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Toronto Hydro-Electric System Limited
EB-2014-0116
Interrogatory Responses
1B-SEC-8
Appendix O
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Toronto Hydro Corporation CEO Compensation Assessment

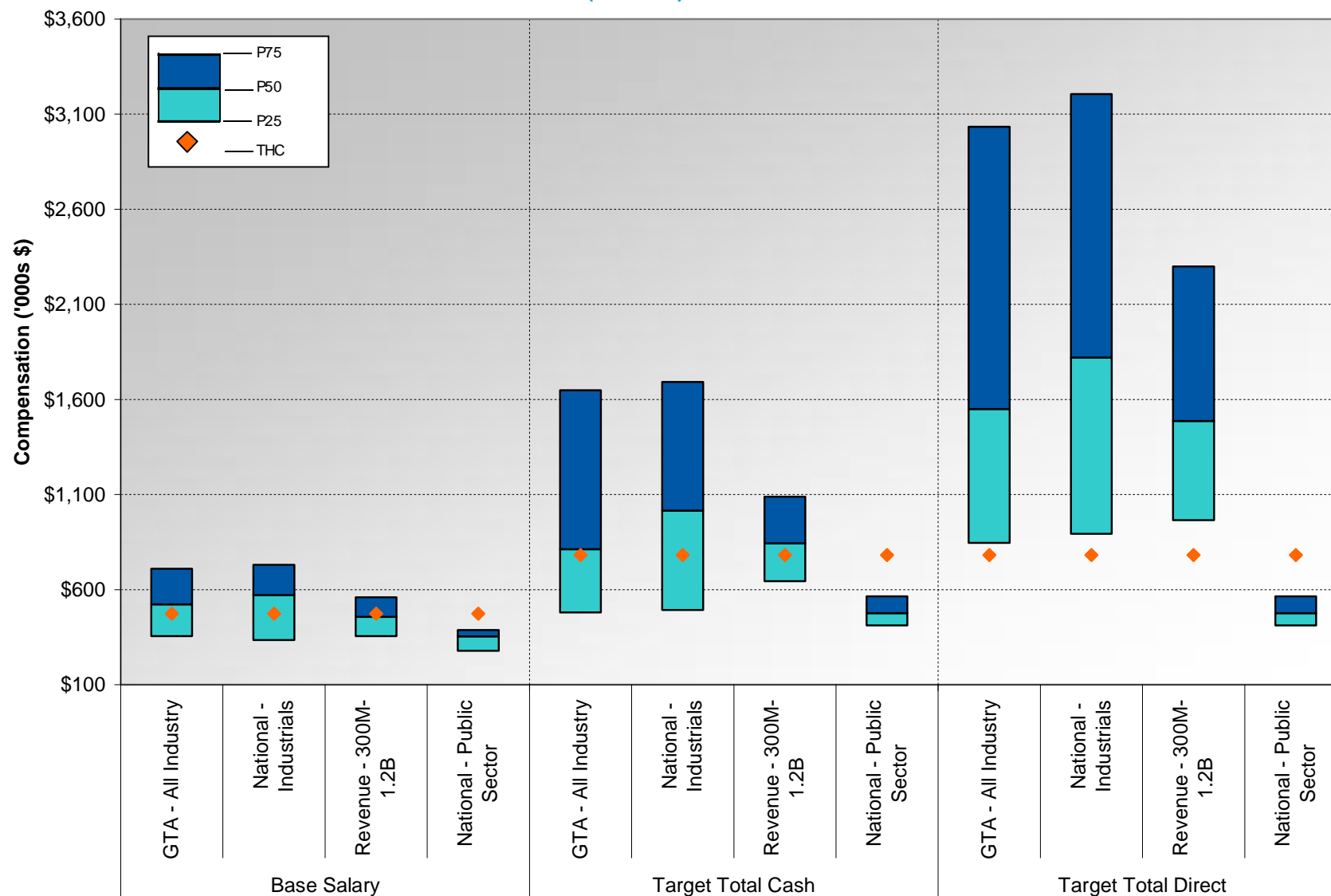
31 OCTOBER 2012

Working Draft – For Discussion Purposes Only

Introduction & Methodology

- Mercer has been engaged by Toronto Hydro Corporation (“Toronto Hydro” or “THC”) to provide market compensation data for the CEO position
- Compensation levels have been benchmarked in respect of:
 - Base Salary;
 - Total Cash Compensation (i.e., salary plus annual incentive); and,
 - Total Direct Compensation (i.e., total cash compensation plus expected value of long-term incentives)
- The data taken from the 2012 Canadian Mercer Benchmark Database (MBD) represents the following survey cuts:
 - Industrial companies in the Greater Toronto Area (“GTA”)
 - Industrial companies in Canada
 - General Industry companies with revenue between \$300 million and \$1.2 billion (approximately ½ to 2X Toronto Hydro’s 2011 distribution revenue of \$530M)
 - Public sector companies in Canada
- Mercer Benchmark Database Survey data is effective April 1, 2012
 - Data are aged at a rate of 3.0% per annum to an effective date of October 1, 2012
- See Appendix for Terms and Definitions

Market Compensation Levels President & Chief Executive Officer (CEO)



With the exception of the National - Public Sector market, base salary and target total cash are generally between P25 and P50, and target total direct is below P25

Market Compensation Levels

President & Chief Executive Officer (CEO)

		President & CEO											
All values in CD\$000's		GTA - All Industry						National - Industrials					
	THC	org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.
Base Salary	\$474	53	53	\$355	\$523	\$711	\$572	15	15	\$335	\$571	\$731	\$600
Target STI (% of base)	65%	39	39	40%	80%	100%	86%	11	11	40%	70%	130%	81%
Maximum STI (% of base)	98%	28	28	76%	150%	219%	156%	7	7	105%	130%	260%	165%
Target Total Cash ⁽¹⁾	\$781	39	39	\$480	\$812	\$1,648	\$1,175	11	11	\$493	\$1,015	\$1,692	\$1,279
Actual Total Cash ⁽²⁾	---	53	53	\$430	\$645	\$1,450	\$996	15	15	\$386	\$691	\$2,145	\$1,256
LTI (% of Base Salary) ⁽³⁾	---	154	293	70%	141%	265%	204%	154	293	70%	141%	265%	204%
Target Total Direct ⁽⁴⁾	\$781	39	39	\$847	\$1,549	\$3,034	\$2,243	11	11	\$894	\$1,820	\$3,205	\$2,445
Total Direct ⁽⁵⁾	---	53	53	\$430	\$705	\$1,930	\$1,582	15	15	\$442	\$785	\$2,145	\$1,894
Survey Match: LTI Elig. (%):		Chief Executive Officer 46%						Chief Executive Officer 57%					
Median Revenue (\$ Millions)		Distribution Revenue 2011: \$530 Total 2011: \$2,809						\$154 \$669 \$2,861					

	THC	Revenue - 300M-1.2B						National - Public Sector					
	THC	org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.
Base Salary	\$474	55	55	\$355	\$457	\$560	\$476	22	22	\$278	\$354	\$387	\$344
Target STI (% of base)	65%	38	38	50%	75%	100%	76%	8	8	16%	25%	34%	26%
Maximum STI (% of base)	98%	22	22	88%	113%	150%	122%	7	7	20%	30%	55%	40%
Target Total Cash ⁽¹⁾	\$781	38	38	\$645	\$843	\$1,089	\$936	8	8	\$412	\$476	\$565	\$485
Actual Total Cash ⁽²⁾	---	55	55	\$402	\$729	\$1,031	\$795	22	22	\$290	\$376	\$501	\$383
LTI (% of Base Salary) ⁽³⁾	---	154	293	70%	141%	265%	204%	--	--	--	--	--	--
Target Total Direct ⁽⁴⁾	\$781	38	38	\$965	\$1,487	\$2,300	\$1,869	8	8	\$412	\$476	\$565	\$485
Total Direct ⁽⁵⁾	---	55	55	\$431	\$1,005	\$1,995	\$1,354	22	22	\$290	\$376	\$501	\$383
Survey Match: LTI Elig. (%):		Chief Executive Officer 65%						Chief Executive Officer 0%					
Median Revenue (\$ Millions)		Distribution Revenue 2011: \$530 Total 2011: \$2,809						-- \$7,950 --					

Notes:

- (1) Target Total Cash compensation represents base salary plus target bonus for incumbents eligible for annual incentives.
 - (2) Actual Total Cash compensation represents base salary plus actual bonus for all incumbents.
 - (3) LTI (% of base): Estimated present value of LTI awards (i.e. Black-Scholes value) using MBD LTI tables.
 - (4) Target total direct compensation represents target total cash compensation plus the estimated present value of the LTI award.
 - (5) Total Direct compensations represents actual total cash plus actual long-term incentives for all incumbents.
- "--" indicates that insufficient data is available to report, in accordance with Mercer's standard operating procedures.

Appendix

Terms and Definitions

Appendix

Terms and Definitions

- **Statistical Terms**
 - **P25 / Market 25th percentile:**
 - The data point that is higher than 25% of all other data in the sample when ranked from low to high. Also known as the first quartile.
 - **P50 / Market 50th percentile:**
 - The data point that is higher than 50% of all other data in the sample when ranked from low to high. Also known as the median.
 - **P75 / Market 75th percentile:**
 - The data point that is higher than 75% of all other data in the sample when ranked from low to high.
 - **Mean / Average:**
 - The sum of all data reported divided by the number of observations in the sample. Also known as the average.

