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August 11, 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
Update on Procedural Matters Related to Confidential Filing**

On June 14, 2010, Hydro Ottawa Limited ("Hydro Ottawa") filed a cost of service rate application. As part of that application, Hydro Ottawa sent a letter requesting that certain portions of the application be held in confidence due to ongoing negotiations of the collective agreement with the International Brotherhood of Electrical Workers ("IBEW").

On July 29, 2010, the Ontario Energy Board (the "Board") issued Procedural Order #1 ("PO1") on this application that set August 5, 2010 as the date by which intervenors could file an objection to the request for confidentiality and August 9, 2010 as the date for Hydro Ottawa's reply.

On July 30, 2010, Hydro Ottawa requested that the Board approve a one week extension to both of the dates in PO1 related to the confidentiality request, as a tentative settlement had been reached and was to be put to a vote on August 9, 2010.

On August 4, 2010, the Board issued Procedural Order #2 revising the date by which intervenors could file an objection to August 12, 2010 and August 16, 2010 as the date for Hydro Ottawa's reply.

Hydro Ottawa is pleased to report that a three year settlement with the IBEW has been ratified and as a result, the request for confidentiality is no longer required. Attached please find two hard copies of the non-redacted Exhibit D4-1-1 and Attachment Y. By copy of this letter, Hydro Ottawa is providing all intervenors of record copies of the non-redacted Exhibit and Attachment.

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

Yours truly,



Jane Scott
Manager, Rates and Revenue
Hydro Ottawa Limited

Cc: Fred Cass
All intervenors in EB-2010-0133



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	6	6
Management	94	105	104	105	109
Non-unionized	49	48	39	36	38
Unionized	420	414	411	422	439
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 **1.1 Executive**

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

6
7 **1.2 Management**

8
9 The Management group includes managers, supervisors and professional engineers
10 within Hydro Ottawa. Increases in this category are due to the addition of professional
11 engineers to support the *Green Energy Green Economy Act* ("GEA") in the areas of
12 renewable generation and distribution system analysis as well as providing for an
13 overlap period for retiring managers and supervisors. The positions planned for hiring in
14 2010 and 2011 include:

- 15
16 • Manager, Human Resources - Overlap for a retiring employee.
17 • Supervisor, Information Systems & Technology - Overlap for a retiring employee.
18 • 4 Supervisors, Construction and Maintenance - Overlap for retiring employees.
19 • Supervisor, CIS Technical Support - Overlap for a retiring employee.
20 • Renewable Generation Engineer – This position will be responsible for interfacing
21 with potential generators wanting to connect to Hydro Ottawa's distribution grid.

22
23 **1.3 Non-unionized Positions**

24
25 Included in the non-union group is the professional staff at Hydro Ottawa including
26 engineers-in-training, budget officers, executive assistants, et cetera.

27
28 Additional staff planned for 2010 and 2011 include:

- 29
30 • Distribution Engineer – These two Engineers-in-Training will be involved in
31 analysis of the distribution system related to GEA and Smart Grid technologies.



- 1 • Environmental Officer – This employee will be directly involved in Hydro Ottawa’s
2 Environmental Sustainability Strategy.

3
4 **1.4 Unionized Positions**

5
6 The unionized workforce is represented by the International Brotherhood of Electrical
7 Workers (“IBEW”). The represented employees include both tradespersons and
8 administrative/clerical staff, sometimes referred to as “inside” and “outside” staff.

9
10 **1.4.1 Workforce Planning**

11
12 The majority of the increase in staff is related to the demographic challenges facing
13 Hydro Ottawa as discussed in Exhibit D1-5-1. This is described as workforce planning.
14 The positions planned for hiring in 2010 and 2011 include:

15 PLM Apprentices	14
16 Meter Technician Apprentices	4
17 Technical Specialist	2
18 Stations Coordinator	1
19 Inspector	1
20 Metering Field Representative	1
21 IT System Support	2
22 Customer Contact Agent	2
23 Customer Communications Officer	1
24 CIS Technical Support Analyst	<u>1</u>
25 Total	29

26
27

28 **2.0 TOTAL COMPENSATION**

29

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



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

5
6

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	13,804,918	14,732,115
Unionized	25,717,292	24,242,591	25,879,165	28,038,153	30,184,842
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

7

8 **2.1 Compensation Increase for Workforce Planning**

9

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

12

13 **2.2 Annual Increases to Base Pay**

14

15 In 2007, a new three-year collective agreement was signed with the IBEW. This
16 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.



1 **3.0 AVERAGE ANNUAL BASE WAGE**

2

3 Table 3 summarizes the average base wage by employee group for 2008 through to
4 2011.

5

6

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	\$139,140	\$144,706
Management	82,633	92,094	92,499	94,427	97,215
Non-unionized	70,938	72,401	70,684	73,398	76,659
Unionized	59,750	62,447	64,355	65,679	67,825

7

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

12

13

14 **4.0 AVERAGE ANNUAL OVERTIME**

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16 Table 4 summarizes the average overtime paid per employee.

17



1

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

2

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

5

6

7 **5.0 AVERAGE ANNUAL INCENTIVE PAY**

8

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

11

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

12

13 As noted previously, Hydro Ottawa forecasts incentive pay in 2010 and 2011 on an
14 average performance factor of 1.0. In 2007, the company adopted a new compensation
15 plan which moved a portion or all of the compensation from the incentive plan for non-
16 unionized and some management employees to base wages. The transition to this new
17 plan occurred in 2007 and 2008 resulting in the decrease shown for the incentive pay in
18 2008, and the full elimination in subsequent years.

19

20

21

22



1 **6.0 AVERAGE ANNUAL BENEFITS**

2

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

4

5

Table 6 – Average Annual Benefits

	2008 Approved \$	2008 Actual \$	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive / senior management	\$27,924	\$29,651	\$29,549	\$31,404	\$32,660
Management	19,208	17,891	18,186	20,725	21,410
Non-unionized	14,200	9,871	10,754	16,631	17,333
Unionized	13,816	12,899	14,017	15,858	16,553

6

7

8 **7.0 PENSION COSTS**

9

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

13

14

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

15

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

19



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	6	6
Management	96	101	105	109
Non-Union	39	37	36	38
Union	388	402	422	439
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	834,842	868,235
Management	8,862,186	9,370,149	9,914,843	10,596,437
Non-Union	2,787,422	2,622,382	2,642,339	2,913,032
Union	24,242,591	25,879,165	27,962,553	30,031,218
Total	36,683,897	38,677,382	41,354,577	44,408,922
Total Benefits (\$)				
Executive	177,908	188,093	188,421	195,958
Management	1,803,966	1,945,918	2,176,086	2,333,684
Non-Union	572,534	559,210	598,734	658,658
Union	5,507,852	5,943,148	6,692,190	7,266,882
Total	8,062,261	8,636,370	9,655,431	10,455,182
Total Compensation (Salary, Wages, & Benefits) (\$)				
Executive	969,607	993,780	1,023,263	1,064,193
Management	10,666,152	11,316,067	12,090,929	12,930,121
Non-Union	3,359,956	3,181,592	3,241,073	3,571,690
Union	29,750,444	31,822,313	34,654,743	37,298,100
Total	44,746,158	47,313,752	51,010,008	54,864,104
Compensation - Average Yearly Base Wages (\$)				
Executive	131,950	134,281	139,140	144,706
Management	92,094	92,499	94,427	97,215
Non-Union	72,401	70,684	73,398	76,659
Union	62,447	64,355	65,679	67,825
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	31,404	32,660
Management	17,891	18,186	20,725	21,410
Non-Union	9,871	10,754	16,631	17,333
Union	12,899	14,017	15,858	16,553
Total	13,619	14,620	16,969	17,661
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

