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February 12, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited ("Toronto Hydro")
Custom Incentive Rate-setting ("Custom IR") Application for 2020-2024 Electricity
Distribution Rates and Charges – Updated Interrogatory Response to 4A-SEC-87
OEB File No. EB-2018-0165**

Further to Mr. Rubenstein's request at the Issues Conference on January 25th, 2019, Toronto Hydro has reconsidered its response to the information requested by Schools Energy Coalition (SEC) in interrogatory 4A-SEC-87, part b. Toronto Hydro is filing an updated response to this interrogatory, with the requested information included as Appendix A.

Please do not hesitate to contact me if you have any questions.

Yours truly,

Andrew J. Sasso
Director, Regulatory Affairs
Toronto Hydro-Electric System Limited
regulatoryaffairs@torontohydro.com

cc: Amanda Klein, Toronto Hydro
Daliana Coban, Toronto Hydro
Charles Keizer, Torys LLP

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY 87:

Reference(s): Appendix 2-K

Please provide a revised version of Appendix 2-K that includes the following:

- a) A breakdown of the non-management compensation information into i) PWU, ii) Society, and iii) non-unionized categorizes.
- b) Additional information for years 2021 to 2024.
- c) For each year between 2015 and 2024, the amount of total compensation costs that are allocated to OM&A and capital broken down by category.

RESPONSE:

- a) Please refer to Toronto Hydro's response to interrogatory 4A-AMPCO-100(b).
- b) In accordance with the Custom Price Cap Index rate framework, discussed in Exhibit 1B, Tab 4, Schedule 1, the OEB's decision in EB-2014-0116, and the OEB's Rate Handbook and Filing Requirements, Toronto Hydro has not produced the forecasts for the 2021-2024 period. Nevertheless, the utility is providing the requested information as Appendix A, based on an extrapolation of the 2020 test year, with regard to the following assumptions:
 - Compensation rates for the union group based on the most recent contracted rates;

/C

- 1 • Compensation rates for the non-union group based on the 2020 forecasted
- 2 rates;
- 3 • Head count remains flat over the period, such that all retirements are assumed
- 4 to be replaced on a 1:1 basis and at the same compensation levels; and
- 5 • Benefit rates based on the 2020 forecasted rates, with the exception of
- 6 Canada Pension Plan rates, which have been updated for the latest guidance
- 7 issued by the Federal Government.

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9 The assumptions noted above have two important limitations for the information

10 provided.

- 11 1. **Staffing Levels:** The response assumes that the utility will maintain a flat
- 12 headcount over the 2020-2024 period. However, the headcount could fluctuate
- 13 over the period depending on a number of considerations including the scope and
- 14 size of the work plan, unplanned exists and turnover, and demand for talent.
- 15 2. **Compensation Costs:** Actual compensation costs could vary from the assumptions
- 16 set out above. The variances could be a result of changes in staffing levels, market
- 17 competitive rates and collectively bargained rates, which are unknown at this
- 18 time, are difficult to predict, and may fluctuate over the period. There could also
- 19 be changes in benefit burden rates and pension contribution rates.

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21 For the reasons articulated above, Toronto Hydro cannot commit to the staffing levels

22 and compensation costs outlined in the response. As noted in the pre-filed evidence,

23 Toronto Hydro remains committed to managing its employee costs in a reasonable and

24 cost-effective manner over the plan period.

/C

- 1 c) Please see Table 1, below, which includes the total compensation costs for 2015-2020
2 that are allocated to OM&A and capital broken down by category.

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4 **Table 1: Compensation Costs Allocated to OM&A and Capital (\$ Millions)¹**

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Test
<i>Capitalized Labour</i>	\$99.1	\$95.6	\$101.1	\$105.4	\$109.8	\$112.5
<i>Total in OM&A</i>	\$112.0	\$116.8	\$115.3	\$120.5	\$125.7	\$131.7
Total Compensation	\$211.1	\$212.4	\$216.4	\$225.9	\$235.5	\$244.2

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- 6 For information on 2021-2024, please see response to part (b).

¹ Table 1 does not include students.

OEB Appendix 2-K
EMPLOYEE COSTS /COMPENSATION TABLE

	2015 Actual	2016 Actual	2017 Actual	2018 Bridge	2019 Bridge	2020 Test	2021 Projection	2022 Projection	2023 Projection	2024 Projection
Number of Employees (FTEs including Part-Time)¹										
Management (including executive)	61	69	69	68	68	67	68	68	68	68
Non-Management (union and non-union)	1,422	1,415	1,403	1,431	1,455	1,450	1,476	1,476	1,476	1,476
Total	1,483	1,484	1,473	1,499	1,523	1,517	1,544	1,544	1,544	1,544
Total Salary and Wages (including overtime and incentive pay)										
Management (including executive)	\$ 12,292,778	\$ 14,152,809	\$ 14,971,880	\$ 15,015,969	\$ 15,478,739	\$ 15,719,811	\$ 16,354,259	\$ 16,861,008	\$ 17,384,487	\$ 17,925,422
Non-Management (union and non-union)	\$ 145,975,363	\$ 146,148,053	\$ 148,139,852	\$ 155,158,699	\$ 160,518,242	\$ 163,720,633	\$ 170,428,962	\$ 175,399,706	\$ 180,418,201	\$ 185,553,753
Total	\$ 158,268,141	\$ 160,300,862	\$ 163,111,731	\$ 170,174,668	\$ 175,996,982	\$ 179,440,444	\$ 186,783,221	\$ 192,260,714	\$ 197,802,688	\$ 203,479,175
Total Benefits (Current + Accrued)										
Management (including executive)	\$ 3,573,323	\$ 3,919,134	\$ 4,202,856	\$ 4,576,375	\$ 4,844,923	\$ 5,260,044	\$ 5,502,888	\$ 5,692,944	\$ 5,889,270	\$ 6,081,851
Non-Management (union and non-union)	\$ 49,254,110	\$ 48,138,488	\$ 49,111,532	\$ 51,162,437	\$ 54,655,848	\$ 59,509,241	\$ 62,246,644	\$ 64,350,818	\$ 66,510,354	\$ 68,515,271
Total	\$ 52,827,432	\$ 52,057,622	\$ 53,314,387	\$ 55,738,811	\$ 59,500,771	\$ 64,769,286	\$ 67,749,532	\$ 70,043,762	\$ 72,399,623	\$ 74,597,123
Total Compensation (Salary, Wages, & Benefits)										
Management (including executive)	\$ 15,866,100	\$ 18,071,943	\$ 19,174,735	\$ 19,592,344	\$ 20,323,662	\$ 20,979,856	\$ 21,857,147	\$ 22,553,952	\$ 23,273,756	\$ 24,007,274
Non-Management (union and non-union)	\$ 195,229,473	\$ 194,286,540	\$ 197,251,383	\$ 206,321,136	\$ 215,174,090	\$ 223,229,874	\$ 232,675,606	\$ 239,750,524	\$ 246,928,555	\$ 254,069,024
Total	\$ 211,095,573	\$ 212,358,484	\$ 216,426,119	\$ 225,913,479	\$ 235,497,752	\$ 244,209,730	\$ 254,532,753	\$ 262,304,476	\$ 270,202,311	\$ 278,076,298

Notes:

Please see Toronto Hydro's response to interrogatory 4A-SEC-87 part b) for the assumptions and limitations associated with the 2021-2024 information.