K.7.1

**EB-2014-0116**

**Ontario Energy Board**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Toronto Hydro-Electric System Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2015.

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**VULNERABLE ENERGY CONSUMERS COALITION**
**("VECC")**
**CROSS-EXAMINATION COMPENDIUM**

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**PANEL 4**
**FEBRUARY 25, 2015**

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# OEB Appendix 2-L
## Recoverable OM&A Cost per Customer and per FTE

| | Last Rebasing Year (2011 Actuals) | 2012 Actuals | 2013 Actuals | 2014 Bridge Year | 2014 Bridge Year | 2015 Test Year | |
|---|---|---|---|---|---|---|---|
| **Reporting Basis** | **CGAAP** | **USGAAP** | **USGAAP** | **USGAAP** | **MIFRS** | **MIFRS** | /C |
| **Number of Customers (mid-year)** | **705,756.00** | **713,093.00** | **724,144.00** | **736,974.00** | **736,974.00** | **749,679.00** | |
| **Total Recoverable OM&A from Appendix 2-JB** | $238.6 | $215.8 | $246.4 | $246.6 | $245.3 | $269.5 | /C |
| **OM&A cost per customer** | **$ 338.08** | **$ 302.63** | **$ 340.26** | **$ 334.68** | **$ 332.91** | **$ 359.51** | /C |
| **Number of FTEs** | **1,737** | **1,601** | **1,527** | **1,537** | **1,537** | **1,564** | /C |
| **Customers/FTEs** | **406.30** | **445.46** | **474.10** | **479.62** | **479.62** | **479.49** | /C |
| **OM&A Cost per FTE** | **137,360.81** | **134,806.50** | **161,319.54** | **160,517.12** | **159,671.09** | **172,378.66** | /C |

**Notes:**

1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

2 The method of calculating the number of customers must be identified.

3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K

4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

5 Toronto Hydro notes that its OM&A per customer metrics do not account for an estimated 300,000 behind-the-bulk-meter multi-unit dwelling customers.

# RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

**INTERROGATORY 33:**

**Reference(s):** **Exhibit 4A, Tab 1, Schedule 5**

Please explain why Toronto Hydro's OM&A cost per customer and OM&A cost per FTE have increased significantly since 2011.

**RESPONSE:**

Toronto Hydro notes that a significant portion of its average OM&A increase over the 2011-2015 timeframe is driven by the 2015 Test Year amount, which includes a number of incremental expenditures associated with new or evolving operational needs and functional requirements. From 2011 to 2014, OM&A increased by an average of 1.1% per year. Accordingly, a significant portion of the average 2011-2015 increase in OM&A per customer and per FTE is associated with the incremental Test Year expenditures.

In addition, the OM&A per customer and per FTE calculations as provided in the Appendices 2JA to 2L (Exhibit 4A, Tab 1, Schedule 2) exclude the significant OM&A restructuring costs that the utility incurred in 2012. Toronto Hydro believes that the restructuring costs should be included in the calculation in the year they were incurred, but has presented the costs in the Appendices 2JA to 2L in the manner consistent with the OEB direction. When adjusted for restructuring costs, Toronto Hydro's OM&A per customer over the historical and bridge period (that is the years when the utility's base rates were adjusted in accordance with an IRM formula) has declined on average by 0.3% per year. OM&A per FTE increased due to the significant reduction in total FTEs

## RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

(approximately 256 FTE) relative to 2011. Please refer to the pre-filed evidence at Exhibit 4A, Tab 4, Schedule 3 for more information.

# RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

**INTERROGATORY 34:**

**Reference(s):** **Exhibit 4A, Tab 2, Schedule 13, page 3**

Has Toronto Hydro done a business case analysis regarding monthly billing? If so, please provide that business case analysis. If the Board mandates monthly billing by January 1, 2016, what will be the costs and benefits for Toronto Hydro? How would Toronto Hydro propose that mandated monthly billing be implemented in the context of its five-year plan?

**RESPONSE:**

Toronto Hydro has conducted a business case analysis regarding the conversion to monthly billing. This analysis is outlined in Toronto Hydro's recent submission in response to the EB-2014-0198, Draft Report of the Board: Electricity and Natural Gas Distributor's Residential Customer Billing Practices and Performance, attached as Appendix A to this response.

In terms of the implementation strategy, Toronto Hydro would propose, if mandated, that the lowest cost transition strategy would be to combine this effort with the next planned software version upgrade of Toronto Hydro's Customer Information System, which is tentatively projected to be undertaken in the latter years of the this CIR filing period. Toronto Hydro would nevertheless anticipate that, were the OEB to proceed with mandatory monthly billing, utilities would be allowed to recover any incremental costs in a timely manner.

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Ontario

**BY EMAIL AND WEB POSTING**

**February 5, 2015**

**NOTICE OF PROPOSAL**

**PROPOSED AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE**

**BOARD FILE NO.: EB-2014-0198**

**To: All Electricity and Natural Gas Distributors**
**All Participants in Consultation Process EB-2014-0198**
**All Other Interested Parties**

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The Ontario Energy Board (the "Board") is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* of proposed amendments to the Distribution System Code (the "DSC") in relation to billing frequency, the use of estimated billing, and billing accuracy.

## I. Background

### A. Billing Frequency and Estimated Billing

On June 27, 2014, the Board issued a letter announcing the commencement of a policy review of electricity and natural gas distributors' residential customer billing practices and performance with a focus on ensuring that consumers have timely and accurate billing to assist them in better understanding their energy use and controlling their costs.

On September 18, 2014 the Board issued a Draft Report of the Board on Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance (the "draft Report") with analysis of the survey results. The draft Report also posed a number of questions related to monthly billing and estimated billing for stakeholder comment. The draft Report provided an analysis of the billing practices, including billing frequency and the use of estimated billing, by natural gas and electricity distributors. In the draft

## II. Proposed Amendments to the DSC

### A. Introduction

The Board is proposing to amend the DSC to codify rules relating to frequency of billing, estimated billing, and billing accuracy. A summary of the proposed amendments to the DSC is set out below. The full text of the proposed amendments is set out in Attachment A to this Notice.

### B. Billing Frequency

In the draft Report, the Board indicated that all non-seasonal residential electricity customers in Ontario should be billed on a monthly basis by January 1, 2016.

Based on the comments received, the Board has decided to extend the timeline for the transition to mandatory monthly billing for all electricity distributors for non-seasonal residential customers to December 31, 2016.

The Board has also decided to extend this rule to the general service less than 50 kW rate class. The deadline for issuing monthly bills to this rate class will also be December 31, 2016.

Section 2.6.1A will be added to the DSC to require all distributors to issue monthly bills to non-seasonal residential customers and general service under 50 kW customers. Distributors will not be required to provide monthly billing to seasonal customers.

The Board believes that this is the most effective way to ensure that customers have timely information to gain a better understanding of their electricity consumption so that they can better manage their electricity usage and control their costs.

### C. Estimated Billing

To ensure there is transparency on billing estimate practices, the Board is proposing amendments to section 2.4.6 of the DSC to make distributors add descriptions of their estimated billing practices to their Conditions of Service.

# RESPONSES TO VULNERABLE ENERGY CONSUMERS COALITION INTERROGATORIES

**INTERROGATORY 44:**

**Reference(s):** **Exhibit 4A, Tab 2, Schedule 13, page 3**

a) Please provide an estimate of the increase/decrease in billing, collection and customer care costs if THESL were to move all customers to monthly billing.
b) Please explain what offset in working capital might be expected.
c) If THESL has not previously undertaken any study of this issue please provide the best estimate and a general or directional explanation.

**RESPONSE:**

a) Costs are projected to increase incrementally over the current operating budget by a total amount of approximately $6.1 million. This can be further categorized as an increase in the costs of Billing of $4.3 million, costs of Collections of $0.9 million and costs of Customer Care of $0.9 million. In addition, one-time costs to facilitate the transition are forecasted to be $3.0 million in capital costs and $2.2 million in operating expenditures.

b) Toronto Hydro estimates the offset in working capital in the amount of approximately $1.9 million.

c) Please see the response to Interrogatory 4A-CCC-34.

**Amanda Klein**
Director, Rates & Regulatory Affairs
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TORONTO HYDRO

October 9, 2014

***via RESS e-filing – signed original to follow by courier***

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited ("THESL")**
**Draft Report of the Board: Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance**
**OEB File No. EB-2014-0198**

---

THESL writes to the Ontario Energy Board ("OEB") in respect of the above-noted matter.

On September 18, 2014 the Ontario Energy Board ("OEB") released a Draft Report of the Board entitled *Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance* ("The Draft Report"). In the Draft Report, among other issues, the OEB conveys its intent to mandate the issuance of monthly electricity bills for all residential customers in Ontario starting January 1, 2016. The key considerations cited as driving the contemplated transition are enabling customers to better manage their consumption, control costs and budget for the expenditures associated with their electricity bills. While the Draft Report acknowledges that a mandatory transition to monthly billing would likely result in incremental costs, it expresses its expectation that such costs should be largely offset by the benefits of monthly billing and related activities, including improved cash flow / working capital reductions, reduced arrears and bad debt expenditures and enhanced customer communications. Further cost efficiencies are also expected from the assumed increases in the uptake of e-billing services that provide opportunities for cost reductions in the areas of printing and delivery.

In the Report, the OEB poses two specific questions to the utilities, namely to:
(1) List the potential barriers and anticipated benefits of the mandatory monthly billing transition as contemplated and;
(2) Discuss the merits of a similar transition for seasonal customers.

1. Rectifying known billing system challenges
2. Update configuration, schedules and move customers to monthly cycles
3. Volume test to identify bottlenecks in system performance and operational processes
4. Rectify issues found through volume testing
5. Validate that bill accuracy and timeliness remained unaffected past the transition.

Each step plays a distinct role in facilitating the transition by undertaking the necessary modifications and/or testing of software, hardware and business processes that support monthly billing. Of critical importance are the volume testing activities (Steps 4-5), the associated rectification and subsequent re-testing to ensure that the amended processes and infrastructure do not result in errors that can have a major impact on the utility's service quality, customer satisfaction performance and costs of rectifying any unanticipated issues post-transition.

The one-time costs incurred during the project consist of capital (Capitalized IT Labour, IT Hardware) and OM&A expenditures (general labour). The table below provides a summary of the range of potential costs, based on a "Favourable" and a "Conservative" scenario:

**Estimated One-Time Costs**

| Scenario | Business Labour | IT Labour | Hardware | Total ($M)* |
|---|---|---|---|---|
| **Favourable** | $2.2 | $1.6 | $1.4 | **$5.2** |
| **Conservative** | $4.0 | $3.0 | $1.4 | **$8.3** |

* *numbers may not add up due to rounding*

THESL has also evaluated three alternative implementation approaches to the Base Case that vary according to their respective scopes, underlying drivers and associated risks:

**Alternative 1**:
Merge implementation with suitable major customer care projects planned for in the medium-term.

***Pro***: Lower costs (40%-50% of the Base Case) and work effort due to shared analysis and testing effort.

***Con***: Project timing/scheduling significantly outside of the OEB timeline (CC&B upgrade planned for 2018).

**Alternative 2:**
Full redesign of THESL's customer care business processes related to billing accuracy to optimize the system performance, enhance accuracy and efficiency, and manage the recurring costs.

**Estimated Recurring Cost of Monthly Billing ($M)**

| Cost Category | Incremental Cost |
|---|---|
| Postage | $2.6 |
| Paper | $0.1 |
| Envelope | $0.2 |
| Printing | $0.2 |
| Incremental Billing Enquiries (Call Centre) | $0.7 |
| Meter Data Management, manual reads and Verification/Edits | $0.9 |
| Clerical Billing tasks | $0.5 |
| Payment Processing | $0.5 |
| Collections Activities | $0.2 |
| Corporate Communications | $0.2 |
| **TOTAL** | **$6.1** |

** numbers may not add up due to rounding*

The estimates presented above reflect reasonable assumptions, including incremental staffing using partially outsourced labour, and lower incremental call volumes per bill issued than what is currently the case, among others. As noted above, THESL prepared these estimates on the basis of its experience with implementing customer care initiatives of large magnitude, the state of its current processes associated with data collection, bill issuance and payment processing, customer contact behaviour, current cost structures and contractual arrangements, and other similar information. Given the information available to support certain assumptions, the forecasted costs, once realized, could vary by up to 20%.

In calculating the incremental costs, THESL took a conservative approach and assumed certain tasks would not simply double in volume. Should the OEB elect to conduct further stakeholdering on this issue, as suggested by THESL in this submission, the utility would welcome the opportunities to work with other distributors that have completed transitions to monthly billing in recent years to confirm these assumptions based on these distributors' experience.

THESL further notes that the above calculations include only the direct costs, specifically attributable to the transition project as proposed in the Draft Report. To obtain the full estimate of costs, further assumptions need to be made for other costs, including lost staff productivity throughout and for at least 6 months following the transition project, the impact (financial, operational and reputational), associated with postponement of other planned projects to divert resources to billing transition, incremental

# RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

**INTERROGATORY 35:**

**Reference(s): Exhibit 4A, Tab 2, Schedule 13, page 2**

Please provide detailed budgets for each of the Customer Care "segments" for each year 2011-2015. Please provide the Board approved amounts for 2011.

**RESPONSE:**

Since OM&A was settled on an envelope basis in the last rebasing application (EB-2010-0142), the OEB did not approve detailed budgets for the 2011 test year. Therefore, Toronto Hydro cannot provide the requested OEB-Approved numbers for each Customer Care segment. Toronto Hydro notes that on a total basis, the OEB-Approved and the 2011 actual expenditures only differed by $0.6 million *($238 million OEB-Approved vs. $238.6 million actual expenditures*), so actual 2011 expenditures can be used as a proxy for OEB Approved amounts for that particular year.

The table below provides the 2011-2013 actuals, 2014 year end forecast, and 2015 year forecast for each Customer Care segment.

# RESPONSES TO CONSUMERS COUNCIL OF CANADA INTERROGATORIES

| Customer Care Program ($millions) | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Billing, Remittance & Meter Data Management (Segment)** | | | | | |
| Internal Labour | 6.8 | 5.9 | 7.5 | 8.1 | 8.4 |
| External Services | 3.9 | 3.4 | 3.5 | 3.9 | 4.9 |
| Materials | 0.0 | 0.0 | (0.0) | 0.1 | 0.1 |
| Other | 3.7 | 4.4 | 3.6 | 4.3 | 5.3 |
| **Total Billing, Remittance & Meter Data Management (Segment)** | **14.5** | **13.7** | **14.6** | **16.4** | **18.7** |
| **Collections (Segment)** | | | | | |
| Internal Labour | 1.9 | 1.1 | 1.2 | 2.8 | 3.1 |
| External Services | 1.5 | 1.8 | 2.7 | 2.5 | 2.5 |
| Materials | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 8.9 | 6.0 | 7.1 | 6.9 | 7.4 |
| **Total Total Billing, Remittance & Meter Data Management (Segment)** | **12.3** | **8.9** | **11.1** | **12.2** | **13.1** |
| **Communications & Public Affairs (Segment)** | | | | | |
| Internal Labour | 1.9 | 2.2 | 3.0 | 1.9 | 1.7 |
| External Services | 0.8 | 0.9 | 0.8 | 0.9 | 0.9 |
| Materials | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 |
| Other | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total Communications & Public Affairs (Segment)** | **3.0** | **3.3** | **4.0** | **3.1** | **3.0** |
| **Customer Relationship Management (Segment)** | | | | | |
| Internal Labour | 7.7 | 5.9 | 5.3 | 5.3 | 5.5 |
| External Services | 4.2 | 5.3 | 4.6 | 4.9 | 5.6 |
| Materials | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.2 | 0.3 | 0.1 | 0.2 | 0.2 |
| **Total Customer Relationship Management (Segment)** | **12.1** | **11.5** | **10.1** | **10.4** | **11.3** |
| **Total Customer Care Program** | **41.9** | **37.5** | **39.7** | **42.2** | **46.1** |

The "Other" category within the Billing, Remittance & Meter Data Management segment is made up of postage and printing costs for customer invoices and the bad debt expense related to non-electricity billings.

The "Other" category within the Collections segment contains bad debt expenses related to electricity customer billings.

(4) to clarify the process that applied to employees progressing along wage scales in the Collective Agreement.

All of these objectives were achieved during the 2012 negotiations.

For the purpose of these negotiations, Toronto Hydro considered comparable market data, which was collected through a review of external surveys and external compensation data. Toronto Hydro compared base salary and variable performance pay against information from companies within the utility sector (such as Hydro One). As a result of these analyses, Toronto Hydro's compensation position was that year-over-year increases had to stay relatively close to inflation in order to maintain alignment with the market.

Employees who are part of the Society are also eligible for variable performance pay based on their achievement of the deliverables outlined in their annual performance contract, as well as the achievement of the utility's performance objectives.

## 5. BENEFITS AND PENSIONS

Toronto Hydro's employee benefit programs provide coverage for full-time employees in the following areas:

- Medical, including vision care, prescription drugs, and paramedical services;
- Dental, including major dental and orthodontic services;
- Short term and long term disability income protection;
- Life Insurance and accidental death and dismemberment (AD&D) insurance;
- Leaves of absence, including maternity, adoption and parental leaves; and
- Refundable expenses, such as the fitness reimbursement program.

Over the 2015 to 2019 period, Toronto Hydro expects to encounter additional constraints on the eligible talent pool and its retention capabilities as a result of a number of factors, including: the aging Canadian population, a declining unemployment rate in the Ontario, and economic growth and ongoing construction activity in the City of Toronto. For more information about these factors, refer to the Conference Board of Canada Report on Labour market and Human Resources Trends for the Canadian Utility Sector (Exhibit 4A, Tab 4, Schedule 4).

The utility periodically reviews the external competitiveness of its compensation programs, to help ensure that the level, form and mix of compensation offered by Toronto Hydro is competitive with those provided for comparable jobs in the markets where the utility competes for talent. For example, in December 2013, Toronto Hydro engaged an independent human resources consulting firm, Towers Watson, to undertake a detailed compensation and benefits benchmarking study. The results of the study indicate that the utility is generally aligned with the markets in which it competes, in relation to both compensation (base salary and performance pay) and benefits (Exhibit 4A, Tab 4, Schedule 6).

Toronto Hydro reviews the market-competitiveness of its compensation packages for non-union employees as part of its annual business planning and budgeting process. This review begins with participating in total compensation salary surveys offered through independent consulting firms, such as Mercer and Towers Watson, which specialize in the compilation of aggregate compensation data. Following receipt of the compiled external compensation survey data, Toronto Hydro compares the available compensation data (i.e., base salary, target performance pay, and target total cash compensation) against aggregate information from companies of similar size, industry, and/or geographic location.

Toronto Hydro Electric Systems Limited

# Toronto Hydro Compensation and Benefits Review

Completed: January 2014

TOWERS WATSON

## Appendix 1: Peer Group Details

### Named energy peer group

Organizations within the Towers Watson 2013 Energy Compensation Survey were selected based on the following criteria:

- Electricity or gas organizations
- Vertically integrated electricity company
- Energy company operating solely in Ontario
- The OPA and IESO

Below is Toronto Hydro's named peer group from Towers Watson 2013 Energy Compensation Survey:

ATCO Electric
AlttaLink
British Columbia Hydro and Power Authority
Bruce Power
City of Medicine Had (Hydro Division)
Enbridge Inc.
Enmax Corporation
EPCOR Utilities
Fortis Alberta
Hydro-Quebec
Ontario Power Generation
Saskpower
Spectra Energy Transmission
TransCanada
Independent Electricity System Operator
New Brunswick Power Corporation
Newfoundland & Labrador Hydro Electric Corporation
Nova Scotia Power
Ontario Power Authority

Where we observed insufficient data availability from the above peer group, a whole sample energy survey peer group was used (see below).

### Whole sample energy peer group

Agrium
Alberta Energy Regulator
Alliance Pipeline Ltd.
AltaLink Management
Apache Canada Ltd.
ARC Resources
ATCO Electric
ATCO Energy Solutions
ATCO Gas
ATCO Group
ATCO Pipelines
ATCO Power
Aux Sable Canada
BP Canada Energy Company
British Columbia Hydro and Power Authority
Bruce Power
Canadian Natural Resources Limited
Canadian Oil Sands
Canexus Corporation
Capital Power Corporation
Cenovus Energy
Chevron Canada Limited (Downstream)
Chevron Canada Resources (Upstream)
City of Medicine Hat (Hydro Division)
Columbia Power
ConocoPhillips
Devon Canada Corporation
Dow Chemical
Enbridge
Encana Corporation
Enmax Corporation
EPCOR Utilities
ExxonMobil
ExxonMobil Business Support Centre Canada
FortisAlberta
Gaz Metro
GDF SUEZ Energy North America
Husky Energy
Hydro-Québec
Imperial Oil Limited
INEOS Canada Partnership
Irving Oil Commercial G.P
Kinder Morgan Canada (Pipelines)
MEG Energy
Nexen
NextEra Energy, Inc.
Niko Resources
NOVA Chemicals Corporation
Ontario Power Generation
Pembina Pipeline Corporation
Penn West Energy Trust
Powerex Corp.
Precision Drilling Trust
Saskpower
Shell Canada Limited
Siemens Canada
Spectra Energy
Statoil Canada
Suncor Energy
Syncrude Canada Ltd.
Talisman Energy
Tenaris Canada
Toronto Hydro Electric Systems
TransAlta Corporation
TransCanada
Valero Energy
Weatherford International
Williams Companies
Ontario Power Generation

**Named general industry peer group**

Organizations within the Towers Watson 2013 General Industry MMPS Survey were chosen based upon the following criteria:

- Located within the GTA
- Organizations of comparable size ((e.g. revenues between $1B and $5B) to THESL; and
- A headcount between of 1000 to 2000 employees

Below is Toronto Hydro's named peer group from Towers Watson's 2013 General Industry MMPS Survey:

| | | |
|---|---|---|
| Allstate | Fortis Alberta | Ontario Power Generation |
| AstraZeneca | General Electric Canada | Owens Coming Canada |
| ATCO Electric | Graham Group Ltd. | PCL Constructors |
| AlttaLink | Homes by Avi Canada Inc. | Saskpower |
| British Columbia Hydro and Power Authority | Huskey Injection Molding Systems Ltd. | Siemens Canada Lts. |
| Bruce Power | Hydro-Quebec | SNC Lavalin Group Inc. |
| Cadillac Fairview Corporation Limited | Ledcor Group of Companies | Spectra Energy Transmission |
| Cisco Systems | Lehich Hanson Canada | State Farm Insurance |
| City of Medicine Had (Hydro Division) | Mattamy Homes Limited | The Shaw Group Ltd |
| Enbridge Inc. | Microsoft | TransCanada |
| Enmax Corporation | Northbridge | Unilever |
| EPCOR Utilities | Omicron Canada Inc. | |

Where we observed insufficient data availability from the above peer group, a whole sample General Industry survey peer group was used (a full listing of over 300 organizations can be provided separately if required).

**Named Hay Group peer group**

Organizations within the Hay Group 2013 Energy Industry Compensation Survey were selected based on the following criteria:

- Utility Sector Organizations with revenue above 205 million

Below is Toronto Hydro's peer group form the Hay Group Survey:

| | |
|---|---|
| Bruce Power L.P. | Hydro One Brampton |
| Capital Power Corporation | Hydro One Inc. |
| Enersource Hydro Mississauga Inc | Hydro Ottawa Limited |
| Fortis Inc. | NB Power Holding Corporation |
| FortisAlberta Inc. | Newfoundland Power Inc. |
| FortisBC Energy Inc. | Ontario Power Generation Inc. |
| FortisBC Inc. | SaskEnergy Incorporated |
| GDF SUEZ Energy North America, Inc. | SaskPower |

**Benefits peer group criteria**

Organizations within the Towers Watson 2013 Benefits Data Source were selected based on the following criteria:

- Electricity or gas organizations
- Vertically integrated electricity company
- Energy company operating solely in Ontario

Below is Toronto Hydro's named peer group from Towers Watson's 2013 Benefits Data Source:

Alberta Electric System Operator
AltaLink Management Ltd.
ATCO Group
British Columbia Hydro and Power Authority
Bruce Power
Capital Power Generation
City of Medicine Hat
Emera Inc.
Enbridge Pipelines Inc.
ENMAX Corporation
EPCOR Utilities Inc.
Fortis Alberta
Hydro One
Hydro-Quebec
Independent Electricity System Operator
Manitoba Hydro
Newfoundland Power Inc.
Ontario Power Generation Inc.
Saskpower
TransAlta Corporation
TransCanada Pipelines Limited

# RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

**INTERROGATORY 46:**

**Reference(s):** **Exhibit 4A, Tab 4, Schedule 2, Appendix 2K**

For each year, please provide the total compensation costs that are capitalized.

**RESPONSE:**

Please see table below:

| | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Bridge | 2015 Test |
|---|---|---|---|---|---|
| Total Compensation Costs Capitalized | $95.2M | $77.7M | $83.4M | $83.0M | $84.3M |

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# RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

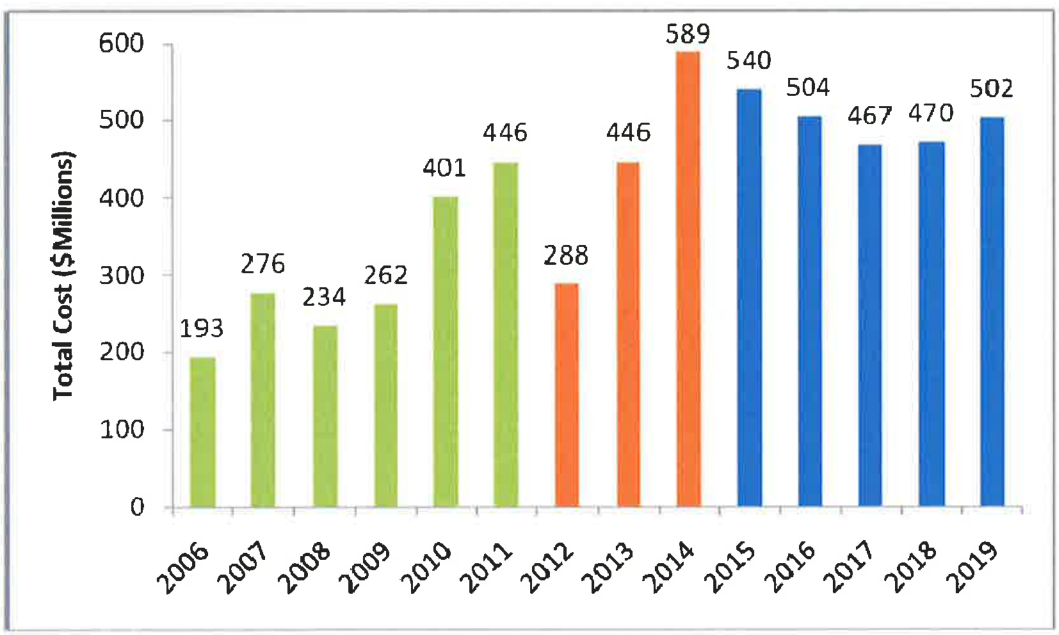
**INTERROGATORY 5:**

**Reference(s):** **Exhibit 1B, Tab 2, Schedule 4, p.6**

Please revise Figure 1 to show 2012 and 2013 actual, and 2014 current forecast, as separate bars.

**RESPONSE:**

Figure 1 has been revised to include 2012 and 2013 actual, and 2014 current forecast.



# RESPONSES TO SOCIETY OF ENERGY PROFESSIONALS INTERROGATORIES

**INTERROGATORY 4:**

**Reference(s):** **Exhibit 4A, Schedule 2, OEB Appendix 2-K, "Employee Costs / Compensation Table"**

a) Please breakdown all numbers for "Non-Management (union and non-union)" into non-union, CUPE represented, and Society represented.

b) Please provide the annual Total Compensation per FTE for the categories provided in a) above as well as Management.

c) For Total Compensation, please provide the subcategories for costs expensed and costs capitalized.

d) Does this table include and "Temporary" staff? These would be staff who are hired on a short term basis to fill in for staff on leave of absence or to deal with temporary peaks in work etc.

   i) If it does include temporary staff, please separate them out in the table as per a), b) and c) above.

   ii) If it does NOT include temporary staff, please include a temporary staff category in the table as per a), b) and c) above.

**RESPONSE:**

a), b) and c) Please see Appendix A to this response.

d) Yes, the table includes employees hired on contract for a defined term (i.e., "temporary staff"). Please see Appendix A to this response.

| | 2011 Actuals | 2012 Actuals | 2013 Actuals | 2014 BRIDGE | 2015 TEST |
|---|---|---|---|---|---|
| **Number of Employees (FTEs including Part-Time)[1]** | | | | | |
| Management (including executive) | 61.8 | 53.0 | 55.2 | 55 | 55 |
| Non-Management (Non-Union) | 424.8 | 407.2 | 416.4 | 449 | 457 |
| CUPE | 1,159.3 | 1,048.1 | 962.7 | 921 | 925 |
| Society | 53.4 | 56.8 | 51.0 | 52 | 50 |
| Contract for a Defined Term[1] | 37.6 | 35.8 | 42.1 | 60 | 77 |
| Total | 1,737.0 | 1,600.8 | 1,527.4 | 1,537 | 1,564 |
| **Total Salary and Wages (including overtime and incentive pay)** | | | | | |
| Management (including executive) | $ 11,503,925 | $ 10,484,857 | $ 10,916,952 | $ 11,357,809 | $ 11,676,362 |
| Non-Management (Non-Union) | $ 45,413,893 | $ 44,676,572 | $ 45,870,826 | $ 50,081,111 | $ 52,190,093 |
| CUPE | $ 111,838,939 | $ 96,489,851 | $ 93,579,854 | $ 91,767,199 | $ 93,499,770 |
| Society | $ 5,757,843 | $ 6,010,237 | $ 5,729,052 | $ 6,219,276 | $ 6,102,405 |
| Contract for a Defined Term[1] | $ 2,591,089 | $ 2,546,373 | $ 2,790,818 | $ 4,464,343 | $ 5,962,522 |
| Total | $ 177,105,689 | $ 160,207,891 | $ 158,887,502 | $ 163,889,738 | $ 169,431,152 |
| **Total Benefits (Current + )** | | | | | |
| Management (including executive) | $ 3,700,705 | $ 3,207,397 | $ 3,497,371 | 3,622,390 | 3,586,525 |
| Non-Management (Non-Union) | $ 15,180,254 | $ 15,312,116 | $ 16,894,431 | 18,059,014 | 18,087,618 |
| CUPE | $ 36,431,653 | $ 34,506,022 | $ 35,171,649 | 32,500,903 | 31,769,774 |
| Society | $ 1,966,724 | $ 2,145,710 | $ 2,128,201 | 2,150,794 | 2,024,985 |
| Contract for a Defined Term[1] | $ 192,730 | $ 194,587 | $ 238,837 | 341,244 | 397,414 |
| Total | $ 57,472,066 | $ 55,365,832 | $ 57,930,489 | $ 56,674,344 | $ 55,866,316 |
| **Total Compensation (Salary, Wages, & Benefits)** | | | | | |
| Management (including executive) | $ 15,204,630 | $ 13,692,253 | $ 14,414,323 | $ 14,980,199 | $ 15,262,887 |
| Non-Management (Non-Union) | $ 60,594,147 | $ 59,988,688 | $ 62,765,258 | $ 68,140,125 | $ 70,277,712 |
| CUPE | $ 148,270,591 | $ 130,995,873 | $ 128,751,502 | $ 124,268,102 | $ 125,269,544 |
| Society | $ 7,724,567 | $ 8,155,947 | $ 7,857,254 | $ 8,370,070 | $ 8,127,390 |
| Contract for a Defined Term[1] | $ 2,783,820 | $ 2,740,961 | $ 3,029,655 | $ 4,805,587 | $ 6,359,935 |
| Total | $ 234,577,755 | $ 215,573,723 | $ 216,817,992 | $ 220,564,082 | $ 225,297,468 |
| **Average Total Compensation (Salary, Wages, & Benefits)** | | | | | |
| Management (including executive) | $ 245,866 | $ 258,425 | $ 261,082 | $ 274,866 | $ 277,507 |
| Non-Management (Non-Union) | $ 142,638 | $ 147,326 | $ 150,722 | $ 151,760 | $ 153,949 |
| CUPE | $ 127,892 | $ 124,981 | $ 133,740 | $ 134,883 | $ 135,427 |
| Society | $ 144,547 | $ 143,667 | $ 154,130 | $ 162,526 | $ 162,548 |
| Contract for a Defined Term[1] | $ 74,071 | $ 76,670 | $ 71,992 | $ 79,695 | $ 82,597 |
| Total | $ 135,047 | $ 134,665 | $ 141,952 | $ 143,540 | $ 144,098 |
| **Total Compensation Expensed** | $ 139,376,030 | $ 137,907,417 | $ 133,422,085 | $ 137,588,178 | $ 140,947,660 |
| **Total Compensation Capitalized** | $ 95,201,725 | $ 77,666,306 | $ 83,395,907 | $ 82,975,905 | $ 84,349,808 |

[1] Contract for a Defined Term refers to "Temporary staff"

# RESPONSES TO SOCIETY OF ENERGY PROFESSIONALS INTERROGATORIES

**INTERROGATORY 6:**

**Reference(s):** **Exhibit 4A, Tab 4, "Workforce Staffing and Compensation"**

With regards [sic] to temporary staff:

a) Please provide the basis/criteria for hiring temporary staff.

b) Further to a), if the criteria is viewed to be cost efficiency [sic], please provide the total annual cost savings for 2007 to 2019 and the annual savings per temporary FTE.

c) What is the average and longest duration that a temporary staffer is employed by Toronto Hydro?

d) What is the retention strategy for temporary staff?

e) For 2007 to 2019, please provide the number of temporary staff who are then hired as permanent staff on the Toronto Hydro payroll.

f) Please provide the estimated annual negative impact on productivity of employing temporary staff for 2007 to 2019. This would include time required to train temporary staff (both temporary staff time and internal staff time required to train them), the "burn in" time as new temps become more skilled in their assigned work, the loss of corporate memory when they leave, etc.

**RESPONSE:**

a) Hiring employees on contract for a defined term (i.e., "temporary staff") allows the utility to cost-effectively resource peak demands and maintain flexibility to support operations. The hiring criteria are specific to each role, and consider both the technical and behavioral competencies that are required to perform the job.

## RESPONSES TO SOCIETY OF ENERGY PROFESSIONALS INTERROGATORIES

b) The estimated annual savings per year and per average FTE, from 2011 to 2013, are outlined in the table below. Toronto Hydro objects, on the basis of relevance, to estimating pre-2011 cost savings, as this information predates the utility's last rebasing application (EB-2010-0142), and has no probative value to deciding the issues in this Application.

| | Estimated Annual Cost Savings | Average Per FTE on a Defined Term |
|---|---|---|
| 2011 | $ 827,733.07 | $ 22,023.94 |
| 2012 | $ 805,673.17 | $ 22,536.31 |
| 2013 | $ 971,997.14 | $ 23,096.96 |

c) The average duration is approximately one year and the longest duration is approximately eight years.

d) There is no explicit retention strategy. However, these employees are encouraged to apply for full-time vacancies when they become available.

e) The table below provides the number of temporary employees that have been hired into a full-time positions from 2011 to 2014. Toronto Hydro objects, on the basis of relevance, to providing pre-2011 information as it predates the utility's last rebasing application (EB-2010-0142) and has no probative value to deciding the issues in this Application.

| 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|
| 13 | 3 | 17 | 4 |

# TECHNICAL CONFERENCE UNDERTAKING RESPONSE TO SOCIETY OF ENERGY PROFESSIONALS

**UNDERTAKING NO. J2.7:**

**Reference(s):**

With reference to IR Society 6 part b, to provide data for the year 2014 and 2015.

**RESPONSE:**

Please see the table below.

| Year | Benefit Savings | Average Savings per FTE |
|---|---|---|
| 2014 | $ 1,562,520.02 | $ 25,898.12 |
| 2015 | $ 1,811,414.10 | $ 23,524.86 |

# RESPONSES TO SUSTAINABLE INFRASTRUCTURE ALLIANCE OF ONTARIO INTERROGATORIES

**INTERROGATORY 32:**

**Reference(s):** **Exhibit 4A, Tab 1, Schedule 2**

Please reproduce Appendix 2K by breaking out the “Non-management” category into “Union” and “Non-Union” sub-categories separately. In addition, please provide average per-employee values for all compensation categories (e.g. “Average Total Salary and Wages” per Management/Union/Non-Union, etc).

**RESPONSE:**

Please refer to Appendix A to this response.

| | 2011 Actuals | 2012 Actuals | 2013 Actuals | 2014 BRIDGE | 2015 TEST |
|---|---|---|---|---|---|
| **Number of Employees (FTEs including Part-Time)[1]** | | | | | |
| Management (including executive) | 61.8 | 53.0 | 55.2 | 55 | 55 |
| Non-Management (Non-Union) | 462.4 | 442.9 | 458.5 | 509 | 534 |
| Non-Management (Union) | 1,212.8 | 1,104.9 | 1,013.7 | 973 | 975 |
| Total | 1,737.0 | 1,600.8 | 1,527.4 | 1,537 | 1,564 |
| **Total Salary and Wages (including overtime and incentive pay)** | | | | | |
| Management (including executive) | $ 11,503,925 | $ 10,484,857 | $ 10,916,952 | $ 11,357,809 | $ 11,676,362 |
| Non-Management (Non-Union) | $ 48,004,982 | $ 47,222,946 | $ 48,661,644 | $ 54,545,454 | $ 58,152,615 |
| Non-Management (Union) | $ 117,596,782 | $ 102,500,089 | $ 99,308,906 | $ 97,986,475 | $ 99,602,175 |
| Total | $ 177,105,689 | $ 160,207,891 | $ 158,887,502 | $ 163,889,738 | $ 169,431,152 |
| **Average Total Salary and Wages (including overtime and incentive pay)** | | | | | |
| Management (including executive) | $ 186,024 | $ 197,889 | $ 197,735 | $ 208,400 | $ 212,297 |
| Non-Management (Non-Union) | $ 103,815 | $ 106,614 | $ 106,129 | $ 107,099 | $ 109,002 |
| Non-Management (Union) | $ 96,965 | $ 92,769 | $ 97,969 | $ 100,726 | $ 102,156 |
| Total | $ 101,959 | $ 100,079 | $ 104,025 | $ 106,659 | $ 108,367 |
| **Total Benefits (Current + Accrued)** | | | | | |
| Management (including executive) | $ 3,700,705 | $ 3,207,397 | $ 3,497,371 | $ 3,622,390 | $ 3,586,525 |
| Non-Management (Non-Union) | $ 15,372,984 | $ 15,506,703 | $ 17,144,667 | $ 18,400,258 | $ 18,485,032 |
| Non-Management (Union) | $ 38,398,376 | $ 36,651,732 | $ 37,288,451 | $ 34,651,697 | $ 33,794,760 |
| Total | $ 57,472,066 | $ 55,365,832 | $ 57,930,489 | $ 56,674,344 | $ 55,866,316 |
| **Average Total Benefits (Current + Accrued)** | | | | | |
| Management (including executive) | $ 59,842 | $ 60,536 | $ 63,347 | $ 66,466 | $ 65,210 |
| Non-Management (Non-Union) | $ 33,245 | $ 35,009 | $ 37,392 | $ 36,129 | $ 34,649 |
| Non-Management (Union) | $ 31,661 | $ 33,172 | $ 36,785 | $ 35,621 | $ 34,661 |
| Total | $ 33,086 | $ 34,586 | $ 37,927 | $ 36,883 | $ 35,732 |
| **Total Compensation (Salary, Wages, & Benefits)** | | | | | |
| Management (including executive) | $ 15,204,630 | $ 13,692,253 | $ 14,414,323 | $ 14,980,199 | $ 15,262,887 |
| Non-Management (Non-Union) | $ 63,377,966 | $ 62,729,649 | $ 65,806,311 | $ 72,945,712 | $ 76,637,647 |
| Non-Management (Union) | $ 155,995,158 | $ 139,151,820 | $ 136,597,357 | $ 132,638,172 | $ 133,396,935 |
| Total | $ 234,577,755 | $ 215,573,723 | $ 216,817,992 | $ 220,564,082 | $ 225,297,468 |
| **Average Total Compensation (Salary, Wages, & Benefits)** | | | | | |
| Management (including executive) | $ 245,866 | $ 258,425 | $ 261,082 | $ 274,866 | $ 277,507 |
| Non-Management (Non-Union) | $ 137,060 | $ 141,623 | $ 143,521 | $ 143,227 | $ 143,651 |
| Non-Management (Union) | $ 128,626 | $ 125,941 | $ 134,754 | $ 136,347 | $ 136,817 |
| Total | $ 135,045 | $ 134,665 | $ 141,952 | $ 143,542 | $ 144,098 |