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**Frank D'Andrea**

Vice President, Regulatory Affairs & Chief Risk Officer

BY COURIER

November 21, 2018

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. 2018-2022 Distribution Custom IR Application -  
Section 78(5.0.2) of the *Ontario Energy Board Act* - Supplemental Interrogatory Responses**

Pursuant to the Ontario Energy Board's (OEB) Procedural Order No. 10 in EB-2017-0049 issued October 12, 2018 pertaining to section 78(5.0.2) of the *Ontario Energy Board Act*, please find enclosed Hydro One's supplemental responses to interrogatories received November 9, 2018.

This filing has been submitted electronically using the OEB's Regulatory Electronic Submission System and two (2) hard copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Cc: EB-2017-0049 Intervenors

**OEB Staff Interrogatory #S1**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p. 1 Footnote 1 and Exh A/T3/Sch 1/Attach 5, p. 2 (updated May 3, 2017)

**Interrogatory:**

At the first reference above, it is stated that: "Hydro One's corporate organization chart is provided in Attachment 5 to Exhibit A, Tab 3, Schedule 1."

The second reference above is the Attachment 5 referred to in the first reference where it is stated that:

Hydro One's internal organization is led by its President and Chief Executive Officer whose direct reports include: the Chief Financial Officer; the Chief Operating Officer; the Executive Vice-President and Chief Legal Officer; the Executive Vice-President of Customer and Corporate Affairs; the Executive Vice-President and Chief Human Resources Officer; Executive Vice-President of Strategy and Corporate Development; and the Vice-President of the Office of the President & CEO.

Please discuss how the internal organization described above relates to that shown in Attachment 1 of the Supplemental Evidence and provide an explanation of any differences.

**Response:**

The Executive Leadership Team (ELT) as described in the first seven lines of Attachment 1 to the Supplemental Evidence (Attachment 1) is the same as the list of roles noted in Attachment 5 to Exhibit A, Tab 3, Schedule (Attachment 5) excerpted above, with the following exceptions:

- The role of "SVP, People & Culture, Health & Safety" included in Attachment 1 was reviewed and changed in November 2016 to "EVP and Chief Human Resources Officer" as included in Attachment 5;

- 1       • The role of “EVP and Chief Corporate Development Officer” included in Attachment 1  
2       and the role of “EVP of Strategy and Corporate Development” included in Attachment 5  
3       are the same role, worded differently; and
- 4       • In Attachment 5, the position listed as “VP, Office of the President and CEO” reports to  
5       President and CEO as indicated but is not a member of the Executive Leadership Team.  
6       This role supports the President and CEO as Chief of Staff and also leads the Enterprise  
7       Program Management Office.

**OEB Staff Interrogatory #S2**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p. 3

**Interrogatory:**

At the above reference, it is stated that:

While the OEB is bound by the wording of Section 78 (5.0.2), Hydro One believes it is reasonable to expand exclusion of compensation to include all members of the Hydro One Executive Leadership Team (ELT), who are responsible for providing the high-level oversight and strategic direction of Hydro One.

The members of the ELT are then listed in Attachment 1.

- a) Please state whether any members of the ELT were excluded from the list included as Attachment 1 under Hydro One's stated approach and, if so, why?
- b) Please state the significance, if any, of the line in Attachment 1 after the first seven positions, i.e. between the SVP, People & Culture, Health & Safety and the Ombudsman.
  - i. Please include a discussion as to whether or not any of the positions below this line in respect of which costs were allocated to Hydro One have any responsibility for providing the high level oversight and strategic direction of Hydro One. For any of those positions that have such responsibility, please provide the proportion of time and/or costs allocated to high level oversight and strategic direction of Hydro One.
  - ii. Please clarify whether any costs for the positions below the line are still included in Hydro One Distribution's revenue requirement.
  - iii. If any such costs are included, please state for which positions this is the case, the amounts and the proportion of time and/or costs for those positions allocated to Hydro One Distribution's revenue requirement, and the basis for their inclusion.

Witness:

1 c) Please clarify the meaning of the asterisked note at the bottom of Attachment 1, which states  
2 “Denotes positions for which costs were not allocated to Hydro One Distribution business.”  
3 Please include a discussion as to whether this allocation arose from Bill 2 (the Urgent  
4 Priorities Act, 2018), or was prior to Bill 2.

5  
6 **Response:**

7 a) No members of the ELT were excluded from the list included as Attachment 1.

8  
9 b) The line in Attachment 1 after the first seven positions (the ELT line) distinguishes between  
10 members of the Executive Leadership Team (ELT) and employees who are not members of  
11 the ELT. Note the label to the left of the first seven positions: “Executive Leadership Team  
12 (ELT)”.

13  
14 i. Positions below the ELT line provide oversight and direction for their particular areas  
15 of accountability, but do not provide oversight and strategic direction for Hydro One  
16 as a whole.

17  
18 ii. Costs for some positions below the ELT line are included in Hydro One  
19 Distribution’s revenue requirement as indicated in the chart below.

20  
21 iii. Below please find a list of positions for which costs are included in Hydro One  
22 Distribution’s revenue requirement along with the proportion of time allocated to  
23 Hydro One Distribution’s revenue requirement. Positions with cost allocations to  
24 Hydro One Distribution fall outside the scope of section 78(5.0.2) of the *Ontario*  
25 *Energy Board Act*.

	<b>Position Title</b>	<b>Dx OM&amp;A</b>	<b>Dx Capital</b>	<b>Dx Total</b>
<b>Executive Leadership Team (ELT)</b>	President & CEO (HOL)	-	-	-
	Chief Financial Officer (HOL)	-	-	-
	EVP and Chief Legal Counsel	-	-	-
	EVP and Chief Corporate Development Officer* (HOL)	-	-	-
	EVP, Customer Care & Corp Affairs	-	-	-
	Chief Operating Officer	-	-	-
	SVP, People & Culture, Health & Safety	-	-	-
	Ombudsman	36%	46%	82%
	Corp Secretary & Corp Ethics	19%	24%	42%
	SVP, Strategy and Innovation*	-	-	-
	VP, Corporate Development*	-	-	-
	Senior Vice President, Pensions*	-	-	-
	Vice President - Investor Relations*	-	-	-
	VP, & Treasurer, Treasury & Risk*	-	-	-
	Senior Vice President, Finance	17%	21%	38%
	SVP, Internal Audit	20%	25%	45%
	SVP, Technology & CIO	20%	25%	45%
	Vice President - Corporate Tax	20%	25%	45%
	Vice President, Corporate Affairs	21%	27%	48%
	Vice President, Corporate Controller	17%	21%	38%
	Vice President, Customer Service	100%	0%	100%
	Vice President, Regulatory	21%	26%	47%
	VP & Chief Risk Officer	18%	23%	40%
	VP, Construction Services	22%	24%	46%
	VP, Health, Safety & Env	21%	26%	48%
	VP, Lines and Forestry	47%	53%	100%
	VP, Office of the President & CEO	18%	23%	41%
	VP, Operations	18%	23%	41%
	VP, Planning	31%	16%	47%
	VP, Shared Services	11%	14%	24%
	VP, Transmission and Stations* <sup>1</sup>	-	-	-

1

<sup>1</sup> Costs for the VP, Transmission and Stations are allocated to Hydro One's Transmission business

Witness:

1 c) The meaning of the asterisked note at the bottom of Attachment 1: “\*Denotes positions for  
2 which costs were not allocated to Hydro One Distribution business” refers to positions for  
3 which costs were not allocated to Hydro One Distribution’s business under the Black and  
4 Veatch cost allocation methodology. This allocation existed prior to the enactment of section  
5 78(5.0.2) of the *Ontario Energy Board Act*. As a result of the enactment of section 78(5.0.2)  
6 of the *Ontario Energy Board Act*, additional ELT positions have been removed from Hydro  
7 One Distribution’s business as indicated in the chart above.

**OEB Staff Interrogatory #S3**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p. 3 and Exh C1/T2/Sch 1/Attach 7, pp. 9-10 and p. 4 Table 1

**Interrogatory:**

At the first reference above, it is stated that:

During the Executive Presentation for the Application held on December 7, 2017, Hydro One revised its proposal regarding compensation costs to align with the OEB's findings in the EB-2016-0160 proceeding.

A footnote related to this discussion states that "The specific reductions were detailed in Attachment 7 to Exhibit C1, Tab 2, Schedule 1, filed on December 12, 2017."

At the second reference above, which is from the December 12, 2017 evidence, Hydro One states:

Under this approach, the proposed 2018 Corporate Management expense will reduce from \$5.7 million to \$3.8 million. The proposed 2018 "Other OM&A – Other Costs" credit will increase from \$10.5 million to a credit of \$11.8 million. This results in a net OM&A reduction of \$3.2 million in the 2018 test year.

The third reference above is to Table 1 of the October 26, 2018 Supplementary Evidence which is entitled "Summary of Bill 2 Executive Compensation Costs (Hydro One's Proposal)." The column entitled "2018 Costs After Exhibit Q Reductions" shows "Total ELT" as \$4.1 million, of which \$0.5 million is shown as OM&A Comp and \$3.6 million as Capital Comp.

Please provide a complete reconciliation of the numbers in Table 1 of the supplemental evidence with those referenced above from the December 12, 2017 update, or if these numbers do not reconcile, please explain why. Please include a specific discussion as to how the \$3.8 million



Corporate Management expense referenced in the December 12, 2017 document relates to the \$0.5 million shown in the supplemental evidence.

**Response:**

In Hydro One's supplemental evidence regarding Bill 2 dated October 26, 2018 (Bill 2 Submission) the \$6.6 million shown in Table 1 represents the full distribution-allocated compensation costs (prior to any reductions for transformation related costs in Exhibit Q) for Hydro One's ELT. The distribution-allocated compensation for Hydro One's ELT can be found in the following OM&A expense lines:

- a) Common Corporate Functions and Services OM&A – Corporate Management (C1-1-7, page 5) which contains non-LTIP compensation for Hydro One's CEO, CFO and the EVP and Chief Legal Counsel;
- b) Common Corporate Functions and Services OM&A – People and Culture (C1-1-7, page 12) which contains non-LTIP compensation for Hydro One's SVP, People and Culture, Health and Safety;
- c) Other OM&A - Other (C1-1-7, page 31) which contains distribution-allocated LTIP costs for all ELT members;
- d) Operations OM&A (C1-1-4) which contains the non-LTIP compensation of Hydro One's Chief Operating Officer and;
- e) Customer Care OM&A (C1-1-5) which contains the non-LTIP compensation for Hydro One's EVP, Customer Care & Corp Affairs.

The changes to Common Corporate Functions and Services OM&A – Corporate Management and Other OM&A - Other discussed in Attachment 7 to Exhibit C1, Tab 2, Schedule 1 were related to a subset of Hydro One's ELT; specifically, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the EVP and Chief Legal Counsel (CLO).

The table below reconciles ELT amounts shown in Table 1 of the Bill 2 Submission with the Corporate Management and Other OM&A – Other Costs expense lines that were adjusted in Attachment 7 to Exhibit C1, Tab 2, Schedule 1. The columns show the change in amounts requested for rate recovery over the course of this proceeding.

As indicated on page 4 of the Bill 2 Submission, \$2.5 million of the reductions to Hydro One's proposed OM&A expenses in Attachment 7 to Exhibit C1, Tab 2, Schedule 1 were related to Hydro One's CEO, CFO and CLO. This reduction is split between a \$1.3 reduction in LTIP expense shown in line 4 of the table and a \$1.2 non-LTIP compensation reduction shown in line

1 of the table. The reduction of \$0.7 million in costs for Hydro One's Board of Directors is shown in line 2 of the table. Combined these reductions comprise the total \$3.2 million in OM&A reductions that were proposed in Attachment 7 to Exhibit C1, Tab 2, Schedule 1.

Line	Distribution Allocated Expenses (\$ Millions)	2018 Test Forecast (Blue Page)	2018 Test Forecast (Exhibit Q)	2018 Test Forecast (the Bill 2 Submission)
	<u>Common Corporate Functions and Services OM&amp;A – Corporate Management</u>			
1	ELT Compensation (CEO, CFO, CLO) (A)	1.6	0.4	0.0
2	Other Corporate Management Costs (e.g. Ombudsman, Board of Directors, etc.)	4.1	3.4	3.4
3	<b>Corporate Management OM&amp;A Total (Reference to Table)</b>	<b>5.7<sup>1</sup></b>	<b>3.8<sup>2</sup></b>	<b>3.4</b>
	<u>Other OM&amp;A</u>			
4	ELT LTIP Costs (B)	3.3	2.0	0.0
5	Balance of Other OM&A - Other	(13.8)	(13.8)	(13.8)
6	<b>Total Other OM&amp;A – Other (Reference to Table)</b>	<b>(10.5)<sup>3</sup></b>	<b>(11.8)<sup>4</sup></b>	<b>(13.8)</b>
7	Remaining ELT Compensation (COO, EVP Customer, EVP People and Culture) (C) <sup>5</sup>	<b>1.7</b>	<b>1.7</b>	<b>0.0</b>
8	<b>ELT Total Compensation (A)+(B)+(C)</b>	<b>6.6</b>	<b>4.1</b>	<b>0.0</b>
9	<b>Change</b>		<b>(2.5)</b>	<b>(4.1)</b>

<sup>1</sup> C1-1-7, page 5, table 6

<sup>2</sup> I-38-VECC-46, C1-1-7, table 6 was updated to reflect \$1.9M reduction in Corporate Management Costs outlined as part of Exhibit Q, further reduction of \$1.3M related to LTIP is under Other OM&A - Other Costs for a total reduction of \$3.2M in costs related to CEO/CLO/CFO/Board

<sup>3</sup> C1-1-7, page 31, table 18

<sup>4</sup> LTIP reduction of \$1.3M indicated on page 9 of C1-2-1, Attachment 7

<sup>5</sup> The remaining compensation amounts for these ELT members are included in Operations OM&A, Customer Care OM&A and Common Corporate Functions and Services OM&A – People and Culture lines. They are shown here in aggregate

**OEB Staff Interrogatory #S4**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p. 4

**Interrogatory:**

At the above reference, it is stated that:

Bill 2 does not impact the level of costs related to Hydro One's Board of Directors that are to be included in Hydro One's revenue requirement. Hydro One continues to propose that the Board-related costs allocated to its distribution business be maintained at pre-IPO amounts adjusted for inflation, consistent with Exhibit Q, Tab 1, Schedule 1, and submits that no further reductions are required for those costs.

a) Please explain why Bill 2 does not impact the level of costs related to its Board of Directors that are to be included in its revenue requirement.

b) Does the Board of Directors spend any of its time on high level oversight and strategic direction of Hydro One?

c) If so, please provide the associated costs.

**Response:**

a) The *Hydro One Accountability Act, 2018* does not impact the level of costs related to Hydro One's Board of Directors because the definition of "executive" does not include directors.

The definition of "executive" in *Hydro One Accountability Act, 2018* is:

"executive" means any person who holds the office of executive vice-president, vice-president, chief administrative officer, chief operating officer, chief financial officer, chief information officer, chief legal officer, chief human resources officer or chief

1 corporate development officer, or holds any other executive position or office, regardless  
2 of the title of the position or office;

3  
4 For the following reasons, the definition of “executive” in the *Hydro One Accountability Act, 2018*  
5 does not include directors:

- 6 • The definition of “executive” in the *Hydro One Accountability Act, 2018* only lists  
7 officers responsible for the day-to-day operations of the company: executive vice-  
8 president, vice-president, chief administrative officer, chief operating officer, chief  
9 financial officer, chief information officer, chief legal officer, chief human resources  
10 officer or chief corporate development officer
- 11 • As a general rule of statutory interpretation, the general provision which follows the  
12 list of executives: “any person... who holds any other executive position or office,  
13 regardless of the title of the position or office”, should be interpreted consistently  
14 with the class described in the preceding list (*ejusdem generis*)
- 15 • Hydro One’s directors perform functionally different roles than executives, who are  
16 responsible for the day-to-day operations of the company. Directors are not part of  
17 the class described in the list of executives included in that definition

18  
19 b) The Board of Directors spends time on high level oversight and strategic direction of HOL,  
20 HOI and HONI.

21  
22 c) Board of Directors costs are allocated using the Black and Veatch cost allocation  
23 methodology, as modified in Exhibit Q to reflect pre-IPO levels, as follows:

- 24 • 36.8% to HONI’s transmission business (\$1,301,832)
- 25 • 23.5% to HONI’s distribution business (\$832,788)
- 26 • 39.3% to the shareholder (\$1,391,220)
- 27 • 0.4% to Hydro One Telecom and Hydro One Remotes (\$14,160)

**OEB Staff Interrogatory #S5**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p. 5

**Interrogatory:**

At the above reference, Table 2 is entitled "Bill 2 –Related Changes to Capital Forecast for 2018-2022 (\$M)."

- a) Please state why no equivalent table was provided in the December 12, 2017 Additional Compensation Evidence or Exhibit Q. In those evidentiary updates, only OM&A was reduced, and not capital.
- b) If there was no executive compensation allocated to capital in the December 12, 2017 Additional Compensation Evidence or Exhibit Q, please explain the reason(s) for the change in the evidence filed on October 26, 2018.
- c) Exhibit Q refers to a \$3.2M reduction in executive compensation. Does this 'executive compensation' refer to the same 'executive compensation' as included in the evidence filed on October 26, 2018? If not, please explain the differences.

**Response:**

- a) Hydro One's submissions in the Additional Compensation Evidence and Exhibit Q pre-dated Bill 2 and section 76(5.0.2) of the *Ontario Energy Board Act* and were based on the OEB's decision in its transmission rate application EB-2016-0160. In that decision, the OEB reduced HONT's OM&A envelope on the basis that the holding company should have greater responsibility for the compensation amounts that relate to its transformation. Hydro One reflected this in its Exhibit Q submission accordingly. When reviewing Bill 2 and the

1 requirement to remove all executive compensation, Hydro One noted the decision also  
2 indicated that the capital envelope reduction included compensation.<sup>1</sup>

3 b) Section 76(5.0.2) of the *Ontario Energy Board Act* refers to “any amount” and does not  
4 distinguish between OM&A and capital:

5  
6 In approving or fixing just and reasonable rates for Hydro One Limited or any of its  
7 subsidiaries, the Board shall not include any amount in respect of compensation paid to the  
8 Chief Executive Officer and executives, within the meaning of the Hydro One Accountability  
9 Act, 2018, of Hydro One Limited. 2018, c. 10, Sched. 1, s. 10. [emphasis added]

10  
11 Hydro One has therefore allocated costs using the methodology outlined in Exhibit D1, Tab  
12 3, Schedule 1, which has been approved by the OEB in prior proceedings.

13  
14 c) Exhibit Q made a reduction to “transformation-related” expenses which included reductions  
15 to compensation for Hydro One’s CEO, CFO and CLO, as well as, additional reductions for  
16 costs related to Hydro One’s Board. The Exhibit Q reduction impacted a subset of the ELT  
17 costs noted in the supplemental Bill 2 evidence. A full reconciliation can be found in Hydro  
18 One’s response to Staff-S3.

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<sup>1</sup> EB-2016-0160, Decision dated September 28, 2017 at p. 57 “the OEB’s reduction in the envelope amounts of the capital budget for 2017 and 2018 will have some compensation reduction impact.”

**OEB Staff Interrogatory #S6**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Ref: p.4 Table 1

**Interrogatory:**

Please complete the following table as it relates to the total Executive Leadership Team compensation:

	Total	Distribution	Transmission	Hydro One Telecom	Hydro One Remotes	Hydro One Inc.
Total ELT		\$4.1M				
OM&A Comp		\$0.5M				
Capital Comp		\$3.6M				

**Response:**

The following table provides the allocation for ELT compensation. The distribution allocated ELT portion reflects reductions made as part of Exhibit Q to the CEO, CFO and CLO positions of \$2.5M in OM&A. The transmission portion corresponds to the Transmission allocated costs underpinning the 2018-2022 Distribution Application.

	Total	Distribution	Transmission	Hydro One Telecom	Hydro One Remotes	Hydro One Inc.
Total ELT	<b>\$19.3M</b>	\$4.1M	\$8.4M	\$0.05M	\$0.05M	\$6.8M
OM&A Comp	<b>\$9.9M</b>	\$0.5M	\$2.5M	\$0.05M	\$0.05M	\$6.8M
Capital Comp	<b>\$9.4M</b>	\$3.6M	\$5.9M	N/A	N/A	N/A

**Canadian Manufacturers & Exporters Interrogatory #S1**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Schedule 1 of *Urgent Priorities Act*, 2018 (Bill 2) defined as the *Hydro One Accountability Act 2018* defined "executive" as follows:

"executive" means any person who holds the office of executive vice-president, vice-president, chief administrative officer, chief operating officer, chief financial officer, chief information officer, chief legal officer, chief human resources officer or chief corporate development officer, or holds any other executive position or office, regardless of the title of the position or office. [Emphasis added]

Bill 2 added the following subsection to section 78 of the *OEB Act*:

(5.0.2) In approving or fixing just and reasonable rates for Hydro One Limited or any of its subsidiaries, the Board shall not include any amount in respect of compensation paid to the Chief Executive Officer and executives, within the meaning of the *Hydro One Accountability Act*, 2018 of Hydro One Limited.

**Interrogatory:**

- a) How does Hydro One define "other executive position or office" as underlined above?
- b) What factors were considered by Hydro One when determining whether a Hydro One Limited employee holds an executive position or office?
- c) Please provide a list of employees of Hydro One Limited who report directly to (i) the President and Chief Executive Officer, (ii) the Chief Financial Officers and (iii) the EVP and Chief Corporate Development Officer, along with their job descriptions.
- d) Review the list of employees requested in paragraph (c) above and identify which individuals:



- 1 a. Have been delegated authority to act independently on behalf of Hydro One Limited;
- 2 b. Are responsible for the direction and control of the company's operation or financial
- 3 affairs;
- 4 c. Have the authority to formulate policies for Hydro One Limited or Hydro One as a
- 5 whole; and
- 6 d. Have the ability to bind the organization.
- 7
- 8 e) For any employees identified in (d) above, provide full compensation particulars (as
- 9 compensation is defined in the *Hydro One Accountability Act*) for each of the positions and
- 10 calculate the impact on revenue requirement if these positions were excluded.
- 11

12 **Response:**

- 13 a) Hydro One interprets "other executive position or office" based on the following:
  - 14 • The definition of "executive" in the *Hydro One Accountability Act, 2018* lists the
  - 15 following officers: executive vice-president, vice-president, chief administrative
  - 16 officer, chief operating officer, chief financial officer, chief information officer, chief
  - 17 legal officer, chief human resources officer or chief corporate development officer
  - 18 • As a general rule of statutory interpretation, the general provision which follows the
  - 19 list of executives: "any person... who holds any other executive position or office,
  - 20 regardless of the title of the position or office", should be interpreted consistently
  - 21 with the class described in the preceding list (*ejusdem generis*)
  - 22 • Hydro One interprets "other executive position or office" as including roles that are
  - 23 consistent with or functionally equivalent to the class described in the preceding list
  - 24 included in the definition of "executive"
  - 25
- 26 b) In determining whether a Hydro One Limited employee holds an executive position or office,
- 27 Hydro One considered the level of accountabilities associated with the role, among other
- 28 things.
- 29
- 30 c) No employees of Hydro One Limited report to the President & CEO, the CFO or the EVP
- 31 and Chief Corporate Development Officer. Indeed, these three positions are the only
- 32 employees of Hydro One Limited.
- 33
- 34 d) As there are no other employees of Hydro One Limited outside the President & CEO, the
- 35 CFO of the EVP and Chief Corporate Development Officer, none of these questions apply.

- 1 e) As there are no other employees of Hydro One Limited outside the President & CEO, the
- 2 CFO of the EVP and Chief Corporate Development Officer, none of these questions apply.

**Canadian Manufacturers & Exporters Interrogatory #S2**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Hydro One's Submissions on the *Hydro One Accountability Act 2018*, Attachment 1, line 6.

**Interrogatory:**

- a) The note at line 6 states that the list of positions and titles is based on the positions that were forecast in the business plan underpinning the application. Please provide the actual list of positions and titles as of the date of Procedural Order No. 9 dated September 26, 2018.

**Response:**

This interrogatory is not relevant to this application as Hydro One's revenue requirement is based on the positions submitted at the time of the application filing. However, for future reference, a current list of VP-level and above positions is set out below:

<b>Position Title (as at September 2018)</b>
President & CEO
Chief Financial Officer
EVP and Chief Legal Officer
EVP and Chief Corporate Dev Officer
Chief Corp Affairs and Cust Care Officer
Chief Operating Officer
Corp Secretary & Corp Ethics
SVP, Strategy and Innovation
VP, Corporate Development (2)
Senior Vice President, Pensions
Vice President - Investor Relations
VP, & Treasurer, Treasury & Risk
SVP, Finance

SVP, Internal Audit
SVP, Technology & CIO
Vice President - Corporate Tax
Vice President, Corporate Affairs
Vice President, Corporate Controller
Vice President, Customer Service
Vice President, Regulatory
VP & Chief Risk Officer
VP, Health, Safety & Env
VP, Office of the President & CEO
VP, System Operations
VP, Planning
VP, Shared Services
VP, Transmission and Stations
VP, Distribution
VP, Engineering
Vice President, Change and Culture
VP, Indigenous Relations
VP, Market Solutions
VP, Talent Management and Total Rewards
Chief Security Officer
VP, Talent Management
VP, Employee and Labour Relations

**Canadian Manufacturers & Exporters Interrogatory #S3**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

Hydro One's Submissions on the *Hydro One Accountability Act, 2018*, pages 3-4 and Attachment 1.

**Interrogatory:**

a) Provide the full compensation particulars for each of the positions listed in Attachment 1.

**Response:**

Hydro One discloses its top five earners in its Management Information Circular. The 2018 Management Information Circular included the information set out in the chart below.

Hydro One has disclosed the aggregate salaries of its ELT for the purposes of explaining the impact on its revenue requirement in OEB Staff 3 and in its Supplementary Evidence filed October 26, 2018.

Name and Principal position	Year	Salary (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)						Total Compensation (\$)
			Share based awards (\$) <sup>(3)(4)</sup>	Option based awards (\$)	Annual incentive Plans (\$) <sup>(5)</sup>	Long term incentive Plans (\$)	Pension Value (\$)	All other compensation (\$) <sup>(2)(13)</sup>	
Mayo Schmidt President and Chief Executive Officer	2017	1,082,054	3,542,265	N/A	1,450,000	N/A	89,423	25,980	6,189,722
	2016	850,000	2,379,948	N/A	1,170,000	N/A	64,024 <sup>(11)</sup>	20,081	4,484,053
	2015	281,154	0	N/A	253,038 <sup>(8)</sup>	0	0 <sup>(10)</sup>	825,187 <sup>(8)(10)</sup>	1,359,379
Michael Vels Former Chief Financial Officer <sup>(14)</sup>	2017	199,931	945,022	N/A	N/A	N/A	28,950	7,335	1,181,238
	2016	500,000	700,128	N/A	447,444	N/A	37,869 <sup>(11)</sup>	13,873	1,699,314
	2015	253,846	0	N/A	152,308 <sup>(9)</sup>	0	0 <sup>(10)</sup>	389,654 <sup>(9)(10)</sup>	795,808
Chris Lopez SVP, Finance (Acting in the capacity of Chief Financial Officer) <sup>(12)</sup>	2017	310,170	255,110	N/A	162,678	N/A	19,903	5,064	752,925
	2016	39,344	0	N/A	22,227	N/A	1,592	0	63,163
Gregory Kiraly Chief Operating Officer	2017	550,000	1,072,577	N/A	500,000	N/A	42,981	N/A	2,165,558
	2016	169,230	1,072,744	N/A	166,363	N/A	8,630	N/A	1,416,967
Ferio Pugliese EVP, Customer Care and Corporate Affairs	2017	525,000	945,022	N/A	480,000	N/A	41,285	11,509	2,002,816
	2016	163,557	2,344,954 <sup>(7)</sup>	N/A	163,093	N/A	7,955	192,787 <sup>(6)</sup>	2,872,346
James Scarlett EVP and Chief Legal Officer	2017	500,000	900,160	N/A	465,220	N/A	39,973	10,961	1,916,314
	2016	167,307	899,888	N/A	166,227	N/A	8,653	N/A	1,242,075

Notes:

<sup>1</sup> Base salaries presented are actual amounts earned for fiscal years 2015, 2016 and 2017, as applicable. For the NEOs, they represent pro-rated amounts of their respective annual base salaries for 2015 or 2016, as applicable, depending on the year they joined the company: Mr. Schmidt – \$850,000 (2015), Mr. Vels – \$500,000 (2015), Mr. Gregory Kiraly – \$550,000 (2016), Mr. Ferio Pugliese – \$525,000 (2016), Mr. James Scarlett – \$500,000 (2016), and Mr. Chris Lopez – \$300,000 (2016). For 2017, the annual base salaries represent the pro-rated amounts for Mr. Schmidt, with a salary of \$850,000 from January 1, 2017 to May 3, 2017 and a salary of \$1,200,000 from May 4, 2017 to December 31, 2017 and Mr. Lopez with a salary of \$300,000 from January 1, 2017 to March 31, 2017 and a salary of \$313,500 from April 1, 2017 to December 31, 2017.

<sup>2</sup> None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth more than \$50,000 or 10% of their annualized base salary for each of 2015, 2016 and 2017.

<sup>3</sup> Each NEO is eligible to receive an annual LTIP award consistent with market practices and quantum for comparative companies as defined by the board. The mix of instruments which will comprise the LTIP award will be determined annually and may vary from year to year at the board's discretion. In 2016, each NEO other than Mr. Lopez was eligible to receive an LTIP award as a percentage of base salary divided equally between PSUs and RSUs (the PSUs and RSUs collectively referred to as the "Awards"). In 2017, PSUs and RSUs represented 60% and 40% of the LTIP award respectively. The number of PSUs and RSUs granted pursuant to the Awards were determined by reference to the closing price of the common shares of the company on the grant date of the Awards. For Mr. Schmidt, the 2017 LTIP award was 280% of pro-rated base salary from January 1, 2017 to May 3, 2017 and 330% of pro-rated base salary from May 4, 2017 to December 31, 2017. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs, RSUs and management DSUs, as applicable. The dividend equivalent amounts for the NEOs in 2016 and 2017 were as follows: Mr. Schmidt – \$61,942 (2016), \$179,269 (2017); Mr. Vels – \$18,221 (2016), \$6,205 (2017); Mr. Lopez – \$0 (2016), \$7,009 (2017); Mr. Kiraly – \$9,690 (2016), \$66,861 (2017); Mr. Pugliese – \$21,180 (2016), \$94,887 (2017); Mr. Scarlett – \$8,128 (2016), \$55,572 (2017).

**School Energy Coalition Interrogatory #S103**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

[p.6] With respect to the total 2018 ELT costs of \$6.6M:

**Interrogatory:**

- a) [Table 1] Please provide the full calculation and breakdown of the \$6.6M costs for the ELT.
- b) [Table 2] Please explain how the proposed annual Bill 2 adjustments were forecast for 2019 to 2022.
- c) [p.5] Please provide the full calculation and breakdown of the revenue requirement impact of the proposed Bill 2 adjustment.
- d) Please provide details of what types of compensation have been included in the calculation of the \$6.6M.

**Response:**

- a) The full calculation and breakdown are provided in response to OEB Staff-3.
- b) As outlined in Hydro One's Supplementary Evidence filed October 26, 2018, the executive compensation amounts underpinning the remainder of the test period (i.e. 2019-2022) of Hydro One's business plan are based on the 2018 amount escalated by 2% each year.<sup>1</sup> The resulting envelope reductions to capital expenditures in future test years based on the 2% escalation are shown in Table 2 below.

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<sup>1</sup> Exhibit C1, Tab 2, Schedule 1, page 33.

**Table 2 - Bill 2-Related Changes to Capital Forecast for 2018-2022 (\$M)**

	2018	2019	2020	2021	2022
<b>Total Capital Reply Argument</b>	<b>628.1</b>	<b>736.4</b>	<b>699.3</b>	<b>711.0</b>	<b>796.5</b>
Bill 2 Adjustments (Capital Related)	(3.6)	(3.7)	(3.7)	(3.8)	(3.9)
<b>Total Capital Adjusted for Bill 2</b>	<b>624.5</b>	<b>732.7</b>	<b>695.6</b>	<b>707.2</b>	<b>792.6</b>

c) The table below summarizes the change between the final revenue requirement in Hydro One's Argument-In-Chief dated July 20, 2018 at page 20 and the updated revenue requirement impact as a result of Bill 2 reductions proposed in the Supplemental Evidence dated October 26, 2018.

Table 1							
Line		Reference	2018	2019	2020	2021	2022
1	Rate Base	D1-1-1	(1.8)	(5.2)	(8.6)	(12.0)	(15.2)
2	Return on Debt	E1-1-1	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)
3	Return on Equity	E1-1-1	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
4	Depreciation	C1-6-2	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)
5	Income Taxes	C1-7-2	0.0	0.1	0.1	0.1	0.1
6	Capital Related Revenue Requirement		(0.1)	(0.4)	(0.8)	(1.1)	(1.4)
7	Less Productivity Factor (0.45%)		-	0.0	0.0	0.0	0.0
8	Total Capital Related Revenue Requirement		(0.1)	(0.4)	(0.8)	(1.1)	(1.4)
9	OM&A	C1-1-1	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
10	Integration of Acquired Utilities	A-7-1	-	-	-	-	-
11	Total Revenue Requirement		(0.6)	(0.9)	(1.3)	(1.7)	(2.0)

d) The \$6.6 million reflects all elements of total compensation listed in Attachment 7 of C1-2-1 that are applicable to executives. These elements include:

- Base salary;
- Incentives (short and long term incentive plans);
- Government burdens (i.e. Canada Pension Plan, Employment Insurance, WSIB insurance etc.); and
- Benefit burdens including pensions and benefits.



**School Energy Coalition Interrogatory #S104**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

[p.6-7]

**Interrogatory:**

Please revise Tables 1-3 to reflect the reduction of all positions listed in Attachment 1 that have been allocated to the distribution business.

**Response:**

Tables 1, 2 and 3 are updated below to reflect reduction of all positions listed in Attachment 1.

**Table 1 - Summary of Bill 2 Executive Compensation Costs (Hydro One's Proposal)**

<b>Dx Allocated Costs</b>	<b>2018 Costs in Revenue Requirement</b>	<b>2018 Costs After Exhibit Q Reductions</b>	<b>2018 Reductions Required to Ensure Bill 2 Compliance</b>
Total VP and Above	13.8	11.3	-11.3
OM&A Comp <sup>1</sup>	6.6	4.1	-4.1
Capital Comp <sup>1</sup>	7.2	7.2	-7.2

<sup>1</sup> The methodology used to determine the OM&A and capital portions of compensation costs is described in Exhibit D1, Tab 3, Schedule 1.

**Table 2 - Bill 2-Related Changes to Capital Forecast for 2018-2022 (\$M)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Total Capital Reply Argument</b>	<b>628.1</b>	<b>736.4</b>	<b>699.3</b>	<b>711.0</b>	<b>796.5</b>
Bill 2 Adjustments (Capital Related)	(7.2)	(7.3)	(7.5)	(7.6)	(7.8)
<b>Total Capital Adjusted for Bill 2</b>	<b>620.9</b>	<b>729.1</b>	<b>691.9</b>	<b>703.3</b>	<b>788.7</b>

**Table 3 - Summary of Revenue Requirement Components**  
**After Bill 2 Reductions (\$M)**

Line		Reference	2018	2019	2020	2021	2022
1	Rate Base	D1-1-1	7,646.4	7,998.9	8,394.8	8,916.8	9,275.8
2	Return on Debt	E1-1-1	198.6	207.7	218.0	231.4	240.7
3	Return on Equity	E1-1-1	275.3	288.0	302.2	320.9	333.8
4	Depreciation	C1-6-2	398.1	418.8	433.3	452.1	465.6
5	Income Taxes	C1-7-2	65.3	68.9	71.5	78.8	79.4
6	Capital Related Revenue Requirement		937.2	983.5	1,025.0	1,083.1	1,119.5
7	Less Productivity Factor (0.45%)			(4.4)	(4.6)	(4.9)	(5.0)
8	<b>Total Capital Related Revenue Requirement</b>		<b>937.2</b>	<b>979.0</b>	<b>1,020.4</b>	<b>1,078.2</b>	<b>1,114.4</b>
9	OM&A	C1-1-1	572.6	576.9	581.3	585.6	600.8
10	Integration of Acquired Utilities	A-7-1				10.7	
11	<b>Total Revenue Requirement</b>		<b>1,509.8</b>	<b>1,556.0</b>	<b>1,601.7</b>	<b>1,674.6</b>	<b>1,715.2</b>
12	Increase in Capital Related Revenue Requirement			41.8	41.4	57.8	36.2
13	Increase in Capital Related Revenue Requirement as a percentage of Previous Year Total Revenue Requirement			2.77%	2.66%	3.61%	2.16%
14	Less Capital Related Revenue Requirement in I-X			0.47%	0.47%	0.48%	0.48%
15	<b>Capital Factor</b>			<b>2.31%</b>	<b>2.19%</b>	<b>3.13%</b>	<b>1.68%</b>

**School Energy Coalition Interrogatory #S105**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

[Attachment 1] With respect Attachment 1:

**Interrogatory:**

- a) Please provide a revised version of Attachment 1 showing for all employees who they are legally employed by (i.e. Hydro One Limited, Hydro One Networks Inc., etc.).
- b) How does Hydro One determine which corporate entity an executive will be employed by?

**Response:**

- a) Below please find a revised version of Attachment 1 showing positions in each of Hydro One Limited (Limited or HOL), Hydro One Inc. (Inc. or HOI) and Hydro One Networks Inc. (Networks or HONI).

	Title	Company
<b>Executive Leadership Team (ELT)</b>	President & CEO	Limited
	Chief Financial Officer	Limited
	EVP and Chief Legal Counsel	Inc.
	EVP and Chief Corporate Development Officer*	Limited
	EVP, Customer Care & Corp Affairs	Networks
	Chief Operating Officer	Networks
	SVP, People & Culture, Health & Safety	Networks
	Ombudsman	Inc.
	Corp Secretary & Corp Ethics	Inc.
	SVP, Strategy and Innovation*	Inc.
	VP, Corporate Development*	Inc.
	Senior Vice President, Pensions*	Inc.
	Vice President - Investor Relations*	Inc.
	VP, & Treasurer, Treasury & Risk*	Inc.

	<b>Title</b>	<b>Company</b>
	Senior Vice President, Finance	Networks
	SVP, Internal Audit	Networks
	SVP, Technology & CIO	Networks
	Vice President - Corporate Tax	Networks
	Vice President, Corporate Affairs	Networks
	Vice President, Corporate Controller	Networks
	Vice President, Customer Service	Networks
	Vice President, Regulatory	Networks
	VP & Chief Risk Officer	Networks
	VP, Construction Services	Networks
	VP, Health, Safety & Env	Networks
	VP, Lines and Forestry	Networks
	VP, Office of the President & CEO	Networks
	VP, Operations	Networks
	VP, Planning	Networks
	VP, Shared Services	Networks
	VP, Transmission and Stations*	Networks

b) “Executive” as the term is defined in Bill 2 includes the CEO, CFO and Chief Corporate Development Officer, who are employed by HOL. In 2015 in preparation for the initial public offering of HOI shares, the *Electricity Act, 1998* was amended by section 50.2.1(1)<sup>1</sup> to establish HOL as a holding corporation above HOI. The corporate structure allows the CEO, CFO and Chief Corporate Development Officer to operate in those roles for all subsidiaries including newly acquired subsidiaries.

<sup>1</sup> 50.2.1 (1) Despite subsection 48.2 (5), if Her Majesty in right of Ontario is the only holder of voting securities of Hydro One Inc., the Minister may transfer all of those voting securities to a corporation established under section 50.1, and if the Minister does so, then the following rules apply on and from the completion of the transfer despite anything else in this Act, but subject to the regulations under subsection (2):

1 Every reference in this Part and in the regulations under this Part to Hydro One Inc. shall be deemed to be a reference to that corporation established under section 50.1.

2. Every other reference to Hydro One Inc. in this Act and in the regulations and in any other Act or regulation shall be deemed to include a reference to that corporation established under section 50.1. 2015, c. 20, Sched. 9, s. 6.

**School Energy Coalition Interrogatory #S106**

**Issue:**

Issue 42: Is the updated executive compensation information filed by Hydro One in the distribution proceeding on December 21, 2017 consistent with the OEB's findings on executive compensation in the EB-2016-0160 Transmission Decision?

**Reference:**

[SEC-83(a)]

**Interrogatory:**

Please revise your response to SEC-83 (updated June 6, 2017) part (a) to remove from the calculation positions, both from the P50 amounts in the study and Hydro One's costs:

- i. All ELT positions
- ii. All positions contained in Attachment 1

**Response:**

- i. The most recent Mercer Compensation Cost Benchmarking Study dated April 4, 2018 and submitted April 20, 2018 concluded that Hydro One's total compensation costs, including both union and non-union positions, were \$70.92M over market median. The Mercer Study clarified that non-union positions are paid 1% over market median.

ELT compensation costs are \$15M.<sup>1</sup> Hydro One removed ELT compensation costs from the over market median amount of \$70.92M by applying 1% to ELT costs and reducing the \$71M by this amount to arrive at a "\$ Over Median" amount of \$70.77M [\$70.92M - (\$15M \* 1%)] as indicated in the chart below:

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<sup>1</sup> This refers to transmission and distribution capital and OM&A amounts

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Actual</b>	<b>Bridge</b>	<b>Test</b>
<b>\$ Over Median</b>	\$70.77	\$70.77	\$70.77
TDOC Splits*			
*Consistent with Labour Content Method in Exhibit D1, Tab 3, Schedule 1, Attachment 1			
Tx OMA (%)	12.30%	17.60%	16.40%
Dx OMA (%)	27.40%	26.00%	24.70%
Tx Cap (%)	32.60%	31.00%	30.30%
Dx Cap (%)	27.70%	25.40%	28.60%
<b>Allocation of \$</b>			
Tx OMA (\$)	\$8.70	\$12.45	\$11.61
Dx OMA (\$)	\$19.39	\$18.40	\$17.48
Tx Cap (\$)	\$23.07	\$21.94	\$21.44
Dx Cap (\$)	\$19.60	\$17.97	\$20.24
<b>Total</b>	<b>\$70.77</b>	<b>\$70.77</b>	<b>\$70.77</b>

- ii. VP-level and higher positions, included in Attachment 1 of Hydro One's Supplementary Evidence dated October 26, 2018, have an associated cost of \$27M.<sup>2</sup> Hydro One removed the Attachment 1 group's compensation costs from the over market median amount of \$70.92M by applying 1% to their costs and reducing the \$71M by this amount to arrive at a "\$ Over Median" amount of \$70.64M [ $\$70.92\text{M} - (\$27\text{M} * 1\%)$ ] as indicated in the chart below:

	2016	2017	2018
	Actual	Bridge	Test
<b>\$ Over Median</b>	\$70.64	\$70.64	\$70.64
TDOC Splits*			
*Consistent with Labour Content Method in Exhibit D1, Tab 3, Schedule 1, Attachment 1			
Tx OMA (%)	12.30%	17.60%	16.40%
Dx OMA (%)	27.40%	26.00%	24.70%
Tx Cap (%)	32.60%	31.00%	30.30%
Dx Cap (%)	27.70%	25.40%	28.60%
<b>Allocation of \$</b>			
Tx OMA (\$)	\$8.69	\$12.43	\$11.59
Dx OMA (\$)	\$19.36	\$18.37	\$17.45
Tx Cap (\$)	\$23.03	\$21.90	\$21.40
Dx Cap (\$)	\$19.57	\$17.94	\$20.20
<b>Total</b>	<b>\$70.64</b>	<b>\$70.64</b>	<b>\$70.64</b>

<sup>2</sup> This refers to transmission and distribution capital and OM&A amounts