



12<sup>th</sup> August, 2016

Matthew Kellway  
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**VIA Canada Post, email and RSS Filing**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

**Re: EB-2016-0160 Hydro One Networks Inc. (Transmission)  
2017 and 2018 Transmission Revenue Requirement and Rates Application  
The Society of Energy Professionals ' Interrogatories to HONI**

Dear Ms. Walli,

In accordance with Procedural Order No. 1, please find attached the Society of Energy Professionals' interrogatories to Hydro One in the subject application.

Two (2) hard copies of these interrogatories have been sent to your attention.

Also please be informed that I should be added to the list of parties who are to receive all documentation and communication in this proceeding.

Sincerely,

*[Original Signed by Derek Blackadder for]*

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copy: interested parties

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## **INTERROGATORY QUESTIONS**

**EB-2016-0160 Hydro One Networks Inc. (Transmission)**

**2017 and 2018 Transmission Revenue Requirement and Rates Application**

**12th August, 2016**

## **EB-2016-0160: The Society of Energy Professionals' Interrogatory Questions**

### **Exhibit A 1.0 ADMINISTRATION**

#### **1.0 Society 1**

With reference to *Exhibit A Tab 3 Schedule 1 "EXECUTIVE SUMMARY OF APPLICATION" p 2 ln 8-11*

*"The applied-for rate increase is likely to be mitigated by anticipated reductions in transmission pension contribution operating expenses, arising from the receipt of an updated actuarial valuation report that was not finalized at the time this Application was filed. The report is expected to be finalized at the end of June 2016."*

- a) Are the above statements correct or should they be revised? HONI provided this actuarial report in its July 20 update as Exhibit C1 Tab 4 Schedule 2 Attachment 1 "Hydro One Inc. Hydro One Pension Plan: Actuarial Valuation as at December 31, 2015 (June 9, 2016)".
- b) The same question is put forward regarding *Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p30 ln11-21*.

### **Exhibit B 2.0 TRANSMISSION SYSTEM PLAN/COST EFFICIENCIES and PRODUCTIVITY**

#### **2.0 Society 2**

With reference to:

*Exhibit B1 Tab 1 Schedule 3 "Transmission Performance" p4 ln1 Mental Health Strategy implementation*

- a) Please explain the "Mental Health Strategy".
- b) Please explain the implementation of the Mental Health Strategy including i) where are you now in the program?; ii) when was this strategy initiated?; iii) what are its tasks?; iv) what are the targets?; and v) how much has and will this cost annually?
- c) How does this initiative deal with the problems Hydro One faces as a consequence of the health and familial issues many field employees, as well as some head office staff, are exposed to continuously migrating around Ontario performing Hydro One work? Examples of these issues include marital breakdown; road accidents travelling to and from work sites & Hydro One work locations both on and after paid time; alcoholism; drug dependency etc. If this "Mental Health Strategy implementation" does not deal with these workplace issues or the resulting personal issues which have workplace consequences please explain which programs do, their success rate, the statistics etc.

## **2.0 Society 3**

With reference to:

*Exhibit B1 Tab 1 Schedule 3 "Transmission Performance"  
pp8,9 "Motor Vehicle Accident Rate"*

- a) Please provide the Hydro One motor vehicle accident rate for 2010-2015 in a separate chart.
- b) Does the motor vehicle accident rate include accidents involving employees on unpaid time travelling to and returning from worksites and/ or Hydro One work locations? If it doesn't include these accidents, why not? Workers would appear to be at greater risk in this travel time during periods of intense and long work hours.
- c) Please provide the motor vehicle accident rates for unpaid travel time for 2010-2015. If this data is not readily available please provide reasonable estimates and the rationale for the estimates.
- d) Hydro One utilizes a large fleet of assorted off-road vehicles. i) Does the motor vehicle accident rate include these off-road vehicles? ii) Please provide the off-road vehicle accident rate for 2010-2015.
- e) What steps are being taken by Hydro One to reduce ALL vehicle accident rates [ie both on-road and off-road vehicle rates]?

## **2.0 Society 4**

With reference to *Exhibit B1 Tab 3 Schedule 1 Table 1 "Summary of Transmission Capital Budget (\$ Million) Including Capitalized Overheads and Interest Capitalized"*

- a) Please provide separately the Overheads Capitalized for 2012 to 2021 and explain any year over year variances greater than  $\pm$ \$5M.
- b) Please provide separately the Capitalized Pension Costs for 2012 to 2021.
- c) Please explain why the test year capital expenditures were not impacted by the reduction in Capitalized Pension Costs as provided in the update filed on 2016-07-20. Note that with reference to *Exhibit C1 Tab 4 Schedule 2 p2 Table 1*, the 2017 and 2018 "Capital Pension Costs" were reduced from \$51M to \$33M and \$49M to \$32M respectively as originally filed on 2016-05-31 as compared to the 2016-07-20 update.

## **2.0 Society 5**

With reference to:

*Exhibit B1 Tab 4 Schedule 1 "Capital Work Execution Summary" section 5.5  
Engineering pp12 ln14-19*

*With the increasing Transmission capital work program, there continues to be an increasing need to utilize external engineering partners. The portion of the engineering portfolio completed externally has continued to grow over recent years, from roughly 14% in 2012 to roughly 25% in 2015. In addition to increased capacity through additional engineering resources, the external*

*utilization has a cost efficiency element as fully burdened external labour rates are lower than fully burdened internal labour rates.*

- a) For the period 2012 to 2018 please provide the annual figures for Hydro One's TOTAL engineering portfolio costs; the external engineering costs & the percentage that represents of total engineering portfolio costs; and the external engineering FTE's.
- b) Which external engineering companies does Hydro One contract work to?
- c) What selection criteria does Hydro One use to select engineering contractors?
- d) Explain specifically what work is done by Hydro One's external engineering partners.
- e) Categorize the work buckets discussed in d) and provide the annual expenditures for each for 2012 to 2018.
- f) Provide an annual comparison between 2012 and 2018 of fully burdened external engineering labour rates to fully burdened internal engineering labour rates. Include external contractor gross margin [ie the contractor's markup to cover all costs and make a profit] in the external rates along with all other costs which Hydro One would not incur if this work was done internally rather than externally [transportation costs to bring external engineers to Toronto to meet and /or work in Hydro One facilities, costs to train external contractors etc].
- g) Provide all the details on the methodology utilized to derive the costs provided in f) so the methodology can be independently verified.

## **2.0 Society 6**

With reference to:

*Exhibit B2 Tab 1 Schedule 1 "COST EFFICIENCIES, PRODUCTIVITY AND KEY PERFORMANCE INDICATORS"*

In past OEB proceedings, Hydro One has submitted in its evidence \$ quantified annual capex and OM&A productivity & cost efficiency savings along with detailed explanations of the contributing initiatives. For example in EB-2014-0140, the Transmission 2015-2016 proceeding, HONI provided this information in Section iii) – Subsection ii - Exhibit A-18-1. This would cover the past three years of actuals, the bridge year and the two test years [eg 2013 to 2018 in this proceeding].

- a) Please explain why Hydro One has not and / or can not provide this evidence in the present proceeding?

## **2.0 Society 7**

With reference to *Exhibit B2 Tab 2 Schedule 1 p4 Table 1 "Addressing the [Transmission Total Cost Benchmarking Study] Recommendations"*

One recommendation is “Target a corrective maintenance spend that is ~25% of total corrective and preventative”.

- a) With reference to *Exhibit C1 Tab 2 Schedule 2, p3 Table 1 “Sustaining OM&A”*, for each of Stations, Lines, Engineering & Environment Support please break out separately the annual corrective and the annual preventative expenditures.
- b) Also provide the total annual corrective, the total annual preventative and the annual sum of corrective & preventative expenditures. Also provide the annual % that corrective expenditures represents of the annual sum of corrective and preventative expenditures.
- c) Explain what is contributing to the annual changes in the % of corrective expenditures calculated in b) between 2016 and 2018.
- d) When is Hydro One targeting to reach the 25% level in the recommendation?

### **Exhibit C 3.0 COST OF SERVICE**

#### **3.0 Society 8**

With reference to *Exhibit C1 Tab 2 Schedule 6 p8 ln 17*

*“[Hydro One is performing] a review to reduce the number of trouble calls performed on overtime”*

- a) Please explain how Hydro One intends to reduce trouble calls performed on overtime.
- b) What is the target reduction in overtime hours from this initiative? Please provide a ballpark estimate if it is too soon to provide an accurate estimate.
- c) What impact will this reduction in trouble calls performed on overtime have on Hydro One’s customers enduring an outage as well as on customer satisfaction?

#### **3.0 Society 9**

With reference to:

*Exhibit C1 Tab 3 Schedule 2 “Outsourcing”*

As outlined in section 3 [pp5-8], on January 1, 2015 Hydro One entered into a new services arrangement with a 10-year term with what became Brookfield Global Integrated Solutions (“BGIS”).

- a) When the services agreement was originally made, what were the annual cost savings expected to be realized by Hydro One in 2015 to 2018? Also please provide this broken down and explained by contributing factor (eg capital project management services, ongoing daily facilities management etc.).

- b) What are the actual cost savings that have been realized by Hydro One in 2015 and are now forecast for 2016 to 2018 in this application broken down by contributing factor?
- c) Please explain any variances between a) and b) for each contributing factor.
- d) Please provide the critical service levels (CSLs), key performance measures (KPIs) and critical deliverables as provided for in the agreement [p7 ln 7-13] along with the quarterly results since the inception of the agreement.
- e) If BGIS has not met any CSLs, KPIs and critical deliverables at any point please explain what the consequences were for them.

## **Corporate Staffing and Compensation**

### **3.0 Society 10**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p7 ln14-p8 ln 1,2:  
Demographic and skills analyses are conducted to ensure that Hydro One retains the appropriate talent in the present and is positioned properly in the market to attract the talent required in the future.*

- a) Please provide the most recent demographic and skills analyses conducted by Hydro One as mentioned in the referenced sentence above.
- b) Please provide the Hydro One definition of being "positioned properly in the market to attract the talent required in the future".
- c) Please explain how these analyses ensure "that Hydro One retains the appropriate talent in the present and is positioned properly in the market to attract the talent required in the future".

### **3.0 Society 11**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p8 ln 4-7:  
Progress has been made in attaining the appropriate number and mix of staff required to complete the Company's planned work programs. However, Hydro One's highly skilled jobs require long learning curves, so it is essential that the Company hire well in advance of forecasted retirements.*

- a) Please explain how and why "Hydro One's highly skilled jobs require long learning curves".
- b) In general, how far in advance of forecasted retirements do new hires have to be made? What is the range?
- c) What is the anticipated or planned overlap time at the workforce of new hires with experienced staff who are to retire?

### **3.0 Society 12**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p9 Figure 6  
Percent Use of Employee Categories (Monthly 2014-2015)*

In the referenced figure over the two year period the minimum number of temporary workers is 244.

- a) Please explain why a number of these temporary workers are not regular staff if the minimum number is so high over a two year period?
- b) What is the number of temporary workers who have been continuously employed over this two year period?

### **3.0 Society 13**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p10 ln7-8  
"Since January 1, 2004, 473 graduate trainees have been hired through the  
Company's on-campus recruitment program."*

- a) Please provide the annual number of graduate trainees hired for each of 2004 to 2018.
- b) Please explain any year over year variances greater than  $\pm 5\%$ .
- c) What is the annual attrition rate for new hires? If it is greater than the attrition rate for the rest of the Hydro One please explain why and the common reasons for this at Hydro One. It is assumed that Hydro One, like other successful billion dollar companies, performs exit interviews and has this information readily at hand as well as the analysis thereof to assist it in future hires into this program.
- d) Please explain how these annual hire levels for new grads tie into the roughly 200 staff per year that have retired between 2011 and 2015 as well as the accelerating number of retirees expected in 2016-2018 and beyond.

### **3.0 Society 14**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p10 ln21-22  
"Hydro One will also continue its support of the University and College Co-Op  
Education Program, hiring approximately 300 co-op students a year. "*

- a) Please provide the annual number of co-op students hired for each of 2004 to 2018.
- b) Please explain any year over year variances greater than  $\pm 5\%$ .
- c) Please provide the annual number of co-op students hired into graduate trainee positions for each of 2004 to 2018.



### **3.0 Society 15**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p11 ln4-7*

*"Hydro One believes a sustainable and longer term strategy is to invest in programs where knowledge transfer is the key objective. Programs such as new Graduate and Apprentice Hiring, and knowledge documentation all contribute to ensuring knowledge is transferred to more junior staff. "*

- a) Explain Hydro One's knowledge documentation program.
- b) What are the other programs, other than new Graduate & Apprentice Hiring, which Hydro One utilizes where knowledge transfer is the key objective? Please explain those programs.
- c) Please explain the programs Hydro One has in place to transfer knowledge to regular staff from temporary staff and external contractors, including external engineering as well as design & construction firms.

### **3.0 Society 16**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation" p18 ln4-7*

*"Willis Towers Watson conducted market assessments for MCP Bands 3-10 (SVP to Administration roles). Executive level (Bands 3-4) compensation was assessed against a peer group consisting of twenty-one companies that included utilities and other Canadian publicly traded companies. "*

- a) Please provide the market assessments referenced above along with related materials which were provided by Willis Towers Watson to Hydro One.

### **3.0 Society 17**

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation"*

*"Pensions" pp28-30 and pp32-34 APPENDIX A: "Employee Pension Contributions for Other Employee Groups"*

In collective bargaining since 2013, The Society has agreed to increases in pension contributions made by its members. This has resulted in the cost ratio of pension contributions [Hydro One to Society Employees] shifting from 4.3 prior to 2013 to 1.6 in 2018 for those Society members of the legacy pension plan [so-called "Tier 1"]. For Post November 2005 Society pension plan members [so-called "Tier 2"] this ratio has shifted from 2.6 to 1.0 over the same time period.

As shown in Appendix A figure 3, for MCP staff this ratio has shifted from 3.0 prior to 2013 to 1.9 in 2016. No 2017 and 2018 values are provided.

- a) Please update Appendix A figure 3 to provide the MCP pension contribution data for 2017 and 2018. Please explain the rationale and methodology to derive these figures for 2017 and 2018.
- b) Does the data provided in a) change Hydro One's pension contribution costs in 2017 and 2018? If it does, please revise these Hydro One pension contribution cost figures in evidence.
- c) If the 2018 MCP contribution figures provided in a) vary from the 2018 Society Tier 2 pension contribution levels please explain why. In particular, if the MCP pension contribution levels are lower than Society Tier 2 please justify this discrepancy.
- d) Please provide in one table all the data found in *Exhibit C1 Tab 4 Schedule 1, Figure 8 "Employee Pension Plan Contributions - PWU" and Appendix A Figures 1, 2, 3*. In this table please use the updated figures asked for in a) above [the MCP pension plan contributions for pre-2013 to 2018].

### 3.0 Society 18

With reference to:

*Exhibit C1 Tab 4 Schedule 1 "Corporate Staffing and Compensation"*

This referenced exhibit does not mention that there is a diversity program underway in Hydro One. Numerous studies have shown that a key characteristic of successful companies is employee diversity in particular gender diversity [e.g. assorted studies by McKinsey & Company, Mercer, Credit Suisse Research Institute etc.]. In striving to improve itself and become a more "commercial" business an obvious initiative for Hydro One would be to focus upon employee diversity.

- a) Does Hydro One have a diversity program in place?
- b) If there is no diversity program in place in Hydro One please explain why. If there is such a program underway please explain the program and its targets in terms of matching the diversity of the population of Ontario.
- c) Provide a chart showing the Hydro One staff diversity profile 5 years ago, in 2015 and its target levels in 2018. Include a breakdown of this data by union representation [Society, PWU, non-represented] as well as the Hydro One total. Explain the changes between those three points in time.
- d) With the over 1,000 Hydro One staff who retired in the past five years as well as the large number of retirements expected in the next five years, one would expect that the Hydro One staff diversity profile provided in answer to part c) would demonstrate substantial gains at each point in time. If it has not, please explain why and what impactful changes Hydro One is implementing to improve its employee diversity.
- e) For its MCP staff, Hydro One apparently has in place a performance management system as well as a variable, at risk pay component (Short Term Incentive Plan "STIP"). A small number of key leadership employees also has a long term variable pay component ("LTIP") as part of their compensation. Does Hydro One tie in its performance management system and payments of STIP and LTIP for all MCP staff to achieving notable gains in diversity? If not,

explain why not and why it believes that it can make significant gains in employee diversity without doing so.

### **3.0 Society 19**

*Exhibit C1 Tab 4 Schedule 1 Attachment 1 "Payroll Table 2013 – 2018"*

- a) Please provide a supplementary table for each of 2013 to 2018 showing the annual regular staff headcount for each of PWU regular, Society regular, MCP regular and Total regular which also provides:
  - i. Annual attrition headcount with retirements shown separately and the percentage these represent of annual regular headcount [for each of PWU regular, Society regular, MCP regular and Total regular]; and
  - ii. Annual external hires and the percentage this represents of annual regular headcount [for each of PWU regular, Society regular, MCP regular and Total regular]
- b) Between 2015 and 2018 the number of Society regular staff is forecast to be reduced from 1285 to 1177 staff (whereas in contrast MCP staff increase by two and PWU staff only reduce by 72 from a far higher starting point of 3350). Please explain how and why Hydro One intends to reduce the number of regular Society staff over this period, including any disproportionate reduction relative to PWU and MCP staff, respectively.