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December 7, 2016

VIA RESS AND COURIER

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**RE: EB-2016-0160 Hydro One Networks Inc. ("Hydro One") Transmission Rates
Application – Response to Undertaking J1.2**

Hydro One's response to Undertaking J1.2 is enclosed.

Yours truly,

McCarthy Tétrault LLP

Per:


For: Gordon M. Nettleton

GMN

UNDERTAKING – J1.02

Undertaking

To advise what the personal goals would be for the senior executives of the company.

Response

In response to Undertaking J1.2, attached is the Hydro One Team Scorecard for 2017. The Team Scorecard is developed to provide clarity to help the Company remain on track to achieving its strategic objectives and to ensure that staff are incentivized to achieve the Company’s business objectives. The 2017 Team Scorecard is a key input for 2017 management compensation, specifically the Short Term Incentive Plan (STIP). Team performance, expressed by the Team Scorecard, plays an increasingly larger role in compensation based on level and represents 80% of the Short Term Incentive Payment for executives. For executives, personal goals are expected to be complementary to the Team scorecard, and although a relatively smaller element of total compensation, will reflect more specific goals directly relevant to the executives’ scope of operations. The mix of Team vs. Individual Goals as it relates to an individual’s compensation is outlined in the following table:

Level	Team Weighting	Individual Weighting
Executive	80%	20%
Manager/Director	70%	30%
Support	50%	50%

Consistent with 2016, the 2017 Team Scorecard is made up of weighted measures (with a minimum of 10% given to any one measure).

The combination of these four performance measures are expected to drive the following behaviours:

1. Maximizing net earnings without compromising work program delivery;
2. Ensuring that productivity and efficiency targets are met or exceeded;
3. Supporting a customer centric culture by focusing the organization on achieving activities that are meaningful and impactful to customers;

Witness: Judy McKellar

- 1 4. Emphasizing the importance of balance in satisfying all stakeholders,
2 including customers, shareholders and employees; and
- 3 5. Reinforcing the criticality of safety to the organization.

4

5 The Individual Scorecards for Direct Reports to the CEO have not yet been approved by
6 the Human Resources Committee (HRC) of the Board. At the December 2, 2016 meeting
7 the Committee asked for some changes to executive scorecards to reduce some overlap
8 that existed between Team and Individual goals, with the exception of the Health and
9 Safety goal, where appropriate. Management has committed to provide the HRC with
10 requested changes as soon as possible, in December, for final approval. Approved
11 Individual Scorecards will be submitted to the OEB in accordance with this
12 undertaking. The HRC has also advised Management that they will be reviewing the
13 Team Scorecard and the Individual Scorecards again after the 2016 year end results are
14 finalized to ensure that targets continue to be appropriate in the light of actual 2016
15 results.

2017 Team Scorecard					
Corporate Goal	Definition	Measure	2016		2017
			Actual (Year-to-Date)	Budget	Budget
Health and Safety (10%)	Recordable Incidents	Incidents per 200,000 hours	1.1	1.6	1.2 ¹
Work Program (25%)	Reliability – Tx (SAIDI) average length of unplanned interruptions to multi-circuit supplied delivery points	Minutes per Delivery Point	7.5	NA	9.6 ²
	Reliability -Dx (SAIDI) average length of outages in hours that a customer experiences	Hours per Customer	Redacted	Redacted	Redacted
	Tx In Service Additions Delivery Accuracy	Variance (%) to approved budget of \$931M (Tx Application)	0.2%	+3% / -5%	+/- 5% ³
	Dx In Service Additions Delivery Accuracy	Variance (%) to approved budget of Redacted (Dx OEB approved)	Redacted	Redacted	Redacted
Net Income (30%)	Net Income to Common Shareholders	\$M	\$593 ⁴	Redacted ⁵	Redacted ⁵
Productivity (10%)	Productivity Savings (Capital and OM&A)	\$M	Redacted	NA	Redacted ⁶
Customer (25%)	Dx Satisfaction - Improve overall Residential and Small Business Dx customer satisfaction	Customer Satisfaction	Redacted	Redacted	Redacted
	Tx Satisfaction - Improve overall Tx customer satisfaction	Customer Satisfaction	79%	80%	82% ⁷

Notes

- 1 **Health and Safety:** The 2017 Budget set at 1.2 reflects the superior performance of 2016 (YTD 1.1) and the understanding that we are not likely to achieve a straight lined continued reduction. Reductions at this performance level are difficult to achieve. The company is well on its way to achieve world class Health & Safety performance.
- 2 **Reliability Tx Duration:** The 2017 budget has been set at 9.6 slightly better than the 3-year average. Achieving the budget is based on reducing the number of human errors and the number of equipment failures that occurred due to coincident events (which caused 57% of the unplanned interruption minutes in 2015). The 2016 YTD performance indicates coincident events are significantly reduced, contributing to ~40% of the unplanned interruption minutes. This is a result of a number of initiatives started in 2015. There is no force majeure events included in transmission outages.
- 3 **Tx In Service Addition Accuracy:** This metric measures the precision of accuracy of delivering on the in service addition level as applied for in the Tx Rate Application. Budget requires delivery of almost entire work program and key outages are obtained throughout the year. Top 30 projects across entire year average \$23M (~2% of work program each) each failure to miss one of those major projects would result in failure to achieve budget.
- 4 **Net Income Actual:** Reported in Q3 financial statements filed on SEDAR.
- 5 **Net Income Budget:** Non-public information not reported in public disclosures.
- 6 **Productivity Savings:** Tx portion of total corporate productivity savings is \$20.4M.
- 7 **Tx Satisfaction:** This measure reflects the overall satisfaction of the major transmission customer segments. Customers from large transmission and commercial accounts are asked "How satisfied are you with Hydro One?" This is an aggregate measure and will be captured more granularly within the Customer Care organization. The budget represents an increase of 4% from 2016; an appreciable improvement in satisfaction.