

Docket U-16-066

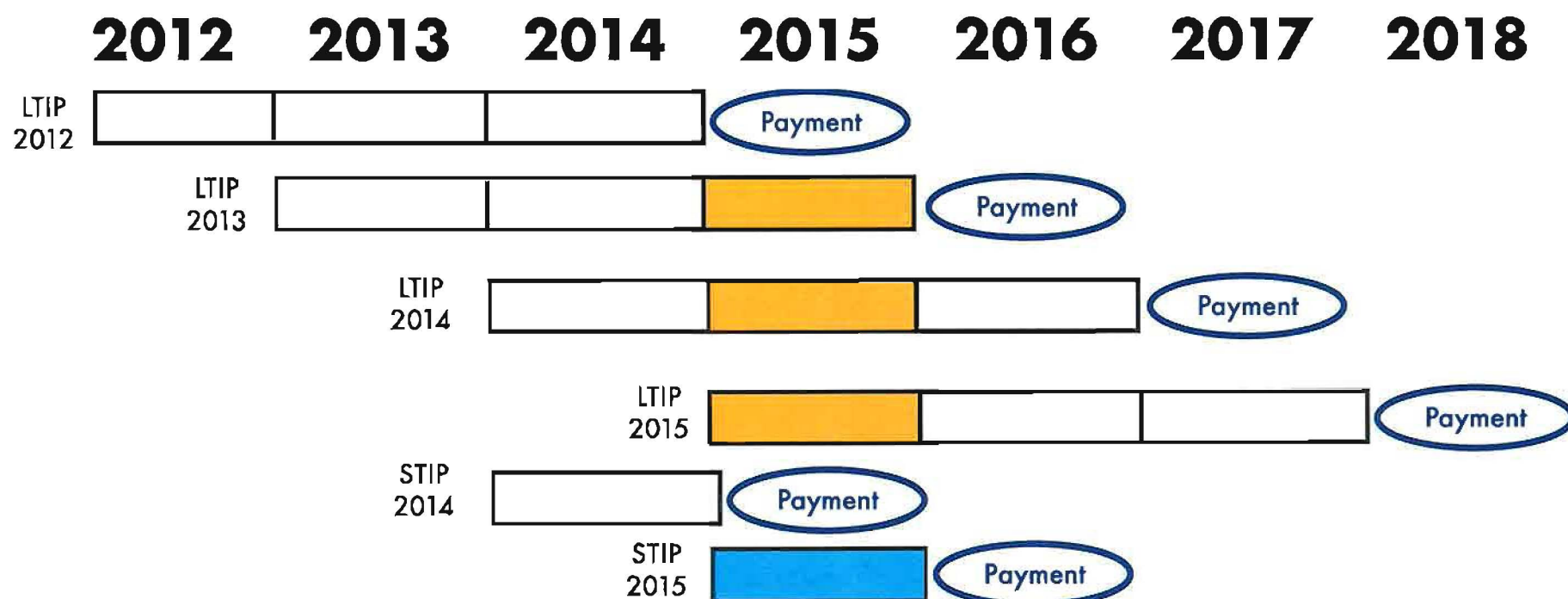
ENSTAR Natural Gas Company

LTIP/STIP Incentive Compensation Rubric at Request of Chairman Pickett

- I. The LTIP and STIP incentive compensation for SEMCO's Alaska employees is governed by the plans contained in H-15 and H-16. Incentive compensation under the STIP is paid annually per Section 6.1 of the STIP plan. (H-16 at 4). Incentive compensation under the LTIP is paid based on a "*Performance Period*" means the three-year period for which the cumulative performance objectives are measured per Section 6.1. (H-15 at 4).
- II. In 2015, ENSTAR included \$1,606,975 of incentive compensation in its revenue requirement. (H-14 at 5). This is the result of accrual-based accounting as provided in Section 6.3 of the SEMCO Energy, Inc. Long-Term and Short-Term Incentive Plans. (H-15 at 4-5; H-16 at 4). This total includes the following elements:
  - a. \$347,931.64 of LTIP accruals for SEMCO's ENSTAR-based employees, which represents approximately 1/3 of the company's anticipated LTIP liability for long-term incentive related to 2013, 2014, and 2015, as these have a vesting period of three years. (H-18 at 2). The accrued amounts include a gross-up for payroll taxes which will also be paid at the time the incentive compensation is paid.
  - b. \$1,050,231.71 of STIP accruals for SEMCO's ENSTAR-based employees, which represents an estimate of the incentive compensation earned by employees in 2015 to be paid in 2016. (H-18 at 3). The STIP accruals also include the accrual of payroll taxes that will be paid with the incentive compensation.
  - c. \$208,811 of incentive compensation allocated from AltaGas, Ltd. (\$86,038) and SEMCO Energy, Inc. (\$122,773). (H-14 at 5).
- III. All incentive compensation accrued for or allocated to ENSTAR is in the "Administrative and General" account in ENSTAR's Schedule 275(a). (H-1 at 4).

Date: 6/15/17 Exh # H-72  
Regulatory Commission of Alaska  
By: A U-16-066  
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# ENSTAR LTIP<sub>1</sub> and STIP<sub>2</sub> Payout Schedule



## LEGEND:



LTIP GAAP Expense and Revenue Requirement



STIP GAAP Expense and Revenue Requirement

1. LTIP vests over a three-year period and one-third of the total is accrued each year. LTIP is paid out the year following the vesting period.
2. STIP vests over a one-year period and is paid out the following year.
3. Highlighted areas represent incentive compensation accrued in the test year and included in the Revenue Requirement.