
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Increase of Rates	:	Docket No. 08-046-01
And Charges and Increases in USF	:	DPU Exhibit 6.0 SR
Eligibility For MTC Telephone	:	
Company	:	
	:	

SURREBUTTAL TESTIMONY

OF

JILL E. CARTER
STATE OF UTAH
DIVISION OF PUBLIC UTILITIES

NOVEMBER 9, 2012

1 **Q: Please state your name for the record.**

2 **A:** My name is Jill E. Carter.

3 **Q: Have you previously filed testimony in this docket?**

4 **A:** Yes, I previously filed direct testimony on behalf of the Division of Public Utilities
5 (DPU).

6 **Q: What is the purpose of your testimony in these proceedings?**

7 **A:** My Surrebuttal testimony addresses and summarizes specific issues and conditions
8 pertaining to the mischaracterization of the Office of Consumer Services-OCS's rebuttal
9 of the Carter Compensation Study data gathering, analysis and subsequent
10 recommendations to the DPU. More specifically, the methodology and documentation of
11 the compensation analysis and recommendations will be presented to demonstrate the
12 credibility and integrity of the study through the data gathering, analysis and
13 recommendations completed by Jill E. Carter. Industry "best practices" for market
14 pricing will be identified and compared to the methodology utilized by Jill E. Carter
15 Consulting, LLC.

16 **Q: What is the difference between "market pricing" and a "salary survey"?**

17 **A:** Market Pricing refers to "setting pay structures almost exclusively through matching pay
18 for a very large percentage of jobs with rates paid in the external market." [1] Market
19 Pricing may involve obtaining data from third party salary surveys or actually performing
20 a salary survey in the market. The process of completing a "salary survey" involves

1 Milkovich, George T. and Jerry M. Newman. COMPENSATION, 7th edition, McGraw-Hill Irwin, New York, NY, 2002, p. 663.

21 drafting the benchmarks, creating a spreadsheet for the respondents, determining who
22 should participate in the survey and going out into the market to generate wage data.
23 Third party companies do salary surveys routinely to create their databases. For the
24 purposes of the MTC study, market pricing was performed using third party salary
25 surveys[2] to establish a database for MTC.

26 **Q: In his rebuttal testimony Bion C. Ostrander with the Office of Consumer Services**
27 **(“OCS”) disagrees with Carter’s compensation analysis relating to the median wage**
28 **data upon which the Division of Public Utilities (“DPU”) based its wage expense**
29 **adjustments. Do you agree with Mr. Ostrander’s rebuttal testimony regarding the**
30 **reliability of the analysis?**

31 **A:** No. Mr. Ostrander significantly mischaracterizes my skill sets and my 30 years of
32 experience in compensation as well as my ability to perform a reliable market
33 compensation analysis. Market compensation analysis is based in application of a
34 principled methodology in order to evaluate a company’s wage levels with relationship to
35 the market. In completing a credible compensation analysis, a multi-step method is used
36 to identify the exact job duties of the incumbents, identify the comparable market data
37 sources as well as cuts of market data and determine the data to be used. Further, a
38 credible compensation analysis involves aging the data to normalize it from different
39 sources and effective dates, weighting the data to reflect emphasis on various job
40 functions if it is a “hybrid” job where many different duties are identified in a single job

2 Third Party surveys include: Organization for the Promotion and Advancement of Small Telecommunication Companies (OPASTCO), the National Telecommunications Cooperative Association (NTCA) and the Utah Economic Data Viewer.

41 and using that data to calculate median wage levels. Finally, a credible analysis will take
42 this data and evaluate whether a company's current practices are within a reasonable
43 range of current market wages. The following more clearly explains the methodology
44 used.

45 The first step is to interview incumbents to determine exact job duties and
46 responsibilities. My associate Ms. Kotter and I spent one and one-half days interviewing
47 all incumbents working within MTC to determine the specific duties and responsibilities
48 they performed.

49 The second step is to identify the market data sources and the resulting benchmark
50 descriptions in the survey and match the incumbent's duties and responsibilities as close
51 as possible to those benchmarks. Ms. Kotter and I identified two surveys initially: a)
52 National Telecommunications Cooperative Association, ("NTCA") and b) Organization
53 for the Promotion and Advancement of Small Telecommunications Companies
54 ("OPASTCO"). At that point, it was determined there were only two Utah company
55 responses in OPASTCO and four Utah company responses in NTCA. I added a third
56 survey to the other two to reflect the Utah market (Utah Economic Data Viewer) to the
57 mix of market surveys. Each survey was weighted at 100% so no survey could overpower
58 another in the weighting calculations.

59 The third step is to determine which cuts (groupings) of the data to use from the surveys.
60 Ms. Kotter and I determined the following cuts of data most closely aligned to MTC's
61 organization: Access Lines (4,000), Survey Region (West), Revenue (\$3.5 million).

62 The fourth step is to weight the cuts in each survey to total 100%. The Carter analysis
63 included the following weights: Access Lines = 20%, Survey Region = 60% and Revenue
64 = 20%. If only two cuts of data were available 60%/40%; if one cut of data was available
65 (100%). Data was used only if 5+ companies responded to the survey cut to ensure an
66 adequate sample.

67 The fifth step is to age data cuts to reflect the time between the effective date of the data
68 and the date of the analysis. The various surveys have different effective dates for the
69 data. It is important to bring the data up to a single point in time and age the data so it all
70 reflects the same date. Our analysis aged data cuts to January 1, 2012 in accordance with
71 the effective dates of the survey responses. Based upon a nationally accredited
72 organization that most organizations use to aged data, WorldatWork, we aged the data
73 using WorldatWork actual base salary increases as 2.3% for 2010 and 2.7% for 2011
74 data.

75 The sixth step was to pull the Average Actual Base Salaries according to the survey
76 means and medians. The mean and the median data were pulled from the three survey
77 sources previously mentioned. The median was pulled because it is the best statistic to
78 use in dealing with market survey data on wages. The mean was pulled as a comparison
79 but not used in the analysis of the market data. Compensation professionals suggest the
80 median of the market data be utilized when dealing with wage information. "Best practice
81 in compensation is to primarily consider the median/midpoint and the reason is quite
82 simple. The mean or average is very sensitive to outliers, or abnormally low or high

83 values, while medians are much less affected by outliers.”[3] That is, the median point
84 restricts the outlying salaries that may distort the final numbers; thereby yielding a more
85 accurate number.

86 The seventh step is to determine an acceptable range of data as an error of margin with
87 relationship to MTC’s salaries. Our analysis defined +10% or -10% within an acceptable
88 market range. The +10% or -10% has been a reliable range we have used for the past 30
89 years in salary administration. When the competition is stiffer in the market (such as that
90 for complex programming languages for example) a tighter range such as +5% or -5%
91 may be used. In 30 years, I have never used anything more than +10% and -10% except
92 on the high technology jobs during competitive years.

93 While Mr. Ostrander has testified that the market pricing results are unreliable and overly
94 subjective, there has been no suggestion as to a more appropriate methodology. It appears
95 that OCS’s position is simply to accept the wages paid by MTC as market rates and then
96 apportion some of the executive salaries to MTCC. What basis has Mr. Ostrander for
97 assuming that MTC’s wages are reasonable? In fact, it is unclear how one might
98 otherwise evaluate what reasonable wages might be. If the market pricing had resulted in
99 a proposed net wage decrease would the same objection be raised? The methodology and
100 theoretical basis behind the market pricing analysis are sound. In order to provide
101 guidance as to what the market suggests wages should be, the above analysis provides
102 reliable results. I have over 30 years in the compensation field and experience in

3 Comp Basic: Mean vs. Median – Compensation Today, Pay Scale HUMAN CAPITAL, p. 3.

103 hundreds of analyses of market data. The analysis performed is in complete compliance
104 with how professionals in the field of compensation perform it.

105 **Q: Mr. Ostrander asserts at line 76 and again beginning at line 201 that Carter criticize**
106 **Manti's above median salaries for high level positions while Carter's**
107 **recommendations include rewarding some higher level positions with significant pay**
108 **increases. Does Carter agree with Mr. Ostrander?**

109 **A:** No, certainly not. There is a difference between being significantly above the market
110 median and a pay increase. Identifying a high level position paid below the market
111 median and suggesting that the position be funded at a higher wage to match the market
112 median is not equivalent to suggesting that certain high level positions be paid
113 significantly above the market median. These are two different issues and they are not
114 contradictory.

115 The testimony identifies the median base pay for all positions at MTC. The two positions
116 identified at the management level referred to by Mr. Ostrander, are paid less than the
117 market median would require for competitive pay in the market. It is neither my purpose
118 nor my position in testimony to suggest to the DPU or to MTC what to pay each
119 employee. It is simply to identify whether the wages paid by MTC during the test year
120 are over or under the market median based upon the data obtained through market
121 pricing.

122 **Q: Would you expect all actual salaries to match the median salary for that position?**

123 **A:** No. Some salaries will be greater, some will be less. Most will be within a range of 10%.

124 There is no indication Manti will actually pay new or existing employees at the market
125 wage rates determined by the market pricing study. Our market pricing analysis can only
126 provide the DPU with guidance as to what is considered a reasonable salary expense
127 based on the positions currently held at MTC and the results of the market pricing
128 analysis.

129 **Q: Mr. Ostrander states beginning at line 94 that the Carter analysis “cannot**
130 **adequately match market job positions and salaries with those of Manti, because the**
131 **actual job description and total salaries paid to common officers and employees of**
132 **both Manti and its affiliates is not known.” Upon what basis did you create market**
133 **job positions?**

134 **A:** Again, Mr. Ostrander has misunderstood the information. Ms. Kotter and I spent one and
135 one-half days in one to one and a half hour interviews with each staff member at MTC
136 involved in the MTC side of the business. In addition, we received a copy of the job
137 descriptions MTC said represented duties and responsibilities. While the job descriptions
138 were more of a “wish” of what the CEO of MTC wanted his employees to perform, the
139 interviews were very accurate in having each of the employees explain what they did as
140 employees for and in-behalf of MTC. The notes have been summarized and included as
141 part of the original study for the DPU. The duties and responsibilities claimed by each
142 employee were matched to benchmark descriptions in each of the third party salary
143 surveys to ensure the most appropriate matches were obtained to reflect accurate market
144 wage data.

145 **Q: Mr. Ostrander asserts that a +/- 15% margin of error was used by a consultant in**
146 **another case. You have used a +/- 10% margin of error around the median to be**
147 **considered within a reasonable range. Would you please explain why you chose the**
148 **+/- 10% margin of error?**

149 **A:** With over 30 years of experience in Compensation and in market data gathering and
150 analysis, the margin of error that I have found to be reasonable and yet still help the
151 company to remain competitive was +10% or -10%. It is a number used in hundreds of
152 wage analyses to indicate where in relationship to the market, the company pays. When
153 using a larger margin of error such as +/- 15%, it suggests the data may be 15% further
154 from the market median in either direction. That would suggest the organization would be
155 at greater risk for overpaying or underpaying the position with relationship to the market.
156 In jobs considered “hot” in the marketplace, the margin of error is +5% or -5% to pay
157 closer to the median of the market and to compete more effectively.

158 **Q: Did you use the +/- 10% margin of error in providing a suggested median wage for**
159 **each position in order for the DPU to provide a reasonable expense value and why?**

160 **A:** No. The only reason I suggested the +10% or -10% as a margin of error was to
161 understand better where the MTC salaries were with relationship to the market. Positions
162 with a greater than +10% or -10% margin of error are considered lower than the market
163 median (underpaid) or higher than the market median (overpaid). The +10% or -10% was
164 never used in a calculation. It was simply used as an indicator as to whether or not the
165 positions would be considered below market or above market in terms of where MTC

166 was paying them.

167 **Q: Are there any guidelines or best practices in market pricing jobs?**

168 **A:** Yes. The following are considered best practices for market pricing jobs: “For companies
169 using market data to analyze compensation and set pay levels, the most common source
170 is compensation surveys conducted by third parties. Nearly 90 percent of participants
171 reported using compensation surveys with job-specific, employer-provided data as a
172 source of market data for compensation analysis.”[4] Further, “Other relatively common
173 sources of compensation market data include government labor databases (for example,
174 from the U.S. Bureau of Labor and Statistics and Statistics Canada), recruiters, job
175 posting and proxy filings for executives and directors in public companies.”[5] In our
176 analysis, we included a government database to generate more Utah-specific data called
177 Utah Economic Data Viewer. Other industry “best practices” include: “1. Identify the
178 benchmark jobs to be surveyed on behalf of the organization. Ensure the benchmark jobs:
179 Are representative of the types of work performed in the organization. Represent a broad
180 cross section of employees (high to low job categories). Represent a significant
181 percentage of the employee population. Hold job duties and responsibilities that are
182 readily identifiable in the marketplace. Are present in the geographic area and the
183 organizations to be surveyed. 2. Identify the reference point for comparison when
184 matching jobs with the competition. Compare job duties and responsibilities that: Reflect

4 SHRM, SOCIETY FOR HUMAN RESOURCE MANAGEMENT, Leading People. Leading Organizations.
“Market Pricing Practices Survey: Preferred Data and Tools.” October 20, 2011, p. 1.

5 SHRM, SOCIETY FOR HUMAN RESOURCE MANAGEMENT, Leading People Leading Organizations.
“Market Pricing Practices Survey: Preferred Data and Tools,” p. 1.

185 the organizational scope of the position and reporting relationships – not titles, because
186 they are often misleading. Focus on the industry or a specific job. Are within markets,
187 based on size, profitability, sales/assets, geographic area and/or industry. Are local,
188 regional and/or national.”[6]

189 **Q: How did your methods compare to the industry best practices in conducting the**
190 **study of MTC?**

191 **A:** Carter Consulting followed the industry best practices for conducting market pricing.
192 More specifically, all data utilized came from third party surveys: OPASTCO, NTCA and
193 Utah Economic Data Viewer (a government labor database). Upon interviewing all but 2
194 incumbents (new utility workers), Carter Consulting chose the benchmarks (basing its
195 decision on duties and responsibilities rather than title) where data could be obtained
196 from the surveys. These benchmarks represented every person interviewed and all
197 employees involved in MTC, a broad cross section of employees from the chief executive
198 to clerical support, a broad spectrum. The Carter analysis represented the entire
199 workforce population for MTC except the two utility workers who had been on the job
200 less than a month. The data pulled from the survey was the “median” and the “mean,”
201 while the “median” base salary data was the focus of the MTC analysis. The cuts of the
202 data involved both an industry, geographic, and revenue emphasis. Data was pulled under
203 companies reporting “Access Lines of 4,000”, Geographic Region of “West,”
204 “Southwest,” and Revenue of “\$3.5 million.” Because there was not a specific Utah

6 SHRM, SOCIETY FOR HUMAN RESOURCE MANAGEMENT, *Leading People Leading Organizations.*”
Compensation Series Part III: Job Evaluation and Market Pricing.” P. 2.

205 database in the OPASTCO and NTCA surveys, Carter Consulting added the Utah
206 Economic Data Viewer database. Please see the following exhibits as documentation of
207 following industry best practices: SR 6.1 A, SR 6.1 B, SR 6.1 C, SR 6.1 D, SR 6.1 E, SR
208 6.1 F, SR 6.1 G, SR 6.1 H, SR 6.1 I, SR 6.1 J, SR .1 K, SR 6.1 L.

209 **Q: Does this conclude your direct testimony?**

210 **A:** Yes it does.