

EB-2017-0049

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 Hydro One Networks Inc. for
an order approving just and reasonable rates and other charges for
electricity distribution to effective January 1, 2018 to December 31, 2022.

**CANADIAN MANUFACTURERS & EXPORTERS (“CME”)
COMPENDIUM FOR
HYDRO ONE NETWORKS INC. (“HONI”)
WITNESS PANEL 2**

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

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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.

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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	144,211,420	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

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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

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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	294,241,963	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 / 342/3271	3633 / 3356/3350	3755 / 3391/3385	3,480	3,444	3,423	3,413	3,403	3,395

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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

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	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

Witness: Keith McDonell

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.

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- 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).

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The OEB determined that it would reduce the OM&A envelope by \$15.0 million in each of 2017 and 2018. The OEB found that the holding company should have greater responsibility for the compensation amounts that relate to its transformation and its commitments to increase shareholder value. The OEB considered these incremental costs to be of little, if any, value to consumers of electricity transmission services. This would also be true for consumers of electricity distribution services.

Compensation is dealt with on a consolidated basis as it relates to Hydro One's transmission and distribution activities, with overall amounts simply being allocated between transmission and distribution functions on a formulaic basis. The OEB does not intend to rehear the same evidence related to compensation in this distribution proceeding that it did in the transmission proceeding.

To determine the extent to which the OEB will consider compensation in this proceeding, the OEB requires Hydro One to explain the differences among what it proposed for compensation in the transmission proceeding; what the OEB decided in the transmission proceeding; and what is in its compensation evidence in this current proceeding.

In its letter dated October 11, 2017, Hydro One provided updated evidence on compensation, noting that it had changed its methodology for reporting compensation in this proceeding. The new methodology for reporting compensation may result in a more accurate reflection of compensation but means that it is no longer possible to compare the compensation evidence from the transmission proceeding and this proceeding. For this reason, Hydro One is required to file its total compensation, and allocation to distribution and transmission, using the methodology used in the transmission proceeding and shown in Undertaking J10.2 in that proceeding, filed December 20, 2016. The filing should include the years 2013 to 2018 as provided in Undertaking J10.2. This will identify any differences between the compensation in this proceeding and the compensation in the transmission proceeding not caused by the change in methodology; such as the impact of changing the allocation of compensation between transmission and distribution to reflect the business plan underpinning this application. Hydro One is expected to comment on the differences, if any.

Intervenors and OEB staff are being provided with the opportunity to review the evidence submitted by Hydro One and to provide any comments on how the OEB should scope its review of the compensation issue. Hydro One will then have the opportunity to reply to those submissions.

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Frank D'Andrea

Vice President, Chief Regulatory Officer,
 Chief Risk Officer



BY COURIER

December 12, 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**

On December 1, 2017, the Ontario Energy Board ("OEB") issued its Decision on Issues List and Interim Rates and Procedural Order No. 2 in this proceeding. In that document, the OEB ordered Hydro One Networks Inc. ("Hydro One") to file its explanation for the differences among what it proposed for compensation in its 2017-2018 transmission rate proceeding (EB-2016-0160), what the OEB decided in that transmission proceeding and what is in its compensation evidence in this proceeding.

Hydro One has filed Attachment 7 to Exhibit C1, Tab 2, Schedule 1 which outlines the differences in methodologies used to calculate compensation costs in this proceeding and in Hydro One's 2017-2018 transmission rate proceeding. The OEB also asked Hydro One to file its total compensation, and allocation to distribution and transmission, using the methodology shown in Undertaking J10.2 of Hydro One's 2017-2018 transmission rate proceeding. This evidence has been provided as Attachment 8 to Exhibit C1, Tab 2, Schedule 1.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Encls.

cc: EB-2017-0049 parties (electronic)

COMPLIANCE FILING – COMPENSATION EVIDENCE

1. OEB DECISION OF DECEMBER 1, 2017

This Exhibit Attachment contains the additional information ordered by the OEB in its Decision on Issues List and Interim Rates and Procedural Order No. 2 (“P.O. 2”) issued on December 1, 2017 in this proceeding. It explains the differences between the total compensation evidence in Exhibit J10.2 in the proceeding for Hydro One’s 2017-2018 transmission application (EB-2016-0160) (the “Tx Case”) and Attachment 6 of this Exhibit which was filed on October 11, 2017 to comply with the OEB’s decision of September 28, 2017 in the Tx Case. As requested by the OEB, Attachment 8 of this Exhibit also presents Hydro One’s total compensation for its distribution and transmission businesses, reflecting the methodology used Exhibit J10.2 in the Tx Case covering the period 2013 to 2018.

2. HISTORICAL CONTEXT ON COMPENSATION EVIDENCE

2.1 HYDRO ONE’S HISTORICAL APPROACH

As described in Attachment 6 to this Exhibit, in each of Hydro One’s rate applications leading up to this Application, Hydro One presented total compensation costs *at a point in time*, specifically, December 31st of each year, *for both its transmission and distribution businesses, combined*. Hydro One presented combined compensation data for its transmission and distribution businesses for a few reasons: (a) its payroll data systems are limited, and (b) Hydro One believed that the combined data provided continuity between filings and showed trending over multiple applications.

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Tab 2
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1 To clarify, evidence in past applications only captured the total compensation for
2 employees on payroll on December 31st, but not all of Hydro One's employees are on
3 payroll at that time. This is particularly true for Hydro One's temporary and casual
4 employees.

5
6 The historical approach included in "total compensation" only base pay, overtime, short-
7 term incentives, and other allowances for PWU and Society and Management employees.
8 It did not include other compensation items, such as pension and OPEBs.

9

10 **2.2 EXHIBIT J10.2 IN TX CASE**

11

12 In the Tx Case, parties expressed concerns regarding Hydro One's historical approach to
13 its compensation evidence. As a result, Hydro One filed Exhibit J10.2 during the oral
14 hearing which showed, on a best efforts basis, its total compensation data with the
15 following changes:

- 16 • an expanded definition of total compensation, which included long-term incentives,
17 employee stock options, payroll burdens, and pension and OPEBs; and
- 18 • total compensation data for only its transmission business, applying the "labour
19 content" method from the Black & Veatch study "Review of Overhead Capitalization
20 Rates" (filed as Exhibit B1-3-10-1 in the Tx Case) to the combined
21 transmission/distribution compensation data.

22

23 Exhibit J10.2 still reflected compensation costs for only those employees on payroll on
24 December 31st.

2.3 ATTACHMENT 6 TO THIS EXHIBIT

As described in Attachment 6, Hydro One improved its compensation evidence filed in this Application on March 31, 2017. Specifically, Appendix B of Exhibit C, Tab 2, Schedule 1:

- uses the expansive definition of “total compensation”, consistent with Exhibit J10.2 in the Tx Case;
- reflects total compensation costs for full years, rather than a point in time, which is inconsistent with Exhibit J10.2 in the Tx Case;
- refines the allocation of casual employee compensation based on management’s expertise regarding the relative contribution of casual employees to the transmission and distribution work programs;
- isolates total compensation costs for its distribution business only; and
- reflects the Distribution Business Plan (vintage December 2016).

In the OEB’s decision in the Tx Case, the OEB ordered Hydro One to file additional evidence on compensation in this proceeding. In response, Hydro One filed Attachment 6 to this Exhibit which shows total compensation for its transmission and distribution businesses, using its improved approach.

To enable a comparison to Exhibit J10.2 in the Transmission Case, as described in section 1 of this Attachment, the OEB has ordered the production of additional evidence.

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**3. EXPLANATION ON DIFFERENCES BETWEEN ATTACHMENT 6 AND
 EXHIBIT J10.2 IN TX CASE**

Table 1 compares the similarities and differences between the methodologies used to generate the compensation evidence in the Tx Case and Attachment 6 of this proceeding.

Table 1: Comparing Tx Case Evidence and Attachment 6

	Exhibit C1-4-1-1 (TX Case)	Exhibit J10.2 (Tx Case)	Attachment 6 (EB-2017-0049)
Compensation Data	Based on compensation for employees on payroll December 31st	Based on compensation for employees on payroll December 31st	Based on compensation of all employees employed in the year
Compensation Elements	Base salary, Overtime, Incentive (STI) and other allowances	Base pay, burdens, other allowances, STIP, LTIP, ESOP, Share Grants	Base pay, burdens, other allowances, STIP, LTIP, ESOP, Share Grants
Headcount/ FTE's	Based on year-end headcount	Based on year-end headcount	Total & year-end count provided but FTE's used to calculate compensation costs
Compensation Costing	Average unit cost X headcount X escalation based on negotiated wage escalation/budget non represented wage escalation	Average unit cost X headcount X escalation based on negotiated wage escalation/budget non represented wage escalation	FTE X average unit cost X escalation based on negotiated wage escalation/budget non represented wage escalation
Allocation methodology	No allocation	Black and Veatch	Black and Veatch for regular employees. Casual employees compensation costs allocated by % used by line of business

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**4. DX TABLES (AS FILED ON OCTOBER 11, 2017) COMPARED TO EXHIBIT J10.2 (AS DIRECTED IN
 PROCEDURAL ORDER #2)**

Table 2 - Variance Summary

	Consolidated Tx and Dx Compensation as per Order #2 (updated J10.2)					Transmission Compensation (J10.2)					Distribution Compensation (using same methodology as J10.2)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Compensation MCP	133,852,144	136,917,207	134,770,393	141,269,500	147,152,721	63,045,596	63,576,452	64,599,092	68,808,583	69,157,078	70,806,548	73,340,755	70,171,301	72,460,917	77,995,643
Compensation Society	243,626,131	244,893,993	217,820,921	227,665,028	226,527,876	114,374,026	113,480,871	102,812,746	110,170,524	105,512,289	129,252,105	131,413,122	115,008,175	117,494,505	121,015,587
Compensation PWU	575,643,741	578,102,897	552,955,777	566,475,918	567,057,582	267,903,386	266,458,363	251,591,352	270,529,781	261,296,861	307,740,355	311,644,534	301,364,425	295,946,137	305,760,721
Compensation Temps	166,049,081	159,771,268	175,557,422	188,194,957	194,509,900	77,224,661	73,613,339	79,980,793	89,838,758	89,591,926	88,824,420	86,157,929	95,576,630	98,356,199	104,917,974
Total	1,119,171,097	1,119,685,365	1,081,104,513	1,123,605,403	1,135,248,079	522,547,669	517,129,026	498,983,983	539,347,645	525,558,154	596,623,428	602,556,339	582,120,530	584,257,758	609,689,925

	Consolidated Tx and Dx Compensation as per October 11, 2017 filing					Transmission Compensation as per October 11, 2017 filing					Distribution Compensation as per October 11, 2017 filing				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Compensation MCP	137,756,810	142,237,587	144,213,420	168,062,108	174,704,521	64,884,730	66,046,929	64,754,323	81,811,052	81,997,567	72,872,080	76,190,658	79,459,097	86,251,056	92,706,954
Compensation Society	246,177,271	248,645,345	229,669,943	249,479,699	256,801,566	115,609,754	115,225,928	101,818,351	122,189,149	121,097,885	130,567,516	133,419,417	127,851,592	127,290,550	135,703,681
Compensation PWU	593,840,285	589,604,960	561,262,211	582,932,358	585,102,092	276,393,635	271,779,845	240,239,691	290,779,220	282,089,950	317,446,650	317,825,115	321,022,520	292,153,138	303,012,142
Compensation Temps	257,516,811	238,054,274	260,558,779	258,030,241	266,185,981	149,715,971	140,191,954	149,887,362	156,976,501	159,830,252	107,800,840	97,862,320	110,671,417	101,053,740	106,355,729
Total	1,235,291,177	1,218,542,167	1,195,704,354	1,258,504,405	1,282,794,160	606,604,090	593,244,657	556,699,728	651,755,921	645,015,654	628,687,087	625,297,510	639,004,626	606,748,484	637,778,506

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	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Consolidated Tx and Dx Compensation: Variance between Oct 11 filing and Order #2						Transmission Compensation					Distribution Compensation				
1. Total Compensation v Year-End Compensation	24,652,349	20,573,796	15,888,566	65,063,718	75,870,000	11,565,110	9,537,017	6,486,534	45,270,533	49,219,174	13,087,239	11,036,779	9,402,032	19,793,186	26,650,826
2. Casual employee Method Change	91,467,731	78,283,006	85,001,357	69,835,284	71,676,081	42,792,855	36,228,151	39,553,786	37,996,396	37,734,132	48,674,876	42,054,855	45,447,571	31,838,888	33,941,949
3. Casual employee Allocation Change	-	-	-	-	-	29,698,456	30,350,464	30,352,784	29,141,347	32,504,194	(29,698,456)	(30,350,464)	(30,352,784)	(29,141,347)	(32,504,194)
4. Change in 2016 Actual Payroll			13,709,918					6,483,926		.			7,225,992		
5. Change in 2016 Allocation Split (based on Actuals %)			-					(25,161,284)					25,161,284		

1 **5. SUMMARY OF DIFFERENCES**

2
3 As Table 2 shows, the differences between the 2013-2018 total compensation figures for
4 Hydro One's transmission business shown in (a) Attachment 6 and (b) Exhibit J10.2 in
5 the Tx Case are the result of:

- 6
- 7 1. for 2013-2018, the difference in time period that the compensation data covers
8 (i.e. Attachment 6 reflects total annual compensation costs while Exhibit J10.2
9 reflects total compensation for employees on payroll as at December 31st) for all
10 non-casual employees;
 - 11 2. for 2013-2018, compensation for casual employees was calculated on a FTE basis
12 rather than on year-end headcount. Due to the seasonal nature of casual employee
13 requirements (resourcing ramps up in March /April, peaks in the summer and
14 reduces in the fall with the lowest complement at year end), there is a significant
15 variance between compensation costs using a FTE compared to a year-end, point
16 in time basis.
 - 17 3. for 2013 -2018, the allocation for casual employees was updated. In the TX filing,
18 the allocation for casual employees was based on the Black and Veatch allocation
19 methodology. In Attachment 6, the approach was refined to reflect a more
20 accurate allocation based upon management expertise for these resources. On an
21 overall basis, consolidated compensation is not changed, however a greater share
22 of costs were allocated to Hydro One Transmission, as a result.
 - 23 4. 2016 figures being different because Attachment 6 reflects actual 2016
24 compensation rather than the forecast 2016 compensation that was included in
25 J10.2 of the Tx Case.

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1 5. An updated (actual) allocation between Transmission and Distribution
2 compensation was used in Attachment 6 as compared to the forecasted allocation
3 in J10.2. This shifted compensation to Hydro One Distribution with an equal
4 offset to Hydro One Transmission.

5
6 As directed by the OEB in Procedural Order No. 2 for this case, Attachment 8 contains
7 the detailed consolidated compensation data and the allocation to Hydro One's
8 Distribution and Hydro One Transmission businesses using the same methodology used
9 in Undertaking J10.2 of the Tx Case.

10 11 6. RECONCILIATION WITH EB-2016-0180 DECISION

12
13 In its decision in Hydro One's 2017-2018 transmission rate application, the OEB
14 expressed concerns over the increases to Hydro One's Corporate Management costs.
15 Specifically the OEB stated:

16
17 The OEB is concerned that the difference between two amounts of
18 approximately \$10.5 million per year of Corporate Management Costs,
19 incremental to those incurred before the transformation of the parent
20 holding company, are being allocated for recovery from transmission and
21 distribution ratepayers when the delivery of essential delivery services by
22 Networks remains essentially as it was before that transformation.

23
24 The OEB stated that Hydro One's holding company "should have greater responsibility
25 for the compensation amounts that relate to its transformation and its commitments to
26 increase shareholder value."

27
28 In P.O. 2 the OEB asked Hydro One to provide an explanation regarding "what it
29 proposed for compensation in the transmission proceeding, what the OEB decided in the
30 transmission proceeding and what is in its compensation evidence in this proceeding."

1 At the Executive Presentation held at the OEB's offices on December 7, 2017, Hydro
2 One noted that it intends to file an update to the Application which will include a
3 modification to the proposal regarding compensation costs.

4
5 As stated by Mr. Lopez on page 30 of the transcript:

6
7 Hydro One has reviewed the concerns raised by the OEB in its decision
8 and will be revising its proposal for the allocation of these costs.

9
10 Under the new proposal the transformation-related costs allocated to
11 ratepayers will be changed to the pre-IPO amounts adjusted for inflation.
12 The remainder of the transformation-related costs will be allocated to the
13 shareholder. These costs include the CEO, the chief financial officer, the
14 chief legal officer, and board costs.

15
16 Hydro One proposes:

- 17 • Increasing 2015 OEB-approved Corporate Management expense by inflation from
18 \$2.4 million¹ to \$2.5 million in the 2018 test year plus recovery for \$1.3 million in
19 costs associated with Hydro One's Ombudsman;
20 • Decreasing 'Other OM&A – Other Costs' (page 33 of Exhibit C1, Tab 1,
21 Schedule 7) by \$1.3 million to remove Long Term Incentive Plan ("LTIP") costs
22 related to the CEO, CFO and CLO

23
24 Under this approach, the proposed 2018 Corporate Management expense will reduce
25 from \$5.7 million to \$3.8 million. The proposed 2018 'Other OM&A – Other Costs'
26 credit will increase from \$10.5 million to a credit of \$11.8 million. This results in a net

¹ 2015 OEB-approved Corporate Management Expenses can be found in Table #5 of Exhibit 1, Tab 1, Schedule 7 of the Application.

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- 1 OM&A reduction of \$3.2 million in the 2018 test year. Hydro One will provide this
- 2 reduction to OM&A in its application update to be filed later in December.

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Total Compensation - Transmission (as per J10.2)

MCP	2013	2014	2015	2016	2017	2018
Base Pay	33,809,609	33,403,974	34,123,844	34,849,010	36,112,363	35,382,042
Burdens	22,652,438	22,440,789	23,186,431	18,300,538	19,136,366	18,961,872
Other Allowances	1,996,627	3,122,164	1,862,959	1,962,964	2,023,887	1,964,916
Short Term Incentive	4,374,928	4,078,670	4,403,218	7,563,773	7,781,560	7,575,929
Long Term Incentive				941,353	2,763,137	4,271,137
Employee Share Ownership				981,455	991,270	1,001,182
Transmission Total	62,833,601	63,045,596	63,576,452	64,599,092	68,808,583	69,157,078

Society	2013	2014	2015	2016	2017	2018
Base Pay	59,219,915	66,479,040	65,846,926	65,888,139	69,476,526	66,432,079
Overtime	2,223,563	3,234,367	2,892,349	1,665,676	2,565,423	2,503,795
Lump Sums				658,568	1,312,146	-
Burdens	39,677,343	44,660,619	44,741,596	34,600,362	36,816,429	35,602,144
Share Grants						974,271
Transmission Total	101,120,821	114,374,026	113,480,871	102,812,746	110,170,524	105,512,289

PWU	2013	2014	2015	2016	2017	2018
Base Pay	134,138,104	143,634,042	143,273,208	153,322,467	159,963,690	153,432,958
Overtime	22,835,014	27,775,994	24,488,731	14,942,723	23,043,480	22,986,409
Lump Sums			1,345,306	2,810,715	-	-
Burdens	89,872,530	96,493,350	97,351,119	80,515,447	84,766,642	82,227,477
Share Grants					2,755,969	2,650,016
Transmission Total	246,845,648	267,903,386	266,458,363	251,591,352	270,529,781	261,296,861

Temporary Resources	2013	2014	2015	2016	2017	2018
Casual Trades	44,489,030	52,518,110	50,641,118	57,137,565	62,644,095	62,340,282
MCP	530,830	719,625	826,616	664,724	662,329	649,603
Society	1,315,390	1,342,574	1,479,288	1,395,867	1,369,308	1,323,249
PWU	2,945,762	2,141,011	2,033,436	3,162,294	3,117,836	2,945,744
Overtime	5,347,679	7,972,313	6,685,080	4,346,674	7,350,168	7,602,294
Other Allowances	6,723,983	7,920,057	7,480,599	8,435,951	9,232,648	9,182,714
Burdens	3,889,760	4,610,969	4,467,202	4,837,717	5,462,373	5,548,041
Transmission Total	65,242,434	77,224,661	73,613,339	79,980,793	89,838,758	89,591,926

Transmission Total Compensation	476,042,503	522,547,669	517,129,026	498,983,983	539,347,645	525,558,154
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	2013	2014	2015	2016	2017	2018
Estimated Labour in Capital Exp	317,396,377	362,360,860	362,315,956	365,303,753	354,849,786	351,973,855
Estimated Labour in OM&A	158,646,126	160,186,809	154,813,070	133,680,230	184,497,859	173,584,299
Transmission Total Compensation	476,042,503	522,547,669	517,129,026	498,983,983	539,347,645	525,558,154

Pension / OPEB	2013	2014	2015	2016	2017	2018
Pension	79,000,000	77,000,000	77,000,000	50,000,000	49,000,000	46,000,000
OPEB	53,000,000	57,000,000	51,000,000	44,000,000	52,000,000	50,000,000

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Total Compensation - Distribution (as per J10.2)

MCP	2013	2014	2015	2016	2017	2018
Base Pay	41,032,642	37,516,023	39,364,708	37,947,246	38,139,818	40,277,208
Burdens	27,491,870	25,203,264	26,747,488	19,927,539	20,210,738	21,585,279
Other Allowances	2,423,183	3,506,504	2,149,079	2,137,481	2,137,514	2,236,766
Short Term Incentive	5,309,580	4,580,756	5,079,481	8,236,227	8,218,440	8,624,071
Long Term Incentive				941,353	2,763,137	4,271,137
Employee Share Ownership				981,455	991,270	1,001,182
Distribution Total	76,257,275	70,806,548	73,340,755	70,171,301	72,460,917	77,995,643

Society	2013	2014	2015	2016	2017	2018
Base Pay	71,871,566	74,662,651	75,959,938	71,745,896	73,377,144	75,623,070
Overtime	3,995,108	4,431,085	3,840,011	4,868,668	3,848,134	3,755,693
Lump Sums				717,118	1,385,814	-
Burdens	48,153,949	50,158,369	51,613,173	37,676,493	38,883,412	40,527,761
Share Grants						1,109,063
Distribution Total	124,020,624	129,252,105	131,413,122	115,008,175	117,494,505	121,015,587

PWU	2013	2014	2015	2016	2017	2018
Base Pay	162,795,162	161,315,481	165,277,630	166,953,537	168,944,527	174,660,668
Overtime	41,027,999	38,053,133	32,512,322	43,676,649	34,565,220	34,479,614
Lump Sums			1,551,922	3,060,600	-	-
Burdens	109,072,759	108,371,740	112,302,659	87,673,638	89,525,693	93,603,789
Share Grants					2,910,697	3,016,650
Distribution Total	312,895,920	307,740,355	311,644,534	301,364,425	295,946,137	305,760,721

Temporary Resources	2013	2014	2015	2016	2017	2018
Casual Trades	53,993,598	58,983,122	58,418,766	62,217,357	66,161,121	70,965,166
MCP	644,235	808,211	953,571	723,821	699,514	739,477
Society	1,596,408	1,507,846	1,706,482	1,519,966	1,446,185	1,506,322
PWU	3,575,089	2,404,571	2,345,739	3,443,436	3,292,881	3,353,293
Overtime	9,608,253	10,922,075	8,875,407	12,705,058	11,025,252	11,403,441
Other Allowances	8,160,485	8,895,021	8,629,497	9,185,946	9,750,996	10,453,158
Burdens	4,918,450	5,303,574	5,228,467	5,781,047	5,980,250	6,497,117
Distribution Total	82,496,518	88,824,420	86,157,929	95,576,630	98,356,199	104,917,974

Distribution Total Compensation	595,670,336	596,623,428	602,556,339	582,120,530	584,257,758	609,689,925
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	2013	2014	2015	2016	2017	2018
Estimated Labour in Capital Exp	397,156,988	413,728,721	422,168,870	426,167,616	384,397,230	408,318,112
Estimated Labour in OM&A	198,513,348	182,894,707	180,387,470	155,952,915	199,860,528	201,371,813
Distribution Total Compensation	595,670,336	596,623,428	602,556,339	582,120,530	584,257,758	609,689,925

Pension / OPEB	2013	2014	2015	2016	2017	2018
Pension	76,000,000	91,000,000	95,000,000	54,000,000	51,000,000	52,000,000
OPEB	61,000,000	60,000,000	62,000,000	56,000,000	54,000,000	57,000,000

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Total Compensation - Distribution and Transmission (as per J10.2)

MCP	2013	2014	2015	2016	2017	2018
Base Pay	74,842,250	70,919,997	73,488,551	72,796,256	74,252,181	75,659,250
Burdens	50,144,308	47,644,054	49,933,919	38,228,077	39,347,105	40,547,151
Other Allowances	4,419,810	6,628,668	4,012,037	4,100,445	4,161,402	4,201,682
Short Term Incentive	9,684,508	8,659,426	9,482,699	15,800,000	16,000,000	16,200,000
Long Term Incentive				1,882,705	5,526,273	8,542,273
Employee Share Ownership				1,962,910	1,982,539	2,002,365
Transmission + Distribution Total	139,090,876	133,852,144	136,917,207	134,770,393	141,269,500	147,152,721

Society	2013	2014	2015	2016	2017	2018
Base Pay	131,091,481	141,141,692	141,806,864	137,634,035	142,853,670	142,055,149
Overtime	6,218,672	7,665,451	6,732,360	6,534,345	6,413,557	6,259,488
Lump Sums				1,375,686	2,697,960	-
Burdens	87,831,292	94,818,988	96,354,769	72,276,855	75,699,841	76,129,905
Share Grants						2,083,333
Transmission + Distribution Total	225,141,445	243,626,131	244,893,993	217,820,921	227,665,028	226,527,876

PWU	2013	2014	2015	2016	2017	2018
Base Pay	296,933,266	304,949,524	308,550,838	320,276,004	328,908,217	328,093,626
Overtime	63,863,013	65,829,127	57,001,053	58,619,373	57,608,700	57,466,023
Lump Sums			2,897,228	5,871,315	-	-
Burdens	198,945,288	204,865,090	209,653,778	168,189,085	174,292,335	175,831,266
Share Grants					5,666,667	5,666,667
Transmission + Distribution Total	559,741,568	575,643,741	578,102,897	552,955,777	566,475,918	567,057,582

Temporary Resources	2013	2014	2015	2016	2017	2018
Casual Trades	98,482,627	111,501,232	109,059,885	119,354,922	128,805,216	133,305,447
MCP	1,175,065	1,527,837	1,780,187	1,388,546	1,361,843	1,389,080
Society	2,911,798	2,850,420	3,185,769	2,915,832	2,815,493	2,829,571
PWU	6,520,851	4,545,582	4,379,175	6,605,730	6,410,717	6,299,037
Overtime	14,955,932	18,894,389	15,560,487	17,051,732	18,375,420	19,005,736
Other Allowances	14,884,468	16,815,079	16,110,096	17,621,897	18,983,644	19,635,872
Burdens	8,808,209	9,914,543	9,695,669	10,618,764	11,442,623	12,045,157
Transmission + Distribution Total	147,738,951	166,049,081	159,771,268	175,557,422	188,194,957	194,509,900

Tx + Dx Total Compensation	1,071,712,840	1,119,171,097	1,119,685,365	1,081,104,513	1,123,605,403	1,135,248,079
-----------------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

	2013	2014	2015	2016	2017	2018
Estimated Labour in Capital Exp	714,553,365	776,089,581	784,484,826	791,471,368	739,247,016	760,291,966
Estimated Labour in OM&A	357,159,474	343,081,516	335,200,540	289,633,145	384,358,387	374,956,112
Tx + Dx Total Compensation	1,071,712,840	1,119,171,097	1,119,685,365	1,081,104,513	1,123,605,403	1,135,248,079

Pension / OPEB	2013	2014	2015	2016	2017	2018
Pension	155,000,000	168,000,000	172,000,000	104,000,000	100,000,000	98,000,000
OPEB	114,000,000	117,000,000	113,000,000	100,000,000	106,000,000	107,000,000

Filed: 2018-02-12
EB-2017-0049
Exhibit I
Tab 41
Schedule CME-35
Page 1 of 2

Canadian Manufacturers & Exporters Interrogatory # 35

Issue:

Issue 41: Has Hydro One demonstrated improvements in presenting its compensation costs and showing efficiency and value for dollar associated with its compensation costs (excluding executive compensation)?

Reference:

C1-02-01-07 Page 2 Lines 1 to 4

Interrogatory:

Hydro One states that past applications only captured total compensation for employees on payroll on December 31 but that not all of Hydro One's employees are on payroll at that time and that this is particularly true of temporary and casual staff.

- a) Please provide a table indicating the headcount and FTE total number of temporary and casual staff which were not included in Hydro One's past applications from 2014 to 2017.
- b) Please include in the same table the total value of these employees compensation using the "total compensation" approach.

Witness: MCDONELL Keith

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Response:

a) and b)

Compensation Costs 2014-2017				
	2014	2015	2016	2017
Total Temporary and Casual Resources				
Variance Temps Total to Year End	2,523	2,288	2,217	1,866
Variance Temps FTE to Year End	879	779	817	643
Variance Temps Total Comp to Year End Comp	91,467,731	78,283,006	85,001,357	69,835,284
	2014	2015	2016	2017
Temporary PWU Staff Variance	682	469	384	373
Temporary PWU Staff Variance Base Comp	15,402,758	7,314,552	6,339,047	3,961,838
Temporary PWU Staff Variance Compensation	19,899,883	9,275,777	7,862,812	4,413,966
	2014	2015	2016	2017
Temporary Society Staff Variance	38	32	30	11
Temporary Society Staff Variance Base Comp	1,497,981	1,071,353	871,029	1,143,263
Temporary Society Staff Variance Compensation	1,935,344	1,358,612	1,080,405	1,273,733
	2014	2015	2016	2017
Temporary MCP Staff Variance	24	22	28	13
Temporary MCP Staff Variance Base Comp	564,681	421,637	1,641,221	1,489,715
Temporary MCP Staff Variance Compensation	729,550	534,689	2,035,734	1,659,723
	2014	2015	2016	2017
Temporary Casual Staff Variance	1,779	1,765	1,775	1,469
Temporary Casual Staff Variance Base Comp	53,331,746	52,923,687	59,677,315	56,087,151
Temporary Casual Staff Variance Compensation	68,902,954	67,113,928	74,022,406	62,487,862
	2014	2015	2016	2017
Year-End Temporary Staff Details				
PWU	160	154	230	155
Society	53	56	51	53
MCP	27	34	26	29
Casual	1,951	1,819	1,971	1,961
	2014	2015	2016	2017
Total Headcount Temporary Staff Details				
PWU	842	623	614	528
Society	91	88	81	64
MCP	51	56	54	42
Casual	3,730	3,584	3,746	3,430

Witness: MCDONELL Keith

Filed: 2018-02-12
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 Exhibit I
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 Schedule CME-30
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Canadian Manufacturers & Exporters Interrogatory # 30

Issue:

Issue 40: Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?

Reference:

C1-02-01 Page 5, Lines 3 to 10

Interrogatory:

Hydro One refers to Contract Staff who are individuals engaged as independent contractors, not on the Corporation's payroll and states that "They are engaged at Hydro One for varying amounts of time and paid varying amounts commensurate with their skill sets and market rate for that skill. Contract staff are tracked by work programs or activities and not by headcount."

- a) Please produce the Contract Staff data as tracked by work programs and activities.
- b) Please produce data to indicate how much it is spending on Contract Staff. If the data is not available, please explain why not. If the data is available, produce the data in the same format as Exhibit C1, Tab 2, Schedule 1, Attachment 6.
- c) How does the Corporation ensure that it is paying Contract Staff market rates for the skills procured?
- d) What percentage of Contract Staff are former employees of Hydro One?

Response:

- a) Table 1 depicts the number of Hydro One's Contract Staff in 2016 and 2017. (In this response, "ISD" refers to the Information Solutions Division.) Contract Staff members have different contract durations throughout the respective years. For example, one Contract Staff member may have a two-month contract while another may have had a full year contract. Contract Staff are not included in Hydro One's overall headcount.

Witness: MCDONELL Keith

Filed: 2018-02-12
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 Exhibit I
 Tab 40
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 Page 2 of 2

Table 1: Number of Contract Staff at Hydro One

2016		2017	
Line of Business	Count	Line of Business	Count
Corporate Relations	3	CORP FUNCTIONS & SRVCS	1
Customer Service	11	Corporate Relations	3
Finance	4	Customer Service	14
HR	1	Finance	4
ISD	82	HR	1
Planning	4	ISD	112
Regulatory	1	MARKET SOLUTIONS	1
Stations	3	Planning	4
Telecom	16	Regulatory	2
Grand Total	125	Stations	3
		SUPPLY CHAIN	2
		Telecom	13
		Grand Total	160

- b) Contract Staff are paid on an hourly rate basis as per the established contracts. Contract Staff support varies on monthly basis. Beginning in 2016, Hydro One began reporting on spending at this level of detail. As such, Hydro One can provide data for 2016 and 2017 only. (See Table 2.) Hydro One did not track spending at this level of detail prior to 2016. Contract Staff costs are embedded in the cost forecasts for work programs and projects as reflected in Exhibits B1 and C1.

Table 2: Hydro One Spending on Contract Staff

Year	2017	2016
Contract Staff	\$ 20,761,938	\$ 18,983,948

- c) Hydro One ran a competitive process and negotiated rates. They are in line with market rates.
- d) Hydro One's Human Resource Information System cannot cross reference those who are employed as contract staff in the manner requested. There is an existing human resource policy that does require managers who intend to hire a former Hydro One employee to obtain senior level management approval prior to hiring as a contractor.

Witness: MCDONELL Keith

Filed: 2017-03-31
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Exhibit C1
Tab 2
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1 consistent knowledge and skill base. We consider training to be the foundation for
2 development and expect that mastery comes from practice and coaching post-classroom.

3 4 **9. COMPENSATION**

5 6 **9.1 MANAGEMENT COMPENSATION PLAN (MCP)**

7
8 The Ontario Government decided to broaden the ownership of Hydro One pursuant to an
9 initial public offering ("IPO") of Hydro One's common shares in order to strengthen the
10 long-term performance of Hydro One and generate value for Ontarians. In conjunction
11 with this sale, the Province further agreed that it would act as an investor, and not as a
12 manager of Hydro One. To facilitate this change, the Province appointed an Independent
13 Board of Directors.

14
15 The Hydro One Board of Directors determined that in order to improve the performance
16 of the Company, it was necessary to increase the commercial orientation of the
17 organization; that is, increase the Company's focus on customers, create greater corporate
18 accountability for performance outcomes, and drive company-wide increases in
19 efficiency and productivity.

20
21 In order to achieve its commercial objectives, the Independent Board of Directors
22 determined that senior managers with proven track-records of delivering the targeted
23 commercial objectives were needed. The individuals with these skills have been added to
24 Hydro One's senior leadership team and have been empowered by the Board of Directors
25 to achieve these commercial objectives. It became critical that the Company design a
26 compensation structure to attract, motivate, and retain high-performing talent to execute
27 on the corporate strategy.

28
Witness: Keith McDonell

Filed: 2017-03-31
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Exhibit C1
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1 To assist with this work, Hydro One engaged Willis Towers Watson to undertake
2 competitive market assessments and sought advice from and Hugessen Consulting³ to
3 determine the basis for the components of a new management compensation program.
4 Willis Towers Watson completed two compensation benchmarking studies. The studies
5 for MCP bands 2-4 and MCP bands 5-10 can be found in Attachments 1 and 2 to this
6 Exhibit, respectively. Please refer to Attachment 3 for the Hugessen Consulting
7 executive compensation benchmarking study.

8
9 The MCP compensation strategy is driving a cultural shift to commercial company
10 norms, with new shareholder expectations and an increased focus on customers,
11 productivity, efficiency and accountability.

12
13 Hydro One offers MCP employees a total cash package that consists of a fixed
14 component (base salary) and a variable, at risk pay component (Short Term Incentive
15 Plan or "STIP"). A small number of key leadership employees also have a long-term
16 variable pay component ("LTIP") as part of their compensation. Each of these
17 compensation components is critical to Hydro One's ability to acquire talent and retain a
18 high-performing workforce. Hydro One's compensation philosophy is to align target
19 total rewards at or below market median, as reflected in the Willis Towers Watson design
20 elements. In addition, the compensation plan is intended to provide a balance of fixed
21 and variable or "at risk" compensation with a much greater emphasis on variable
22 compensation for more senior management that is tied to achieving specific outcome
23 measures.

³ Hugessen Consulting Inc. is an independent consulting firm that specializes in providing objective compensation advice to Boards of Directors. Willis Tower Watson was engaged to provide objective compensation consulting services to Hydro One Management. Both organizations provide world-class compensation design, governance, research and advice.

Witness: Keith McDonell

Filed: 2018-02-12
 EB-2017-0049
 Exhibit I
 Tab 38
 Schedule CCC-52
 Page 1 of 2

Consumers Council of Canada Interrogatory # 52

Issue:

Issue 38: Are the proposed OM&A spending levels for Sustainment, Development, Operations, Customer Care, Common Corporate and Property Taxes and Rights Payments, appropriate, including consideration of factors considered in the Distribution System Plan?

Reference:

C1-02-01 Page 1

Interrogatory:

Please explain how HON has changed its approach to corporate staffing since the last HON Distribution proceeding. Specifically, how did HON make “gains in either reducing or limiting compensation costs and actively managing the efficiency and size of its work force, taking into account the size of its work programs.”

Response:

Since filing Hydro One’s last distribution rate application (EB-2013-0416), the Ontario Government broadened the ownership of Hydro One through an initial public offering. The change to a publicly-traded company required a new strategy for compensation, and this new approach has resulted in gains in either reducing or limiting compensation costs and/or more effectively managing the efficiency of the work force. Examples include:

- driving a pay-for-performance culture for non-represented employees;
- introducing equity-based compensation which aligns employee and employer interests;
- focusing on best practices for non-represented employees compensation (see Exhibit C1, Tab 2, Schedule 1, page 20 for more details);
- reducing costs by closing the defined benefit pension plan to new management employees and introducing a new defined contribution pension plan;
- more variable and at-risk pay;
- segmenting management positions into either core or support roles which enables better alignment of compensation levels with the external market;
- continued increases in employee pension contributions;
- a paradigm shift in collective bargaining where the unions accepted a lower than norm base wage increase and lump sum payments (which do not comprise part of base wages) instead of traditional higher salary adjustments;

Witness: MCDONELL Keith

Filed: 2018-02-12
EB-2017-0049
Exhibit I
Tab 38
Schedule CCC-52
Page 2 of 2

- 1 • lines of business actively introducing changes to how they perform their work more
- 2 effectively (see Exhibit C1 Tab 2 Schedule 1, pages 10-13 for more detail); and
- 3 • introducing greater oversight and approvals for all internal and external hiring.

Witness: MCDONELL Keith

Filed: 2018-02-12
EB-2017-0049
Exhibit I
Tab 40
Schedule CME-31
Page 1 of 1

Canadian Manufacturers & Exporters Interrogatory # 31

Issue:

Issue 40: Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?

Reference:

C1-02-01 Page 22

Interrogatory:

Hydro One indicates that "Incentive-based compensation rewards performance and allows the Company to attract, motivate and retain qualified employees in a competitive labour market."

- a) Please provide statistical data of management attrition levels before and after the Incentive-based compensation rewards program was implemented.
- b) Please provide any studies which Hydro One conducted prior to implementing the incentive-based compensation program which indicated that management-level turnover was a concern of the corporation.

Response:

- a) Please see Exhibit I-40-SEP-15 for a review of attrition levels from 2015 to 2108.
- b) Hydro One has not conducted the requested studies. The reference is a general statement intended to explain the rational and benefits of incentive based compensation. As of September 30, 2017, 21% of MCP employees are eligible for an unreduced pension which is a higher percentage than the eligibility rate of 18% companywide. This is a concern since this segment of the organization tends to be managers, supervisors or individual contributors who possess technical expertise.

Witness: MCDONELL Keith

Updated: 2017-06-07
EB-2017-0049
Exhibit C1-2-1
Attachment 2
Page 1 of 14

Hydro One

Competitive Compensation Review

Management Compensation Plan
Non-Executive Bands
October 16, 2015

Draft for Discussion

TOWERS WATSON



Next Steps Based on Benchmarking Results

- Develop recommendations (including transition planning considerations):
 - Before the end of 2015:
 - Salary structures and related administrative guidelines
 - 2016 merit increase budget and implementation guidelines
 - STI / LTI target recommendations for 2016
 - Integration with executive benchmarking and resulting STI & LTI design recommendations to ensure appropriate cascade
 - Q1 2016:
 - Actual 2016 LTI awards (if applicable)
 - Any identified benefit considerations

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Exhibit C1
Tab 2
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9.3 MCP BASE SALARIES

MCP base salaries are adjusted through a merit program that recognizes individual performance, behaviours, potential, internal relativities and external benchmarking. To better reflect and respond to the realities of the external labour market and internal compensation issues, non-represented roles have been reorganized into either Executive (Bands 1-4), Core Operations and Support Services positions. External Peer groups have been established for each segment and future base pay adjustments will be based upon external benchmarking against peer roles, performance and positioning within the salary band range. This targeted approach will restrict the base salary adjustments for employees already above market median.

9.4 INCENTIVE-BASED COMPENSATION

Incentive-based or variable/at risk compensation is a common feature of compensation strategies in publicly-traded companies. Incentive-based compensation rewards performance and allows the Company to attract, motivate and retain qualified employees in a competitive labour market. A shift away from variable pay in favour of increased base salaries would increase Hydro One's fixed costs and reduce the company's ability to align employee performance with business objectives.

9.4.1 SHORT TERM INCENTIVE PLAN ("STIP")

MCP employees are eligible for annual incentive-based pay as a component of their total cash compensation. A new STIP has been introduced in 2016 that supports the MCP compensation strategy. This Plan is designed to:

Witness: Keith McDonell



SHORT TERM INCENTIVE PLAN

EMPLOYEE GUIDE

June 2017

hydro^{One}



STIP CALCULATION

Hydro One's STIP provides an annual incentive payout based on individual and team (corporate) performance, against pre-determined goals and measures. The STIP payout is calculated based on the following formula. Each of the elements of the calculation is described in more detail on the following pages.

Salary ⁽¹⁾ (\$)	X	Target Bonus ⁽¹⁾ (% of salary)	X	<div style="text-align: center;"> Team Performance Team Performance Weight x Team Performance Multiplier <i>Based on a scorecard of multiple measures</i> </div>	+	<div style="text-align: center;"> Individual Performance Individual Performance Weight x Individual Performance Multiplier <i>Team aligned outcomes that vary by individual/role</i> </div>	=	Annual STIP Payout ⁽²⁾ STIP Payout
---	---	--	---	---	---	--	---	---

(1) STIP payout will be prorated to reflect changes in annual salary and STIP Target during the year (e.g. merit, promotion)

(2) No STIP payout (team or individual components) will be made if the Individual Performance Rating is Did Not Meet Expectations

SALARY

Your annual salary is used to calculate your STIP payout and will be prorated to reflect any salary changes, such as a merit or promotional increases, during the year. For employees who are on rotations, *Home base* salary is used for the STIP calculation. This means *step-up* pay received for relief or rotational assignments is not factored into the STIP payout.

TARGET BONUS

Your target bonus, expressed as a percentage of your salary, is based on the level/band of your role. All jobs have been categorized into levels/bands based on function, scope, complexity and contribution to the organization. The target bonus increases by level/band. Similar to salary, the target bonus used in your STIP payout will be prorated to reflect any changes in target bonus during the year. The following table outlines the target bonus by level/band.

Level/Band	Target Bonus (% of salary)
Director (Band 5)	20%
Senior Manager/Superintendent (Band 6)	15%
Manager/Professional (Band 7)	10%
Administrative/Support Roles (Band 8 – 9)	7%
Administrative Roles (Band 10)	5%

TEAM PERFORMANCE MULTIPLIER

The Team Performance Multiplier is a reflection of the Company's performance results against the Team Scorecard measures approved by the Board at the beginning of each year. Team performance generally includes measures such as: Health & Safety, Work Program, Net Income, Customer and Productivity. The Company's performance relative to these measures will be assessed against its threshold, target (budget) and maximum metrics approved annually by the Board of Directors. Results will be interpolated between performance levels. The Team Performance Multiplier may range from 0 to 200% based on the degree to which the Company achieves its performance measures, as approved by the Board of Directors following the approval of the Company's annual financials.

INDIVIDUAL PERFORMANCE MULTIPLIER

Your Individual Performance Multiplier is based on your achievement as measured against the 3 to 4 SMART performance goals you set with your manager early in the year, as well as your manager's assessment of how you live the Company's corporate values.

You will define your performance levels with your manager by establishing the threshold, target (budget), and maximum potential performance outcomes for these goals. A performance rating is determined based on your manager's assessment of your performance relative to these metrics, including alignment with Hydro One's corporate values. A Calculated Performance Rating is determined based on the weighted average of the performance ratings assigned by your manager.

Based on this Calculated Performance Rating, your manager then assigns a specific Individual Performance Multiplier that falls within the appropriate ranges identified in the table below. The Individual Performance Multiplier can range from 0 to 200%.

The Individual Performance Rating is reviewed and calibrated by the Manager Once Removed (MoR).

Calculated Performance Rating	Individual Performance Rating	Individual Performance Multiplier Range
0.00 - 1.49	Did not meet expectations	0%
1.50 - 2.49	Meets most but not all expectations	50 - 74%
2.50 - 3.49	Meets expectations	75 - 124%
3.50 - 4.49	Exceeds expectations	125 - 149%
4.50 - 5.00	Significantly exceeds expectations	150 - 200%

No STIP payout (i.e. neither the team nor individual components) will be made in the event of a Calculated Performance Rating between 0 – 1.49 (i.e. Did not meet expectations rating).

TEAM AND INDIVIDUAL PERFORMANCE WEIGHTING

Team and Individual Performance are weighted by level/band as part of the STIP calculation. The Team Performance Weight increases by level/band reflecting the greater influence more senior roles have on overall team results.

Level/Band	Team Performance Weight	Individual Performance Weight
Director (Band 5)	70%	30%
Senior Manager/Superintendent (Band 6)		
Manager/Professional (Band 7)		
Administrative/Support Roles (Band 8 – 9)	50%	50%
Administrative Roles (Band 10)		

EXAMPLE

An example STIP payout calculation for a Manager (Band 7) with a salary of \$100,000, 10% Target Bonus, 105% Team Performance Multiplier and 100% Individual Performance Multiplier (i.e. Calculated Rating between 2.50 – 3.49 reflecting Meets Expectations) follows.

\$100,000	x	10%	x	<div style="display: inline-block; border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <div style="text-align: center;"> 70% x 105% </div> <div style="text-align: center;"> + </div> <div style="text-align: center;"> 30% x 100% </div> </div>	=	\$10,350
Salary		Target Bonus		<div style="display: inline-block; border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <div style="text-align: center;"> Team Performance Weighting x Team Performance Multiplier </div> <div style="text-align: center;"> </div> <div style="text-align: center;"> Individual Performance Weighting x Individual Performance Multiplier </div> </div>		STIP Payout

STIP PAYOUT

Your STIP payout, less pension contributions and statutory deductions, generally occurs within 90 days of the fiscal year end, following approval by the Board of Directors.

All or a portion of your STIP payout may be included in pensionable earnings, depending on whether you participate in the defined benefit or defined contribution pension plan. Under the defined benefit pension plan, 50% of your STIP payout is included as pensionable earnings, subject to maximum pensionable earnings of \$350,000. Under the defined contribution pension plan, 100% of your STIP payout is included as pensionable earnings, subject to a maximum of 50% of your base salary.

EMPLOYEE LIFE EVENTS

During the normal course of an employee's career certain life events may occur. This section outlines how STIP will be treated in these cases. For life events not covered below, Hydro One will base its treatment of STIP on its administrative practices or the intent for which the plan was designed. Hydro One's fiscal year is January 1st to December 31st.

New Hire

If you start your employment part way through the year, your STIP payout will be prorated based on the days you worked during the fiscal year.

If you start between October 1st and December 31st, you will not be eligible to participate in STIP for that fiscal year.

Change of Position/Salary Changes

If you move positions within management and non-represented roles, your STIP payout will be prorated to reflect the number of days you work in each position and the appropriate targets and team and individual performance weightings for each position.

If you accept a represented position at any time during the fiscal year, your STIP will be forfeited.

Leave of Absence

If you take a leave of absence, your STIP payout will be pro-rated for the number of days you work within the fiscal year.

For Employment Insurance eligible leaves, you may elect deferral of your STIP payout so as not to interrupt your EI benefits.

Leaving Hydro One

In the event you choose to leave Hydro One, your STIP will be treated according to the circumstances under which you leave.

Resignation

If you resign during the fiscal year, your STIP payout will be forfeited. If you leave following the fiscal year end but before the payout date for the previous year, you will continue to be eligible for your STIP payout.

Retirement or Termination after Retirement Eligible with Defined Benefit Pension Commuted Value

If you retire (by either by taking a defined benefit pension or by meeting the minimum age under the Hydro One's defined contribution pension plan) or terminate and take the commuted value of your defined benefit pension once you are retirement eligible, your STIP will be pro-rated based on the number of days your worked in the year, provided you worked a minimum of 3 months in the fiscal year. If you retire following the fiscal year end but before the payout date for the previous year, you will continue to be eligible for your STIP payout.

Death

Should you die while actively employed with Hydro One, any STIP payouts for the fiscal year of your death will be prorated for the number of days you worked during the fiscal year, provided you worked a minimum of 3 months.

CONTACTS

- Please contact your HR Consultant if you have any questions.

TERMS AND CONDITIONS

- This guide supersedes and replaces any previous communications relating to STIP, and may be superseded by future documents at Hydro One's sole discretion.
- No employee has any right to or entitlement to any STIP payout. There is no guarantee of any STIP payout or any portion thereof within any particular year. Receipt of an STIP payout in a previous year does not guarantee or entitle you to a payout in the present year or in any future year.
- The STIP exists at the Company's sole discretion. The Company has the authority to administer, interpret or amend the terms of the STIP including but not limited to the payout amounts and/or terminate the STIP.
- Eligibility for STIP should not be interpreted as a right to employment.
- The STIP is governed by the applicable provincial and federal law.

This guide is intended to provide information regarding the STIP including the terms and conditions. In the event of an error, omission or discrepancy, Hydro One reserves the right to interpret or apply the Plan in accordance with its administrative practices or the intent for which the STIP was designed.

Updated: 2017-06-07
 EB-2017-0049
 Exhibit C1-2-1
 Attachment 4
 Page 1 of 1



Team Scorecard

2017 Team Scorecard

Corporate Goal	Component Weight	Definition	Measure	Sub Component Weight	2017 Performance Levels		
					Threshold	Budget	Maximum
Health and Safety *	10%	Recordable Incidents	Incidents per 200,000 hours	100%	1.6	1.1	1.0
Work Program	25%	Reliability – Tx (SAIDI) average length of unplanned interruptions to multi-circuit supplied delivery points	Minutes per Delivery Point	25%	10.0	9.6	9.2
		Reliability -Dx (SAIDI) average length of outages in hours that a customer experiences	Hours per Customer	25%	7.8	7.5	7.2
		Tx In Service Additions Delivery Accuracy	Variance (%) to approved budget of \$931M (Tx Application)	25%	+/- 7%	+/- 5%	+/- 2%
		Dx In Service Additions Delivery Accuracy	Variance (%) to approved budget of \$663M	25%	+/- 6%	+/- 4%	+/- 2%
Net Income	30%	Net Income to Common Shareholders	\$M	100%	Note 1	Note 1	Note 1
Productivity	10%	Productivity Savings (Capital and OM&A)	\$	100%	\$64.3 (-10%)	\$70.7	\$77.7 (+10%)
Customer	25%	Dx Satisfaction - Improve overall Small and Residential Dx customer satisfaction	Customer Satisfaction	50%	70%	72%	75%
		Tx Satisfaction - Improve overall Large Tx customer satisfaction	Customer Satisfaction	50%	80%	82%	85%

* If the company has a fatality, the attained Safety measure will be reduced by 50% based on the findings of the System Investigation
 Note 1: As we are a public company, we cannot communicate full year net income budgets widely

2018 Team Scorecard							
Corporate Goal	Component Weight	Definition	Measure	Sub Component Weight	Performance Levels		
					Threshold	Budget	Maximum
Health and Safety *	10%	Recordable Incidents	Incidents per 200,000 hours	100%	1.3	1.1	1.0
Work Program	25%	Transmissions (Tx) Reliability – average length of unplanned interruptions to multi-circuit supplied delivery points (SAIDI)	Minutes per Delivery Point	25%	9.2	7.6	5.4
		Distribution (Dx) Reliability – average length of outages in hours that a customer experiences (SAIDI)	Hours per Customer	25%	7.5	7.0	6.8
		Tx In Service Additions - Delivery Accuracy	Variance (%) to approved budget of \$1,174M (Tx following OEB decision)	25%	+/- 6%	+/- 4%	+/-1%
		Dx In Service Additions - Delivery Accuracy	Variance (%) to approved budget of \$641M (Dx Application)	25%	+/- 5%	+/- 3%	+/-1%
Net Income	30%	Net Income to Common Shareholders	\$M	100%	redacted	redacted	redacted
Productivity	10%	Savings in \$M	\$M	100%	\$103.1	\$114.5	\$140.0
Customer	25%	Residential and Small Business customer satisfaction	Customer Satisfaction	50%	71%	73%	76%
		Tx (including Dx connected LDCs) customer satisfaction	Customer Satisfaction	50%	84%	86%	90%

* If the company has a fatality, the attained Safety measure will be reduced by 50% based on the findings of the System Investigation

Filed: 2018-02-12
EB-2017-0049
Exhibit I
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Canadian Manufacturers & Exporters Interrogatory # 34

Issue:

Issue 40: Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?

Reference:

C1-02-01-04

Interrogatory:

Hydro One has produced a 2017 Hydro One Team scorecard for execution and performance which is used to provide short term incentive pay to MCP employees.

- a) Please provide a copy of the short-term incentive program policy.
- b) Please provide the 2018 version of the Hydro One Team Scorecard.
- c) Please provide the percentage of eligible employees who received a STIP payment and the average amount of STIP payment to MCP employees.

Response:

- a) Please see Attachment 1.
- b) The 2018 Hydro One Team Scorecard is not yet finalized.
- c) For performance year 2016 (STIP paid in 2017), all eligible MCP employees received an STIP payment. The average STIP amount was \$28,346. The average STIP amount for employees below the Executive Vice President level was \$24,896.

Witness: MCDONELL Keith

Filed: 2018-03-29
EB-2017-0049
Exhibit JT 2.8
Page 1 of 1

UNDERTAKING – JT 2.8

Undertaking

To provide an update on finalized STIP and LTIP numbers.

Response

The 2018 STIP (for performance year 2017) was paid on February 22, 2018. The following table shows the percentage of employees receiving an STIP payment by performance rating.

Overall Performance Rating	Number of Employees	%
Significantly Exceeds	13	2%
Exceeds	177	28%
Meets	391	61%
Meets Most but not all	51	8%
Does not meet	8	1%

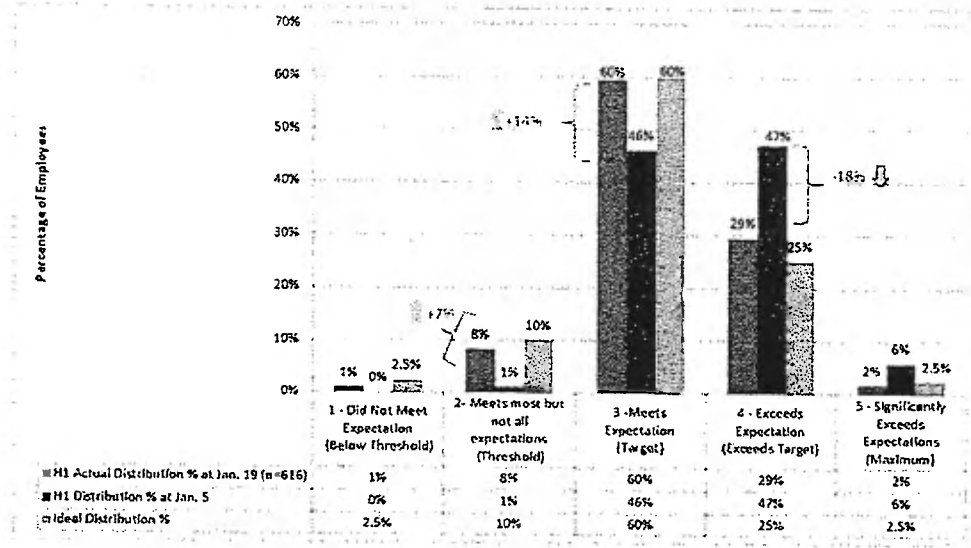
The 2018 LTIP grant was finalized on March 1, 2018. All regular Directors and above received a LTIP grant that will vest February 28, 2021.

Witness: MCDONELL Keith

4 HR (1 of 1):

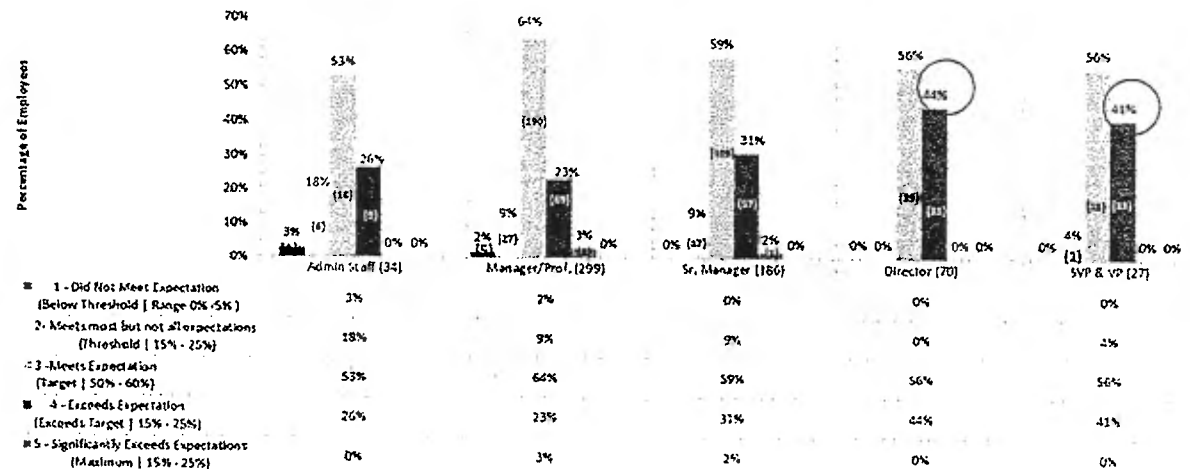
d Performance Assessments & Individual components of STIP

HYDRO ONE PERFORMANCE DISTRIBUTION AT JAN 22



- Overall, average Performance ratings is 3.22 (Meets Expectation) and average Values ratings is 3.42 (Meets Expectation), resulting in an average STIP Individual Performance Multiplier Range of 75 – 124%.
- Significant work was done the week of January 18th at the VP level and subsequently on January 22nd by our ELT to calibrate ratings in support of differentiating talent and meeting our ideal distribution of 60% of employees with a ratings of Meets Expectation. As of January 22nd, following the ELT calibration meeting we calculated a final reduction of 18% in the Exceeds category and 7% increase in the Meets Most Expectation category compared to the original ratings captured on January 5th.

Weighted Average Performance Rating	Overall Individual Performance Rating	STIP Individual Performance Multiplier Range
0.00 – 1.49	Did not meet expectations	0%
1.50 – 2.49	Meets most but not all expectations	50 - 74%
2.50 – 3.49	Meets expectations	75 – 124%
3.50 – 4.49	Exceeds expectations	125 – 149%
4.50 – 5.00	Significantly exceeds expectations	150 – 200%



Filed: 2016-10-07
EB-2016-0160
Exhibit TCJ2.1
Page 1 of 1

UNDERTAKING – TCJ2.1

Undertaking

To provide a percentage increase in total compensation for PWU and Society staff, including base rate increase, as well as the increase in the share grants.

Response

The PWU Shares are not issued to eligible PWU members until 2017. On April 1, 2017, there is a 1% base wage adjustment and eligible PWU employees will receive their 1st installment of Hydro One Limited shares equal to 2.7% of their April 1, 2015 base rate/ by IPO share price. An increase to pension contributions of on average 0.7% will also be implemented, which brings the total pension contribution increase on average to 2.7% since April 1 2015.

The Society Shares are not issued to eligible Society members until 2018. On April 1, 2018, there is a 0.5% base wage adjustment and eligible Society employees will receive their 1st installment of Hydro One Limited shares equal to 2.0% of their September 1, 2015 base rate/ by IPO share price. An increase to pension contributions of 0.5% will also be implemented, which brings the total pension contribution increase to 1.75% above the contribution rate in effect on September 1, 2015.

Witness: Keith McDonell/ Samir Chhevlada

Mercer 2016

Filed: 2018-02-12
 EB-2017-0049
 Exhibit I
 Tab 40
 Schedule SEC-83
 Page 1 of 2

School Energy Coalition Interrogatory # 83

Issue:

Issue 40: Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?

Reference:

C1-02-01-05

With respect to the Mercer Compensation Cost Benchmarking Study:

Interrogatory:

- a) Please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its distribution business and the P50 median used in the study. Please provide the amount in 2016 (the year the study was completed) and for the 2018 test year. Please provide a step-by-step explanation of how the estimate was reached.
- b) Please provide a list of all types of compensation (i.e. salary, overtime, share grant, LTIP, etc.) that were paid in 2016 that: i) were included in the study, and ii) were not included in the study.
- c) Are there any additional types of compensation that will be paid in 2018 that were not in 2016?
- d) Did Hydro One undertake a RFP process to select Mercer to undertake Compensation Cost Benchmarking Study? If so, please provide a copy of the RFP. If not, please explain how Mercer was selected.

Response:

- a) The dollar amount over market median (\$71 million) is provided by Mercer, using its study data. Hydro One then applies to the amount (a) the transmission-distribution ratio, and (b) the OM&A-capital ratio determined by the Labour Content Method described in Exhibit D1, Tab 3, Schedule 1, Attachment 1.

The calculation is provided below in Table 1. As shown in Table 1, the amounts for 2016 and 2018 for the difference between the weighted average total compensation for employees

Witness: MCDONELL Keith

Filed: 2018-02-12
 EB-2017-0049
 Exhibit I
 Tab 40
 Schedule SEC-83
 Page 2 of 2

Mercer 2016

allocated to the distribution business are \$19.5 million and \$17.5 million, respectively. For the appropriate net reduction to Hydro One Distribution's 2018 OM&A forecast, please see Exhibit I-40-SEC-84.

Table 1

	2016	2017	2018
	Actual	Bridge	Test
\$ Over Median	\$71.0	\$71.0	\$71.0
TDOC Splits*			
*Consistent with Labour Content Method in Exhibit D1, Tab 3, Schedule 1, Attachment 1			
Tx OMA (%)	12.3%	17.6%	16.4%
Dx OMA (%)	27.4%	26.0%	24.7%
Tx Cap (%)	32.6%	31.0%	30.3%
Dx Cap (%)	27.7%	25.3%	28.6%
Allocation of \$			
Tx OMA (\$)	\$8.7	\$12.5	\$11.7
Dx OMA (\$)	\$19.5	\$18.5	\$17.5
Tx Cap (\$)	\$23.2	\$22.0	\$21.6
Dx Cap (\$)	\$19.7	\$18.0	\$20.3
Total	\$71.0	\$71.0	\$71.0

- b) The compensation elements in the Mercer Study included base wages, STIP, LTIP and pension and benefits. Overtime compensation was not included.
- c) In 2018, MCP and Society employees were eligible to participate in the ESOP.
- d) A RFP process was not undertaken for the performance of this study. Mercer was selected by using a single source authorization in accordance with Hydro One's Supply Chain Policy.

Witness: MCDONELL Keith

Updated: 2018-06-07
 EB-2017-0049
 Exhibit I
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 Schedule SEC-83
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Mercer 2017

School Energy Coalition Interrogatory # 83

Issue:

Issue 40: Are the proposed 2018 human resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate (excluding executive compensation)?

Reference:

C1-02-01-05

With respect to the Mercer Compensation Cost Benchmarking Study:

Interrogatory:

- a) Please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its distribution business and the P50 median used in the study. Please provide the amount in 2016 (the year the study was completed) *[2017 in this update]* and for the 2018 test year. Please provide a step-by-step explanation of how the estimate was reached.
- b) Please provide a list of all types of compensation (i.e. salary, overtime, share grant, LTIP, etc.) that were paid in 2016 *[2017 in this update]* that: i) were included in the study, and ii) were not included in the study.
- c) Are there any additional types of compensation that will be paid in 2018 that were not in 2016?
- d) Did Hydro One undertake a RFP process to select Mercer to undertake Compensation Cost Benchmarking Study? If so, please provide a copy of the RFP. If not, please explain how Mercer was selected.

Response:

The interrogatories above relate to the 2016 Mercer Compensation Cost Benchmarking study; however, the responses below have been updated to reflect outcomes of the 2017 Mercer Compensation Cost Benchmarking study filed on April 20th, 2018.

- a) The dollar amount over market median (\$70.92 million) is provided by Mercer, using its study data. Hydro One then applies to the amount (a) the transmission-distribution ratio, and

Witness: MCDONELL Keith

Updated: 2018-06-07
 EB-2017-0049
 Exhibit I
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 Schedule SEC-83
 Page 2 of 2

Mercer 2017

(b) the OM&A-capital ratio determined by the Labour Content Method described in Exhibit D1, Tab 3, Schedule 1, Attachment 1.

The calculation is provided below in Table 1. As shown in Table 1, the amounts for 2017 and 2018 for the difference between the weighted average total compensation for employees allocated to the distribution business are \$18.46 million and \$17.48 million, respectively.

Table 1

	2017	2018
	Bridge	Test
\$ Over Median	\$70.92	\$70.92
TDOC Splits*		
*Consistent with Labour Content Method in Exhibit D1, Tab 3, Schedule 1, Attachment 1		
Tx OMA (%)	17.6%	16.4%
Dx OMA (%)	26.0%	24.7%
Tx Cap (%)	31.0%	30.3%
Dx Cap (%)	25.3%	28.6%
Allocation of \$		
Tx OMA (\$)	\$12.49	\$11.64
Dx OMA (\$)	\$18.46	\$17.48
Tx Cap (\$)	\$22.00	\$21.52
Dx Cap (\$)	\$17.96	\$20.27
Total	\$70.92	\$70.92

b) The compensation elements in the Mercer Study included base wages, STIP, LTIP, Share Grants, lump sum, pension and benefits. Overtime compensation was not included.

c) In 2018, MCP and Society employees were eligible to participate in the ESOP.

d) A RFP process was not undertaken for the performance of this study. Mercer was selected by using a single source authorization in accordance with Hydro One's Supply Chain Policy.

Witness: MCDONELL Keith

Filed: 2018-04-20

EB-2017-0049

Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

Filed: 2018-04-20
EB-2017-0049
Updated Compensation Study
Page 1 of 32



HEALTH WEALTH CAREER

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

04 APRIL 2018

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Updated: 2017-06-07

EB-2017-0049

Exhibit C1-2-1

Attachment 5

2016 Study – Annual Base Salary as of September 1, 2016

Updated: 2017-06-07
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HEALTH WEALTH CAREER

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

13 DECEMBER 2016

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Updated: 2017-06-07

EB-2017-0049

Exhibit C1-2-1

Attachment 5

2016 Study – Annual Base Salary as of September 1, 2016

Filed: 2018-04-20

EB-2017-0049

Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

1

Executive Summary

Hydro One Networks Inc. ("Hydro One") has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One's total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013 and repeated, following a similar methodology, in 2016. Study-over-study trend analysis is provided.

The final results of our analysis were presented at the November 30, 2016 stakeholder session in Toronto. This document represents the results of our analysis.

Compensation Benchmarking

The compensation benchmarking study compared Hydro One's total compensation to a peer group of Transmission, Distribution and Generation organizations, supplemented with participants from the similar Regulatory Environment group. The peer group was similar to the 2013 study.

The study reflected exactly 2,991 Hydro One employees in 31 benchmark positions representing 57% of Hydro One's employee population (excluding non-full time employees). In total, our analysis reflected approximately 15,000 incumbents employed in the Canadian energy and/or adjacent sectors.

On an overall weighted average basis, for the positions we reviewed in 2016, Hydro One is positioned approximately 14% above the market 50th percentile ("P50" or "median"). In comparison to the 2013 study, Hydro One's overall weighted average positioning has increased from 10% above the market total compensation 50th percentile.

The shift in Hydro One's competitive position relative to the median is driven by a number of factors. It should be noted that the peer group, like Hydro One, has worked to reduce labour costs as a response to both the substantial economic downturn beginning in 2008 and expectations of key stakeholders over the entire period between the 2008 and 2016 during the compensation cost benchmarking studies.

The overall Hydro One positioning is driven by a combination of the introduction of long-term incentives for certain roles in the Non-Represented group, reduction in the headcount of Professional entry level role through promotion/attrition and not backfilling the lower paid roles, highly competitive base wages, especially for the most highly skilled Power Workers' Union ("PWU") positions, and the relatively high value of legacy collective agreement wages, pension and benefits programs (the legacy non-represented pension and benefit and Society pension plans are now closed to new members).

MERCER (CANADA) LIMITED

1

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

1

Executive Summary

Hydro One Networks Inc. ("Hydro One") has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One's total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013, 2016 and repeated, following a similar methodology, in 2017.

Prior to each study, every effort is made to ensure that the approach and methodology used continues to meet industry best standards and will provide an appropriate comparison for Hydro One.

Since 2008, the compensation cost benchmarking study has included regulated Transmission and Distribution Utilities' and comparable regulated businesses across Canada. However, to reflect the changing talent landscape and nature of the workforce, the comparator group and job list for the 2016 study was reviewed with the purpose of rebalancing the mix of Transmission, Distribution and Functional benchmark jobs, and to better represent the market in which Hydro One attracts and loses talent to (e.g. contractors). This resulted in revisions to the comparator organizations and survey jobs included in the study.

While these changes may have an impact on the study-over-study comparison, Mercer believes they better reflect the current workforce and balance of jobs at Hydro One.

This document represents the final results of our analysis. Study-over-study trend analysis is provided.

Compensation Benchmarking

The compensation benchmarking study compared Hydro One's total compensation to a peer group of Transmission, Distribution and Generation organizations, supplemented with Contractors and participants from a similar Regulatory Environment.

The study reflected 3,210 Hydro One employees (up from 2,991 in 2016) in 34 benchmark jobs representing 59% of Hydro One's employee population (excluding non-full time employees). In total, our analysis reflected approximately 16,800 (up from approximately 15,000 in 2016) incumbents employed in the Canadian energy and/or adjacent sectors. The increase in the percentage of Hydro One employees represented is partly driven by the updates made to the benchmark job list.

On an overall weighted average basis, for the jobs Mercer reviewed in 2017, Hydro One is positioned approximately 12% above the market 50th percentile ("P50" or "median"). In comparison to the 2016 study, Hydro One's overall weighted average positioning has decreased from 14% above the market total compensation 50th percentile.

MERCER (CANADA) LIMITED

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Filed: 2018-04-20

EB-2017-0049

Updated Compensation Study

Updated: 2017-06-07

EB-2017-0049

Exhibit C1-2-1

Attachment 5

2016 Study – Annual Base Salary as of September 1, 2016

2017 Study- Annual Base Salary as of October 1, 2017

[Compensation Benchmarking Section Completed on Previous Page]

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

The shift in Hydro One's competitive position towards the median is notable given that the peer group, like Hydro One, has worked to reduce labour costs as a response to both the substantial economic downturn beginning in 2008 and expectations of key stakeholders over the entire period the compensation cost benchmarking studies have been conducted (2008 – 2016).

Hydro One's overall positioning relative to the market median is driven by a combination of a number of factors, including:

- The use of casual workers that have lower cost pension and benefit packages
- Higher short-term incentive payouts to the non-represented group following strong company performance
- Highly competitive base wages, especially for the most highly skilled Power Workers' Union ("PWU") jobs (Trades and Technical Group)
- The introduction of lump sum and share grant awards to the Energy Professionals and Technical and Trades workers, respectively, in exchange for reduced base salary / wage increases, resulting in lower pension and benefit costs
- Changes in the organizations participating in the study and the benchmark job list
- The relatively high value of legacy collective agreement wages, pension and benefits programs. We note that the legacy non-represented pension and benefit and Society pension plans are now closed to new members

Filed: 2018-04-20

EB-2017-0049

Updated Compensation Study

Updated: 2017-06-07

EB-2017-0049

Exhibit C1-2-1

Attachment 5

2016 Study – Annual Base Salary as of September 1, 2016

2017 Study- Annual Base Salary as of October 1, 2017

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

The table below summarizes the results of the 2017 Compensation Cost Benchmarking Study compared to the results of the 2016, 2013, 2011 and 2008 study.

Table 1

The table below summarizes the results of the 2016 Compensation Cost Benchmarking Study compared to the results of the 2013, 2011 and 2008 study.

Table 1

		Total Remuneration (Current)								
		Multiple of P50				Hydro One P50 Relative to Market P50				
		2016	2013	2011	2008	0.50	0.75	P50 = 1	1.25	1.50
Hydro One Group	# of Hydro One Incumbents									
Non-Represented	167	1.02	0.99	0.93	0.99					
Professionals	612	1.11	1.09	1.05	1.05					
Power Workers	2,212	1.16	1.12	1.18	1.21					
Overall	2,991	1.14	1.10	1.13	1.17					

▲ 2016 Hydro One Position Relative to Market

□ 2013 Hydro One Position Relative to Market

× 2011 Hydro One Position Relative to Market

○ 2008 Hydro One Position Relative to Market

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		Total Remuneration (Current)									
		Multiple of P50					Hydro One P50 Relative to Market P50				
		2017	2016	2013	2011	2008	0.50	0.75	P50 = 1	1.25	1.50
Hydro One Group	# of Hydro One Incumbents										
Non-Represented	172	1.01	1.02	0.99	0.83	0.99					
Energy Professionals	560	1.12	1.11	1.09	1.05	1.05					
Trades and Technical	2,476	1.12	1.16	1.12	1.18	1.21					
Overall	3,210	1.12	1.14	1.10	1.13	1.17					

Below P50 Compensation Above P50 Compensation

Updated: 2017-06-07

EB-2017-0049

Exhibit C1-2-1

Attachment 5 2016 Study – Annual Base Salary as of September 1, 2016

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

2

Introduction

Hydro One Networks Inc. ("Hydro One") has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One's total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013 and repeated, following a similar methodology, in 2016. Year-over-year trend analysis is provided.

This report is intended to help Hydro One in preparing a multi-year CIR Application for Transmission rates (2019-TBD) and a 5 year CIR Application for Distribution (2018-2022). The results of the Compensation Cost Benchmarking study will be filed as evidence for both rate setting applications.

To provide independent and reliable information on Hydro One's relative compensation costs, Mercer has undertaken a customized survey of total compensation in the market ("Compensation Benchmarking").

The total compensation (i.e., base salary, short-term incentives, long-term incentives, pension and benefits) benchmarking analyses focused on assessing Hydro One's overall competitiveness in the marketplace.

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Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

2

Introduction

Hydro One Networks Inc. ("Hydro One") has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One's total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013, 2016 and repeated, following a similar methodology, in 2017.

This report is intended to help Hydro One in preparing a multi-year CIR Application for Transmission rates (2019-2023). The results of the Compensation Cost Benchmarking study will be filed as evidence for the rate setting application.

To provide independent and reliable information on Hydro One's relative compensation costs, Mercer has undertaken a customized survey of total compensation in the market ("Compensation Benchmarking").

The total compensation (i.e., base salary, short-term incentives / lump sums, long-term incentives [including negotiated share grants], pension and benefits) benchmarking analyses focused on assessing Hydro One's overall competitiveness in the marketplace.

Prior to each study, every effort is made to ensure that the approach and methodology used continues to meet industry best standards and will provide an appropriate comparison for Hydro One. In order to reflect the changing talent landscape and nature of the workforce, the comparator group and job list for the 2016 study was reviewed with the purpose of rebalancing the mix of Transmission, Distribution and Functional benchmark jobs, and to better represent the market in which Hydro One attracts and loses talent to. This resulted in revisions to the comparator organizations and survey jobs included in the study.

While these changes may have an impact on the study-over-study comparison, Mercer believes they better reflect the current workforce and balance of jobs at Hydro One.

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Guiding Principles

Based on our typical benchmarking approach and the benchmarking principles that guided the compensation benchmarking, as well as how Mercer applied them, these include:

1. Principle objective – to revisit the 2013, 2011 and 2008 Mercer Study to reasonably compare Hydro One compensation costs to those of regulated utilities in Canada.
 - The 2013, 2011 and 2008 Mercer Studies were revisited following the same general overall methodology to provide appropriate study-over-study comparisons.
2. Keep it simple to entice survey participants.
 - The data collection process was reviewed and streamlined, where possible, to encourage survey participants to share data. Additional follow-up was provided by Mercer to support comparator participation in the study.
3. Be independent, testable, repeatable and market-based.
 - The study was conducted in a manner that meets each of the criteria listed.
4. Provide participants with the assurance that their information could not be attributable to them.
 - All participants were assured that data would be held confidentially by Mercer and only be shared in aggregate form.
5. Be based on the groups surveyed in the 2013 Mercer Study and expanded as deemed appropriate by the consultant.
 - The 2016 study targeted the same benchmark jobs and organizations as the 2013 study. Two (2) organizations that participated in the 2013 study declined to participate in 2016. Four (4) organizations that declined to participate in previous years' studies agreed to participate in 2016. This resulted in an increase of two (2) organizations over the number of 2013 participants.
6. Mirror the scoping in the 2013, 2011 and 2008 Mercer Studies for peer selection, job classes, etc. and changes as deemed appropriate by the consultant.
 - The same methodology used in 2013, 2011 and 2008 was followed in the 2016 Mercer Study for both peer company selection and job classes for inclusion. Similar to the 2013 study, the selected benchmark job classes represented 57% of Hydro One's employee population (excluding non-full time employees).
7. Enable reasonable comparison to the last Mercer study and provide trending analysis for Hydro One.
 - By including approximately 87% of peers and 94% of jobs from the 2013 Mercer Study, reasonable comparisons have been made and trending has been assessed.

- Though the peer group and job list were revised, the same methodology used in 2016, 2013, 2011 and 2008 was followed in the 2017 Mercer Study for both peer company selection and job classes for inclusion. The selected benchmark job classes for the 2017 study represented 59% of Hydro One's employee population (excluding non-full time employees).
7. Enable reasonable comparison to the last Mercer study and provide trending analysis for Hydro One.
 - By including approximately 77% of peers and 91% of jobs from the 2016 Mercer Study, reasonable comparisons have been made and trending has been assessed.
 8. Compare to market median rather than market average ("mean")
 - The 2017 Mercer Study is based on a comparison of Hydro One median compensation against market median compensation. Comparison of medians is standard compensation practice; medians are representative of the middle data point in a sample and are less sensitive to outliers than the mean.
 - The 2008, 2011, 2013 and 2016 studies also compared Hydro One to the median.
 - Appendix A provides a comparison of Hydro One's total compensation median against market average. On an overall weighted average basis, there is a material difference between Hydro One's median positioning relative to market median and its positioning relative to the market arithmetic mean.
 9. No adjustments to reflect regional costs of living amongst the study participants.
 10. Hydro One has relied on Mercer's expertise in conducting the study to recommend appropriate changes in methodology and assumptions.

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Exhibit C1-2-1

Attachment 5

2016 Study – Annual Base Salary as of September 1, 2016

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

4

Compensation Benchmarking

Peer Groups

Mercer selects peer organizations, for compensation benchmarking purposes, based on a stable metric that reflects the size and operating complexity of the organization (typically, this is revenue and/or total assets). Where there is a relatively small sample of relevant comparator organizations, Mercer establishes limits of 33% to 300% of the scope criteria for the organization we are analyzing. Some organizations were included in the analysis despite falling below the 33% of revenue threshold value. These organizations were primarily Ontario based local distribution companies that are seen as important benchmarks by stakeholders.

As a result, to develop a single peer group for Hydro One, we considered all organizations, with 2014 or 2015 annual revenues between 33% and 300% of Hydro One's 2015 annual revenue, from the following areas:

1. Electric utilities, multi-utilities, generators, and gas utilities industries in Canada as classified by their Global Industry Classification Standard ("GICS")
2. 73 Local Distribution Companies ("LDCs") in Ontario
3. Other comparable regulated businesses (i.e., integrated telecommunication services, railroads, etc.)

Overall, 22 organizations were invited to participate in the study:

- All 15 organizations included in the 2013 study were invited
 - Of these organizations, 2 declined – Enersource Corporation and Horizon Utilities Corporation (these organizations are in the process of merging)
- 4 organizations that declined to participate in 2013 agreed to participate in 2016 – AltaLink, Bell Canada, TransCanada Corporation and Vendian

Organizations that did not participate in the compensation benchmarking indicated that they were unable to participate due to either resource constraints or an insufficient number of relevant benchmark positions.

Following standard industry practice, comparisons were made between Hydro One's incumbents, at the 50th percentile, to the market peer group 50th percentile on base salary, total cash compensation and total compensation.

To ensure that no one organization biased the results, we have weighted our analysis by organization for each job class and not by number of incumbents to determine Hydro One's position relative to the market (i.e., the analysis is "Org Weighted"). To preserve the confidentiality of compensation data at both Hydro One and participating organizations, we have aggregated our results.

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Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

4

Compensation Benchmarking

Peer Groups

Mercer selects peer organizations, for compensation benchmarking purposes, based on a stable metric that reflects the size and operating complexity of the organization (typically, this is revenue and/or total assets). Where there is a relatively small sample of relevant comparator organizations, Mercer establishes limits of 33% to 300% of the scope criteria for the organization we are analyzing. Some organizations were included in the analysis despite falling below the 33% of revenue threshold value. These organizations were a mix of regulated Transmission and Distribution Utilities', Contractors and an Electricity System Operator that are seen as important comparators by stakeholders.

To develop a single peer group for Hydro One, Mercer initially considered all organizations, with 2015 or 2016 annual revenues between 33% and 300% of Hydro One's 2016 annual revenue, from the following areas:

1. Electric utilities, multi-utilities, generation, transmission, and gas utilities industries in Canada as classified by their Global Industry Classification Standard ("GICS")
2. 74 Local Distribution Companies ("LDCs") in Ontario
3. Organizations from which Hydro One contracts employees
4. Other comparable regulated businesses (i.e., gas pipelines, railroads, etc.)

Overall, 29 organizations were invited to participate in the study:

- 19 organizations accepted the invitation and participated in the 2017 study.
 - 15 of the 17 organizations included in the 2016 study were invited to participate.
 - The following two organizations were not invited to participate in 2017:
 - a. Bell Canada: Few comparable jobs – Provided data for less than 30% of jobs in 2016
 - b. PowerStream: Part of a merger to become Alectra Utilities; Alectra is included in the study.
 - 13 organizations included in the 2017 study also participated in 2016.
 - 2 organizations that participated in the 2016 study declined to participate in 2017.
- 6 organizations that participated in the 2017 study were not invited in previous studies. This includes, amongst others, Contractors and an Electricity System Operator.
 - This resulted in an increase of two (2) organizations over the total number of 2016 participants.

Organizations that did not participate in the compensation benchmarking study indicated that they were unable to participate due to either resource constraints or an insufficient number of relevant benchmark jobs.

MERCER (CANADA) LIMITED

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Exhibit C1-2-1

Attachment 5 2016 Study – Annual Base Salary as of September 1, 2016

Market Sample

Summarized below are the participating organizations in the compensation benchmarking.

Table 2

Company Name	Revenue ¹	# of Employees ^{1,2}
Bell Canada*	\$21,514.0	31,394
Hydro-Québec	\$13,754.0	19,250
TransCanada Corporation*	\$11,300.0	6,795
BC Hydro Power & Authority	\$5,657.0	5,641
Ontario Power Generation Inc.	\$5,476.0	9,247
Enbridge Gas Distribution Inc.	\$3,609.0	2,491
Toronto Hydro Electric System Ltd.	\$3,539.9	1,471
Bruce Power L.P.	\$3,126.8	4,151
ENMAX Corporation	\$3,065.7	1,765
SaskPower	\$2,296.0	3,238
TransAlta Corporation	\$2,267.0	1,653
EPCOR Utilities, Inc.	\$2,193.0	2,316
Manitoba Hydro	\$1,800.0	6,300
New Brunswick Power	\$1,791.0	2,403
PowerStream Inc.	\$1,213.5	559
AltaLink*	\$829.0	825
Veridian*	\$339.3	230
75th %ile	\$5,476.0	6,300
50th %ile	\$3,065.7	2,491
25th %ile	\$1,800.0	1,653
Average	\$4,927.7	5,866
Hydro One	\$6,538.0	5,256

¹ Data as reported by survey participants in CAD (\$MM)² Representative of full-time employees and equivalents only

* New participants in 2016

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Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

Market Sample

Summarized below are the participating organizations in the compensation benchmarking.

Table 2

Company Name	Revenue ¹	# of Employees ^{1,2}
Hydro-Québec	\$13,339.0	19,552
TransCanada Corporation	\$12,505.0	6,705
BC Hydro Power & Authority	\$5,874.0	6,076
Ontario Power Generation Inc.	\$5,653.0	9,306
Toronto Hydro Corporation	\$4,030.0	1,415
Alectra Utilities Corporation*	\$3,824.4	1,440
ENMAX Corporation	\$2,801.0	1,786
Bruce Power L.P.	\$2,656.0	4,109
Enbridge Inc.	\$2,606.0	2,053
SaskPower	\$2,296.0	3,238
EPCOR Utilities, Inc.	\$1,932.0	2,989
Manitoba Hydro	\$1,867.0	5,925
New Brunswick Power	\$1,791.0	2,573
Nalcor Energy*	\$824.0	1,334
Veridian Corporation	\$364.1	219
Kinder Morgan Canada Ltd.*	\$253.0	353
Independent Electricity System Operator*	\$194.1	665
Black & McDonald ^{3*}	--	--
K-Line Maintenance & Construction Ltd ^{3*}	--	--
75th %ile	\$3,927.2	5,413
50th %ile	\$2,296.0	2,573
25th %ile	\$1,162.0	1,375
Average	\$3,390.7	3,951
Hydro One Network Inc.	\$6,552.0	5,400

¹ Data as reported by survey participants in CAD (\$MM)² Representative of full-time employees and equivalents only³ Private organization. Revenue and number of Employees information has been masked

* New participants in 2017

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Exhibit C1-2-1

Attachment 5 2016 Study – Annual Base Salary as of September 1, 2016

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

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Updated Compensation Study

2017 Study- Annual Base Salary as of October 1, 2017

COMPENSATION COST BENCHMARKING STUDY

HYDRO ONE NETWORKS INC.

Methodology

As outlined in Appendix B, summarized below is the methodology used to determine compensation levels. Specifically:

Base Salary/Wage – Annual base salary at September 1, 2016. If an hourly rate was reported, we annualized the value by multiplying the standard number of work hours per week by 52 weeks per year. If a weekly rate was reported, we annualized the value by multiplying by 52 weeks per year.

Total Cash Compensation - Base salary *plus* most recent short-term incentive or bonus paid where applicable.

- Hydro One does not provide short-term incentive or bonus programs to Professional or Power Worker positions.

Benefits and Pensions – To value benefit and pension programs, we applied a relative value process to a set of standard employer paid cost factors, plus actuarial and demographic assumptions to measure all financially significant features of benefit and pension programs based on open and closed plans.

Total Compensation – Total cash compensation *plus* estimated annual value of the most recent long-term incentive grant (i.e., expected value of stock options or share awards) and pensions and benefits.

- Hydro One only provides long-term incentive to the Financial Director position.

Methodology

As outlined in Appendix B, summarized below is the methodology used to determine compensation levels. Specifically:

Base Salary/Wage – Annual base salary at October 1, 2017 - If an hourly rate was reported, Mercer annualized the value by multiplying the standard number of work hours per week by 52 weeks per year. If a weekly rate was reported, Mercer annualized the value by multiplying by 52 weeks per year.

Total Cash Compensation - Base salary *plus* most recent short-term incentive or bonus paid/lump sum where applicable.

- Hydro One does not provide short-term incentives or bonus programs to Energy Professional or Power Worker jobs.
- In 2017, Hydro One provided lump sum payments, to the Energy Professional jobs, in exchange for reduced base salary increases.

Benefits and Pensions – To value benefit and pension programs, Mercer applied a relative value process to a set of standard employer paid cost factors, plus actuarial and demographic assumptions to measure all financially significant features of benefit and pension programs based on open and closed plans.

Total Compensation – Total cash compensation *plus* estimated annual value of the most recent long-term incentive grant (i.e., long-term cash, expected value of stock options or share awards) and pensions and benefits.

- Hydro One only provides long-term incentives to the Financial Director and Regulatory Director job.
- In 2017, Hydro One provided share grants, to the Power Worker jobs, in exchange for reduced base salary increases.