

**Exh. KMH-8
Docket UG-170929
Witness: Kristen M. Hillstead**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET UG-170929

**EXHIBIT TO
TESTIMONY OF**

Kristen M. Hillstead

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Cascade's Response UTC Staff Data Request No. 103

February 15, 2018



LOCATION: MDU RESOURCES
DATE: 11/1/2017
WRITER: Anne Jones
SUBJECT: Year-end Salary Review

Stephanie Barth
Mark Chiles
Pat Darras
Hart Gilchrist

Rob Johnson
Dan Kuntz
Peggy Link
Scott Madison

Eric Martuscelli
Tammy Nygard
Jeff Rust
Garret Senger

Jay Skabo
Jason Vollmer

2018 MERIT INCREASE GUIDELINES

The 2018 merit pay budget increases for non-bargained employees of MDU Resources and the regulated companies has been approved. Worksheets for 2018 pay recommendations will be distributed to directors/managers by the Human Resources Department the week of November 6.

The overall budget approved is 4% for the 2018 salary review. With that being said, **Managers will be given 3% of the budget** to work with. HR will retain 0.5 % to work with VP's and address compression, equity issues, affirmative action items and promotions. The 0.5 % that remains is for the 2018 mid-year review.

The budget authorized for our salary review process was calculated from current non-bargained employee salaries. The amount budgeted is by VP Rollup, not necessarily per person and any excess funds could be reallocated based on need. Managers are expected to allocate any merit pay increases based on employee performance (merit) and equity (internal and external). While a percentage increase less than 2% should not be used, you and your managers should differentiate exceptional performers, expedite equity, recognize positions that are difficult to fill, and address compression issues. A recommended approach is to start at 2% for all, then allocate additional dollars to address these items. Any increase causing you to go over budget must be justified on the spreadsheet in the notes section. Strong performers should see a higher increase than an average performer.

Managers should submit their year-end promotion requests directly on the salary spreadsheet with justification in the notes section. They will not be required to submit these promotions through Workforce Central.

Employees that are above the salary range maximum (120 compa) are considered "red-circled" and are not eligible for a base pay increase for 2018, but may be considered for a lump sum bonus; however, there may be a small number of exceptions due to compression issues or in the case of key high-performing employees. Managers will also be provided a listing of employees that are not eligible for a salary increase in December because of a recent promotion, pay adjustment or recent new hire date and we may want to address these mid-year 2018. In addition, employees receiving Marginal or Unacceptable Performance Review scores (less than 2.75) are not eligible for a pay increase and should be on a Performance Improvement Plan.

I ask each of you to work with your managers **to stay within an overall 3 percent budget by VP rollup**. Managers will be provided the following guidelines to help promote consistency and ultimately stay within budget when completing their worksheets.

cc: Dave Goodin Cheryl Froelich
Trevor Hastings Jim Kaiser
Nicole Kivisto Linda Murray
Amanda Ross

GUIDELINE FOR ALLOCATING 2018 MERIT INCREASE BUDGET

Below are a few bullet points to keep in mind as you complete the salary worksheet for your employees.

- In order for employees to be eligible for an increase, a performance appraisal **must** have been completed by October 31, 2017.
- Performance appraisal scores help identify your strong performers. Be sure to take this into account when giving a percentage increase to employees of similar jobs. Generally, stronger performers should see a larger percentage increase.
- Employees with less than an 85 compa are in large bold font on the worksheet. Under the Shared Services HR Department, the philosophy is that employees should be within at least 85 compa their first year in the position. Since there have been several changes this year as compensation has been reviewed across the regulated companies, we understand this philosophy might be challenging to attain for 2018. However, I ask managers to work within their budgets to get employees closer to an 85 compa.
- At the end of each row on the worksheet is a notes/justification section. This section **must** be completed for an employee you are considering for a promotion or have proposed an increase of 5% or more.
- Managers should complete the salary worksheet and provide to their Vice President for review by **Tuesday, November 14, 2017**.
- Vice Presidents will review and email their group's completed worksheets to Mindi Steckler for GPNG, MDU, and WBI, Craig Pulley for CNG and IGC and Roxanne Roerick for MDUR and the Shared Services groups that cross companies no later than **5PM on Friday, November 17, 2017**.

2018 PAY STRUCTURE

Below is the 2018 MDU Resources pay structure. The structure is common to MDU Resources and their business units. It is reviewed and updated annually based on salary market studies.

2018 Pay Grade Structure

Grade	Minimum	Midpoint	Maximum
29	\$21,600	\$27,000	\$32,400
30	24,960	31,200	37,440
31	28,800	36,000	43,200
32	33,200	41,500	49,800
33	38,400	48,000	57,600
34	44,800	56,000	67,200
35	52,000	65,000	78,000
36	60,400	75,500	90,600
37	69,600	87,000	104,400
38	80,400	100,500	120,600
39	96,000	120,000	144,000
40	112,000	140,000	168,000
41	124,000	155,000	186,000
42	140,000	175,000	210,000

SALARY REVIEW PROCESS STEPS FOR MANAGERS AND SUPERVISORS

1. Review Demographics

- Worksheets are based upon classification and pay level effective the first pay check in November.
- Ensure all employees are listed; job titles, pay grades, performance ratings, and pay levels are accurate. Work with Mindi for GPNG, MDU and WBI, Craig for CNG and IGC and Roxanne for MDUR and Shared Services groups regarding any changes or updates to this information.

2. Merit Increases

- Recommend a pay adjustment by inputting a percentage in the Proposed Increase % column. The Salary Increase \$ Value, New 2018 Salary, Compa, and Total Dollars Spent cells will automatically calculate and update.
- Exceptions to guidelines should be infrequent and will require additional supporting documentation. Be sure to include justification in the notes section of the spreadsheet.
- We recommend starting with 2% for each employee, and allocating additional dollars for high performers, flight risks, equity concerns, etc.

3. Lump Sum Bonuses

- Employees paid substantially above the midpoint of their salary range (compa of 1.15 or higher) may be considered for a lump sum bonus in lieu of an increase to annual salary. However, these bonuses will be considered part of the budget dollars spent.
- Lump sum bonuses do not increase base salary. They normally are used to improve equity issues between employees in the same classification.
- Lump sum bonuses will be paid in a separate check in January and included in the employee's 2018 wages.

4. Submit Spreadsheets

- Discuss and provide salary recommendations and worksheets to your Vice President by **Tuesday, November 14**. Vice Presidents will email completed spreadsheets to Mindi for GPNG, MDU and WBI, Craig for CNG and IGC and Roxanne for MDUR and the Shared Services groups no later than **5PM on Friday, November 17**.

We greatly appreciate your help in completing the worksheets.

SALARY REVIEW TIMELINE

- **November 6 & 7** – Salary worksheets and guidelines distributed
- **November 14** – Salary worksheets due to Vice Presidents from Directors/Managers
- **November 17** – All salary recommendations reviewed by Vice Presidents and emailed to Mindi for GPNG, MDU and WBI, Craig for CNG and IGC and Roxanne for MDUR and the Shared Services groups.
- **Week of December 4** – Final approval of recommendations by Dave Goodin, Trevor Hastings and Nicole Kivisto.
- **Week of December 11** – Supervisors communicate salary increase information to employees

Effective Date of 2018 Increases

- **December 11** – GPNG, MDU, MDUR, WBI employees
- **December 14** – CNG employees
- **December 24** – IGC employees

Pay Date Reflecting New 2018 Wage

- **January 2** – CNG
- **January 5** – GPNG, MDU, MDUR, WBI
- **January 12** – IGC