

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Cell: (416) 903-5240
Frank.Dandrea@HydroOne.com

Frank D'Andrea

Vice President, Chief Regulatory Officer,
Chief Risk Officer



BY COURIER

October 11, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli,

EB-2017-0049 – Hydro One Networks Inc.'s 2018-2022 Distribution Custom IR Application – Filing Additional Compensation Evidence

Further to the Ontario Energy Board's ("OEB") decision dated September 28, 2017 in proceeding EB-2016-160, please find enclosed the following information provided as Attachment 6 to Exhibit C1, Tab 2, Schedule 1:

- (a) Tables comparable to the year-end payroll tables in the Transmission Payroll Tables for each the years 2014 to 2018 containing total compensation information that reconciles with the combined totals of the amounts for each of the years 2014-2018 allocated to transmission shown in Exhibit J10.2 in proceeding EB-2016-160 and the amounts shown for distribution in the Distribution Payroll Tables;
- (b) Within these total compensation tables, for each of the line item amounts and for each year, the total number of employees in a manner that reconciles with the total number of employees information presented in Transmission Payroll Tables;
- (c) Beside the "Total Number of Employees" information described in item (b), the total company full time equivalent (FTE) information for each of the years 2014-2018 in a format similar to that shown in EB-2017-0049 Exhibit C1/Tab 2/Schedule 1, Table1;
- (d) In the total compensation tables, the allocation of total compensation between capital and OM&A for each of the years 2014-2018 in a manner comparable to that shown for transmission only in Exhibit J10.2 from proceeding EB-2016-160;

- (e) As part of the total compensation table, the Pension and OPEB amounts for distribution for each of the years 2014-2018 in a table similar to the table to that effect contained in Exhibit J10.2 from proceeding EB-2016-160; and
- (f) A revision of the format used in Exhibit J10.2 from proceeding EB-2016-160 to reflect the format of the total compensation tables described in items (a) to (e).

A text-searchable Adobe version and an MS Excel version of the Compensation Costs has been submitted using the OEB's Regulatory Electronic Submission System.

Hydro One intends to post electronic copies of the updated and supplemental evidence on its website for public access and two paper copies will be sent to the OEB office shortly.

Hydro One's points of contact for service of documents associated with the Application remain as listed in Exhibit A, Tab 2 Schedule 1.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Encls.

cc. EB-2017-0049 parties (electronic)

COMPENSATION TABLES PER EB-2016-0160

The attached payroll data is intended to provide the OEB with the requested total baseline compensation for Hydro One's transmission and distribution businesses. This data is submitted to comply, to the extent possible, with the direction from the OEB's Decision and Order for Hydro One's 2017-2018 Transmission Rate Application (EB-2016-0160) ("the Tx Decision") found at page 55 (items A through G).

The payroll table ("Transmission Payroll Table") found at Exhibit C1/Tab 4/Schedule 1/Attachment 1 of EB-2016-0160 represented the compensation for Hydro One's employees who were on payroll on December 31 of each year. Since this compensation data was at a specific point in time, it did not include any compensation paid to employees who were not on payroll on December 31 of each year. Additionally, the Transmission Payroll Table did not allocate compensation costs between Hydro One transmission and distribution businesses and did not include some compensation elements (e.g. ESOP, share grants). Hydro One had produced payroll information in this format in all of its previous regulatory filings.

To address concerns raised by the OEB and various interveners, Hydro One filed Exhibit J10.2 in the EB-2016-0160 proceeding to provide more compensation information. Exhibit J10.2 provided an allocation of the total compensation for employees on payroll on December 31 of each year to the transmission business, subject to certain assumptions.

In this Application, Hydro One submitted total distribution-related compensation for employees in a similar format to Exhibit J10.2 from EB-2016-0160. Appendix B to Exhibit C1, Tab 2, Schedule 1 of this Application further improved upon the methodology introduced in Exhibit J10.2 of EB-2016-0160 by including the distribution-

Witness: Keith McDonell

1 allocated total compensation of all employees regardless of when they worked in the
2 year.

3
4 The combination of the total transmission compensation and the total distribution
5 compensation establishes the total baseline compensation for both the transmission and
6 distribution businesses. To produce the compensation evidence in this Application, the
7 allocations between transmission and distribution businesses were updated for 2017
8 through 2022 to reflect the business plan underpinning this Application. As result of
9 changing the methodology for reporting compensation (i.e. specific point in time vs. all
10 compensation earned in the year) and the most current allocation of total compensation
11 between the Hydro One's transmission and distribution businesses, it is not possible to
12 reconcile with either the Transmission Payroll Table nor with Exhibit J10.2 that were
13 provided in the EB-2016-0160 proceeding.

14
15 The total compensation information requested in items A through F of the Decision is
16 provided in Table 1 below and in MS Excel format.

Table 1: Compensation Costs 2014-2022

Transmission Unrepresented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	34,159,172	35,163,435	35,912,770	44,208,230	43,110,376	43,907,861	46,194,015	48,967,817	49,947,174
Burdens	22,948,132	23,892,812	18,859,159	23,426,461	23,103,625	23,531,011	24,756,202	26,242,733	26,767,587
Other Allowances	3,531,125	2,412,825	3,519,123	3,833,409	3,759,755	3,851,501	4,063,816	4,314,105	4,400,387
STI	4,246,302	4,577,857	5,123,617	5,657,308	5,548,610	5,684,009	5,997,340	6,366,714	6,494,049
LTI	-	-	473,857	3,708,303	5,488,089	5,612,660	5,773,717	5,937,131	5,796,761
ESOP	-	-	865,797	977,339	987,113	996,984	1,006,954	1,017,023	1,027,193
Transmission Unrepresented Total	64,884,730	66,046,929	64,754,323	81,811,052	81,997,567	83,584,027	87,792,044	92,845,523	94,433,151
Headcount Total / FTE Transmission	331 / 285	313 / 277	319 / 275	330	316	315	325	338	338
Distribution Unrepresented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	38,364,187	40,563,964	44,021,905	46,690,212	49,074,770	49,579,097	48,886,318	47,873,177	48,830,640
Burdens	25,773,061	27,562,357	23,117,573	24,741,693	26,300,050	26,570,328	26,199,056	25,656,095	26,169,217
Other Allowances	3,965,808	2,783,396	4,313,744	4,048,628	4,279,923	4,348,970	4,300,665	4,217,666	4,302,019
STI	4,769,024	5,280,942	6,280,535	5,974,927	6,316,270	6,418,168	6,346,880	6,224,391	6,348,879
LTI	-	-	926,143	3,893,438	5,824,760	5,625,313	5,464,256	5,300,842	5,441,212
ESOP	-	-	799,197	902,159	911,181	920,293	929,496	938,791	948,178
Distribution Unrepresented Total	72,872,080	76,190,658	79,459,097	86,251,056	92,706,954	93,462,169	92,126,670	90,210,961	92,040,145
Headcount Total / FTE Distribution	372 / 320	360 / 320	390 / 336	349	359	356	344	330	330
TOTAL Unrepresented Labour	137,756,810	142,237,587	144,213,420	168,062,108	174,704,521	177,046,196	179,918,715	183,056,484	186,473,296
TOTAL Unrepresented Headcount / FTE /Year End Headcount	703 / 605/584	673 / 597/585	709 / 611/604	679	675	671	669	668	668

Witness: Keith McDonell

Transmission Society Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	67,393,687	66,909,144	65,179,365	76,057,689	75,026,848	75,517,870	78,182,249	81,378,149	81,785,040
Overtime	2,940,988	2,853,433	1,792,765	4,515,449	4,554,528	4,564,033	4,566,853	4,566,236	4,589,067
Lump Sums	-	-	618,063	1,312,146	-	-	-	-	-
Burdens	45,275,079	45,463,351	34,228,158	40,303,865	40,208,235	40,471,383	41,899,271	43,612,011	43,830,071
Share Grants	-	-	-	-	1,308,274	1,305,664	1,332,413	1,330,075	1,256,760
Transmission Society Represented Total	115,609,754	115,225,928	101,818,351	122,189,149	121,097,885	121,858,951	125,980,785	130,886,472	131,460,939
Headcount Total / FTE Transmission	660 / 608	636 / 595	624 / 569	669	645	646	666	689	689
Distribution Society Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	75,689,891	77,185,295	79,896,923	80,327,794	85,406,940	85,271,924	82,738,905	79,558,999	79,956,794
Overtime	4,029,156	3,788,344	5,240,140	3,010,299	3,036,352	3,042,689	3,044,569	3,044,157	3,059,378
Lump Sums	-	-	757,623	1,385,814	-	-	-	-	-
Burdens	50,848,469	52,445,778	41,956,906	42,566,643	45,771,113	45,698,755	44,341,265	42,637,096	42,850,282
Share Grants	-	-	-	-	1,489,275	1,474,306	1,410,069	1,300,342	1,228,666
Distribution Society Represented Total	130,567,516	133,419,417	127,851,592	127,290,550	135,703,681	135,487,675	131,534,808	126,540,595	127,095,120
Headcount Total / FTE Distribution	741 / 683	734 / 687	764 / 698	706	735	730	704	674	674
TOTAL Society Represented Labour	246,177,271	248,645,345	229,669,943	249,479,699	256,801,566	257,346,626	257,515,593	257,427,067	258,556,059
TOTAL Society Represented Headcount / FTE / Year End Headcount	1401 / 1291/1290	1370 / 1282/1285	1388 / 1267/1289	1,375	1,380	1,376	1,370	1,363	1,363

Transmission PWU Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	148,298,536	146,298,728	145,538,184	162,500,935	156,353,968	160,998,321	167,752,178	175,858,962	177,230,450
Overtime	28,468,143	24,728,915	15,636,038	38,388,190	38,384,579	39,401,519	39,679,275	39,958,646	40,263,356
Lump Sums	-	1,345,306	2,637,844	-	-	-	-	-	-
Burdens	99,626,956	99,406,896	76,427,624	86,111,158	83,792,899	86,281,891	89,901,404	94,245,975	94,980,980
Share Grants	-	-	-	3,778,937	3,558,504	3,551,406	3,624,163	3,617,804	3,418,388
Transmission PWU Represented Total	276,393,635	271,779,845	240,239,691	290,779,220	282,089,950	290,233,137	300,957,020	313,681,387	315,893,174
Headcount Total / FTE Transmission	1695 / 1574	1687 / 1558	1687 / 1523	1,692	1,611	1,608	1,658	1,721	1,717
Distribution PWU Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	166,554,177	168,767,821	178,400,835	171,624,220	177,985,805	181,793,217	177,529,193	171,927,760	173,268,590
Overtime	39,001,377	32,831,201	45,703,166	25,592,126	25,589,719	26,267,680	26,452,850	26,639,098	26,842,237
Lump Sums	-	1,551,922	3,233,471	-	-	-	-	-	-
Burdens	111,891,096	114,674,170	93,685,049	90,945,694	95,385,789	97,426,249	95,141,082	92,139,174	92,857,749
Share Grants	-	-	-	3,991,098	4,050,829	4,010,113	3,835,388	3,536,931	3,341,972
Distribution PWU Represented Total	317,446,650	317,825,115	321,022,520	292,153,138	303,012,142	309,497,259	302,958,514	294,242,963	296,310,548
Headcount Total / FTE Distribution	1903 / 1768	1946 / 1798	2068 / 1868	1,788	1,833	1,815	1,755	1,682	1,678
TOTAL PWU Represented Labour	593,840,285	589,604,960	561,262,211	582,932,358	585,102,092	599,730,396	603,915,534	607,924,350	612,203,722
TOTAL PWU Represented Headcount / FTE / Year End Headcount	3598 / 3342/3271	3633 / 3356/3350	3755 / 3391/3385	3,480	3,444	3,423	3,413	3,403	3,395

Temporary Transmission	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	117,432,836	114,683,317	126,561,770	128,509,549	131,506,621	131,259,742	132,908,848	134,815,659	136,197,252
Unrepresented	1,037,380	1,062,954	1,429,735	1,241,668	1,177,649	1,206,386	1,272,888	1,305,202	1,331,306
Society Represented	2,184,967	2,099,278	1,820,954	1,893,136	1,639,171	1,462,415	1,520,339	1,590,241	1,598,192
PWU Represented	9,810,066	5,736,423	6,145,715	4,171,501	3,513,672	3,536,862	3,695,245	3,854,431	3,892,975
Overtime	10,311,405	8,102,478	4,863,103	11,616,167	12,095,543	11,939,524	12,063,003	12,208,607	12,334,860
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	8,939,318	8,507,504	9,066,085	9,544,479	9,897,597	9,977,687	10,177,218	10,453,349	10,890,222
Temporary Transmission Total	149,715,971	140,191,954	149,887,362	156,976,501	159,830,252	159,382,616	161,637,541	164,227,489	166,244,808
Headcount Total / FTE Transmission	2819 / 1836	2619 / 1711	2701 / 1860	1,851	1,861	1,833	1,841	1,852	1,852
Temporary Distribution	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	72,600,869	70,901,026	78,244,679	79,448,861	84,499,557	82,600,879	83,157,282	83,816,562	84,689,539
Unrepresented	1,165,082	1,226,207	1,752,571	1,311,379	1,340,578	1,362,206	1,347,075	1,276,025	1,301,545
Society Represented	2,453,938	2,421,692	2,232,127	1,999,422	1,865,953	1,651,304	1,608,948	1,554,693	1,562,466
PWU Represented	11,017,691	6,617,444	7,533,423	4,405,702	3,999,795	3,993,690	3,910,613	3,768,268	3,805,951
Overtime	14,126,632	10,757,207	14,214,548	7,744,112	8,063,695	7,959,683	8,042,002	8,139,071	8,223,240
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	6,436,628	5,938,744	6,694,070	6,144,266	6,586,151	6,515,853	6,589,437	6,699,604	6,980,664
Temporary Distribution Total	107,800,840	97,862,320	110,671,417	101,053,740	106,355,729	104,083,616	104,655,358	105,254,223	106,563,405
Headcount Total / FTE Distribution	1895 / 1234	1732 / 1131	1794 / 1235	1,196	1,246	1,202	1,195	1,188	1,189
TOTAL Temporary Labour	257,516,811	238,054,274	260,558,779	258,030,241	266,185,981	263,466,232	266,292,900	269,481,713	272,808,214
TOTAL Temporary Headcount / FTE/ Year End Headcount	4714 / 3070/2191	4351 / 2842/2063	4495 / 3095/2021	3,047	3,107	3,035	3,036	3,040	3,041

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Transmission Comp	420,649,814	415,644,828	403,954,089	428,805,894	431,976,261	447,452,622	472,989,442	512,249,688	516,915,737
Total OM&A Transmission Comp	185,954,276	177,599,829	152,745,639	222,950,027	213,039,394	207,606,109	203,377,949	189,391,183	191,116,335
Total Transmission Compensation	606,604,090	593,244,657	556,699,728	651,755,921	645,015,654	655,058,731	676,367,391	701,640,871	708,032,072

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Distribution Comp	435,963,276	438,102,009	463,676,410	399,194,419	427,129,438	438,895,081	441,456,196	449,907,123	454,112,697
Total OM&A Distribution Comp	192,723,811	187,195,501	175,328,216	207,554,065	210,649,067	203,635,637	189,819,154	166,341,619	167,896,522
Total Distribution Compensation	628,687,087	625,297,510	639,004,626	606,748,484	637,778,506	642,530,718	631,275,350	616,248,742	622,009,219

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Transmission + Distribution Comp	856,613,090	853,746,838	867,630,499	828,000,314	859,105,699	886,347,703	914,445,638	962,156,812	971,028,434
Total OM&A Transmission + Distribution Comp	378,678,087	364,795,330	328,073,855	430,504,091	423,688,461	411,241,746	393,197,104	355,732,802	359,012,857
Total Transmission + Distribution Compensation	1,235,291,177	1,218,542,167	1,195,704,354	1,258,504,405	1,282,794,160	1,297,589,449	1,307,642,741	1,317,889,613	1,330,041,291

Burdens Transmission include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	77,000,000	77,000,000	50,000,000	34,506,000	32,316,400	32,195,000	33,291,000	35,092,500	35,092,500
OPEB	59,555,218	52,414,405	43,540,991	51,596,670	50,344,877	50,416,059	53,397,905	57,715,793	59,770,671

Burdens Distribution include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	91,000,000	95,000,000	54,000,000	36,423,000	36,883,600	36,305,000	35,209,000	33,839,000	33,839,000
OPEB	69,352,181	64,843,773	56,157,857	54,493,460	57,310,176	56,852,151	56,474,327	55,654,192	57,635,670

Burdens Transmission + Distribution include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	168,000,000	172,000,000	104,000,000	70,929,000	69,200,000	68,500,000	68,500,000	68,931,500	68,931,500
OPEB	128,907,399	117,258,178	99,698,848	106,090,130	107,655,053	107,268,210	109,872,232	113,369,985	117,406,341

1 As requested in item G of the Decision, below is a summary of allocation factors and
2 assumptions used to allocate the total compensation amounts between Hydro One's
3 transmission and distribution businesses:

- 4
- 5 • Total compensation for 2014-2016 is all compensation for all employees employed
6 during the calendar year. Total compensation for 2017-2022 is derived by using
7 planned headcount multiplied by estimated average salary by representation, with
8 standard escalation assumptions.
9
 - 10 • In order to estimate total labour spending embedded in the 2018 to 2022 test years,
11 the same methodology used in the Black & Veatch 'Review of Overhead
12 Capitalization Rates' as outlined in Exhibit D1, Tab 3, Schedule 1, Attachment 1 will
13 be applied. More specifically, this study uses the Labour Content Method to identify
14 the estimated percentage of labour spending within both transmission/distribution
15 OM&A and capital spending. This method is used for overall compensation for all
16 regular and temporary employees, but not for casual trades employees.
17
 - 18 • Employees often work on both transmission and distribution work activities. To
19 estimate the employee headcount supporting the transmission business activities, a
20 ratio of total transmission compensation: total compensation was applied to the FTE
21 equivalent number of employees and to planned numbers for 2017 to 2022. The same
22 methodology was used to estimate the employee headcount supporting the
23 distribution business.
24
 - 25 • For casual trades employees, management expertise along with planned yearly
26 headcount is used to derive both the headcount and the compensation split between
27 the transmission and distribution businesses. Total compensation is calculated as
28 described in the first paragraph.

- 1 • Hydro One has not used FTE's in past rate filings. In this Application, FTE numbers
2 have been provided (see Table 1 in Exhibit C1, Tab 2, Schedule 1). To derive these
3 FTE's the following assumptions were used:
- 4 ○ a budgeted regular position is 1 FTE;
5 ○ for non-regular positions, unless budgeted for less than 1 year, a non-regular
6 position is 1 FTE;
7 ○ for casual (Hiring Hall and Casual Construction), FTE's is determined by
8 "person months"/12; and
9 ○ for 2014-2016, FTE's have been calculated by calculating the average number
10 of employees by representation (# of employees per month/12).