



BY EMAIL and RESS

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Ontario Energy Board
2300 Yonge Street
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May 7, 2018
Our File: EB20170049

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2017-0049 – Hydro One Dx 2018-2022 – Additional Compensation Evidence

We are counsel to the School Energy Coalition ("SEC"). We write to request that Hydro One Networks Inc. ("Hydro One") provide certain compensation information before the oral hearing commences on June 4th. The request arises out of Hydro One's filing of additional compensation evidence as well as new information regarding a tentative agreement with the Power Workers' Union ("PWU") on a new collective agreement.

Updated Compensation Evidence

On April 20th, Hydro One filed with the Board two new compensation benchmarking reports undertaken by Mercer¹ and Willis Towers Watson².

The Mercer report is an updated version of the compensation study provided in the pre-filed evidence (C-1-2-1, Attachment 5) dated April 4th 2018. Hydro One had previously informed parties that this study would be filed in late April after it had been finalized.³

The Willis Towers Watson report is an entirely new benchmarking study, and is dated November 28th 2017. It is not clear why it was not previously filed in response to interrogatory SEC-3 which requested all previously undertaken benchmarking studies.⁴ If it had been, parties could have asked questions about the document at the technical conference.

In light of the newly filed compensation benchmarking evidence, SEC requests the following from Hydro One:

¹ Mercer, *Compensation Cost Benchmarking Study*, (April 4 2018)

² Willis Towers Watson, *Management and Non-Represented Role Benchmarking and 2018 Compensation Structure Recommendations* (November 28 2017).

³ Technical Conference Transcript Vol, 1, p.90

⁴ Interrogatory SEC-3 (Exhibit I, Tab 3, Schedule SEC-3). The interrogatory response was also followed up with at the Technical Conference (Vol.3, p.8-9).

- a. Provide a new or updated response to interrogatory SEC-83⁵ which was asked in regards to the original Mercer study filed with the pre-filed evidence, but is equally applicable to the updated report.
- b. Respond to the attached interrogatory regarding the new Willis Towers Watson report provided in Appendix A. By doing so, SEC believes it would avoid the need for SEC to cross-examine Willis Towers Watson on its report at the oral hearing.

Tentative Settlement with the PWU

Hydro One has publically announced that it has reached a tentative settlement for a new 2-year collective agreement with the PWU. According to Hydro One's press release⁶, it has reached a tentative memorandum of agreement which will go to the PWU's membership for a vote, with the outcome expected by June 27th.

SEC requests that Hydro One file a copy of the memorandum of agreement, as well as detailed calculation that shows the difference between the terms of the tentative settlement, and the assumptions that underlie the proposed test period forecast budgets that are included in the application.

This information is clearly relevant to the application and having it before the oral hearing will ensure cross-examination time will be used more efficiently.

Yours very truly,

Shepherd Rubenstein P.C.

Original signed by

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
Applicant and Intervenors (by email)

⁵ Interrogatory SEC-83 (Exhibit I, Tab 40, Schedule SEC-3).

⁶ Hydro One Press Release: *Hydro One and the Power Workers' Union reach tentative settlement* (April 12 2018), <http://hydroone.mediaroom.com/2018-04-12-Hydro-One-and-the-Power-Workers-Union-reach-tentative-settlement>
See Appendix B

A

40-SEC-102

With respect to the Willis Towers Watson, *Management and Non-Represented Role Benchmarking and 2018 Compensation Structure Recommendations* report:

- a. [p.2] The report says, “[t]he recommendations reflect the continued transition of the management compensation program, in accordance with the principles established in 2015”. Please provide a copy of these referenced principles.
- b. [p.9-15] Please explain the differences in the comparator groups in the report from that of the Willis Towers Watson, *Competitive Compensation Review* (C1-2-1, Attachment 2).
- c. Please provide the full terms of reference that were given to Willis Towers Watson.
- d. The report provided a number of proposed changes/recommendations. For each, please explain if Hydro One has agreed to implement those changes and the status of their implementation. For those that Hydro One has decided not to implement, please explain why not.
- e. Please provide the aggregate forecast annual impact on Hydro One of the proposed changes set out in the report, and the aggregate impact on the proposed changes Hydro One has agreed to implement, in full or in part.
- f. Please provide similar information as part (e) for Hydro One’s distribution business only.
- g. Are the impacts of any proposed changes Hydro One has agreed to implement incorporated into the forecast budgets in the application?

B

Hydro One and the Power Workers' Union reach tentative settlement

Apr 12, 2018

TORONTO, April 12, 2018 /CNW/ - Hydro One Inc. and the Power Workers' Union ("PWU") are pleased to announce the achievement of a tentative settlement of a two-year collective agreement covering approximately 4,000 employees in critical front line roles.

"Our respective negotiations teams worked diligently over the course of the last several months to arrive at an agreement which recognizes the significant contributions our employees make in maintaining the supply of power across the province while delivering value to our customers and shareholders," said Mayo Schmidt, President and CEO, Hydro One.

"The Power Workers' Union prides itself on working with employers to provide job security for our membership as well as delivering improvements and stability over the course of the Collective Agreement," said Mel Hyatt, President of the PWU. "I am pleased that the leadership in both parties were able to reach a tentative memorandum of agreement." The leadership of the PWU are recommending that their members accept this agreement.

The collective agreement between Hydro One Inc. and the PWU covers approximately 4,000 employees involved in the company's operations in Ontario. Union members will now vote on this tentative agreement with the outcome anticipated by June 27, 2018.

About Hydro One Inc.

Hydro One Inc. is a fully owned subsidiary of Hydro One Limited, Ontario's largest electricity transmission and distribution provider with more than 1.3 million valued customers, \$25 billion in assets and 2017 annual revenues of nearly \$6 billion. Our team of over 7,400 skilled and dedicated regular and non-regular employees proudly and safely serves suburban, rural and remote communities across Ontario through our 30,000 circuit km of high-voltage transmission and 123,000 circuit km of primary distribution networks. Hydro One is committed to the communities we serve, and has been rated as the top utility in Canada for its corporate citizenship, sustainability, and diversity initiatives. We are one of only five utility companies in Canada to achieve the Sustainable Energy Company designation from the Canadian Electricity Association. We also provide advanced broadband telecommunications services on a wholesale basis utilizing our extensive fibre optic network. Hydro One Limited's common shares are listed on the Toronto Stock Exchange (TSX: H).

Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will," "can," "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance or actions and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Some of the factors that could cause actual results or outcomes to differ materially from the

results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, are discussed more fully in Hydro One's filings with the securities regulatory authorities in Canada, which are available on SEDAR at www.sedar.com. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking information, except as required by law.

About the Power Workers' Union

The Power Workers' Union (PWU) has been representing the highly skilled people who work in Ontario's electricity sector since 1945. Presently representing about 16,000 members, the PWU has worked hard to build its reputation in Ontario as a credible source of knowledge for its members, and in advocating for better energy choices for all Ontarians. Learn more at www.pwu.ca and follow us on [Facebook](#), [Twitter](#), [Instagram](#) and [YouTube](#).

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