# ***UNDERTAKING***

## ***Undertaking***

TO EXPLAIN METHODOLOGY FOR ESTIMATED REDUCTION IN REVENUE REQUIREMENT FOR 2011 AND 2012 BASED ON MEDIAN COMPENSATION FROM MERCER STUDY.

## ***Response***

The methodology used to calculate the estimated reduction in revenue requirement based on median compensation results from Mercer was as follows:

- Total estimated wages (less overtime) were adjusted to market median wages as determined through the benchmarking study i.e. PWU 21% above median, Society 5% above median, and MCP 1% below median.
- Based on labour multipliers provided by Mercer, an estimate of the value of pensions and benefits was then applied to the market median of the total wages and added to the adjustment.
- The total Transmission OM&A revenue requirement adjustment for market median of total wages was 18% in 2011 and 19% in 2012. These percentages were based on the Black & Veatch Review of Overhead Capitalization Rates study found in Attachment 1 of Exhibit C1, Tab 5, Schedule 2.
- Per the last Transmission Rate Decision (EB-2008-0272) the adjustment to revenue requirement was determined to be $13M using the same methodology. Again using the same methodology, this reduction is calculated to be $20.1M in 2011 and $22.3M in 2012. The increase reflects the large volume of work and the associated resources required to undertake the work.
- The Board actually reduced the 2009/2010 transmission revenue requirement by $4M. Therefore, a ratio of 4/13 was applied to the total Transmission revenue requirement adjustment yielding the $6.2M in 2011 and $6.9M in 2012.