

**IN THE MATTER OF THE *Ontario Energy Board Act, 1998*;  
AND IN THE MATTER OF AN APPLICATION BY  
HYDRO ONE NETWORKS INC.  
APPROVAL OF 2018-2022 TRANSMISSION RATES  
BOARD FILE NO. EB-2019-0082**

**THE SOCIETY OF UNITED PROFESSIONALS**

**Oral Hearing Cross Examination Compendium**

**Panel 2**

**25 October 2019**

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**Compensation Costs 2014-2022**

Transmission Unrepresented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	33,396,323	34,508,999	33,641,927	38,772,661	36,544,290	38,524,614	43,137,614	45,511,365	45,048,884
Burdens	22,435,650	23,448,136	17,666,653	19,961,342	15,690,642	16,363,898	18,603,459	19,927,923	20,043,316
Other Allowances	3,452,267	2,367,920	3,296,601	3,983,397	5,723,344	3,596,819	4,021,881	4,237,275	4,194,217
STI	4,055,590	4,414,248	4,555,907	7,257,372	6,297,493	4,618,185	5,308,380	5,674,271	5,630,422
LTI	-	-	241,898	2,350,267	3,730,541	632,252	984,137	1,070,633	847,416
ESOP	-	-	774,963	886,803	540,602	1,771,039	1,963,382	2,046,258	1,998,514
<b>Transmission Unrepresented Total</b>	<b>63,339,829</b>	<b>64,739,302</b>	<b>60,177,949</b>	<b>73,211,844</b>	<b>68,526,913</b>	<b>65,506,806</b>	<b>74,018,853</b>	<b>78,467,725</b>	<b>77,762,769</b>

Headcount Total / FTE Transmission	331 / 285	313 / 277	319 / 275	357 / 308	360 / 290	307	334	345	336
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Distribution Unrepresented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	37,601,338	39,909,527	41,751,062	42,861,848	46,685,158	53,165,528	50,517,625	50,137,653	52,495,756
Burdens	25,260,579	27,117,681	21,925,067	22,066,579	20,044,720	22,582,842	21,786,151	21,953,622	23,356,606
Other Allowances	3,886,951	2,738,490	4,091,222	4,403,509	7,119,612	4,963,755	4,709,947	4,668,000	4,887,548
STI	4,578,312	5,117,332	5,712,824	8,142,916	7,564,939	7,819,365	7,464,246	7,442,291	7,839,166
LTI	-	-	249,764	2,535,402	4,764,858	1,870,199	1,374,938	1,140,263	1,210,384
ESOP	-	-	708,363	811,624	677,410	2,290,696	2,128,505	2,075,874	2,153,951
<b>Distribution Unrepresented Total</b>	<b>71,327,180</b>	<b>74,883,031</b>	<b>74,438,303</b>	<b>80,821,878</b>	<b>86,856,697</b>	<b>92,692,386</b>	<b>87,981,412</b>	<b>87,417,704</b>	<b>91,943,411</b>

Headcount Total / FTE Distribution	372 / 320	360 / 320	390 / 336	378 / 325	433 / 348	385	359	349	358
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Shareholder Allocated Unrepresented	3,089,801	2,615,254	9,597,169	9,660,409	13,112,786	23,748,837	24,288,558	24,881,971	25,490,502
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<b>TOTAL Unrepresented Labour</b>	<b>137,756,810</b>	<b>142,237,587</b>	<b>144,213,420</b>	<b>163,694,131</b>	<b>168,496,396</b>	<b>181,948,030</b>	<b>186,288,823</b>	<b>190,767,400</b>	<b>195,196,682</b>
<b>TOTAL Unrepresented Headcount / FTE/YE</b>	<b>703 / 605 / 584</b>	<b>673 / 597 / 585</b>	<b>709 / 611 / 596</b>	<b>735 / 633 / 627</b>	<b>793 / 638 / 641</b>	<b>692</b>	<b>693</b>	<b>694</b>	<b>694</b>

Transmission Society Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	67,393,687	66,909,144	65,179,365	72,517,488	70,250,107	83,210,524	91,575,087	96,245,302	95,123,535
Overtime	2,940,988	2,853,433	1,792,765	4,635,127	5,942,030	5,446,164	5,512,817	5,626,666	5,717,210
Lump Sums	-	-	618,063	1,312,146	-	-	-	-	-
Burdens	45,275,079	45,463,351	34,228,158	37,334,202	30,162,557	35,344,898	39,492,527	42,142,638	42,322,714
Share Grants	-	-	-	-	1,243,401	1,142,108	1,127,076	1,086,518	1,041,623
<b>Transmission Society Represented Total</b>	<b>115,609,754</b>	<b>115,225,928</b>	<b>101,818,351</b>	<b>115,798,964</b>	<b>107,598,095</b>	<b>125,143,693</b>	<b>137,707,506</b>	<b>145,101,125</b>	<b>144,205,083</b>

Headcount Total / FTE Transmission	660 / 608	636 / 595	624 / 569	685 / 627	678 / 607	699	755	778	754
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Distribution Society Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	75,689,891	77,185,295	79,896,923	76,588,835	84,388,775	104,483,618	98,355,141	97,474,771	101,619,468
Overtime	4,029,156	3,788,344	5,240,140	3,090,085	3,961,353	3,630,776	3,675,211	3,751,111	3,811,473
Lump Sums	-	-	757,623	1,385,814	-	-	-	-	-
Burdens	50,848,469	52,445,778	41,956,906	39,430,255	36,233,130	44,380,958	42,416,482	42,680,982	45,212,909
Share Grants	-	-	-	-	1,436,756	1,319,711	1,302,342	1,255,478	1,203,601
<b>Distribution Society Represented Total</b>	<b>130,567,516</b>	<b>133,419,417</b>	<b>127,851,592</b>	<b>120,494,989</b>	<b>126,020,015</b>	<b>153,815,064</b>	<b>145,749,176</b>	<b>145,162,341</b>	<b>151,847,451</b>

Headcount Total / FTE Distribution	741 / 683	734 / 687	764 / 698	724 / 662	815 / 730	878	810	788	806
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<b>TOTAL Society Represented Labour</b>	<b>246,177,271</b>	<b>248,645,345</b>	<b>229,669,943</b>	<b>236,293,954</b>	<b>233,618,109</b>	<b>278,958,757</b>	<b>283,456,682</b>	<b>290,263,465</b>	<b>296,052,535</b>
<b>TOTAL Society Represented Headcount / FTE/YE</b>	<b>1401 / 1291 / 1290</b>	<b>1370 / 1282 / 1285</b>	<b>1388 / 1267 / 1241</b>	<b>1409 / 1289 / 1288</b>	<b>1493 / 1337 / 1382</b>	<b>1,577</b>	<b>1,565</b>	<b>1,566</b>	<b>1,560</b>

Transmission PWU Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	148,298,536	146,298,728	145,538,184	158,933,735	154,996,772	165,116,892	185,433,184	196,453,689	196,258,552
Overtime	28,468,143	24,728,915	15,636,038	36,486,246	46,990,537	43,212,279	44,677,729	45,980,102	47,243,112
Lump Sums	-	1,345,306	2,637,844	-	-	-	-	-	-
Burdens	99,626,956	99,406,896	76,427,624	81,823,907	66,549,350	70,135,836	79,969,621	86,020,581	87,320,079
Share Grants	-	-	-	3,778,937	3,382,051	3,283,939	3,254,468	3,156,020	3,007,446
<b>Transmission PWU Represented Total</b>	<b>276,393,635</b>	<b>271,779,845</b>	<b>240,239,691</b>	<b>281,022,825</b>	<b>271,918,710</b>	<b>281,748,947</b>	<b>313,335,001</b>	<b>331,610,392</b>	<b>333,829,189</b>

<b>Headcount Total / FTE Transmission</b>	<b>1695 / 1574</b>	<b>1687 / 1558</b>	<b>1687 / 1523</b>	<b>1917 / 1645</b>	<b>1951 / 1602</b>	<b>1,658</b>	<b>1,827</b>	<b>1,900</b>	<b>1,862</b>
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Distribution PWU Represented	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base Pay	166,554,177	168,767,821	178,400,835	171,624,220	177,985,805	181,793,217	177,529,193	171,927,760	173,268,590
Overtime	39,001,377	32,831,201	45,703,166	25,592,126	25,589,719	26,267,680	26,452,850	26,639,098	26,842,237
Lump Sums	-	1,551,922	3,233,471	-	-	-	-	-	-
Burdens	111,891,096	114,674,170	93,685,049	90,945,694	95,385,789	97,426,249	95,141,082	92,139,174	92,857,749
Share Grants	-	-	-	3,991,098	4,050,829	4,010,113	3,835,388	3,536,931	3,341,972
<b>Distribution PWU Represented Total</b>	<b>317,446,650</b>	<b>317,825,115</b>	<b>321,022,520</b>	<b>292,153,138</b>	<b>303,012,142</b>	<b>309,497,259</b>	<b>302,958,514</b>	<b>294,242,963</b>	<b>296,310,548</b>

<b>Headcount Total / FTE Distribution</b>	<b>1903 / 1768</b>	<b>1946 / 1798</b>	<b>2068 / 1868</b>	<b>2024 / 1737</b>	<b>2343 / 1925</b>	<b>2,081</b>	<b>1,963</b>	<b>1,924</b>	<b>1,990</b>
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<b>TOTAL PWU Represented Labour</b>	<b>593,840,285</b>	<b>589,604,960</b>	<b>561,262,211</b>	<b>573,175,963</b>	<b>574,930,853</b>	<b>591,246,206</b>	<b>616,293,515</b>	<b>625,853,355</b>	<b>630,139,737</b>
<b>TOTAL PWU Represented Headcount / FTE/YE</b>	<b>3598 / 3342 / 3271</b>	<b>3633 / 3356 / 3350</b>	<b>3755 / 3391 / 3411</b>	<b>3941 / 3382 / 3330</b>	<b>4294 / 3527 / 3525</b>	<b>3,739</b>	<b>3,790</b>	<b>3,824</b>	<b>3,852</b>

Temporary Transmission	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	117,432,836	114,683,317	126,561,770	120,254,743	126,691,541	134,172,558	134,088,990	131,778,118	130,179,945
Unrepresented	1,037,380	1,062,954	1,429,735	659,976	839,280	223,899	248,376	261,054	259,128
Society Represented	2,184,967	2,099,278	1,820,954	1,537,491	1,117,826	562,536	580,988	477,407	472,698
PWU Represented	9,810,066	5,736,423	6,145,715	5,764,657	4,887,005	2,944,456	3,233,454	3,394,711	3,365,930
Overtime	10,311,405	8,102,478	4,863,103	10,950,269	18,688,912	13,415,649	13,206,444	13,486,554	13,549,763
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	8,939,318	8,507,504	9,066,085	8,652,709	9,331,999	9,361,693	9,492,662	9,436,827	9,413,095
<b>Temporary Transmission Total</b>	<b>149,715,971</b>	<b>140,191,954</b>	<b>149,887,362</b>	<b>147,819,845</b>	<b>161,556,564</b>	<b>160,680,791</b>	<b>160,850,913</b>	<b>158,834,670</b>	<b>157,240,559</b>

<b>Headcount Total / FTE Transmission</b>	<b>2819 / 1836</b>	<b>2619 / 1711</b>	<b>2701 / 1860</b>	<b>2319 / 1724</b>	<b>2171 / 1748</b>	<b>1,811</b>	<b>1,775</b>	<b>1,715</b>	<b>1,661</b>
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Temporary Distribution	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	72,600,869	70,901,026	78,244,679	74,345,466	78,324,908	101,074,235	98,122,007	105,105,675	107,938,200
Unrepresented	1,165,082	1,226,207	1,752,571	697,029	1,008,195	281,140	266,765	264,389	276,824
Society Represented	2,453,938	2,421,692	2,232,127	1,623,810	1,342,802	706,350	624,003	483,506	504,978
PWU Represented	11,017,691	6,617,444	7,533,423	6,088,301	5,870,573	3,697,218	3,472,853	3,438,076	3,595,788
Overtime	14,126,632	10,757,207	14,214,548	7,300,180	12,459,275	8,943,766	8,804,296	8,991,036	9,033,176
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	6,436,628	5,938,744	6,694,070	5,599,152	6,069,464	7,096,338	6,979,716	7,471,414	7,727,044
<b>Temporary Distribution Total</b>	<b>107,800,840</b>	<b>97,862,320</b>	<b>110,671,417</b>	<b>95,653,937</b>	<b>105,075,217</b>	<b>121,799,047</b>	<b>118,269,640</b>	<b>125,754,096</b>	<b>129,076,009</b>

Headcount Total / FTE Distribution	1895 / 1234	1732 / 1131	1794 / 1235	1845 / 1118	1721 / 1179	1,397	1,323	1,384	1,393
TOTAL Temporary Labour	257,516,811	238,054,274	260,558,779	243,473,782	266,631,781	282,479,838	279,120,554	284,588,766	286,316,568
TOTAL Temporary Headcount / FTE/YE	4714 / 3070 / 2191	4351 / 2842 / 2063	4495 / 3095 / 2278	4164 / 2842 / 2766	3892 / 2927 / 1984	3,208	3,098	3,099	3,054

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Transmission Comp	397,892,921	391,130,026	400,633,366	394,177,597	424,531,224	456,985,537	505,243,466	541,312,941	542,462,247
Total OM&A Transmission Comp	207,166,269	200,807,004	151,489,987	223,675,880	185,069,058	176,094,700	178,968,609	170,959,233	168,791,018
Total Transmission Compensation	605,059,190	591,937,030	552,123,353	617,853,477	609,600,282	633,080,237	684,212,075	712,272,174	711,253,265

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Distribution Comp	319,056,686	330,163,788	318,482,459	290,550,810	304,797,484	388,983,439	369,404,423	375,653,373	406,279,057
Total OM&A Distribution Comp	308,085,500	293,826,096	315,501,373	298,573,133	316,166,588	288,820,317	285,554,318	276,923,731	262,898,362
Total Distribution Compensation	627,142,186	623,989,883	633,983,832	589,123,943	620,964,071	677,803,756	654,958,741	652,577,103	669,177,419

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Transmission + Distribution Comp	716,949,607	721,293,813	719,115,826	684,728,407	729,328,708	845,968,976	874,647,889	916,966,314	948,741,304
Total OM&A Transmission + Distribution Comp	515,251,769	494,633,100	466,991,359	522,249,013	501,235,646	464,915,017	464,522,927	447,882,964	431,689,380
Total Shareholder Allocated Comp	3,089,801	2,615,254	9,597,169	9,660,409	13,112,786	23,748,837	24,288,558	24,881,971	25,490,502
Total Transmission + Distribution Compensation	1,235,291,177	1,218,542,167	1,195,704,354	1,216,637,829	1,243,677,139	1,334,632,830	1,363,459,374	1,389,731,249	1,405,921,186

Headcount FTE	2014	2015	2016	2017	2018	2019	2020	2021	2022
MCP Represented Regular Employees	605	597	611	633	638	692	693	694	694
Society Represented Regular Employees	1,291	1,282	1,267	1,289	1,337	1,577	1,565	1,566	1,560
PWU Represented Regular Employees	3,342	3,356	3,391	3,382	3,527	3,739	3,790	3,824	3,852
Temporary and Casual Employees	3,070	2,842	3,095	2,842	2,927	3,208	3,098	3,099	3,054
<b>Total</b>	<b>8,308</b>	<b>8,077</b>	<b>8,364</b>	<b>8,146</b>	<b>8,429</b>	<b>9,216</b>	<b>9,146</b>	<b>9,183</b>	<b>9,160</b>

Burdens Tx include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	77,400,000	76,500,000	49,500,000	41,000,000	35,500,000	34,000,000	38,000,000	40,000,000	39,000,000
OPEB	59,600,000	52,400,000	57,500,000	61,200,000	55,800,000	50,000,000	55,000,000	58,000,000	59,000,000

Burdens Dx include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	90,100,000	94,700,000	54,100,000	43,400,000	37,000,000	36,000,000	35,000,000	34,000,000	34,000,000
OPEB	69,400,000	64,800,000	62,800,000	64,400,000	58,200,000	53,000,000	53,000,000	52,000,000	56,000,000

1     **7.5.3   THE SOCIETY OF UNITED PROFESSIONALS**

2  
3     Hydro One and the Society of United Professionals successfully negotiated a new 2 year  
4     collective agreement (April 1, 2019 to March 31, 2021) Table 6 summarizes the year over  
5     year increases in base salary from 2014 to 2018.

6  
7                     **Table 6: Society Increases in Base Salary, 2014 to 2018**

2014	2015	2016	2017	2018	2019	2020
2.25% effective April 1, 2014	2.25% effective April 1, 2015	0.5% effective April 1, 2016	0.5 % effective April 1,2017	0.5 % effective April 1,2018	2.0% effective April 1, 2019	2.0% effective April 1, 2020

8  
9     **7.5.4   SHARE GRANTS – PWU AND SOCIETY REPRESENTED**  
10     **EMPLOYEES**

11  
12     As part of the collective bargaining settlements with the PWU and Society in 2015,  
13     represented employees are eligible to receive shares of Hydro One Limited. The  
14     philosophical shift to a compensation model that provides for below average base wage  
15     increases, combined with lump sum payments and share grants reduces the overall cash  
16     portion of compensation. Awarding share grants also instils a sense of ownership in  
17     employees. Aligning company interests with employee interests has produced  
18     consequential ratepayer benefits.

19  
20     The first share grant for eligible PWU represented employees was issued on April 1,  
21     2017. Additional shares will be granted in each of the following eleven years. The first  
22     grant date for eligible Society represented employees is April 1, 2018, with additional

Witness: Sabrin Lila

1 shares granted for the following eleven years. In order to be eligible for share grants,  
2 employees must remain employed with Hydro One.

3 Pension costs were reduced by increasing employee pension contributions and reducing  
4 future pension benefits. In addition to advancing the progression to a 50-50 cost-sharing  
5 for pension benefits, it is also significant in that the increase in pension contributions  
6 more than offsets the costs of the share grant program for both unions.

7

8 **7.5.5 CASUAL CONSTRUCTION EMPLOYEES**

9

10 The construction workforce has a favourable compensation cost structure, in that this  
11 workforce:

- 12 • is paid an industry standard wage (for building trades governed by EPSCA  
13 collective agreements) or wages that are either competitive and in some cases  
14 less than other rates in the industry;
- 15 • does not join the Hydro One pension plan;
- 16 • does not join the Hydro One group benefit plan;
- 17 • does not have entitlement to sick leave benefits;
- 18 • does not have paid scheduled vacation time off;
- 19 • is more easily deployed to work throughout the province;
- 20 • is more easily dismissed when work load fluctuates; and
- 21 • is accessed through the union hiring halls to perform specific work programs and  
22 laid off when it is no longer required.

23

24 Hydro One negotiates directly with CUSW, and through the EPSCA, Hydro One is  
25 bound to collective agreements negotiated for the other 17 Building Trade Unions. In  
26 2017, Hydro One negotiated a five-year collective agreement with CUSW (May 1, 2017  
27 to April 30, 2022). Negotiated wage increases include a 1.5% base wage adjustment on

Witness: Sabrin Lila

1 comparing Hydro One compensation to the market median, and shows the improvements  
2 made by Hydro One from 2008 to 2017.

3

4 **Table 8: Mercer Compensation Benchmarking Study Results vs. Market Median**  
5 **Total Compensation Above/Below Market Median**

Employee Group	2008 Survey Results	2011 Survey Results	2013 Survey Results	2016 Survey Results	2017 Survey Results	Total Change from 2008 to 2017
Management	-1%	-17%	-1%	2%	1%	2%
Society	5%	5%	9%	11%	12%	7%
PWU	21%	18%	12%	16%	12%	-9%
Overall	17%	13%	10%	14%	12%	-5%

6

7 *\*Management employee group positioning of -17% to market median likely impacted by legislative freeze for non-*  
8 *represented compensation.*

9

10 The 2017 study findings show that on an overall weighted average, Hydro One was  
11 positioned approximately 12% above market median. Since the first study in 2008, Hydro  
12 One has improved its positioning to market median by 5%.

13

14 **8. PENSIONS AND OTHER POST EMPLOYMENT BENEFIT COSTS**

15

16 In EB-2010-0002, the OEB stated that: “Hydro One must demonstrate measurable  
17 progress towards having its pension contributions reflect those prevailing in the public  
18 sector generally. The evidence suggests that an employee contribution level of 50% is the  
19 norm”.

20 Hydro One has taken various steps to reduce pension costs. These include steps to  
21 increase employee contributions and reduce benefits with all employee groups. Hydro  
22 One has demonstrated this commitment to reducing pension costs by:

Witness: Sabrin Lila



- 1 • introducing lower cost defined benefit plans for MCP employees (2004) and  
2 Society employees (2005);
- 3 • increasing employee pension plan contributions for all employee groups (see  
4 Figure 7 for PWU represented employee pension contributions and Appendix A  
5 for employee contributions for other employee groups). Table 9 shows annual  
6 savings as a result of the increased employee contributions;
- 7 • closing the defined benefit pension plan for new externally hired MCP employees  
8 as of September 30, 2015, and introducing a new and lower cost defined  
9 contribution pension plan; and
- 10 • reducing future service benefits for all current PWU and future PWU employees  
11 as well as Society legacy pension plan members by adjusting the number of years  
12 for determining the final average earnings from three years to five years and  
13 increasing the early undiscounted pension eligibility from Rule of 82 to Rule of  
14 85 (both effective March 31, 2025).

Witness: Sabrin Lila

### **Pension Increases**

Pension increases of 100% (see Note 10) of the increase in the Consumer Product Index ("CPI") (Ontario), for the 12-month period ending in June of the previous year, will be given every January 1 to pensioners, beneficiaries and terminated employees with deferred pensions to an annual maximum of 8% each year after 1999. Any excess will be carried forward to use in future years up to the 8% limit.

*Note 10: For Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005, pension increases of 75% CPI (Ontario) for the 12-month period ending in June of the previous year will be given every January 1, to an annual maximum increase of 6%, with no carry forward.*

### **Disability**

A totally disabled employee receives benefits from an income replacement plan and ceases to contribute to the Pension Fund, but continues to accrue credited service. For this member, the base annual earnings for pension purposes are deemed to be increased by the same percentage increases described for pensions above.

### **Employee Contributions**

Members represented by the Management hired on or after January 1, 2004 contribute at the following rates until they complete 35 years of credited service (see Note 11):

Up to and including March 31, 2018,

- i. 7.75% of base annual earnings up to the YMPE; and
- ii. 9.75% of base annual earnings in excess of the YMPE;

On and after April 1, 2018,

- i. 8.25% of base annual earnings up to the YMPE; and
- ii. 10.75% of base annual earnings in excess of the YMPE;

up to the limits established by the Income Tax Act.

Members represented by the Management hired before January 1, 2004 contribute at the following rates until they complete 35 years of credited service (see Note 11):

Up to and including March 31, 2018,

- iii. 8.00% of base annual earnings up to the YMPE; and
- iv. 10.00% of base annual earnings in excess of the YMPE;

On and after April 1, 2018,

- iii. 8.75% of base annual earnings up to the YMPE; and
- iv. 11.25% of base annual earnings in excess of the YMPE;

up to the limits established by the Income Tax Act.

Members represented by the Society hired on or after November 17, 2005 contribute at the following rates until they complete 35 years of credited service (see Note 11):

Up to and including March 31, 2018,

- v. 7.75% of base annual earnings up to the YMPE; and
- vi. 9.75% of base annual earnings in excess of the YMPE;

On and after April 1, 2018,

- v. 8.25% of base annual earnings up to the YMPE; and
- vi. 10.75% of base annual earnings in excess of the YMPE;

up to the limits established by the Income Tax Act.

Members represented by the Society hired before November 17, 2005 contribute at the following rates until they complete 35 years of credited service (see Note 11):

Up to and including March 31, 2018,

- vii. 8.25% of base annual earnings up to the YMPE; and
- viii. 10.25% of base annual earnings in excess of the YMPE;

On and after April 1, 2018,

- vii. 8.75% of base annual earnings up to the YMPE; and
- viii. 11.25% of base annual earnings in excess of the YMPE;

up to the limits established by the Income Tax Act.

*Note 11: For Society represented members hired before November 17, 2005, contributions increase by 0.5% in the event that after January 1, 2004 a valuation report reveals that the solvency assets are lower than 106% of the solvency liabilities. Effective April 1, 2018 this clause is no longer applicable.*

Members represented by the PWU contribute at the following rates until they complete 35 years of credited service:

On and after December 31, 2017,

- ix. 8.75% of base annual earnings up to the YMPE; and
- x. 11.25% of base annual earnings in excess of the YMPE;

up to the limits established by the Income Tax Act.

#### **Death Before Retirement**

##### No Surviving Spouse or Eligible Dependent Children

*Fewer than two years of Pension Plan membership (Deaths prior to July 1, 2012)*

The member's beneficiary or estate receives a cash refund of the member's contributions plus interest.

*Two or more years of Pension Plan membership*

The beneficiary or estate will receive the following:

**SEC INTERROGATORY #55**

**Reference:**

F-04-01-02

**Interrogatory:**

With respect to the Mercer Compensation Cost Benchmarking Study:

- a) Please provide an estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its transmission business and the P50 median used in the study. Please provide the amount in 2017 (the year the study was completed) and for each year between 2020 and 2022. Please provide a step-by-step explanation of how the estimate was reached and include the supporting calculations so that calculations can be verified.
- b) Please provide a list of all types of compensation (i.e. salary, overtime, share grant, LTIP etc.) that were paid in 2017 that: i) were included in the study, and ii) were not included in the study.
- c) Please provide the percentage of total compensation in each year between 2020 and 2022 that if of a type not types not included in the study.
- d) Are there any additional types of compensation that will be paid in 2020 through 2022 that were not in 2017?

**Response:**

- a) An estimate of the dollar difference between the weighted average total compensation for Hydro One's employees allocated to its transmission business and the market median used in the study is as follows:

	<b>Study Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Estimated Dollar Difference</b> (Hydro One to Market Median)	\$34,485,965	\$38,566,291	\$40,010,087	\$39,079,490

Witness: Sabrin Lila, Iain Morris, Joel Jodoin

1 This value was calculated based on the results of the Compensation Cost  
 2 Benchmarking Study (F-04-01-02), based on the following set of assumptions:

- 3  
 4 • Estimates are based on the differential between the average salary and the market  
 5 median rate for the corresponding level, multiplied by the number of incumbents  
 6 in the relevant level.  
 7 • Projections assume external market increases and Hydro One salary increases as  
 8 per the information below:  
 9     o Market (MCP roles): CPI + 0.6%,  
 10     o Market (represented roles): Increase at rate of CPI  
 11     o CPI Assumptions: 2017: 2.3%, 2018: 2.3%, 2019: 2.0%, 2020: 2.0% ,  
 12     2021: 1.9%, 2022: 2.0%  
 13  
 14 • Assumes that headcount increases occur as per the business plan (F-04-01 Table  
 15 2) and the proportion of MCP incumbents in each level remains consistent.  
 16  
 17 • The allocation of compensation to Transmission related activities is based on the  
 18 following percentages 2020: 48.22%, 2021: 49.68% and 2022: 48.35%.

19  
 20 Hydro One has reduced the amount of compensation for recovery in revenue  
 21 requirement since the Mercer Study was conducted. The above Mercer median should  
 22 be updated to reflect the further offsetting reductions as consistent with OEB  
 23 approved decision in EB-2017-0049. The variance between the Mercer study market  
 24 median and Hydro One compensation as well as the reductions included in this  
 25 application related to OM&A are set out in the table below:  
 26

<b>Net Mercer Median Reductions Allocated to OM&amp;A (\$M)</b>	<b>2020</b>
<b>Mercer Median - Tx OM&amp;A</b>	10.1
<b>Pension Reduction OM&amp;A</b>	(5.5)
<b>OPEB Reduction OM&amp;A</b>	(2.4)
<b>Executive Comp. Reduction</b>	(1.5)
<b>The Directive</b>	(0.1)
<b>Total Net Mercer OM&amp;A Reductions</b>	<b>0.5</b>

Witness: Sabrin Lila, Iain Morris, Joel Jodoin

<b>Updated Pension Reduction OM&amp;A</b>	(1.7)
<b>Total Net Mercer OM&amp;A Reductions</b>	<b>(1.2)</b>

- 1 • Mercer Median (+\$10.1 million) is the OM&A component of the transmission  
 2 allocated portion of \$38.6 million as stated above;  
 3  
 4 • The current revenue requirement reflects the reduced pension OM&A costs (-\$5.5  
 5 million) due to the actuarial valuation of pension expenses completed by Willis  
 6 Towers Watson (Exhibit F, Tab 5, Schedule 1 Attachment 1);  
 7  
 8 • The current revenue requirement reflects the reduced OPEB OM&A costs (-\$2.4  
 9 million) as a result of the latest valuation which is provided in Exhibit I, Tab 1,  
 10 Schedule OEB-205;  
 11  
 12 • The current revenue requirement reflects the reduced executive compensation  
 13 OM&A costs (-\$1.5 million) identified in EB-2018-0130, Exhibit I, tab 7,  
 14 schedule 3, page 2 to be in compliance with Bill 2; and  
 15  
 16 • As part of the blue-page update Hydro One further reduced its OM&A (-\$0.1  
 17 million) by factoring the Ontario Government Directive issued on January 1, 2019  
 18 (“the Directive”), as discussed in Exhibit F, Tab 4, Schedule 1, page 35 and also  
 19 identified in Exhibit F, Tab 1, Schedule 1, page 3.  
 20  
 21 • As a result of the updated pension valuation as of December 31, 2018, which  
 22 Hydro One provided in the updated response to JT 2.31, pension OM&A costs are  
 23 further reduced by (-\$1.7 million).  
 24  
 25 Hydro One submits that any further reductions contemplated by the OEB to the  
 26 amount of compensation recovered in rates based on the Mercer benchmark median  
 27 are not appropriate. As evident from the table above, the current OM&A ask in the  
 28 application reflects reductions which are larger than the OM&A component  
 29 representing the Net Mercer Median reduction by \$1.2 million.  
 30  
 31 b) The compensation elements included in the Mercer Compensation Benchmark Study  
 32 are described in Exhibit F-4-1 Attachment 2, p. 28 of 34 Appendix C – Detailed  
 33 compensation Benchmark Methodology. The compensation elements are: Base  
 34 Salary / Wage, Short-term Incentive or Bonus paid/lump sum, Benefits including post

Witness: Sabrin Lila, Iain Morris, Joel Jodoin

Filed: 2019-08-02  
EB-2019-0082  
Exhibit I  
Tab 07  
Schedule 55  
Page 4 of 4

- 1 retirement non-pension benefits, Pensions, and long-term incentives (i.e. LTIP, share  
2 awards).  
3  
4 c) The study included all relevant compensation elements for both Hydro One and  
5 market respondents.  
6  
7 d) There are no planned additional types of compensation that will be paid in 2020  
8 through 2022 that were not in 2017.

Witness: Sabrin Lila, Iain Morris, Joel Jodoin

	SUP & PWU Share Grants + Lump Sums Decline Per FTE				
	2016	2017	2018	2019	2020
<b>Total Society FTE's</b>	1267	1289	1337	1,577	1,565
Total Society Lump Sums + Share Grants	1,375,686	2,697,960	2,680,157	2,461,819	2,429,417
Total Society Lump Sums + Share Grants per FTE	1,086	2,093	2,005	1,561	1,552
Decline from 2017 per FTE					(541)
Decline from 2017 per FTE X 2020 FTE's					(846,229)
<b>Total PWU FTE's</b>	3,391	3,382	3,527	3,739	3,790
Total PWU Lump Sums + Share Grants	5,871,315	7,770,035	7,290,028	7,078,547	7,015,023
Total PWU Lump Sums + Share Grants per FTE	1,731	2,297	2,067	1,893	1,851
Decline from 2017 per FTE					(447)
Decline from 2017 per FTE X 2020 FTE's					(1,692,379)
<b>Total Society+PWU Decline from 2017 per FTE X 2020 FTE's</b>					(2,538,608)
Transmission Portion					(1,224,117)
Transmission OM&A Portion					(320,580)
Transmission Capital Portion					(903,537)
<b>Data source: I-07-SEC-058-01_20190802.XLSX</b>					



## Inter-city indexes of price differentials of consumer goods and services, annual <sup>1 2 3 4 5 6 7 8</sup>

Frequency: Annual

[Help](#)

Table: 18-10-0003-01 (formerly CANSIM 326-0015)

Geography: Census subdivision, Census metropolitan area, Census metropolitan area part

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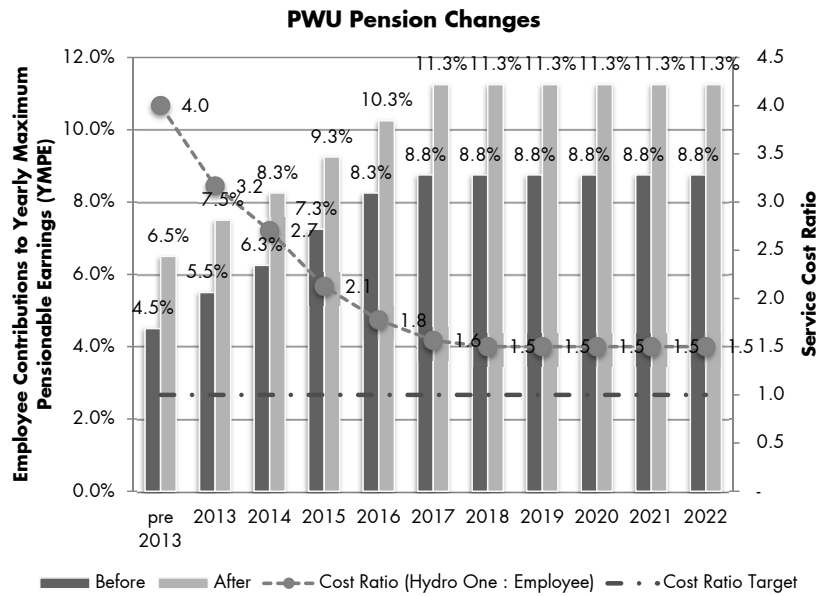
► [Customize table \(Add/Remove data\)](#)

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Geography	Products and product groups	2016	2017	2018
St. John's, Newfoundland and Labrador ( <a href="#">map</a> )		<b>Index, combined city average=100</b>		
	All-items	98	96	95
Halifax, Nova Scotia ( <a href="#">map</a> )	All-items	100	98	98
Saint John, New Brunswick ( <a href="#">map</a> )	All-items	93	92	91
Montréal, Quebec ( <a href="#">map</a> )	All-items	92	92	93
Toronto, Ontario ( <a href="#">map</a> )	All-items	108	110	109
Winnipeg, Manitoba ( <a href="#">map</a> )	All-items	95	94	93
Regina, Saskatchewan ( <a href="#">map</a> )	All-items	100	96	97
Calgary, Alberta ( <a href="#">map</a> )	All-items	103	100	101
Edmonton, Alberta ( <a href="#">map</a> )	All-items	100	97	99
Vancouver, British Columbia ( <a href="#">map</a> )	All-items	102	103	104

**How to cite:** Statistics Canada. [Table 18-10-0003-01 Inter-city indexes of price differentials of consumer goods and services, annual](#)

Source: StatCan <https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=1810000301>



1  
2  
3  
4

**Figure 7: PWU Employee Pension Contribution Increases, 2013 to 2022**

**Table 9: Annual Savings from Increased Employee Pension Contributions (Dx)**

Year	\$M
2018	\$22.5
2019	\$22.7
2020	\$22.5
2021	\$21.9
2022	\$21.5

Witness: Sabrin Lila