

EB-2017-0049

**Hydro One Networks Inc.
2018-2022 Distribution Rates Application**

AMPCO Compendium

Panel #2 – Finance & Compensation

MANAGEMENT'S DISCUSSION AND ANALYSIS

The OEB-approved adjustment formula for calculating ROE in a deemed regulatory capital structure of 60% debt and 40% equity provides for increases and decreases depending on changes in benchmark interest rates for Government of Canada debt and the A-rated utility corporate bond yield spread. The Company estimates that a decrease of 100 basis points in the combination of the forecasted long-term Government of Canada bond yield and the A-rated utility corporate bond yield spread used in determining its rate of return would reduce the Company's transmission business' 2018 net income by approximately \$23 million and its distribution business' 2018 net income by approximately \$15 million. The Company periodically utilizes interest rate swap agreements to mitigate elements of interest rate risk.

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. Derivative financial instruments result in exposure to credit risk, since there is a risk of counterparty default. Hydro One monitors and minimizes credit risk through various techniques, including dealing with highly rated counterparties, limiting total exposure levels with individual counterparties, entering into agreements which enable net settlement, and by monitoring the financial condition of counterparties. The Company does not trade in any energy derivatives. The Company is required to procure electricity on behalf of competitive retailers and certain local distribution companies for resale to their customers. The resulting concentrations of credit risk are mitigated through the use of various security arrangements, including letters of credit, which are incorporated into the Company's service agreements with these retailers in accordance with the OEB's Retail Settlement Code.

The failure to properly manage these risks could have a material adverse effect on the Company.

Risks Relating to Asset Condition and Capital Projects

The Company continually incurs sustainment and development capital expenditures and monitors the condition of its transmission assets to manage the risk of equipment failures and to determine the need for and timing of major refurbishments and replacements of its transmission and distribution infrastructure. However the lack of real time monitoring of distribution assets increases the risk of distribution equipment failure. The connection of large numbers of generation facilities to the distribution network has resulted in greater than expected usage of some of the Company's equipment. This increases maintenance requirements and may accelerate the aging of the Company's assets.

Execution of the Company's capital expenditure programs, particularly for development capital expenditures, is partially dependent on external factors, such as environmental approvals,

municipal permits, equipment outage schedules that accommodate the IESO, generators and transmission-connected customers, and supply chain availability for equipment suppliers and consulting services. There may also be a need for, among other things, *Environmental Assessment Act* (Ontario) approvals, approvals which require public meetings, appropriate engagement with First Nations and Métis communities, OEB approvals of expropriation or early access to property, and other activities. Obtaining approvals and carrying out these processes may also be impacted by opposition to the proposed site of the capital investments. Delays in obtaining required approvals or failure to complete capital projects on a timely basis could materially adversely affect transmission reliability or customers' service quality or increase maintenance costs which could have a material adverse effect on the Company. External factors are considered in the Company's planning process. If the Company is unable to carry out capital expenditure plans in a timely manner, equipment performance may degrade, which may reduce network capacity, result in customer interruptions, compromise the reliability of the Company's networks or increase the costs of operating and maintaining these assets. Any of these consequences could have a material adverse effect on the Company.

Increased competition for the development of large transmission projects and legislative changes relating to the selection of transmitters could impact the Company's ability to expand its existing transmission system, which may have an adverse effect on the Company. To the extent that other parties are selected to construct, own and operate new transmission assets, the Company's share of Ontario's transmission network would be reduced.

Health, Safety and Environmental Risk

The Company is subject to provincial health and safety legislation. Findings of a failure to comply with this legislation could result in penalties and reputational risk, which could negatively impact the Company.

The Company is subject to extensive Canadian federal, provincial and municipal environmental regulation. Failure to comply could subject the Company to fines or other penalties. In addition, the presence or release of hazardous or other harmful substances could lead to claims by third parties or governmental orders requiring the Company to take specific actions such as investigating, controlling and remediating the effects of these substances. Contamination of the Company's properties could limit its ability to sell or lease these assets in the future.

In addition, actual future environmental expenditures may vary materially from the estimates used in the calculation of the environmental liabilities on the Company's balance sheet. The Company does not have insurance coverage for these environmental expenditures.

Association of Major Power Consumers in Ontario Interrogatory # 47

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: - Staffing & Employee Compensation

Interrogatory:

- a) Please provide and describe the key Human Resource Metrics utilized by Hydro One.
- b) For each metric in part (a) please provide the historical performance for each metric and the targets over the test period.
- c) Page 3: Please confirm a Temporary employee means the same thing as a Non-Regular employee.
- d) Pages 2-5. Please complete the following table to show total compensations costs for each employee classification to align with the amounts on C1-2-1 Page 48 Appendix B:

Employee Classifications	Compensation Costs									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
3.1 Regular Employees										
3.2 Temporary Employees										
3.3 Casual Workers										
3.4 Contract Staff										

- e) Page 6 Figure 1: Please provide a chart that sets out the actual numerical values for the # retired and the # eligible to retire. Please provide the data for 2017. Please provide the # eligible to retire for each of the years 2018 to 2022.
- f) Please provide the budget compared to actuals for overtime for the years 2012 to 2017.
- g) Page 9 Table 1: Please provide an excel version of Table 1.
- h) Page 9: Please reproduce Table 1 for the years 2012 to 2016 and update for 2017. Please provide an excel version of the table.

Witness: MCDONELL Keith

- i) Page 10: Please provide the current organizational structure that reflects Hydro One's OM&A work programs and the number of FTEs in each unit.
- j) Page 10: Please provide the portion of Construction Services completed externally for each of the years 2012 to 2017. Please provide the forecast for each of the years 2018 to 2022.
- k) Page 11: Please discuss how the use of external resources impacts the annual cost of engineering work.
- l) Page 11: Please provide the forecast of the engineering work to be completed externally for each of the years 2019 to 2022.
- m) Page 12: Please provide a list of all of the OM&A work that is outsourced.
- n) Page 12: Please provide the % of Provincial Lines work that is outsourced for each of the years 2012 to 2017 and forecast for each of the years 2018 to 2022.
- o) Page 13: Please describe the new scheduling tool in 2017, indicate when it was implemented and provide the anticipated savings.
- p) Page 15: Please confirm the Employee Classification that apprentices fall under.
- q) Page 37 Table 9: Please provide the total compensation amounts above market median in each of the years 2018 to 2022.
- r) Page 21: Please list the pay elements attributable to Hydro One that were not included in Willis Tower Watson's market assessment and explain why they were not included.
- s) Please identify the pay elements not included in the most recent Willis Tower Watson's market assessment that were included in the previous study.
- t) Please discuss how each of the missing pay elements identified in part (r) could impact Hydro One's positioning with respect to market median for each employee group (Management, Society, PWU, Temps).
- u) Please provide a table that sets out the amounts Hydro One is above P50 (market median) for each of the years 2018 to 2022 for each of the pay elements in C1-2-1 Page 48 Appendix B.
- v) Page 33: Please provide the ratio of total distribution compensation to total compensation for each of the years 2014 to 2022.
- w) Page 34 Figure 4: Please provide a chart that sets out the actual numerical amounts in the table for Total Dx Comp, Total DX Spends and Ratio Compensation/Total DX Spend.
- x) Page 34 Figure 4: Please provide a breakdown of the work programs that make up the total work program spend.
- y) Page 48 Appendix B: Please update the table to reflect the December 21, 2017 evidence update and provide an excel version of the table.
- z) Page 48 Appendix B: Please provide a further breakdown of MCP other allowances for each of the years 2014 to 2016.

Witness: MCDONELL Keith

Response:

- a) In 2017, Hydro One created a number of new HR metrics that are reported upon on a monthly basis. Please see Attachment I for an overview of these metrics.
- b) Since these HR metrics were only established in 2017, there are no historical data to report.
- c) Confirmed.
- d) Please see table below.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Regular Employees	520,886,246	527,435,190	528,333,209	505,694,744	531,422,777	538,447,103	526,619,992	510,994,519	515,445,814
Temporary Employees	15,566,142	10,928,538	12,259,658	8,216,054	7,682,042	7,475,161	7,328,033	7,047,575	7,137,521
Casual Employees	92,234,698	86,933,782	98,411,759	92,837,686	98,673,687	96,608,455	97,327,325	98,206,648	99,425,885
Distribution Total 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

Beginning in 2016, Hydro One began reporting on contract staff in detail. As such, Hydro One can provide data for 2016 and 2017 only. In 2016, Hydro One spent \$18,983,948. In 2017, Hydro One spent \$ 20,761,938.

- e) Please refer to Exhibit I-40-SEC-76.
- f) Overtime hours are not planned as part of the budget. An assumption of overtime hours, based on historical experience, is used in the derivation of standard labour rates annually.
- g) Please see Attachment 2.

Witness: MCDONELL Keith

h)

Full Time Equivalents (FTE) – 2012-2017

		2012	2013	2014	2015	2016	2017
Regular	MCP	655	634	605	597	611	679
	Society	1342	1318	1291	1282	1267	1375
	PWU	3476	3396	3342	3356	3391	3480
	Total	5473	5348	5238	5235	5269	5534
Non-Regular	MCP	19	23	29	29	33	29
	Society	56	55	56	55	47	51
	PWU	259	321	328	212	230	165
	Total	334	399	413	296	310	245
Casual	PWU HH	1301	1330	1338	1188	1383	1374
	Casual Construction	1104	1116	1319	1358	1402	1428
Total FTE's		8212	8193	8308	8077	8364	8581

- i) The distribution organization's regular headcount is provided in Figure 1. Hydro One also uses the Power Workers' Union hiring hall (HH) to manage seasonal fluctuation in the work program which results in a yearly increase of approximately 550 FTEs for Forestry and 600 FTE's for Lines. Please see Exhibit I-3-SEC-5 for Hydro One's organizational chart.

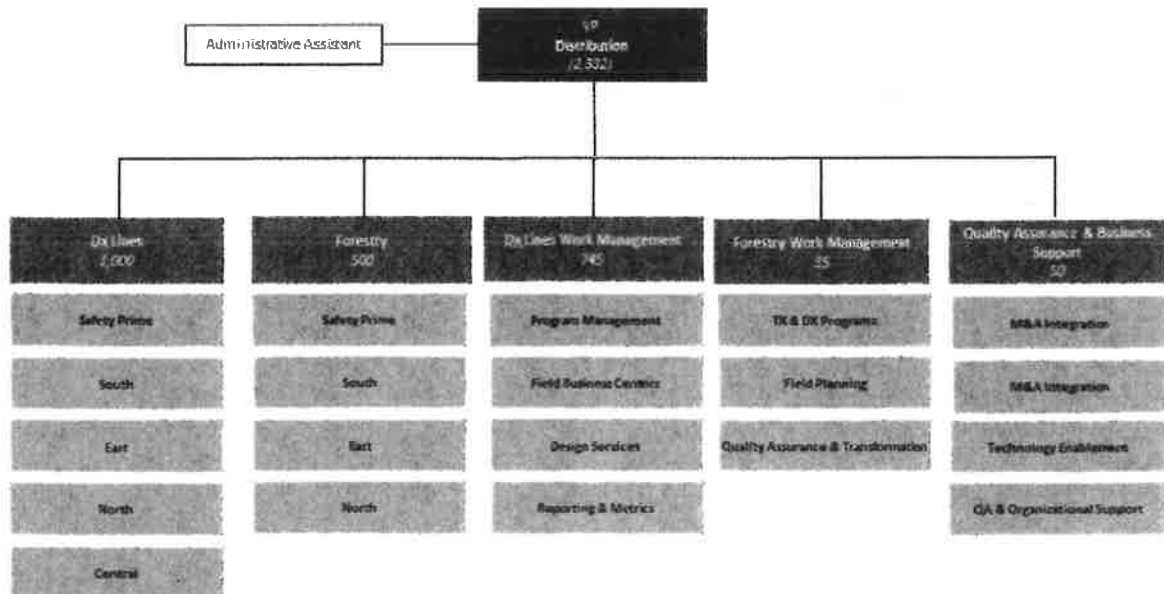


Figure 1

Witness: MCDONELL Keith

- j) The amounts Hydro One spent on externally completed distribution field work for the 2012-2017 period are set out below.

2012–2015	\$0.2 million for cable locates (of total \$20.9 million program)
2016	\$8.1 million for cable locates (of total \$11.1 million program)
2017	\$0.6 million for CDMA (of the total \$11.3 million program) \$8.5 million for cable locates (of total \$12.1 million program)

In addition to the above, Hydro One uses specialized service providers to complement its field forces (vac trucks, rock drilling, etc.) but does not currently contract out entire work packages/projects.

- k) External engineering only makes up a small amount of Hydro One's work program and has no impact on the annual cost of engineering work.
- l) Hydro One is currently reviewing all alternatives and investigating proven pre-engineered solutions eliminating the need for site specific engineered solutions.
- m) Hydro One currently only outsources the cable locates work as a dedicated externally delivered OM&A activity.
- n) See below for the amounts Provincial Lines has spent on outsourced work.

Actuals (2012-2017)

2012-2015 0%
2016 1%
2017 1.2%

Forecast (2018– 2022)

2018 1.4%
2019 1.3%
2020 1.3%
2021 1.3%
2022 1.2%

- o) In 2017, Hydro One implemented mobile tablets (as part of the Move to Mobile project) and an associated work management technology to enhance its field execution through

Witness: MCDONELL Keith

optimization of resources and daily scheduled activities. Detailed productivity savings forecasts are provided in section 1.5 of the DSP (Exhibit B1, Tab 1, Schedule)

p) Apprentices can be either PWU Hiring Hall or Casual employees.

q) Please see Exhibit I-40-AMPCO-48 and Exhibit I-40-SEC-84 for the 2018 figure. Compensation costs above P50 for the period 2019–2022 have not be calculated, as OM&A costs are escalated by the IRM as described in Exhibit A, Tab 3, Schedule 2.

r) The Willis Tower Watson market assessment evidence on page 21 reported on both total cash and total rewards.

s) It is not clear what is meant by “the previous study”.

t) In preparation for Hydro One’s next transmission application, Mercer is finalizing another compensation which includes the missing compensation elements. Hydro One expects to share the results in this proceeding, once they are available.

u) Hydro One’s total compensation relative to P50 based on the Mercer Study does not provide this level of detail.

v) The ratios of Hydro One Distribution compensation costs to Hydro One’s total compensation costs are based on Attachment 6 to Exhibit C1, Tab 2, Schedule 1 (see page 7).

	2014	2015	2016	2017	2018	2019	2020	2021	2022
DX Comp. as % of Total Comp.	69.3%	70.1%	72.6%	65.8%	67.0%	68.3%	69.9%	73.0%	73.0%

w) Please see the table below.

\$M	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total DX COMP	628	625	639	606	637	642	631	616	622
Total DX Spend	1,322	1,251	1,287	1,214	1,225	1,352	1,322	1,362	1,453
% of Comp	0.48	0.50	0.50	0.50	0.52	0.47	0.48	0.45	0.43

x) Please see section 3.7 of the DSP (Exhibit B1, Tab 1, Schedule 1) for capital program breakdown by material investments. Please see Exhibit C1, Tab 1, Schedule 1 for a summary of all OM&A expenditures. Further details are provided in the rest of the Schedules to Exhibit C1, Tab 1.

Witness: MCDONELL Keith

y) Please see the table below. The MS Excel file is provided as Attachment 3.

Labour Component Distribution

MCP	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	38,364,187	40,563,964	44,021,905	46,690,212	48,341,436	48,845,764	48,152,984	47,139,844	48,097,307
Burdens	25,773,061	27,562,357	23,117,573	24,741,693	25,344,886	25,623,992	25,215,516	24,631,802	25,208,277
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	6,216,270	6,318,168	6,246,880	6,124,391	6,248,879
LTI			926,143	3,893,438	3,824,760	3,625,313	3,464,256	3,300,842	3,441,212
ESOP			799,197	902,159	911,181	920,293	929,496	938,791	948,178
Distribution Total	72,872,080	76,190,658	79,459,097	86,251,056	88,918,456	89,682,499	88,309,797	86,353,335	88,245,872

Society	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	44,746,925	44,701,772	43,297,222	41,544,207	41,877,200
Share Grants					1,489,275	1,474,306	1,410,069	1,300,342	1,228,666
Distribution Total	130,567,516	133,419,417	127,851,592	127,290,550	134,679,492	134,490,692	130,490,765	125,447,705	126,122,038

PWU	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	93,251,408	95,300,758	92,900,926	89,777,429	90,749,054
Share Grants				3,991,098	4,050,829	4,010,113	3,835,388	3,536,931	3,341,972
Distribution Total	317,446,650	317,825,115	321,022,520	292,153,138	300,877,761	307,371,768	300,718,357	291,881,218	294,201,853

Temps	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
MCP	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	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	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
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

Distribution Total Compensation	628,687,087	625,297,510	639,004,626	606,748,484	630,831,439	635,628,575	624,174,277	608,936,482	615,133,169
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	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimated Labour in Capital Exp	435,963,276	438,102,009	463,676,410	399,194,419	425,294,822	436,987,864	439,439,816	447,778,837	452,114,859
Estimated Labour in OM&A	192,723,811	187,195,501	175,328,216	207,554,065	208,736,617	201,840,710	187,934,461	164,357,645	166,218,310
Distribution Total Compensation	628,687,087	625,297,510	639,004,626	606,748,484	630,831,439	635,628,575	624,174,277	608,936,482	615,133,169

Pension / OPEB	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	77,000,000	77,000,000	50,000,000	49,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000
OPEB	59,555,218	52,414,405	43,540,991	51,596,670	46,597,810	46,642,733	46,443,804	46,232,616	46,668,827

z) For MCP employees, "Other Allowances typically includes vacation payout upon termination, unused vacation, retirement bonus, MCP general benefit payout, bonus for job contribution and relocation benefits. Due to system limitations, Hydro One is unable to provide the requested data for 2014-2016.

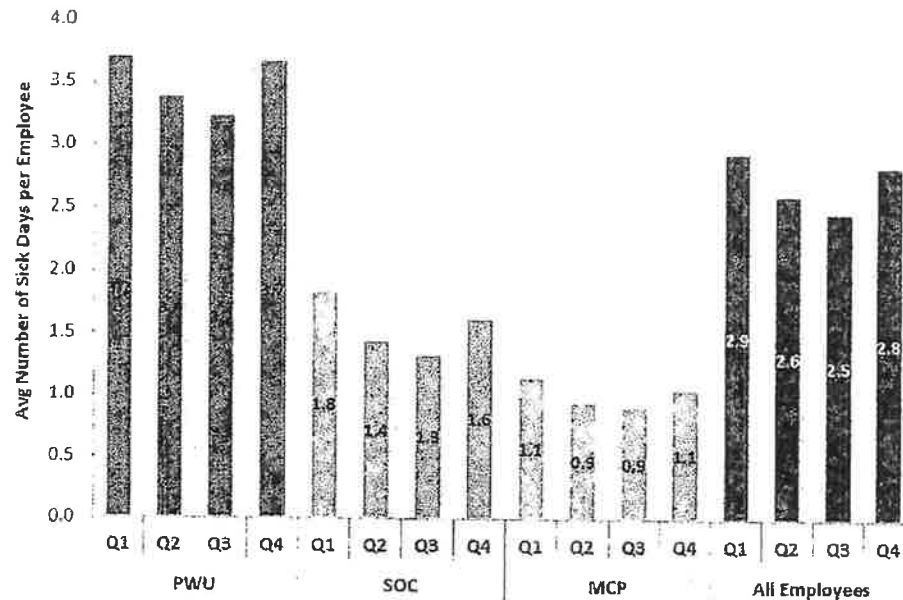
Witness: MCDONELL Keith

4 HR (1 of 3):

d Attendance Management & Grievance Activity

Filed: 2018-02-12
EB-2017-0049
Exhibit I-40-AMPCO-47
Attachment 1
Page 1 of 4

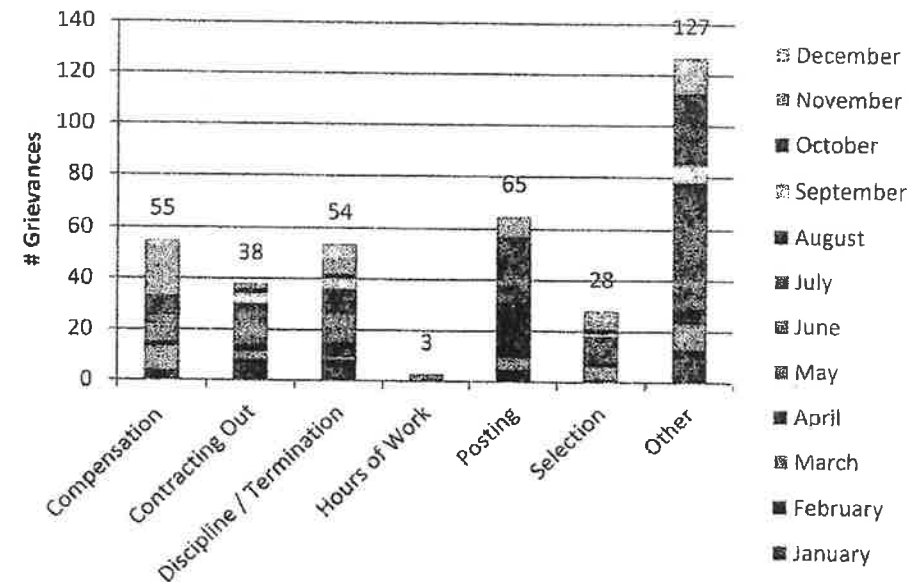
ATTENDANCE MANAGEMENT



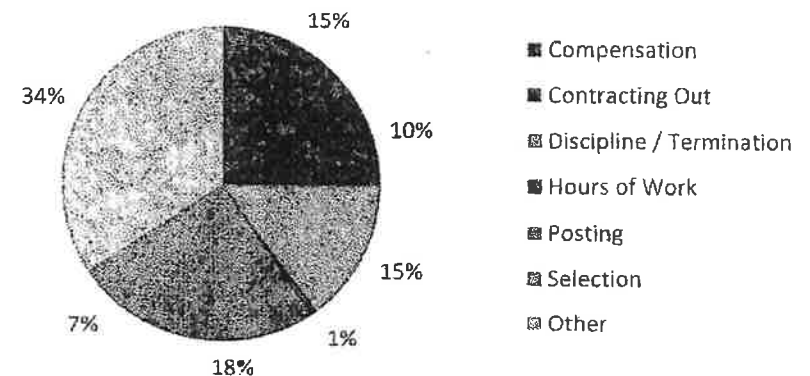
- Average number of sick days per employees increased for all representations, raising the total average number of sick days per employee by 0.3 in the last quarter of 2017.
- PWU represented employees have the highest number of sick days per employee, averaging 2.2 more sick days taken vs. SOC and MCP employees for all quarters.
- In terms of sick leave utilization for all employees in Q4:
 - PWU – 78% utilized sick leave (+6% vs. Q3), with 39% reaching excessive sick leave
 - SOC – 50% utilized sick leave (+6% vs. Q3), with 23% reaching excessive sick leave
 - MCP – 24% utilized sick leave (+1% vs. Q3), with 8% reaching excessive sick leave

GRIEVANCES

Total Grievances Filed by Subject

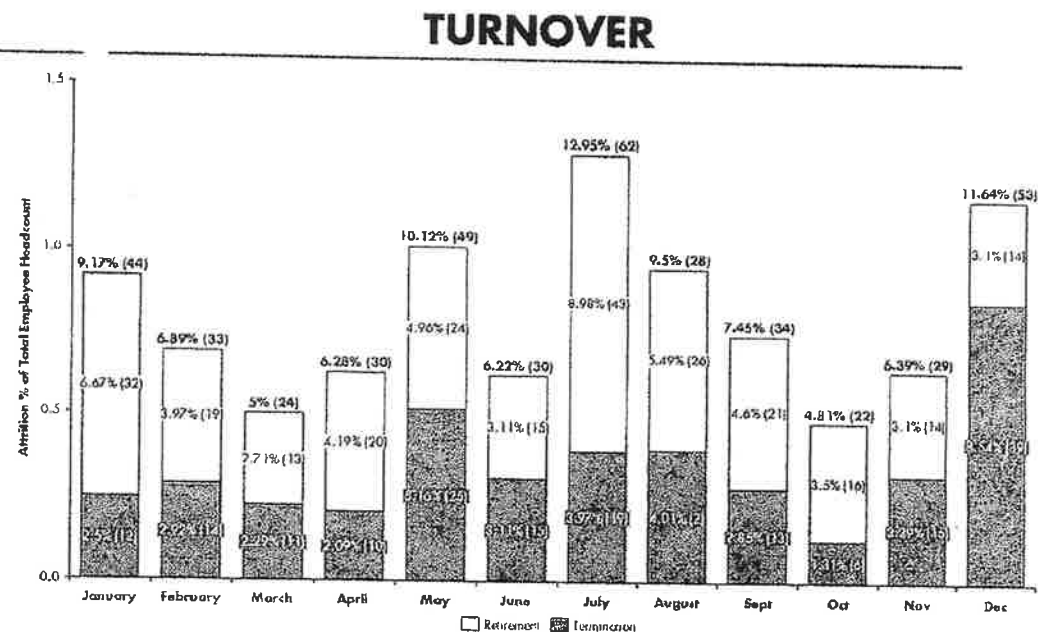
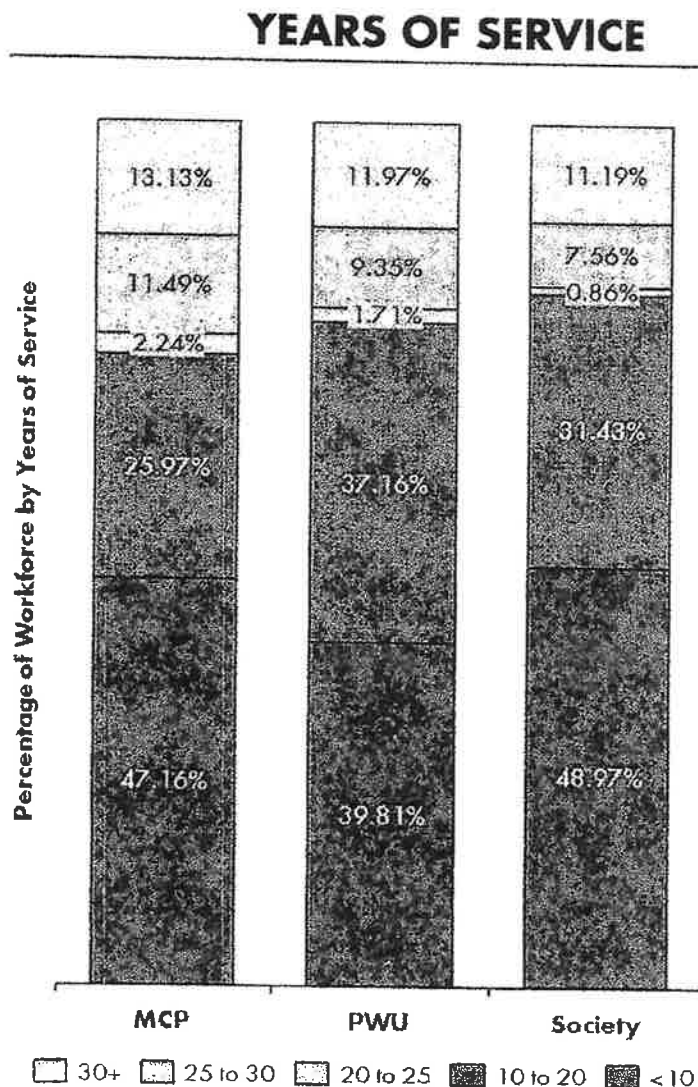


Total Grievances Filed by Subject



4 HR (2 of 3):

d Workforce



• Data is transactional, any backdated terminations/retirements not reported in the previous month is included in the following month's report
 • Turnover calculated by number of retirements and terminations in the calendar month
 • Percentages represent an annualized turnover rate, against total Regular and Temp headcount at the end of each month

The total annualized turnover rate increased in November by 5.25 percentage points to 11.6%, due to the uptick in Terminations.

For regular employees, retirements were the single biggest reason for attrition - 70% of employees left due to retirements vs. voluntary and involuntary terminations. For temporary staff, 88% employees left to return to school and the rest were terminated due to the end of assignment.

- Of the 14 retirements, 57% (8) were PWU-represented employees, 7% (1) Society-represented and 36% (5) were Management employees.
- Of the 39 terminations, 2 were voluntary (1 Management and 1 PWU-represented employee), 3 were involuntary (Management-represented), 1 Death (PWU-represented) and the rest 33 were temporary employees returning back to school.

Note:

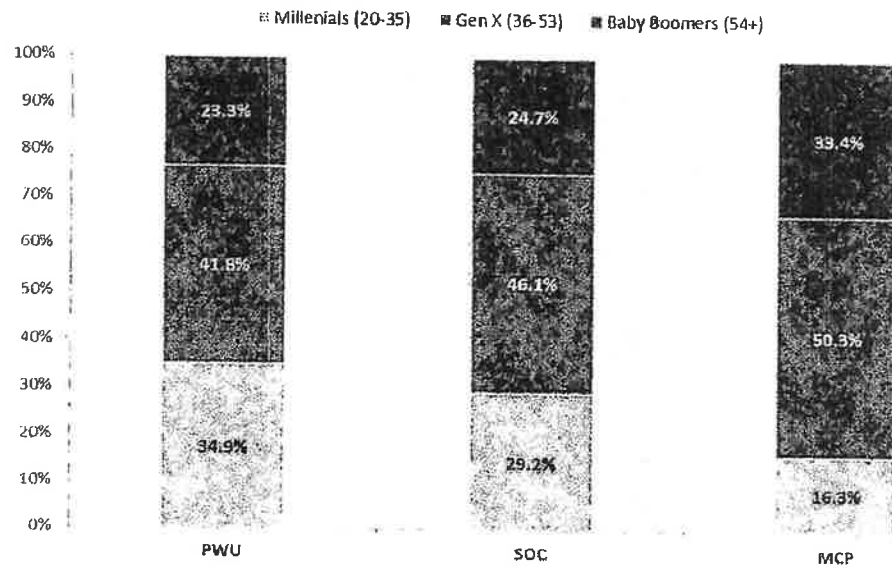
- Retirements include employees who opted for a retirement eligible termination (commuted value or partial payout). Terminations include death, involuntary and voluntary separation.
- Attrition data is transactional, any backdated terminations and retirements not reported in the previous month end is updated in the following month end report.

4 HR (3 of 3):

d Workforce

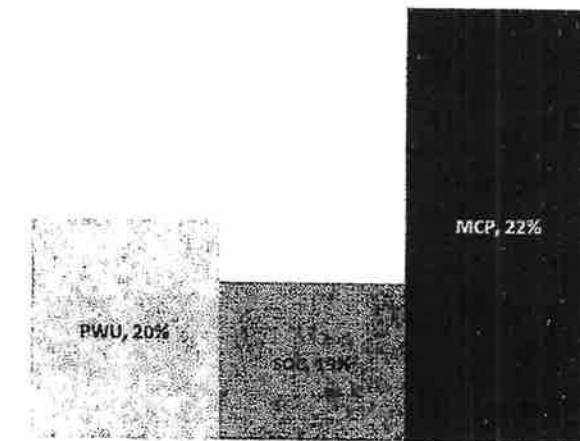
AGE BREAKDOWN

Age Breakdown of Regular Employees



RETIREMENT ELIGIBILITY

Percent of Employees Eligible to Retire in 2018



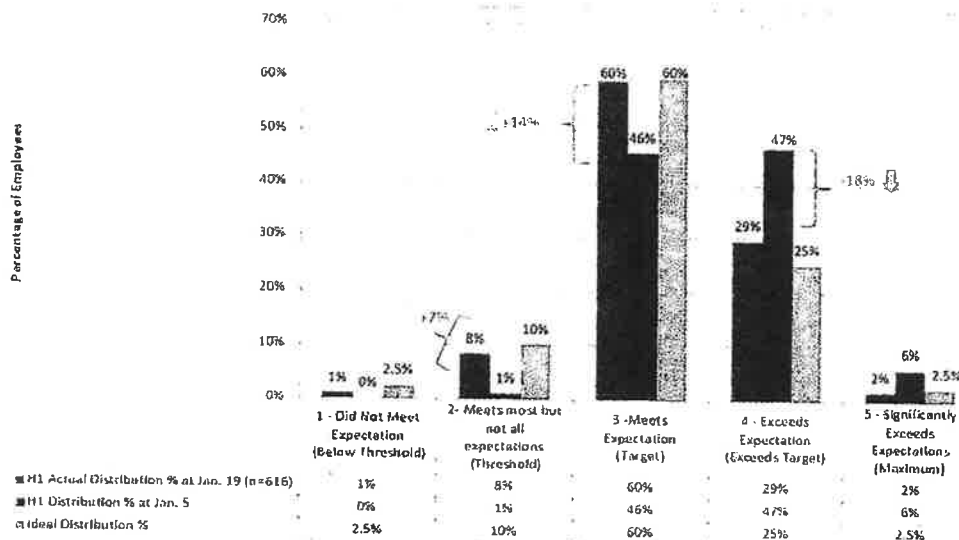
Note: includes employees who were eligible to retire in 2017 but did not

- The largest majority of employees in all representations fall into the Generation X age category, which includes individuals between 36 and 53 years of age.
- Management and non-represented represented employees have the largest proportion of Baby Boomers (54 years of age and older). This is further reflected in the retirement eligibility statistics of Management employees - 19% of all Management employees were eligible to retire in 2017 but did not, and in addition to the 3% of employees who will become eligible to retire in 2018, the total number of employees who represent flight risk due to retirements in 2018 is 22%.
- PWU represented employees have the most "balanced" age distribution, with Millennial age group (20-35 years of age) representing 35% of staff, and Generation X representing 42% of staff. This reduces the risk of knowledge loss due to retirements, although 20% of the PWU represented Baby Boomers could retire this year.

4 HR (1 of 1):

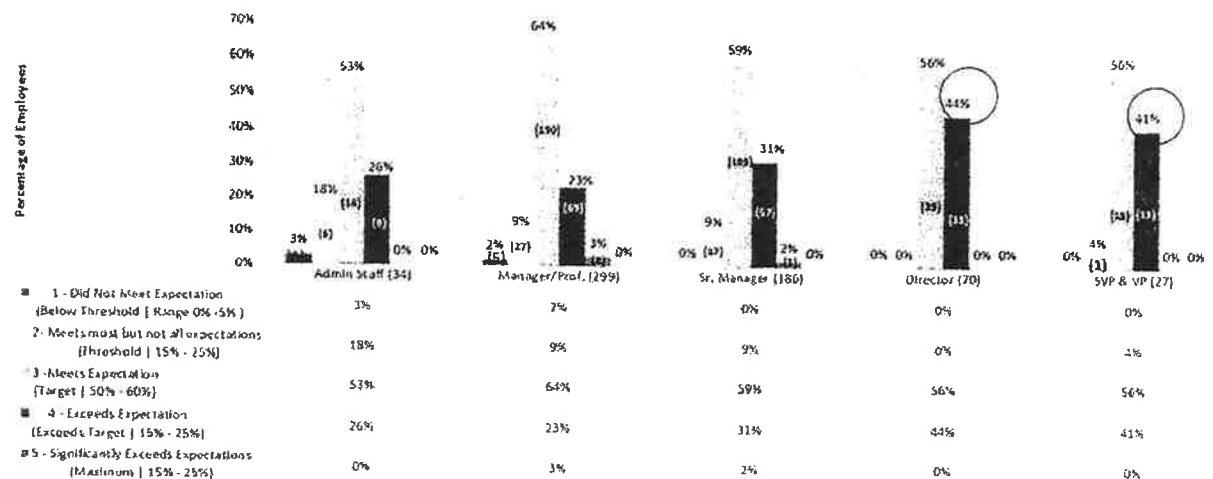
d Performance Assessments & Individual components of STIP

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%



APPENDIX B:

Hydro One Distribution-Allocated Compensation Costs (2014-2022)

MCP	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	6,118,168	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
Dx 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

Society	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
Dx 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

PWU	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
Dx Total	317,446,650	317,825,115	321,022,520	292,153,138	303,012,142	309,497,259	302,958,514	294,242,963	296,310,548

Temps	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
MCP	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	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	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
Dx 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

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Dx Compensation	628,687,087	625,297,510	639,004,626	606,748,484	637,778,506	642,330,718	631,275,350	616,248,742	622,009,219

Note: Other allowances include items such as meal, boot, standby and shift allowances, vacation payout and MCP general benefits payout. Burdens include government obligations, pension, benefits and OPEB.

Witness: Keith McDonell

School Energy Coalition Interrogatory # 79

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:

C-01-02-0 Attachment 8, Page: 3

With respect to Hydro One's employee vacancy rate:

Interrogatory:

- a) Please provide Hydro One's actual vacancy rate for each year between 2014 and 2017.
- b) Please provide the forecast vacancy rate for 2018, and the basis for the forecast.
- c) Please confirm that Hydro One has built into its budget for 2018 its forecast vacancy rate for 2018.
- d) If (c) is confirmed, please explain how Hydro One has translated the forecast vacancy rate into a budgeted number.
- e) If (c) is not, please explain why not.

Response:

- a) In 2017, Hydro One introduced a new HR metric – vacancy rate – to track how many days it took to post and fill a position. As such, Hydro One does not have vacancy rate data for 2014-2016. In 2017, the vacancy rate is approximately 77 days.
- b) The vacancy rate metric is still relatively new to Hydro One. Hydro One's recruiting department has set a target of reducing the vacancy rate to 52 days. While some of the time to fill a position is governed by collective agreement obligations, the recruiting team has made changes to the recruiting process to reduce the vacancy rate. Specifically, client-based model has been adopted where a recruiter is accountable to a set of internal clients. This will enable a better line of sight to any delays with the hiring requisition.

Witness: MCDONELL Keith

Full Time Equivalents (FTE) 2012-2022

C1-2-1 Page 9 & AMPCO 47 (h)

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Regular	MCP	655	634	605	597	611	679	675	671	669	668	668
	Society	1342	1318	1291	1282	1267	1375	1380	1376	1370	1763	1363
	PWU	3476	3396	3342	3356	3391	3480	3444	3423	3413	3403	3395
	Total	5473	5348	5238	5235	5269	5534	5499	5470	5452	5434	5426
Non-Regular	MCP	19	23	29	29	33	29	28	28	28	27	27
	Society	56	55	56	55	47	51	46	41	41	41	41
	PWU	259	321	328	212	230	165	140	138	138	137	137
	Total	334	399	413	296	310	245	214	207	207	205	205
Casual	PWU HH	1301	1330	1338	1188	1383	1374	1465	1400	1401	1407	1408
	Casual Cor	1104	1116	1319	1358	1402	1428	1428	1428	1428	1428	1428
	Total	2405	2446	2657	2546	2785	2802	2893	2828	2829	2835	2836
Total FTE's		8212	8193	8308	8077	8364	8581	8606	8505	8488	8474	8467
			-19	115	-231	287	217	25	-101	-17	-14	-7

Association of Major Power Consumers in Ontario Interrogatory # 48

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: 38

Preamble: Hydro One indicates that it expects its positioning to market median to improve in each of 2017 and 2018 as a result of collective agreement negotiations.

Interrogatory:

- a) Please provide the expected results in 2017 and 2018 as per the employee groups provided in Table 9 on Page 37 (C1-2-1).
- b) Please provide the impact in OM&A costs in bringing compensation to market median in each year.

Response:

- a) This reference to Hydro One's expectation that the results will improve is based on the assumption that the PWU and Society's lower than norm base wage adjustments will continue to improve Hydro One's position to market median. Hydro One expects the next Mercer total compensation study will validate this expectation.
- b) Based on the December 2016 Mercer study results, the amounts for 2017 and 2018 for the difference between the weighted average total compensation for employees allocated to Hydro One's distribution business is \$18.5 million and \$17.5 million respectively. Taking into consideration the reduction in Hydro One's compensation costs since the December 2016 Mercer study, the impact to 2018 OM&A costs would be a reduction of \$5.3 million. Please refer to Exhibit I-40-SEC-84 for more details.

School Energy Coalition Interrogatory # 76

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: 6

With respect to retirement eligibility and retirements, please:

Interrogatory:

- a) Provide Figure 1 information in a table format.
- b) Explain the significant difference between the number of employees eligible to retire in each year between 2014 and 2016, and the forecast number of employees eligible to retire in EB-2013-0416 for the same 2014-2016 period (EB-2013-0416, C1-3-1, p.2, Table 2).
- c) Provide a similar table as requested in part (a), forecasting retirement eligibility and retirements for 2017 to 2022.

Response:

- a) Please see Table 1.

Table 1 - Retirement Eligibility and Retirements 2011-2017

Year	Number Retired	Eligible To Retire
2011	165	1009
2012	176	970
2013	234	861
2014	176	867
2015	167	927
2016	210	959
2017	270	1195

Witness: MCDONELL Keith

b) The difference between the two tables is due to timing. The retirement eligibility data is extracted at a point in time. For the EB-2013-0416 evidence ("Old Evidence"), the data would have been extracted in 2013. Since then, some employees eligible to retire would have retired. When the data was extracted in 2017 for those eligible to retire in 2014, the employees who retired would no longer be in the data set. Similarly, the forecast in the Old Evidence for the 2014-16 period is a forecast, not actuals. In evidence submitted in Hydro One's last transmission application (EB 2017-0049), actual retirements would be shown for the 2014-16 period.

c) Please see Table 2.

Table 2 - Retirement Eligibility and Forecasted Retirements 2018-2022

Year	Eligible to Retire	Forecasted Retirements
2018	1043	443
2019	726	222
2020	595	217
2021	449	227
2022	322	146

Witness: MCDONELL Keith

UNDERTAKING – JT 2.4

Undertaking

To provide the total non-overtime hours of work, plus hours of overtime, on a best efforts basis, with a business plan forecast for overtime for the test period; and to provide total billable hours excluding overtime.

Response

As stated in Exhibit I Tab 40 AMPCO 47 (f), Hydro One does not budget for overtime as part of its business planning process. On a best efforts basis, Hydro One has forecasted overtime and non-overtime hours for the test period in Table 1. It should be noted that overtime forecasts are difficult to make since the majority of overtime hours within field operations is due to storm activity and the resulting restoration efforts.

Table 1

Year	Regular Hours	Overtime Hours Worked at Straight Time	Overtime Hours Worked at 1.5	Overtime Hours Worked at 2.0	Total Overtime Hours Worked
2012	13,503,501	7,908	220,370	767,249	995,526
2013	13,533,619	20,826	240,919	978,466	1,240,212
2014	13,746,075	9,188	236,621	858,416	1,104,225
2015	13,370,407	6,855	212,701	817,101	1,036,657
2016	13,812,981	11,763	160,705	830,654	1,003,122
2017	13,271,988	11,998	153,430	837,086	1,002,514
2018	14,199,900	10,253	183,216	761,286	954,755
2019	14,033,250	10,198	182,225	757,168	949,590
2020	14,005,200	10,171	181,748	755,186	947,104
2021	13,982,100	10,148	181,338	753,483	944,969
2022	13,970,550	10,126	180,942	751,835	942,903

Witness: MCDONELL Keith

The Society of Energy Professionals Interrogatory # 8

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:

Q-01-01-01

At assorted points in the exhibit, it is stated that Hydro One has received an updated valuation for its other post-employment benefits ("OPEB") plan which has resulted in lower OM&A and capital expenditures.

Interrogatory:

- a) Please file the updated OPEB valuation.
- b) Please update the filed OPEB evidence found in Exhibit C1-2-2 pp4-5 section 5.1, including Table 2 "OPEB Costs Included in Rates (\$ Millions)", to reflect this updated OPEB valuation.
- c) Please update Exhibit C1-2-1, Appendix B "Hydro One Distribution-Allocated Compensation Costs (2014-2022)" to reflect the impact of the updated OPEB valuation.

Response:

- a) Please see Exhibit I-40-Staff-215, Attachment 1.
- b) Please see updated table below:

Witness: CHHELAVDA Samir and, McDONELL Keith

OPEBs \$M	First Year of recovery to 2012	2013	2014	2015	2016	2017	2018	Total
Amounts included in Rates								
OM&A	395	32	33	28	26	23	26	563
Capital	268	22	23	34	30	26	25	428
Total	662	54	56	62	56	49	51	990
Paid benefit amounts	283	24	26	27	24	30	26	440
Net excess amount included in rates relative to amounts actually paid.	379	30	30	35	32	19	25	550

c) Please see attached calculation for the updated Appendix B.

Witness: CHHELAVDA Samir, McDONELL Keith

UPDATED OPEB VALUATION
Q-01-01-01

Filed: 2018-02-12
EB-2017-0049
Exhibit I-40-SEP-8
Attachment 1
Page 1 of 1

Labour Component Distribution

MCP	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	25,711,552	25,990,659	25,582,182	24,998,469	25,574,944
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 Total	72,872,080	76,190,658	79,459,097	86,251,056	92,118,456	92,882,499	91,509,797	89,553,335	91,445,872

Society	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	44,746,925	44,701,772	43,297,222	41,544,207	41,877,200
Share Grants					1,489,275	1,474,306	1,410,069	1,300,342	1,228,666
Distribution Total	130,567,516	133,419,417	127,851,592	127,290,550	134,679,492	134,490,692	130,490,765	125,447,705	126,122,038

PWU	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	93,251,408	95,300,758	92,900,926	89,777,429	90,749,054
Share Grants				3,991,098	4,050,829	4,010,113	3,835,388	3,536,931	3,341,972
Distribution Total	317,446,650	317,825,115	321,022,520	292,153,138	300,877,761	307,371,768	300,718,357	291,881,218	294,201,853

Temps	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
MCP	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	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	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
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

Distribution Total Compensation	628,687,087	625,297,510	639,004,626	606,748,484	634,031,439	638,828,575	627,374,277	612,136,482	618,333,169
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UNDERTAKING – JT 2.6

Undertaking

To advise if there were some other allowances within the Society and PWU; if not, to update that table, and if it is in "burdens", to break it out.

Response

"Other Allowances" have been included in the base pay amount for PWU and Society represented employees.

Witness: MCDONELL Keith



INTERNAL AUDIT REPORT

Asset Deployment Follow-up (ADF)

To:

Greg Kiraly, Chief Operating Officer


Distribution:

Mayo Schmidt	President & Chief Executive Officer
Greg Kiraly	Chief Operating Officer
Michael Vels	Chief Financial Officer
Brad Bowness	Vice President, Construction Services
Mike Penstone	Vice President, Planning
Gary Schneider	Vice President, Shared Services
Andy Stenning	Vice President, Stations & Operating
Andrew Spencer	Director, Engineering Services
Additional Recipients	Email Distribution List

Final Report Issued: March 2, 2017
Draft Report Issued: November 18, 2016
Report Number: 2016-17

Lead Auditor: Atul A. Solanki
Audit Manager: Jeff Schaller

(R) #	Results of Assessment	Risk ¹	Recommendations	Action Plan	Accountability	Completion Date
	Risk: <i>Inaccurate cost and schedule estimate increases the risk of high variances and inefficient resource utilization (e.g. unplanned overtime).</i>					
Audit Recommendation 5 - Ensure consistent communication among LOB stakeholders throughout the project delivery						
5.0	<p>A series of 10 key project meetings have been identified to facilitate LOB communication throughout project delivery; 9 meetings are for project planning and the 10th meeting is for project closeout. It is further expected that the Project Manager will keep all LOB stakeholders informed using periodic meetings throughout project execution. Detailed Terms of Reference have been developed for these key project meeting identifying Purpose, Scope, Chairperson, Required Attendees, Required Inputs and Expected Outcomes/output. LOB Management informed us that LOB communication has substantially improved, however further improvement are needed related to timely scheduling of key meetings to ensure LOB participation as well as appropriate documentation and timely follow-through on discussed issues and action items.</p> <p>IA Assessment of Current Status: Substantially Complete</p> <p>IA Assessment of Control Design: Substantially Effective</p>	L	Monitor and improve rigor to document and follow-through on issues and action items discussed at project meetings.	We will reinforce the requirement to ensure that all key project meetings have minutes documented, all action items identified during these meetings get tracked to resolution and that any changes to the decisions made during these meetings get communicated to the affected stakeholders in a timely fashion.	Kathleen McCorriston, Director, Work Program Management, Construction Services	May 31, 2017

(R) #	Results of Assessment	Risk ¹	Recommendations	Action Plan	Accountability	Completion Date
	Risk: <i>Lack of effective communication among LOB stakeholders could result in missed expectation, delayed responses and unnecessary escalations.</i>					
Audit Recommendation 6 - Coordinate schedule changes to minimize compression of execution timelines						
6.0	<p>A project specific risk register detailing risk to in-service date, costs and resources is now being developed and managed for all projects greater than \$20M. An enhanced Variance Change Notice (VCN) process is in place to review and approve any planned in-service date change. A process to review, stakeholder, approve and communicate changes to project milestones agreed at project kick-off meeting remains unclear. Stations & Operating Management have informed us that upstream delays continue to cause In-service date pressure where Project Managers are requesting overtime work to meet the planned in-service dates. Schedule Enhancement using Primavera P6 tool has been underway in Construction Services but a clear strategy is needed to align different schedules across Operating LOBs so that full impact of schedule changes can be analyzed and managed.</p> <p>IA Assessment of Current Status: Substantially Complete</p>		<p>Monitor and approve changes in milestone dates only with consultation and concurrence of LOBs accountable for downstream work to ensure resource availability and timely completion.</p>	<p>We will reinforce a requirement for downstream LoB consultation for milestone date changes.</p> <p>Note: In the long term, Primavera P6 tool will be used to track and communicate milestone date changes.</p>	<p>Kathleen McCorriston, Director, Work Program Management, Construction Services</p>	<p>March 31, 2017</p>

1 deploy resources and equipment are accurately and cost effectively distributed to the
 2 benefiting work.

3
 4 On an annual basis, the standard labour rates are derived based on information gathered
 5 through the annual budgeting process. Resource budgets for each major resource
 6 category are calculated and categorized into three basic cost components: forecast
 7 billable (direct charged) hours, forecast non-billable hours and forecast non-billable
 8 expenses. Total payroll and expense costs along with an assignment of support activity
 9 costs, divided by the forecast billable hours, create the standard labour rate. Table 1,
 10 below, shows an example of the composition of a standard labour rate for one category,
 11 the Regional Line Maintainer – Regular Staff,, over the period 2010 to 2019.

12
 13 **Table 1**
 14 **Standard Hourly Labour Rate Composition**
 15 **Regional Line Maintainer – Regular Staff**

	Historic				Bridge	Test				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Payroll Obligations	69.09	70.60	74.42	75.76	76.85	77.50	78.15	78.80	79.45	80.10
Contractual time away from work	9.76	9.61	9.81	10.00	10.20	10.29	10.38	10.46	10.55	10.63
Time not directly benefiting a specific Program or Project	6.47	5.84	5.95	6.07	6.19	6.25	6.30	6.35	6.40	6.46
Field Supervision and Technical Support	10.17	8.41	9.94	10.98	10.27	10.36	10.44	10.53	10.62	10.71
Support Activities	14.51	15.53	14.88	15.18	14.49	14.61	14.74	14.86	14.98	15.10
Hourly Rate	110.00	110.00	115.00	118.00	118.00	119.00	120.00	121.00	122.00	123.00

16
 17 The cost elements embedded in the standard rate as illustrated in Table 1 are explained in
 18 the pages following, using the position of Regional Line Maintainer – Regular Staff and
 19 the 2014 cost composition, as an example.

Table 1: Standard Hourly Labour Rate Composition
Regional Maintainer Electrical (Stations) – Regular Staff

	Historic			Bridge	Test				
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Payroll Obligations	79.04	79.63	78.61	79.23	79.86	80.46	81.07	81.69	82.30
Contractual time away from work	9.42	9.49	9.03	9.09	9.16	9.23	9.30	9.37	9.44
Time not directly benefiting a specific Program or Project	8.59	8.66	7.57	7.63	7.69	7.75	7.81	7.87	7.93
Field Supervision and Technical Support	17.88	18.01	15.39	15.51	15.63	15.75	15.87	15.99	16.11
Support Activities	18.07	18.21	17.40	17.54	17.66	17.81	17.95	18.08	18.22
Hourly Rate	133.00	134.00	128.00*	129.00	130.00	131.00	132.00	133.00	134.00

*Decrease attributable to reduction in operating costs resulting from an updated pension valuation report.

The cost elements embedded in the standard labour rate as illustrated in Table 1 are explained in this Exhibit, using the position of Regional Maintainer Electrical – Regular Staff and its 2017 cost composition, as an example.

1.1 PAYROLL OBLIGATIONS (\$79.23)

A brief description of the cost elements included in this position category is provided below. Hydro One's compensation, wages and benefits costs are more fully explained in Exhibit C1, Tab 2, Schedule 1.

(a) Base Labour and Payroll Allowances (60.6% of Payroll Obligations)

Base pay is contractually negotiated and reflected in wage schedules. Payroll allowances are also contractually negotiated and stated in collective agreements. Regular staff (e.g.,

Witness: Joel Jodoin

