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July 27, 2010

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: 2011 Electricity Distribution Rates
EB-2010-0133**

As required under Section 5.1.5 of the Ontario Energy Board Practice Direction on Confidential Filings, by copy of this letter, Hydro Ottawa has provided a copy (hard copy and by email) of our June 14, 2010 cover letter requesting confidentiality, together with the non-confidential version of the document to all identified intervenors in EB-2010-0133.

If further information is required, please contact the undersigned at 613-738-5499 ext 7499 or janescott@hydroottawa.com.

Yours truly,

Original signed by

Jane Scott
Manager, Rates and Revenue
Hydro Ottawa Limited

Cc: Intervenors in EB-2010-0133

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June 14, 2010

Ontario Energy Board
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2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: 2011 Electricity Distribution Rates
EB-2010-0133 Confidential Filing**

Hydro Ottawa Limited ("Hydro Ottawa") is requesting that some portions of Exhibit D4-1-1 and the associated Attachment Y within Hydro Ottawa's 2011 Electricity Distribution Rates ("EDR") application be held in confidence pursuant to Rules 10.01 and 10.02 of the Board's *Rules of Practice and Procedure* (the "Rules") and sections 5.1.1 and 5.1.2 of the Board's *Practice Direction on Confidential Filings* (the "Practice Direction").

Hydro Ottawa's current collective agreement with the International Brotherhood of Electrical Workers ended March 31, 2010. Although negotiations are ongoing, no settlement has been reached at the time of filing the 2011 EDR application. Any discussion of compensation for 2010 and 2011 is sensitive and could adversely impact the collective bargaining process. For this reason, numbers in Exhibit D4-1-1 and Attachment Y for benefits, base wages and head count for 2010 and 2011 by employee group have been removed for the non-confidential version of this Exhibit that has been included with the application. In accordance with section 5.1.4 of the Practice Direction, this cover letter is provided along with an unredacted version of Exhibit D4-1-1 and Attachment Y, marked "Confidential".

Appendix B of the Practice Direction provides considerations in determining requests for confidentiality. Included in these considerations is: "(a) iii whether the information could interfere significantly with negotiations being carried out by a party". The information within Exhibit D4-1-1 and Attachment Y includes information that could adversely impact Hydro Ottawa's negotiations. Hydro Ottawa is accordingly requesting confidentiality for those sections of these documents that have been redacted.

There are no intervenors yet for this proceeding, but once the Board has approved the list of intervenors, Hydro Ottawa will provide a copy of this letter requesting confidentiality, in accordance with section 5.1.5 of the Practice Direction. Hydro Ottawa would be prepared to provide the confidential version of Exhibit D4-1-1 and Attachment Y in confidence to the counsel and/or consultants for the intervenors representing consumer groups, once a Declaration and Undertaking have been signed. If



the collective bargaining process concludes while this proceeding is still active, Hydro Ottawa expects that there will no longer be an ongoing requirement for confidentiality.

If further information is required, please contact the undersigned at 613-738-5499 ext 7499 or janescott@hydroottawa.com.

Yours truly,

Original signed by

Jane Scott
Manager, Rates and Revenue
Hydro Ottawa Limited



EMPLOYEE COMPENSATION BREAKDOWN

1.0 HEAD COUNT

Table 1 summarizes Hydro Ottawa Limited's ("Hydro Ottawa") head count for 2008 Board Approved, 2008 and 2009 Actual, 2010 and 2011 Budget. Head count is defined as the total number of full-time, part-time (prorated) and temporary employees working at Hydro Ottawa on December 31st of each year. Hydro Ottawa has completed Appendix 2-L, Employee Compensation Breakdown, (Attachment Y), as required by the Update to Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, May 27, 2009. For the purposes of Attachment Y, Hydro Ottawa has used Full Time Equivalents ("FTE") for actuals and head count for budgets. FTE is a calculated value derived from the total hours worked each year in a group divided by the normal hours of work each year by a single employee in that group. Table 1 shows head count at year-end for all years.

Temporary employees are used to staff projects, back fill for staff seconded to projects or replace employees on leave. Including temporary employees in the count provides a better indication of resource requirements each year and therefore the numbers in Table 1 include temporary employees.

As of December 31, 2009 Hydro Ottawa's head count was 560 employees.

Table 1 – Head Count¹

	2008 Approved	2008 Actual	2009 Actual	2010 Budget	2011 Budget
Executive	7	7	6		
Management	94	105	104		
Non-unionized	49	48	39		
Unionized	420	414	411		
Total	570	574	560	569	592

¹ Hydro Ottawa files head count numbers with the Ontario Energy Board (the "Board") as part of the reporting and record-keeping requirements on an annual basis. In these filings, Hydro Ottawa has not included temporary employees.



1.1 Executive

Executive staff includes the Chief Operating Officer (“COO”) and Directors. The positions currently included within the executive/senior management group are listed in Exhibit A1-7-2. No further changes are expected for 2010 and 2011.

1.2 Management

The Management group includes managers, supervisors and professional engineers within Hydro Ottawa. Increases in this category are due to the addition of professional engineers to support the *Green Energy Green Economy Act* (“GEA”) in the areas of renewable generation and distribution system analysis as well as providing for an overlap period for retiring managers and supervisors. The positions planned for hiring in 2010 and 2011 include:

- Manager, Human Resources - Overlap for a retiring employee.
- Supervisor, Information Systems & Technology - Overlap for a retiring employee.
- 4 Supervisors, Construction and Maintenance - Overlap for retiring employees.
- Supervisor, CIS Technical Support - Overlap for a retiring employee.
- Renewable Generation Engineer – This position will be responsible for interfacing with potential generators wanting to connect to Hydro Ottawa’s distribution grid.

1.3 Non-unionized Positions

Included in the non-union group is the professional staff at Hydro Ottawa including engineers-in-training, budget officers, executive assistants, et cetera.

Additional staff planned for 2010 and 2011 include:

- Distribution Engineer – These two Engineers-in-Training will be involved in analysis of the distribution system related to GEA and Smart Grid technologies.



- Environmental Officer – This employee will be directly involved in Hydro Ottawa's Environmental Sustainability Strategy.

1.4 Unionized Positions

The unionized workforce is represented by the International Brotherhood of Electrical Workers ("IBEW"). The represented employees include both tradespersons and administrative/clerical staff, sometimes referred to as "inside" and "outside" staff.

1.4.1 Workforce Planning

The majority of the increase in staff is related to the demographic challenges facing Hydro Ottawa as discussed in Exhibit D1-5-1. This is described as workforce planning.

The positions planned for hiring in 2010 and 2011 include:

PLM Apprentices	14
Meter Technician Apprentices	4
Technical Specialist	2
Stations Coordinator	1
Inspector	1
Metering Field Representative	1
IT System Support	2
Customer Contact Agent	2
Customer Communications Officer	1
CIS Technical Support Analyst	<u>1</u>
Total	29

2.0 TOTAL COMPENSATION

Table 2 summarizes the total compensation in the categories tracked by Hydro Ottawa's financial system. As can be seen, the 2011 total compensation is \$8.2M higher than the



actual compensation for 2009. For 2010 and 2011, compensation increases are based on the new positions as discussed previously, annual increases in base pay for existing staff and increasing costs for benefits programs. Union overtime is affected by the number and type of power outages in the year, typically affected by weather.

Table 2 – Total Compensation¹

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive/Management/Non-union	14,113,613	13,365,512	13,247,661		
Unionized	25,717,292	24,242,591	25,879,165		
Union Overtime	2,138,095	1,600,356	1,841,437	2,266,947	2,418,496
Benefits ²	9,807,913	8,062,261	8,625,570	9,655,431	10,455,182
Total Annual Compensation³	\$51,776,913	\$47,270,720	\$49,593,833	\$53,765,449	\$57,790,635

2.1 Compensation Increase for Workforce Planning

For 2010 and 2011, workforce planning represents \$3.0M of the total \$8.2M increase in compensation from the 2009 actuals.

2.2 Annual Increases to Base Pay

In 2007, a new three-year collective agreement was signed with the IBEW. This agreement included a 3% wage increase in 2007 and 3.25% for 2008 and 2009. The

¹ Total compensation in this table does not include staff dedicated to CDM activities, Board of Directors and students.

² Benefits include OMERS, WSIB, CPP, EI, EHT, Employee Insured Benefits plus miscellaneous benefits. Hydro Ottawa budgeted benefits also include Future Employee Benefits, Safety Clothing Equipment, and Employee Assistance Plan which do not flow directly through compensation therefore are not in actuals.

³ Total Annual Compensation does not match that shown on Attachment Y as the above does not include items such as Future Employee Benefits, Safety Clothing Equipment, Employee Assistance Plan and temporary services which are included in Attachment Y.



1 agreement also included some enhancements to the benefit plan for unionized staff.
2 Adjustments for 2011 are estimated from settlements that have occurred in Ontario, both
3 within and outside of the industry and in the Ottawa area, and in consideration of the
4 Ontario and Ottawa Consumer Price Index.

5
6 The collective agreement sets out the grade progression for each new unionized
7 employee until they reach the maximum grade for that position. In the past, these
8 progressions have been less material because the majority of employees had already
9 reached the maximum. However, as more apprentices are hired and the average years
10 of service for the workforce decreases, there will be a period of time in which there will
11 be greater wage increases related to progression up the scale.

12
13 In total the increases to base are expected to be approximately \$1.5M in both 2010 and
14 2011.

15 16 **2.3 Other Factors Affecting Compensation**

17
18 Other factors in the total compensation for the company are overtime for unionized staff,
19 benefits, and the incentive plan for executive, management and non-unionized staff¹.

20
21 A significant increase in benefits is budgeted for in 2010 as Hydro Ottawa's benefit
22 providers raise rates due to increased usage by members. This increased usage is a
23 result of the aging demographic of Hydro Ottawa's workforce.

24
25 Executive and management staff has a portion of their compensation that is fixed and a
26 portion that is variable based on achievement of company and individual objectives.
27 Incentive pay currently can range from a factor of 0 to 1.5 for the variable portion of the
28 pay, depending on performance. The forecast for 2010 and 2011 is based on a factor of
29 1.0.

30

¹ Non-unionized and some management staff are no longer part of the incentive plan.



3.0 AVERAGE ANNUAL BASE WAGE

Table 3 summarizes the average base wage by employee group for 2008 through to 2011.

Table 3 – Average Annual Base Wage

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive / senior management	\$132,561	\$131,950	\$134,281		
Management	82,633	92,094	92,499		
Non-unionized	70,938	72,401	70,684		
Unionized	59,750	62,447	64,355		

The average change in base wages is affected by both the new positions included in the group and the average pay increases. For instance, the increase in the average annual base wage is affected by the number of new staff planned to be hired at entry level wages.

4.0 AVERAGE ANNUAL OVERTIME

Table 4 summarizes the average overtime paid per employee.



Table 4 – Average Annual Overtime

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Unionized	\$5,209	\$5,295	\$6,605	\$5,682	\$5,828

For non-unionized and management staff, overtime is not applicable except in highly unusual and extenuating circumstances. No amounts are forecast for 2010 or 2011.

5.0 AVERAGE ANNUAL INCENTIVE PAY

Table 5 summarizes the average annual incentive (variable) pay for executive, management and non-unionized staff.

Table 5 – Average Annual Incentive Pay

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive / senior management	\$30,934	\$34,692	\$37,676	\$32,849	\$34,163
Management	11,481	5,970	11,757	10,789	11,221
Non-unionized	7,157	3,245	0	0	0

As noted previously, Hydro Ottawa forecasts incentive pay in 2010 and 2011 on an average performance factor of 1.0. In 2007, the company adopted a new compensation plan which moved a portion or all of the compensation from the incentive plan for non-unionized and some management employees to base wages. The transition to this new plan occurred in 2007 and 2008 resulting in the decrease shown for the incentive pay in 2008, and the full elimination in subsequent years.



6.0 AVERAGE ANNUAL BENEFITS

Table 6 summarizes the average annual benefit costs by employee group.

Table 6 – Average Annual Benefits

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive / senior management	\$27,924	\$29,651	\$29,549		
Management	19,208	17,891	18,186		
Non-unionized	14,200	9,871	10,754		
Unionized	13,816	12,899	14,017		

7.0 PENSION COSTS

Pensions are provided to Hydro Ottawa employees through the Ontario Municipal Employees Retirement System (“OMERS”). Table 7 summarizes the actual and expected employer contributions to OMERS based on employee payroll.

Table 7 – OMERS Payments

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Pension Premiums	\$2,966,832	\$2,831,191	\$2,868,790	\$3,132,871	\$3,383,373

Employer pension contributions are lower in 2009 due to the lower than expected total compensation. Pension contributions are expected to increase for 2010 and 2011 with the additional staff and actual and anticipated increases in OMERS contributions.



1 **8.0 POST RETIREMENT BENEFITS**

2

3 No material changes are expected for post-retirement benefits as summarized in Table 8
4 that follows. Post retirement benefits are for life insurance and a small retiring allowance
5 for eligible employees.

6

7

Table 8 – Post Retirement Benefits

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Post Retirement Benefits	\$600,000	\$596,784	\$502,798	\$700,000	\$728,000

8



Attachment Y - Employee Compensation Breakdown

Hydro Ottawa Limited
 EB-2010-0133
 Exhibit D4
 Tab 1
 Schedule 1
 Attachment Y
 Filed: 2010-06-14
 Page 1 of 1

	Last Rebasings Year 2008	Historical Year 2009	Bridge Year 2010	Test Year 2011
Number of Employees (FTEs including Part-Time)				
Executive	6	6		
Management	96	101		
Non-Union	39	37		
Union	388	402		
Total	529	547	569	592
Number of Part-Time Employees				
Executive	0	0	0	0
Management	1	0	1	3
Non-Union	5	3	1	1
Union	4	4	4	4
Total	10	7	6	8
Total Salary and Wages (\$)				
Executive	791,698	805,687		
Management	8,862,186	9,370,149		
Non-Union	2,787,422	2,622,382		
Union	24,242,591	25,879,165		
Total	36,683,897	38,677,382	41,354,577	44,408,922
Total Benefits (\$)				
Executive	177,908	188,093		
Management	1,803,966	1,945,918		
Non-Union	572,534	559,210		
Union	5,507,852	5,943,148		
Total	8,062,261	8,636,370	9,655,431	10,455,182
Total Compensation (Salary, Wages, & Benefits) (\$)				
Executive	969,607	993,780		
Management	10,666,152	11,316,067		
Non-Union	3,359,956	3,181,592		
Union	29,750,444	31,822,313		
Total	44,746,158	47,313,752	51,010,008	54,864,104
Compensation - Average Yearly Base Wages (\$)				
Executive	131,950	134,281		
Management	92,094	92,499		
Non-Union	72,401	70,684		
Union	62,447	64,355		
Total	70,392	70,769	72,506	74,583
Compensation - Average Yearly Overtime (\$)				
Executive	0	0	0	0
Management	0	0	0	0
Non-Union	0	0	0	0
Union	5,295	6,605	5,682	5,828
Total	5,295	6,605	5,682	5,828
Compensation - Average Yearly Incentive Pay (\$)				
Executive	34,692	37,676	32,849	34,163
Management	5,970	11,757	10,789	11,221
Non-Union	3,245	0	0	0
Union	0	0	0	0
Total	6,949	17,978	16,084	16,727
Compensation - Average Yearly Benefits (\$)				
Executive	29,651	29,549		
Management	17,891	18,186		
Non-Union	9,871	10,754		
Union	12,899	14,017		
Total	13,619	14,620		
Total Compensation (\$)	49,538,906	51,881,632	54,499,459	59,091,992
Total Compensation Charged to OM&A (\$)	35,756,345	36,302,775	39,775,111	43,846,194
Total Compensation Capitalized (\$)	14,805,466	16,139,120	16,000,565	16,573,063