

1 **TOTAL COMPENSATION**

2 Horizon Utilities total compensation for the 2015-2019 Test Years and the change from the last
 3 Board-Approved amount in 2011 is provided in Table 1-8-9.1 below.

4 **Table 1-8-9.1 Total Compensation (Salaries, Wages and Benefits)**

	Last Rebasing Year - 2011 - Board Approved	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Total Compensation	\$ 37,652,506	\$ 43,833,240	\$ 44,723,129	\$ 45,943,141	\$ 47,230,090	\$ 48,567,812
Change since last Board Approved/Previous Test Year		\$ 6,180,737	\$ 889,889	\$ 120,012	\$ 1,286,949	\$ 1,337,722
% change		16.4%	2.0%	2.7%	2.8%	2.8%

6 Salaries, wages, and benefits increases are the main contributors to the OM&A cost variance in
 7 the 2015 Test Year over 2011 Actual as discussed in Exhibit 4, Tab 2, Schedule 2. The
 8 increase in salaries, wages, and benefits is driven primarily by salary and wage increases
 9 resulting from wage inflation and promotions; FTE growth; and pension and benefits increases,
 10 both in relation to wage growth and contribution rates, in particular the increase in employer
 11 contribution rates mandated by the OMERS Pension Plan in 2011, 2012 and 2013.

12 Union employees comprise approximately 70% of Horizon Utilities' workforce and are governed
 13 by Horizon Utilities' Collective Agreement with the International Brotherhood of Electrical
 14 Workers ("IBEW"). The current four year agreement was effective June 1, 2011 and provides
 15 for the following annual increases:

- 16 • June 1, 2011 to May 31, 2012 2.8%
- 17 • June 1, 2012 to May 31, 2013 2.9%
- 18 • June 1, 2013 to May 31, 2014 3.1%
- 19 • June 1, 2014 to May 31, 2015 3.1%

20 In addition to the percentage increase, some skilled trades employees are entitled to annual
 21 stepped progression rate increases as they acquire more skill and experience in accordance
 22 with the terms of the Collective Agreement.

1 Non-union employee wage growth resulting from annual wage increases, promotions and
 2 adjustments have averaged █████ per annum, from 2011 to 2015, exclusive of FTE increases
 3 since 2011. This is aligned with Horizon Utilities' compensation approach and competitive
 4 market data. The second largest driver to increased salaries, wages and benefits costs is the
 5 growth of 20 FTE between 2011 and 2015. This increase in headcount is necessary to provide
 6 resource capability to match work demand to sustain business operations and to support new
 7 business requirements. As mentioned above, expenditure on benefits increased driven
 8 primarily by the increase in employer contribution rates for OMERS. OMERS introduced
 9 employer and employee pension contribution increases as part of a long-term plan to eliminate
 10 a deficit between plan assets and plan obligations. A detailed explanation of employee
 11 compensation including benefits and movement in FTE is provided in Exhibit 4, Tab 4, Schedule
 12 2.

13 Benefits primarily include: group health insurance; Canada Pension Plan ("CPP"); Employment
 14 Insurance ("EI"); Employer Health Tax ("EHT"); pension contributions; and post-employment
 15 benefits. A primary contributor to the benefits cost increase is an increase in the employer
 16 contribution rates for Ontario Municipal Employees Retirement System ("OMERS"). OMERS
 17 introduced employer and employee pension contribution increases as part of a long-term plan to
 18 eliminate a deficit between plan assets and plan obligations. The following table presents
 19 changes to OMERS contribution rates from 2011 to 2013: (i) up to the Yearly Maximum
 20 Pensionable Earnings ("YMPE"); and (ii) on earnings in excess of the YMPE.

21 **Table 1-9.2: OMERS Contribution Rates 2011 - 2013**

Year	YMPE	Up to YMPE	Over YMPE
2011	\$ 48,300	7.40%	10.70%
2012	\$ 50,100	8.30%	12.80%
2013	\$ 51,100	9.00%	14.60%

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 23 While many of these cost increases are generally outside Horizon Utilities' control, these
 24 increases have been mitigated by productivity initiatives discussed in detail in Exhibit 4, Tab 3,
 25 Schedule 4.