
29 Prior to that, I worked for the State of Utah as a Personnel Analyst from March
30 1980 to July 1983. I have been an Assistant Adjunct Professor at the University of
31 Utah for the past twenty years and teach one semester out of the year in an upper
32 division class. Over the past three years, I have taught Public Human Resource
33 Management to University of Utah students working towards their Master's and
34 PhD degrees.

35 **Q. Have you testified before the Commission on prior occasions?**

36 A. I have not.

37 **Q. Please describe your participation in the Division's review of Manti**
38 **Telephone Company (MTC).**

39 A. I was asked to conduct a study to determine what salary rates may be considered
40 competitive with relationship to similar positions found in MTC on behalf of the
41 Division.

42 **Q. What is the purpose of your testimony in these proceedings?**

43 A. My testimony addresses several specific issues and conditions pertaining to the

44 compensation practices and the salary and wage request of MTC in the 2012 2nd
45 Amended filing. There will be five primary areas I will address: First, I will
46 describe the market compensation study I performed for the Division of Public
47 Utilities to determine the average actual median base salaries in the market for
48 similar positions to those found in MTC. Second, I will address the salary
49 structure developed by MTC with the market medians that I initially proposed in
50 my market compensation study and I will discuss the issue of “seniority or
51 longevity” in determining an employee’s base salary. Third, I will address a pay
52 discrepancy found between two groups in the organization with relationship to the
53 market median and Fourth, I will address the MTC requested ■ across the board
54 salary increase for all MTC employees with relationship to that of other
55 companies in a similar location as MTC and within the Telecommunications
56 industry. Last, I will recommend salary and wage levels and cost of living
57 increases the Commission should adopt in this proceeding.

58 **Q. Describe your methodology and findings in the compensation study you**
59 **completed for the Division of Public Utilities with respect to MTC per DPU**
60 **Exhibit 6.1 Manti Telephone Company (MTC) Compensation Analysis and**
61 **Recommendations, November 2011.**

62 A. *Study Outcome/Objective*

63 The outcome of the survey was to identify the market means and medians of the
64 average actual base salary for positions at MTC. The DPU requested this survey

65 to determine what base salaries are reasonable to include in MTC's expenses
66 related to this docket.

67 *Employee Interviews*

68 In order to understand the content of each of the MTC jobs, I and one of my
69 associates interviewed as many MTC incumbents as we were permitted. The
70 MTC Attorney was present in the room with each of the interviews we completed.
71 We had scheduled two days to complete all the interviews but were limited by the
72 MTC CEO to 1 full day and half of the next day for interviewing. We asked
73 questions regarding the specific duties and responsibilities of the incumbents we
74 interviewed. In addition we asked the MTC incumbent(s) to describe the
75 following for his/her job: basic responsibilities, primary duties and the percentage
76 of time spent on each duty, routine duties and difficult duties. We also asked the
77 MTC incumbents to describe the job with respect to the following compensable
78 factors: knowledge and complexity, innovation and planning, leadership and
79 financial impact, contacts, working conditions, independence of action and other
80 factors (including amount of overtime worked, changes to the job over the past
81 two years, pay differentials received, position status (exempt or nonexempt) and
82 salaried vs. hourly. We wanted to determine the exact makeup of the duties and
83 responsibilities of each job. A summary of our notes resulting from the interviews
84 by position is found in DPU Exhibit 6.1 Appendix, Manti Telephone Company
85 (MTC) Compensation Analysis and Recommendations November 2011.

86 *Market Survey Sources Identified*

87 Next, we identified market survey sources for data and the resulting benchmark
88 descriptions in the survey matching the incumbent’s duties and responsibilities
89 most closely. Three third party compensation surveys were identified as
90 appropriate sources from which to obtain market salary data: First, the 2010
91 National Telecommunication Cooperative Association (NTCA); second, the 2011
92 Organization for the Promotion and Advancement of Small Telecommunication
93 Companies (OPASTCO); and third, the Utah Economic Data Viewer. The Utah
94 Economic Data Viewer was utilized because the 2011 OPASTCO survey offered
95 only two Utah company responses and the 2010 NTCA survey offered only four
96 Utah company responses. I believed the MTC pay comparisons should include
97 Utah data. Each survey was weighted equally so as not to give preference of one
98 survey over another survey.

99 *Cuts¹ of Data Determined, Weighting and Aging the Data*

100 Once the third party surveys were identified, it was important to determine which
101 cuts of data to use within each of the surveys. The following cuts of data (if
102 available) were pulled from the three sources of survey information: Access Lines
103 [REDACTED], Survey Region (West Region) and Revenue [REDACTED]
104 [REDACTED]. These cuts reflect the status of MTC regarding access lines, location
105 and revenue. Because each survey was weighted at 100%, the cuts had to be
106 weighted to total 100%. The data cuts were weighted as follows: Access Lines =
107 20%, Survey Region = 60% and Revenue = 20%. If only two cuts of data were

¹The compensation term “Cuts” is defined as a portion of a database or a selection of the most comparable companies’ data such as geographic location, revenue size, access lines, and industry type.

108 available the data was weighted at 60%/40%; if only one cut of data was
109 available, it was weighted at 100%. Data obtained from each of the three survey
110 sources were used as long as five or more companies responded to the survey
111 benchmark. In order to have all of the data cuts the same age, each cut of data was
112 aged to January 1, 2012 according to the effective date of data found in each of
113 the third party surveys. For 2010 data, the data were aged 2.3% based on
114 WorldatWork² Utah total salary budget increases. WorldatWork is a credible
115 compensation/consulting organization located in Scottsdale Arizona used by
116 many compensation consultants (throughout the nation) in trending salary growth.
117 For 2011 data, were aged 2.7% based on WorldatWork³ Utah actual total salary
118 budget increases.

119 *Market Medians and Averages Calculated*

120 Once all the weights and aging factors were determined, we calculated the
121 weighted and aged medians and means of the data. Any MTC base salary data
122 that was +10% or -10% from the market median base salary was considered to be
123 within an acceptable market range. If the results of the MTC ratio to market were
124 greater than +10% or below a -10%, there was cause for concern in MTC's base
125 salaries with relationship to the market. Market median base salary data was
126 calculated both with the Utah Economic Data Viewer data and without the Utah
127 Economic Data Viewer data.

² 38th Annual 2010 2011 WorldatWork Salary Budget Survey, WorldatWork, 2011.

³ Ibid.

128 An addendum was later added to the study on the Construction/Utility Worker
129 MTC job. The addendum was per MTC's request. Initially MTC suggested we not
130 interview the Construction/Utility Worker as they were very new to the job. We
131 valued this job at an entry level because the existing MTC employees were so
132 new to the Company. During the initial presentation of the data to MTC, the CEO
133 of MTC requested we value this job at the working or experienced level and
134 submit data on the Construction/Utility Worker position. This addendum, valuing
135 the Construction/Utility Worker job at a working or experienced level, was
136 forwarded to the Division of Public Utilities in December of 2011 (approximately
137 one month after the initial presentation of the data to MTC and its Attorney) and
138 in accordance with the request of the MTC CEO.

139 **Q. Will you provide an opinion of MTC's Schedule 1A, pages 2 and 3, proposed**
140 **MTC Salary Structure Developed by MTC and provide any resulting**
141 **recommendations?**

142 A. With respect to the proposed salary structure developed and proposed by MTC
143 (page 3 of MTC Schedule 1A), it is unique in its design and does not follow
144 generally accepted compensation standards given today's economy. First, the
145 midpoint of the range was developed from the "mean" data provided by me (the
146 consultant). While the "mean" of the market was provided, I stated the "median"
147 of the data was a better statistic in utilizing small samples during my presentation
148 to MTC. It is recommended the "median of the market" data be utilized as the
149 proposed MTC pay structure midpoint. In compensation theory, the market rate of

150 pay should be the “midpoint” of the salary range. The “midpoint” of the MTC
151 proposed pay structure is not the exact middle of the pay range. There are more
152 dollars allocated to the pay plan beyond the midpoint in the latter half of the
153 salary structure than in the first half of the salary structure. A midpoint should be
154 located in the exact middle (give or take a dollar rounding) so there is the same
155 number of dollars on the front end of the pay structure as are on the latter end of
156 the pay structure. The MTC midpoint in the proposed pay structure is not
157 consistent with this thinking. It is recommended the MTC midpoint be a true
158 market median (50%) of the pay structure.

159 **Q. What are your thoughts about the length of the salary ranges in the proposed**
160 **MTC Schedule 1A, page 2, salary schedule?**

161 A. The salary range length is too long given today’s economy. The length of the
162 salary ranges are from [REDACTED] to [REDACTED] from minimum to maximum. Even in a
163 healthy and growing economy a [REDACTED] pay range length is very long. This assumes
164 the organization (if they hire at the minimum of the range) will hire
165 approximately [REDACTED] below the market median and pay up to [REDACTED] above the
166 market median (above market competitive rates). Although some pay plans offer
167 the same pay range length for their exempt (salaried) and nonexempt (hourly)
168 employees, many pay plans have shorter pay ranges for the nonexempt (hourly)
169 employees and longer ranges for their exempt (salaried) employees. This is
170 because it is assumed it takes an exempt employee a longer period of time to learn
171 the job. It makes the assumption the nonexempt employee will learn the job and

172 be promoted formally in the organization. Therefore, the salary range should not
173 be as long as that for exempt employees. In either the exempt or nonexempt case,
174 a [REDACTED] range spread is too long given today's economy.

175 **Q. What is your opinion on the steps in the salary ranges of the MTC Schedule**
176 **1A, page 3, proposed pay structure?**

177 A. In addition, there are eight steps (2 through 9) identified on MTC Schedule 1A.
178 Between steps 2 and 3 there is a [REDACTED] step increase. In other words, there is a
179 [REDACTED] increase in salary to move from a step 2 to a step 3 under the 2011 MTC
180 Salary and Wage Schedule. From step 3 to step 4, there is an [REDACTED] increase.
181 From step 4 to step 5 (midpoint), there is an [REDACTED] increase in salary. These
182 salary increases continue until the end of the salary range where there is a [REDACTED]
183 increase from Step 8 to Step 9. The theory behind this type of cascading increase
184 between steps from minimum to maximum makes the assumption employees on
185 the front end of the salary range have a steeper learning curve and should be paid
186 larger increases for that learning curve. So, steps 2 through 5 should have greater
187 percentage increases between them than steps 5 through 9. When an employee
188 reaches the midpoint of the salary range, compensation theory suggests the
189 employee's learning curve slows and as a result, the salary increases should slow
190 as well. MTC has implemented this theory in its proposed pay structure and it is
191 considered usual and customary in many companies.

192 **Q. Does the percentage increase between steps follow compensation standard**
193 **practice?**

194 A. No. The salary increases from [REDACTED] to [REDACTED] are not usual and customary given
195 today's economy. At best, most companies utilize a 2% or 3% increase between
196 steps. One may potentially assume when an employee goes from step 2 to step 3
197 on the proposed MTC pay plan, the employee will receive a [REDACTED] pay increase.
198 Those types of pay increases whether they be merit increases or promotional
199 increases (highly unlikely for a promotion to occur in the same salary range), are
200 not readily found in today's economy and market.

201 **Q. Does pay for years with the company/seniority follow compensation standard**
202 **practice?**

203 A. No. Page 2 of MTC Schedule 1A illustrates the annual current salary of the MTC
204 employees (column 5). Page 3 of MTC Schedule 1A provides the "Proposed
205 Annual Salary" of each incumbent based upon years with the company. This
206 makes the assumption "years with the company" means "in the same job." So,
207 while an Account Manager/Bookkeeper shows 6 years with the company and a
208 proposed annual salary of [REDACTED], it assumes the Account
209 Manager/Bookkeeper has been in the same job for 6 years and received a step
210 increase in that position each year. In many cases, employees start at lower
211 positions in the company and work their way up the career ladder. To base an
212 individual's salary upon "years of experience with the company" ignores any
213 other positions an employee may have had at a lower or higher level of
214 complexity (and resulting differentiation in the market) and has no consideration
215 of "merit" or performance of the employee. This practice is unusual and is not

216 founded in what is considered reasonable and customary for compensation
217 practice. Most companies in the market provide increases to base salaries as a
218 result of performance or value added to the organization. A seniority-based pay
219 plan may be found in a manufacturing plant on a manufacturing line and is often
220 used with nonexempt or hourly employees where the organization wants to
221 reward frequently for retention where turnover has been high. The MTC proposed
222 salary schedule is not in line with compensation standard practice given today's
223 economy.

224 Finally, it's important to note here that, while MTC requests expense accounts to
225 include the proposed salary schedule, it is not reflected in the current actual
226 payment of MTC's employees. If MTC were to pay employees based on the
227 proposed salary schedule, it would likely result in unreasonably high wages
228 beyond the market median base salary.

229 **Q. What is your second DPU exhibit as set forth in DPU Exhibit 6.2 Pay**
230 **Discrepancy and any resulting recommendations?**

231 A. I will address the pay discrepancy found between two groups with relationship to
232 the market median. Most all of the higher level positions are paid beyond the
233 median of the market while the lower level positions are paid below the median of
234 the market. This is unusual and suggests that positions at the top of the
235 organization have been more favored in terms of pay than those found lower in
236 the organization. This is not in accordance with usual and customary standards of
237 compensation. While the market competitive salaries on the lower end of the pay

238 structure are not high salaries in general, MTC's salaries in the lower end of the
239 pay structure are significantly below the market median. Yet MTC's salaries on
240 the positions at the management and more professional levels are high with
241 relationship to the market medians.

242 **Q. Will you explain your fourth DPU exhibit as set forth in DPU Exhibit 6.3**
243 **WorldatWork 2012 Total Salary Budget Increases and any resulting**
244 **recommendations?**

245 **A.** Three Percent █████ Total Salary Budget Increase is an appropriate increase for
246 MTC. Manti Telephone Company requested a █████ across the board salary
247 increase for 2012. This appears to be a unique request especially since there are
248 positions paid beyond the median base salary of the market as noted in MTC
249 Schedule 1A. Even so, the █████ across the board salary increase request for 2012
250 appears to be out of line with market data and pay increase practices for 2012.
251 According to the 39th Annual 2012 2013 WorldatWork Salary Budget Survey,⁴
252 this request is too high with relationship to MTC's local and industrial
253 competitors. Table 1 – Total Salary Budget Increases by Region and Employee
254 Category suggests regionally for 2012 a █████ mean overall salary budget increase
255 and a median of █████ total salary budget increase. This is significantly less than
256 the MTC requested █████ Table 2 – Total Salary Budget Increases, by State for
257 2012 suggests locally for Utah a mean █████ total salary budget increase and a
258 median █████ total salary budget increase. This is significantly less than the MTC

⁴ 39th Annual 2012 2013 WorldatWork Salary Budget Survey, WorldatWork, Scottsdale, AZ. 2012.

259 requested [REDACTED] Table 3 – Total Salary Budget Increases by Major Industry
260 Grouping suggests a 2012 mean industry total salary budget increase of [REDACTED] and
261 a median total salary budget increase of [REDACTED]. Again, this is significantly less than
262 the MTC requested [REDACTED]. It is difficult to validate a [REDACTED] across the board total salary
263 increase when the experts suggest a [REDACTED] to [REDACTED] increase in total salary budget
264 for 2012 from a national, local and industry perspective.

265 **Q. Please summarize your adjustments as shown in DPU Exhibit 6.4 Summary**
266 **of Adjustments.**

267 A. In conclusion, in determining the amount of DPU funding for wages and salaries
268 for 2012, the Commission should base its salary increase on bringing all salaries
269 to the market median base salary for each job title (see DPU Exhibit 6.1).
270 Bringing each MTC employee's base salary to the market median provides MTC
271 with adequate funds to staff each position with competent personnel. Since it will
272 require a greater salary budget increase to adjust all employees' salaries to the
273 market median than the WorldatWork total salary increase budget of [REDACTED] it
274 would not be appropriate to fund a COLA increase at this time. The market
275 medians for each MTC position can be found in DPU Exhibit 6.1.

276 **Q. Does this conclude your Testimony?**

277 A. Yes.