



ENMAX Power Corporation

**2014 Phase I Distribution Tariff Application
2014-2015 Transmission General Tariff Application**

December 16, 2014

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made on a linear basis so if performance is between target and maximum, for example, payout would be 125 per cent of target.¹⁸⁹

Table 41. AVPP payout ranges as a percentage of eligible earnings

Level	Payout ranges		
	Threshold (50% of target)	Target (100% of payout)	Maximum (150% of target)
Specialists/supervisors, senior engineers, managers	10%	20%	30%
MP Levels 1 and 2	7.5%	15%	22.5%
CUPE	3.35%	6.7%	10%
IBEW	4.3%	8.7%	13%
IBEW coordinators	6%	12%	18%

Source: Exhibit No. 41.01, UCA-EPC-043(c) attachment, PDF page 212.

312. In argument, EPC maintained that without AVPP, its total direct compensation would fall below the market median. EPC recognized that the Commission has indicated that no more than 10 per cent of variable pay should be at risk to financial measures and EPC noted that, as a result of the different weightings for different positions, certain employees above the level of a manager may have more than 10 per cent of the variable pay at risk to financial measures. However, EPC submitted that this is reasonable in the circumstances as financial measures would have more visibility to senior employees and their AVPP reflects this.¹⁹⁰

313. In argument, the UCA noted that the Commission has made findings in other proceedings against incentive compensation being tied to the performance of affiliates, which in EPC's case would be due to KPIs being tied to ENMAX Corporation's performance. The UCA recommended that the Commission direct EPC to remove, from its revenue requirement, any costs related to payouts of AVPP based on KPIs for ENMAX Corporation.¹⁹¹

314. The CCA also addressed the AVPP's payouts tied to financial measures, specifically, EBITDA at the ENMAX Corporation level. The CCA argued that profitability of ENMAX Corporation is not necessarily beneficial to EPC and may even provide a perverse incentive to improve profitability of the unregulated entities to the detriment of EPC as a regulated entity. The CCA recommended that any AVPP amounts based on ENMAX Corporation's EBITDA be disallowed for all the test years. The CCA was amenable to EPC putting forward a proposal for the 2014 and 2015 test years, at the time of a compliance filing, for the corporate portion of AVPP being applied to EPC's net earnings.¹⁹²

315. EPC addressed the UCA's and CCA's recommendations with regards to AVPP disallowances in its reply argument. EPC noted that in order to be at market median for compensation, base pay could be adjusted; however, EPC uses an incentive compensation approach which benefits both EPC and customers by tying a portion of compensation to objectives such as safety and cost control. EPC submitted that should the Commission find that

¹⁸⁹ Exhibit No. 41.01, UCA-EPC-043 c), PDF page 212.

¹⁹⁰ Exhibit No. 154.01, PDF page 55.

¹⁹¹ Exhibit No. 155.01, PDF page 9.

¹⁹² Exhibit No. 156.01, PDF pages 19-20.