

Head of FPL Parent earned \$33 million; Lew Hay is the nation's best-paid utility executive and tops our list for sixth year in a row. Palm Beach Post (Florida) June 23, 2013 Sunday

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HEADLINE: Head of FPL Parent earned \$33 million;
Lew Hay is the nation's best-paid utility executive and tops our list for sixth year in a row.

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DATELINE: WEST PALM BEACH

BODY:

For the sixth year in a row, NextEra Energy Chairman Lew Hay was the highest-paid executive in Palm Beach County and the Treasure Coast.

Hay collected \$33 million in 2012, a pay package that hit another milestone -- he was the highest-paid utility exec in the country last year, according to Palm Beach Post research.

Hay's pay included a salary of \$1.39 million and a pension contribution of \$5.7 million. But the big prize came in the form of stock wealth. Hay exercised options on 300,000 shares of NextEra (NYSE: NEE) in September and October for a gain of \$11.6 million. Through stock vesting, Hay also took ownership of 166,000 shares of NextEra worth \$11.3 million.

NextEra, the Juno Beach-based parent of Florida Power & Light, reported revenue of \$14 billion in 2012, making it the nation's eighth-largest utility. Hay's compensation package brought gripes from critics who argue that it's unseemly for the head of a state-regulated monopoly to collect such a handsome paycheck.

"I think it's ludicrous," said Tony Fransetta, a Wellington resident and president of the Florida Alliance for Retired Americans. "The consumers come second, he comes first."

Compensation expert Paul Hodgson of BHJ Partners called Hay's hefty pay a mixed bag. On the one hand, he was paid handsomely in large part because NextEra stock rose 123 percent over the

past decade, which means his rewards depended on shareholders doing well. Even after exercising options, Hay still owns 1.4 million shares of NextEra worth \$115 million, an example of what compensation experts call aligning an executive's interests with those of shareholders.

On the other hand, utilities hardly operate in a fiercely competitive market.

"It surprises me that these executives are paid so well, given that they run a near-monopoly," Hodgson said.

Analyst Andrew Smith, who covers utilities for Edward Jones in St. Louis, defended Hay's compensation as a fair amount for a successful executive at a company that has performed well.

"It's a huge amount, and in comparison to what most NextEra employees make, it's outrageous," Smith said. "But in comparison to what other top CEOs in the industry are making, I don't think it's outrageous. I think it's pretty reasonable."

Utility executives did well last year, thanks to soaring stock prices. With interest rates on savings at rock-bottom levels, investors have flocked to dividend-paying utility stocks, pushing up prices. NextEra shares this year topped \$80, an all-time high.

"Investors are searching for yield, and utilities offer a healthy dividend," Smith said.

NextEra shares rose 14 percent last year, helping NextEra execs claim three of the top four spots on The Post's survey of companies in Palm Beach County and the Treasure Coast. President and Chief Executive James Robo made \$14 million last year, and Chief Financial Officer Moray Dewhurst collected \$13.4 million.

The 57-year-old Hay is scheduled to retire at the end of the year from his post as executive chairman of NextEra.

Nationwide, many utility executives raked in hefty pay packages. William Johnson, the former president and chief executive of Duke Energy, made \$28.7 million. Wisconsin Energy Chairman Gale Klappa earned \$26.7 million. And former Exelon Chairman John Rowe collected \$23 million.

Even as most workers saw modest raises in 2012, executives of publicly traded companies enjoyed another year of double-digit pay hikes and record-breaking compensation. The average pay package for 109 executives at 24 area companies jumped 17 percent to \$2.4 million, up from \$2.02 million in 2011 and the highest level The Post has ever found in its annual compensation survey.

Median pay rose 4 percent to \$850,597, up from \$817,807 in 2011.

Ranking second on The Post's list was Amin Khoury, chairman and chief executive of BE Aerospace in Wellington. He made \$16.2 million.

A couple of CEOs collected pay packages that didn't make the top 10 but received perks that raised some eyebrows nonetheless.

George Zoley, head of Boca Raton-based prison operator GEO Group, received compensation totaling \$5.2 million, according to the company's proxy.

That total doesn't include dividends of more than \$5 million Zoley received for converting GEO Group to a real estate investment trust, a corporate structure that exempts a company from corporate income taxes so long as most profits are paid out in the form of dividends to shareholders.

As part of the deal, GEO Group shareholders as of Dec. 31 received a dividend of \$5.68 per share. Zoley owned some 950,000 shares at the time, giving him a dividend of more than \$5 million.

Also as part of the shift to a real estate investment trust, GEO Group sold its residential treatment centers to a group led by Zoley for \$36 million -- and reported a \$14.6 million loss on the deal. Hodgson says the red ink indicates that the sale might have been a sweetheart deal to company insiders.

"That raises multiple red flags," Hodgson said. "That's a clear conflict of interest. If I were a shareholder of that firm, I'd be raising questions."

Another red flag came from a sweet deal for Ocwen Financial Chairman William Erbey. In a generous perk for the billionaire businessman, mortgage firm Ocwen bought Erbey's Atlanta mansion for \$2 million more than he paid at the peak of the housing market.

Erbey paid \$4.39 million for the 10,452-square-foot house in May 2006, according to property records. Despite plunging home prices, Ocwen last year paid \$6.48 million for Erbey's spread in Atlanta so Erbey could move to St. Croix, the Caribbean tax haven where Ocwen opened a subsidiary earlier in 2012.

Ocwen listed the home for \$6.7 million in September and dropped the price in January to \$6.4 million.

"Why, if the company, is still based here, was it necessary to buy the CEO out so he could move to St. Croix?" Hodgson asked.

How The Post calculated the numbers

To calculate total pay, The Post counted salary, bonus, option gains, stock vesting and other types of compensation, including personal use of company planes and car allowances. However, we excluded stock and options awarded during 2012 because their values can change between the time they're granted and the time the stock is vested or the options are exercised.

Top 10 Salary

1. Jack Dunn, President, CEO, FTI Consulting \$1,550,000
2. Lewis Hay, Exec. chairman, NextEra Energy \$1,392,300
3. Neil Austrian, CEO, Office Depot \$1,200,000
4. Amin Khoury, Chairman, CEO, BE Aerospace \$1,181,415
5. George Zoley, Chairman, CEO, GEO Group \$1,145,000
6. Dennis Shaughnessy Chairman, FTI Consulting \$1,050,000
7. Roger Carlile, Exec. VP, CFO, FTI Consulting \$1,000,000
8. David Bannister, Exec. VP, FTI Consulting \$959,615
9. James Robo, President, CEO, NextEra Energy \$954,050
10. Anthony Previte CEO, FriendFinder Networks \$850,347

Top 10 Option Gains

1. Lewis Hay, Exec. chairman, NextEra Energy \$11,582,205
2. Moray Dewhurst Vice chairman, CFO, NextEra Energy \$8,010,110
3. Jeffrey Stoops President, CEO, SBA Communications \$7,783,111
4. Thomas Hunt Senior VP, SBA Communications \$7,499,906
5. James Robo, President, CEO, NextEra Energy \$7,003,570
6. Paul Koches, Senior VP, Ocwen Financial \$6,103,538
7. Armando Olivera Former CEO of FPL, NextEra Energy \$5,150,830
8. William Erbey Chairman, CEO, Ocwen Financial \$4,329,557
9. Jason Silberstein Senior VP, SBA Communications \$3,531,933
10. John Van Vlack Former exec. VP, CFO, Ocwen Financial \$3,402,875

Top 10 Stock Vesting

1. Lewis Hay, Exec. chairman, NextEra Energy \$11,277,851
2. Amin Khoury, Chairman, CEO, BE Aerospace \$8,131,682

3. Naren Gursahaney, CEO, ADT \$6,132,225
4. James Robo, President, CEO, NextEra Energy \$3,948,399
5. Moray Dewhurst Vice chairman, CFO, NextEra Energy \$3,611,991
6. Thomas McCaffrey Senior VP, CFO, BE Aerospace \$2,501,414
7. Manoochehr Nazar, Exec. VP, NextEra Energy \$2,428,081
8. Armando Olivera Former CEO of FPL, NextEra Energy \$2,412,285
9. Werner Lieberherr President, COO, BE Aerospace \$1,814,471
10. Armando Pimentel President, NextEra Energy Resources, NextEra Energy \$1,794,071

Highest-paid utility execs

1. Lewis Hay, NextEra Energy \$33 million
2. William Johnson, Duke Energy \$28.7 million
3. Gale Klappa, Wisconsin Energy \$26.7 million
4. John Rowe, Exelon \$23 million
5. Anthony Alexander, FirstEnergy \$19.8 million