



**SOCIETY *of*
UNITED PROFESSIONALS**
IFPTE 160

9th April, 2019

Chris Graham
Executive Vice President
Society of United Professionals, IFPTE 160
2239 Yonge St
Toronto, ON M4S 2B5

VIA Canada Post, email and RSS Filing

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

**Re: EB-2019-0002 Independent Electricity System Operator (IESO)
2019 Expenditure and Revenue Requirement Submission
Society of United Professionals' Interrogatories to IESO**

Dear Ms. Walli,

Please find attached the Society of United Professionals' interrogatories to IESO in their 2019 Expenditure and Revenue Requirement Application, 2019-0002.

Two (2) hard copies of these interrogatories have been sent to your attention.

Sincerely,

[original signed by]

Chris Graham
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copy: interested parties



**SOCIETY *of*
UNITED PROFESSIONALS**
IFPTE 160

**SOCIETY OF UNITED PROFESSIONALS
INTERROGATORY QUESTIONS**

EB-2019-0002 Independent Electricity System Operator (IESO)

2019 Expenditure and Revenue Requirement Application

9th April, 2019

EB-2019-0002: The Society of United Professionals' Interrogatory Questions

Issue 1.2 Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?

1.2 Society#1

Reference: Exhibit B Tab 3 Schedule 1 Attachment 4 Page 1 Appendix 2-K Employee Costs, dated March 28, 2019.

	2017 Actual	2018 Actual	2018 Budget	2019 Budget
FTE's				
Executive	7	7	6	7
Management	107	117	118	132
Non-Mgmt Regular	534	526	575	633
Non-Mgmt Temporary	53	65	32	71
Total	701	715	731	843
Total Compensation (Salary, Wages, Benefits)				
Executive	4.1	4.7	3.5	4.2
Management	20.8	23.7	24.7	23.2
Non-Mgmt Regular	86.5	88.8	85	85.7
Non-Mgmt Temporary	7.2	7	4.5	5.8
Total	118.6	124.2	117.7	118.9
Total Compensation per FTE (k\$)				
Executive	\$585.71	\$671.43	\$583.33	\$600.00
Management	\$194.39	\$202.56	\$209.32	\$175.76
Non-Mgmt Regular	\$161.99	\$168.82	\$147.83	\$135.39
Non-Mgmt Temporary	\$135.85	\$107.69	\$140.63	\$81.69
Total	\$169.19	\$173.71	\$161.01	\$141.04

- Please confirm that the FTE values provided are indeed Full Time Equivalents and not year end headcount for all years, in particular 2019 Budget.
- Please confirm or correct the Total Compensation per FTE figures provided above based upon Appendix 2-K.
- Please provide the % change in the annual compensation per FTE for 2017, 2018 actual and 2019 budget for each of the four staff categories as well as the IESO total.
- Please explain the percentage change in compensation per FTE from 2018 actual to 2019 budget for each of the four staff categories as well as the IESO total.
- Please provide the median annual compensation for the four employee categories above as well as for IESO total and total Society as well as total PWU represented (combining Non-Mgmt Regular and Temporary as appropriate) so that these figures can be compared to the Mercer benchmarking results as provided in Exhibit C-4-1,

Attachment 1. Please be informed that SUP is aware that the pension and benefits costs included in Appendix 2-K are likely done on a different basis than that used in the Mercer results but please provide the requested information with whatever qualifications IESO feels is necessary.

f) Using the median compensation data provided in part e) above, please provide comparable responses to parts c) and d) above.

g) Please provide b), c), e) and f) above in excel format.

5.0 Commitments from Previous OEB Decisions

Issue 5.2 Is the Total Compensation Study for represented and non-represented staff appropriate?

5.2 Society#2

Reference: Exhibit C-4-1, Attachment 1, Page 3, For the Energy Sector Peer Group,

“Organizations were selected considering the comparability of their operations and relative size of revenues when compared to the IESO, resulting in a peer group primarily consisting of other market operators, energy utilities and local distribution companies”

a) (i) Which companies in the Energy Sector Comparator Companies list (Exhibit C-2-1, Attachment 1, Appendix A, Page 9) are primarily independent electricity system operators like IESO? (ii) What proportion do these companies represent of the total companies included in the Energy Sector Comparator Companies list?

b) (i) Which companies in the Energy Sector Comparator Companies list have a role as independent electricity system operators in addition to other electricity industry roles such as transmitter, distributor, generator etc. (ii) What proportion do these companies represent of the total companies included in the Energy Sector Comparator Companies list? (iii) What proportion of the employees in these companies are employed by their companies' in their independent electricity system operator unit?

c) Based on a) and b) above, what proportion of the total employees sampled in the Mercer study are employed in an independent electricity system operator unit?

5.2 Society#3

Reference: Exhibit C-4-1, Attachment 1, Page 2 states

“Mercer considers compensation levels to be within a ‘competitive range’ if they fall within 10% of the target market positioning on a position-by-position basis (where you have a smaller sample size and higher variability in observations) and 5% on an overall organization basis (where you have a larger sample size and smaller variability in observations) when compared to target positioning (e.g., the 50th percentile). “

- a) Please provide a definition of what is regarded as a competitive range by Mercer.
b) How is the “competitive range” applied by Mercer and by Mercer’s clients?

5.2 Society#4

Reference: Exhibit A-3-1, Page 29 of 42 , Filed March 28, 2019.

(in thousands of Canadian dollars) (as at September 30)	2018 Pension Benefits	2017 Pension Benefits	2018 Other Benefits	2017 Other Benefits
	\$	\$	\$	\$
Employer contribution/other benefit payments	13,052	13,500	2,727	2,472
Plan participants' contributions	7,468	6,253	-	-
Benefits paid	26,051	25,457	2,727	2,472

The most recent actuarial valuation of the IESO registered pension plan for regulatory funding purposes was completed as at January 1, 2017.

- a) Pension Plan participants contributions increased from \$6.253M in 2017 to \$7.468M in 2018, or a 20% increase. Does the Mercer study take into account the full impact of the substantial increase in employee pension contributions in 2018?
b) Is the basis of the Mercer study the same actuarial valuation referenced above i.e. an actuarial valuation completed as at January 1, 2017?
c) Are the pension costs in this 2019 revenue requirement application also based upon the same actuarial valuation completed as at January 1, 2017?
d) (i) When will a new actuarial valuation of the IESO pension plan be prepared? (ii) which IESO annual revenue requirement application before the OEB will reflect this next pension valuation?
e) Please provide the funded status of the IESO pension plan on a going concern and funded status basis as of January 1, 2018 and January 1, 2019.

5.2 Society#5

Reference: Exhibit C-4-1, Attachment 1, pp3-4 “Methodology” section

- a) Did Mercer send out compensation surveys to each peer company or use existing Mercer “Database” data?
b) If surveys were sent out to peer group companies, how many companies did not complete the survey? What percentage does this number represent of those who completed the survey?
c) If existing Mercer “Database” data was used, please (i) explain why, and (ii) explain the validity of the results if peer group companies were not able to determine which of their positions mapped to the IESO defined positions included in the survey.

5.2 Society#6

Reference: Exhibit C-4-1, Attachment 1, p4 "Methodology" section

"All compensation data is reflective of the most recently available data as of the completion of the analysis, and is presented effective for 2018."

- a) What was the date of the IESO compensation data which was used in the study e.g. as of 20171231 or as of 20180331 etc..
- b) (i) Does the date of all the peer group compensation data match that of IESO? (ii) If not, why not and how does this impact the validity of the study results. And what proportion does the mismatched data represent of the total data gathered?

5.2 Society#7

Reference: Exhibit C-4-1, Attachment 1, pp1 "Executive Summary" section

"In conducting the compensation analysis, Mercer worked with the IESO to identify benchmark positions to compare to market that represent a valid cross sample of the organization's functions and levels. The breadth of benchmark positions selected is within the range of 50% to 75% of employees considered best practice when benchmarking on an organization basis. The benchmarking includes positions that represent approximately 52% of employees at the IESO."

So best practice when benchmarking is within a range of 50% to 75% of employees.

- a) The Mercer analysis only "includes 55 of the 136 (40%) management and professional employees" [Reference Exhibit C-4-1, Attachment 1, p4". This falls about 20% below Mercer's best practice range lower limit. Please explain: (i) why a non-best practice number of management employees were included in the sample, and (ii) what impact this has on the validity of the Mercer study results for this category of employees as well as the overall results.
- b) Approximately 52% of IESO employees were included in the survey, which is marginally within the lower threshold of the best practice range of 50 to 75% of employees. Please explain: (i) why a larger number of IESO employees were not included in the sample, and (ii) how the certainty of the study results improve with progressively larger samples of the total employees i.e. 50% versus 55% versus 60%.
- c) Did Mercer or IESO management initially propose which Society and PWU positions were to be included in the study? Please outline how and why this initial proposal was modified to land on the positions included in the study.
- d) What steps does Mercer take in these sorts of studies to ensure that there is not inadvertent bias in the positions being benchmarked to ensure that the study results will not be biased i.e. the client company has not chosen positions which may result in its median compensation for represented positions being higher or lower than they otherwise would be.

- e) Further to part d) above, what steps did Mercer take in this IESO study to ensure that the IESO median results were not biased.
- f) Please compare the Mercer Compensation Benchmarking Study results for IESO to the 2018 actual median compensation data for Society and PWU staff as provided earlier in answer to **1.2 Society#1 part e)** and explain the differences. As necessary, separate the results for benefits and pension costs in order to provide this explanation.

Issue 5.3 Has the IESO adequately described the division of responsibilities between the IESO and Hydro One Networks Inc. with respect to Transmission Losses?

5.3 Society#8

Reference: Exhibit C Tab 5 Schedule 1 p4

*"An initial step in the planning process involves conducting an assessment to determine transmission system needs. After the needs are identified, various mitigating solutions are developed and further assessed. Once a set of feasible options have been determined, the options are analyzed based on a number of factors such as reliability, feasibility, flexibility, customer preference, **and cost effectiveness, including transmission losses**. A preferred alternative is then selected as the recommended solution. "*

- a) After implementation of the preferred alternative do either or both of IESO and Hydro One do empirical and engineering assessments of how effective the preferred alternative is in terms of reducing transmission losses?
- b) Please provide one such assessment.
- c) If such assessments are not done, please explain why.