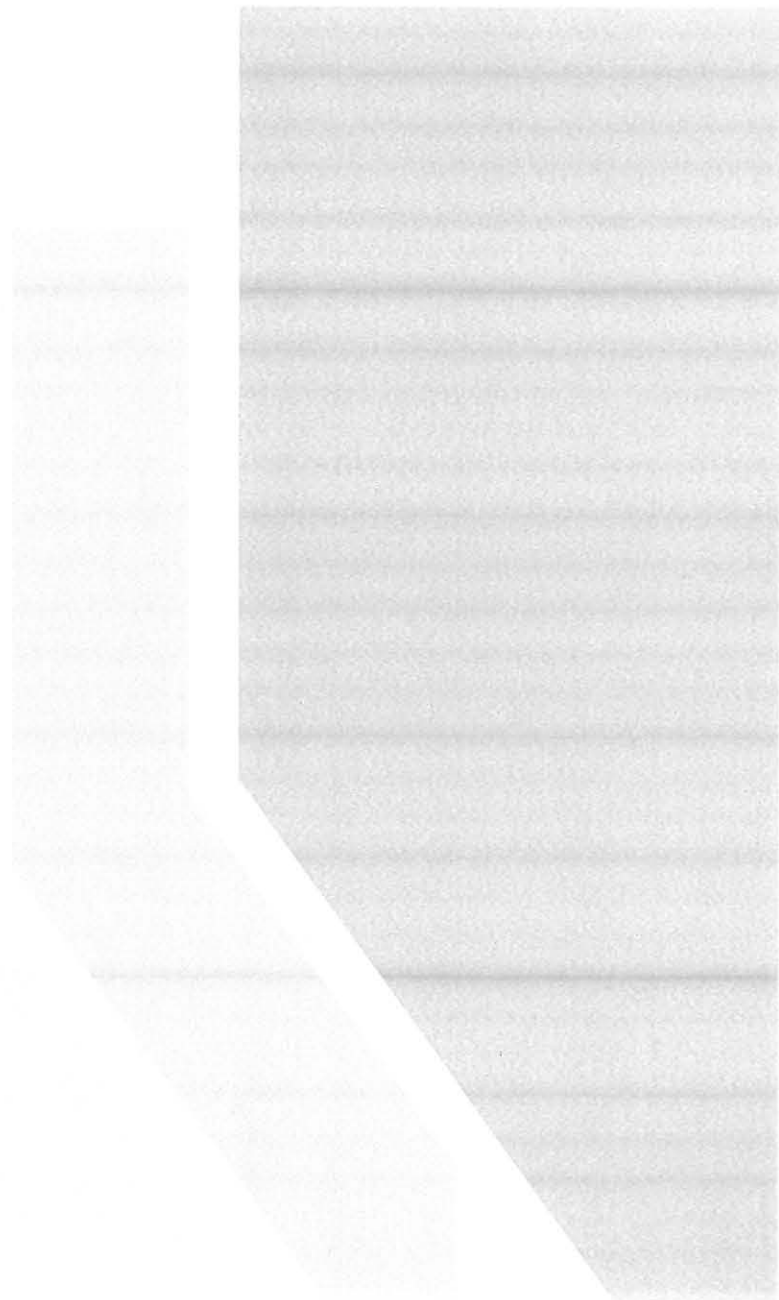




**ATCO Electric Ltd.**

**2013-2014 Transmission General Tariff Application**

**September 24, 2013**



vacancy rates were negative 25 per cent and negative 30 per cent in 2010 and 2011, respectively, which demonstrates that ATCO Electric has clearly had recruiting success.

1036. The UCA observed that the Mercer study's conclusions are based on a comparison group that includes a significant fraction of Calgary-based energy companies. While the comparison group appropriately includes other utilities, the UCA disagreed with the premise that ATCO Electric's compensation should directly compete with major energy companies. The UCA submitted that although consideration of competition with the energy industry may be appropriate, if job comparisons are made at a more granular level than the four broad categories presented, they are different industries with different pay scales.

1037. ATCO Electric submitted that it had provided the Mercer report to support the need for its VPP expansion. It argued that its request is supported by market information, and is required in order for ATCO Electric to remain competitive in the marketplace. It reiterated that VPPs are a common and recognized component of overall compensation in the industry, and that it requires similar programs in order to be able to attract and retain the necessary workforce.

1038. In response to the CCA's recommendation on the 10 per cent ceiling cap for the VPP component related to net income, ATCO Electric submitted that it has administered the program in a manner consistent with prior AUC decisions since its inception. ATCO Electric discouraged the Commission from attempting to micro-manage the program in a manner that could diminish its effectiveness, at a time when attraction and retention of employees is extremely critical. It submitted that the program, in its current form, has been extremely successful, and that any changes to it may risk reversing ATCO Electric's recent successes in meeting its FTE requirements.

1039. In response to the UCA's comments regarding the scope of the VPP, ATCO Electric submitted that a number of the UCA's concerns appear to be linked to the perception that a significant increase in FTEs are required over the test period. It argued, however, that a majority of these employees were hired prior to the test years and the FTE additions for the test years are relatively modest compared to past periods. ATCO Electric added that it is confident that it will be able to hire the required FTEs, particularly if it has a mechanism such as a VPP at its disposal.

1040. With regard to the UCA's concerns about the comparator group considered by Mercer, ATCO Electric submitted that it does not dictate the comparator group established by Mercer. However, it confirmed that it does compete in many areas with various companies, beyond a narrow utility framework, in order to attract and retain required employees. ATCO Electric submitted that the Mercer report provides strong evidence to support the expansion in the scope of the VPP requested.

## **Commission findings**

### **Net income component**

1041. The Commission agrees with the CCA that the 10 per cent ceiling on VPP applicable to net income metrics should be determined in relation to individual VPP amounts and not the overall VPP budget. The Commission reiterates its findings from Decision 2011-450 that a net income component greater than 10 per cent might result in an inherent conflict between shareholder interests and customers. If ATCO Electric wishes to include a net income component for specific individuals higher than 10 per cent of their VPP compensation, those costs are to be borne by shareholders.