

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** *the Ontario Energy Board Act, 1998*,  
S.O.1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an Application by Hydro One  
Networks Inc. for an order or orders made pursuant to section 78 of  
the *Ontario Energy Board Act, 1998* approving rates for the  
transmission of electricity.

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**COMPENDIUM OF THE SCHOOL ENERGY COALITION**  
**(Panel 2 – Finance, Compensation & Shared Services)**

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# COMPENSATION COST BENCHMARKING STUDY

## HYDRO ONE NETWORKS INC.

04 APRIL 2018

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# 1

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## Executive Summary

Hydro One Networks Inc. (“Hydro One”) has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One’s total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013, 2016 and repeated, following a similar methodology, in 2017.

Prior to each study, every effort is made to ensure that the approach and methodology used continues to meet industry best standards and will provide an appropriate comparison for Hydro One.

Since 2008, the compensation cost benchmarking study has included regulated Transmission and Distribution Utilities’ and comparable regulated businesses across Canada. However, to reflect the changing talent landscape and nature of the workforce, the comparator group and job list for the 2016 study was reviewed with the purpose of rebalancing the mix of Transmission, Distribution and Functional benchmark jobs, and to better represent the market in which Hydro One attracts and loses talent to (e.g. contractors). This resulted in revisions to the comparator organizations and survey jobs included in the study.

While these changes may have an impact on the study-over-study comparison, Mercer believes they better reflect the current workforce and balance of jobs at Hydro One.

This document represents the final results of our analysis. Study-over-study trend analysis is provided.

## Compensation Benchmarking

The compensation benchmarking study compared Hydro One’s total compensation to a peer group of Transmission, Distribution and Generation organizations, supplemented with Contractors and participants from a similar Regulatory Environment.

The study reflected 3,210 Hydro One employees (up from 2,991 in 2016) in 34 benchmark jobs representing 59% of Hydro One’s employee population (excluding non-full time employees). In total, our analysis reflected approximately 16,800 (up from approximately 15,000 in 2016) incumbents employed in the Canadian energy and/or adjacent sectors. The increase in the percentage of Hydro One employees represented is partly driven by the updates made to the benchmark job list.

On an overall weighted average basis, for the jobs Mercer reviewed in 2017, Hydro One is positioned approximately 12% above the market 50th percentile (“P50” or “median”). In comparison to the 2016 study, Hydro One’s overall weighted average positioning has decreased from 14% above the market total compensation 50<sup>th</sup> percentile.

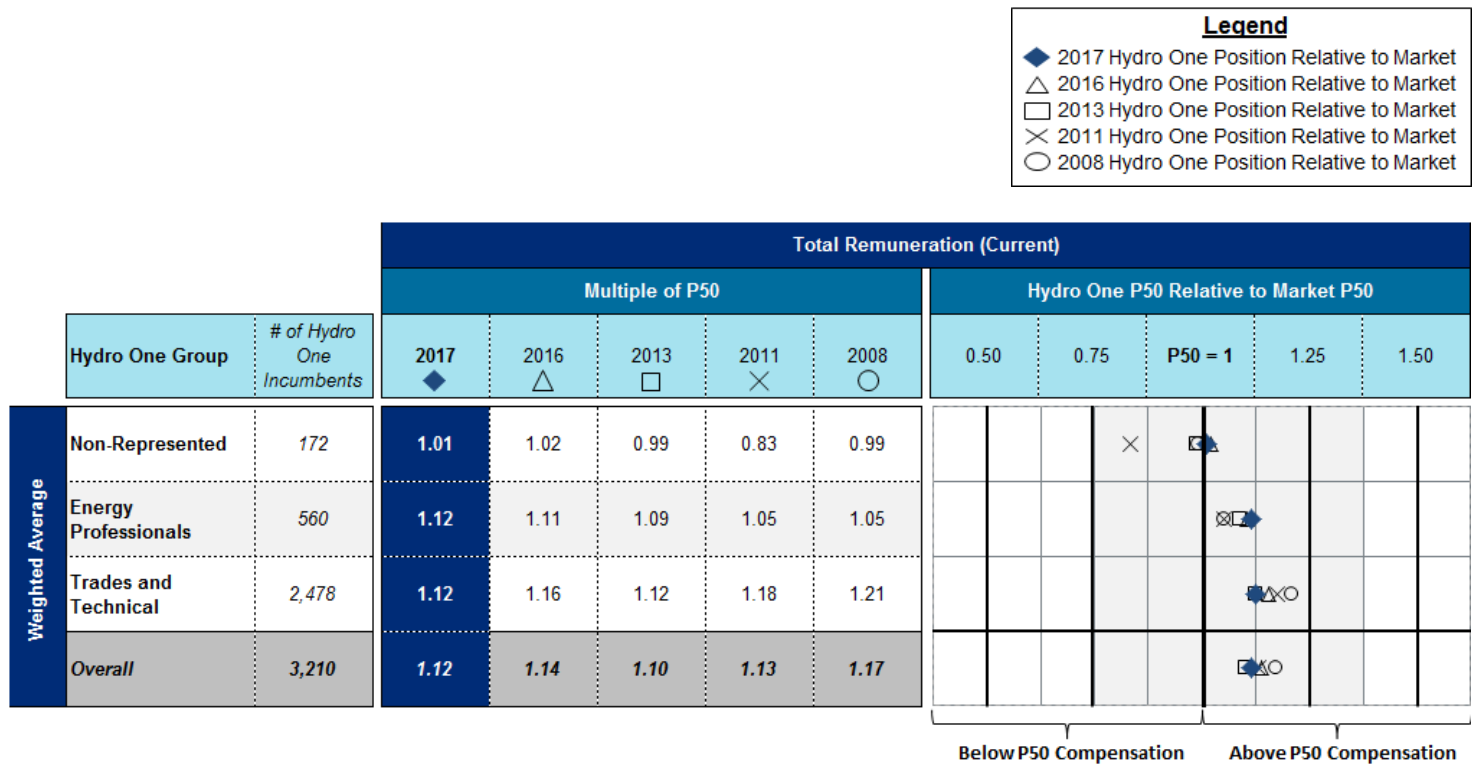
The shift in Hydro One's competitive position towards the median is notable given that the peer group, like Hydro One, has worked to reduce labour costs as a response to both the substantial economic downturn beginning in 2008 and expectations of key stakeholders over the entire period the compensation cost benchmarking studies have been conducted (2008 – 2016).

Hydro One's overall positioning relative to the market median is driven by a combination of a number of factors, including:

- The use of casual workers that have lower cost pension and benefit packages
- Higher short-term incentive payouts to the non-represented group following strong company performance
- Highly competitive base wages, especially for the most highly skilled Power Workers' Union ("PWU") jobs (Trades and Technical Group)
- The introduction of lump sum and share grant awards to the Energy Professionals and Technical and Trades workers, respectively, in exchange for reduced base salary / wage increases, resulting in lower pension and benefit costs
- Changes in the organizations participating in the study and the benchmark job list
- The relatively high value of legacy collective agreement wages, pension and benefits programs. We note that the legacy non-represented pension and benefit and Society pension plans are now closed to new members

The table below summarizes the results of the 2017 Compensation Cost Benchmarking Study compared to the results of the 2016, 2013, 2011 and 2008 study.

**Table 1**



# 2

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## Introduction

Hydro One Networks Inc. (“Hydro One”) has retained Mercer to prepare an independent, testable and repeatable market-based assessment of the reasonableness of Hydro One’s total compensation levels including salary, short-term incentives, long-term incentives, pension and employer paid health and group benefits relative to a select peer group. This study was conducted in 2008, 2011, 2013, 2016 and repeated, following a similar methodology, in 2017.

This report is intended to help Hydro One in preparing a multi-year CIR Application for Transmission rates (2019-2023). The results of the Compensation Cost Benchmarking study will be filed as evidence for the rate setting application.

To provide independent and reliable information on Hydro One’s relative compensation costs, Mercer has undertaken a customized survey of total compensation in the market (“Compensation Benchmarking”).

The total compensation (i.e., base salary, short-term incentives / lump sums, long-term incentives [including negotiated share grants], pension and benefits) benchmarking analyses focused on assessing Hydro One’s overall competitiveness in the marketplace.

Prior to each study, every effort is made to ensure that the approach and methodology used continues to meet industry best standards and will provide an appropriate comparison for Hydro One. In order to reflect the changing talent landscape and nature of the workforce, the comparator group and job list for the 2016 study was reviewed with the purpose of rebalancing the mix of Transmission, Distribution and Functional benchmark jobs, and to better represent the market in which Hydro One attracts and loses talent to. This resulted in revisions to the comparator organizations and survey jobs included in the study.

While these changes may have an impact on the study-over-study comparison, Mercer believes they better reflect the current workforce and balance of jobs at Hydro One.

# 3

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## Guiding Principles

The principles used for the compensation cost study were based on Mercer's standard approach in conducting multi-year compensation benchmarking. Mercer ensures that these principles are effectively applied within the context of the Hydro One study, making adjustments where necessary. These principles include:

1. Principle objective – to revisit the 2016, 2013, 2011 and 2008 Mercer Study to reasonably compare Hydro One compensation costs to those of regulated Transmission and Distribution Utilities', comparable regulated businesses and Contractors across Canada.
  - The 2016, 2013, 2011 and 2008 Mercer Studies were revisited following the same general overall methodology to provide appropriate study-over-study comparisons.
2. Keep it simple to entice survey participants.
  - The data collection process was reviewed and streamlined, where possible, to encourage survey participants to share data. Additional follow-up was provided by Mercer to support comparator participation in the study.
3. Be independent, testable, repeatable and market-based.
  - The study was conducted in a manner that meets each of the criteria listed.
4. Provide participants with the assurance that their information could not be attributable to them.
  - All participants were assured that data would be held confidentially by Mercer and only be shared in aggregate form.
5. Be based on the organizations and benchmark jobs surveyed in the 2016 Mercer Study and expanded as deemed appropriate by the consultant.
  - The 2017 study targeted similar benchmark jobs and organizations as the 2016 study; however, the following changes were made:
    - The list of benchmark jobs for the 2017 study was revised to reflect a mix of Transmission, Distribution and Functional jobs that is more representative of the roles at Hydro One. This resulted in the addition of five (5) new jobs and removal of three (3) jobs.
    - The list of peer organizations for the 2017 study was revised to include Contractors, Regulators and a rebalanced mix of Transmission, Distribution and Generation organizations. This resulted in a similar peer group used in the 2016 study with the addition of two (2) Contractors, one (1) Electricity System Operator and two (2) Transmission organizations. Two (2) organizations that participated in the 2016 study declined to participate in 2017. One (1) organization was part of a merger and participated under a new name.
6. Mirror the scoping in the 2016, 2013, 2011 and 2008 Mercer Studies for peer selection, job classes, etc. and changes as deemed appropriate by the consultant.

- Though the peer group and job list were revised, the same methodology used in 2016, 2013, 2011 and 2008 was followed in the 2017 Mercer Study for both peer company selection and job classes for inclusion. The selected benchmark job classes for the 2017 study represented 59% of Hydro One's employee population (excluding non-full time employees).
7. Enable reasonable comparison to the last Mercer study and provide trending analysis for Hydro One.
    - By including approximately 77% of peers and 91% of jobs from the 2016 Mercer Study, reasonable comparisons have been made and trending has been assessed.
  8. Compare to market median rather than market average ("mean")
    - The 2017 Mercer Study is based on a comparison of Hydro One median compensation against market median compensation. Comparison of medians is standard compensation practice; medians are representative of the middle data point in a sample and are less sensitive to outliers than the mean.
      - The 2008, 2011, 2013 and 2016 studies also compared Hydro One to the median.
    - Appendix A provides a comparison of Hydro One's total compensation median against market average. On an overall weighted average basis, there is a material difference between Hydro One's median positioning relative to market median and its positioning relative to the market arithmetic mean.
  9. No adjustments to reflect regional costs of living amongst the study participants.
  10. Hydro One has relied on Mercer's expertise in conducting the study to recommend appropriate changes in methodology and assumptions.



# 4

## Compensation Benchmarking

### Peer Groups

Mercer selects peer organizations, for compensation benchmarking purposes, based on a stable metric that reflects the size and operating complexity of the organization (typically, this is revenue and/or total assets). Where there is a relatively small sample of relevant comparator organizations, Mercer establishes limits of 33% to 300% of the scope criteria for the organization we are analyzing. Some organizations were included in the analysis despite falling below the 33% of revenue threshold value. These organizations were a mix of regulated Transmission and Distribution Utilities', Contractors and an Electricity System Operator that are seen as important comparators by stakeholders.

To develop a single peer group for Hydro One, Mercer initially considered all organizations, with 2015 or 2016 annual revenues between 33% and 300% of Hydro One's 2016 annual revenue, from the following areas:

1. Electric utilities, multi-utilities, generation, transmission, and gas utilities industries in Canada as classified by their Global Industry Classification Standard ("GICS")
2. 74 Local Distribution Companies ("LDCs") in Ontario
3. Organizations from which Hydro One contracts employees
4. Other comparable regulated businesses (i.e., gas pipelines, railroads, etc.)

Overall, 29 organizations were invited to participate in the study:

- 19 organizations accepted the invitation and participated in the 2017 study.
  - 15 of the 17 organizations included in the 2016 study were invited to participate.
    - The following two organizations were not invited to participate in 2017:
      - a. Bell Canada: Few comparable jobs – Provided data for less than 30% of jobs in 2016
      - b. PowerStream: Part of a merger to become Alectra Utilities; Alectra is included in the study.
    - 13 organizations included in the 2017 study also participated in 2016.
    - 2 organizations that participated in the 2016 study declined to participate in 2017.
  - 6 organizations that participated in the 2017 study were not invited in previous studies. This includes, amongst others, Contractors and an Electricity System Operator.
    - This resulted in an increase of two (2) organizations over the total number of 2016 participants.

Organizations that did not participate in the compensation benchmarking study indicated that they were unable to participate due to either resource constraints or an insufficient number of relevant benchmark jobs.

Following standard industry practice, comparisons were made between Hydro One's incumbents, at the 50th percentile, to the market peer group 50th percentile on base salary, total cash compensation and total compensation.

To ensure that no one organization biased the results, we have weighted our analysis by organization for each job class and not by number of incumbents to determine Hydro One's position relative to the market (i.e., the analysis is "Org Weighted"). To preserve the confidentiality of compensation data at both Hydro One and participating organizations, we have aggregated our results.

## Market Sample

Summarized below are the participating organizations in the compensation benchmarking.

**Table 2**

Company Name	Revenue <sup>1</sup>	# of Employees <sup>1,2</sup>
Hydro-Québec	\$13,339.0	19,552
TransCanada Corporation	\$12,505.0	6,705
BC Hydro Power & Authority	\$5,874.0	6,076
Ontario Power Generation Inc.	\$5,653.0	9,306
Toronto Hydro Corporation	\$4,030.0	1,415
Alectra Utilities Corporation*	\$3,824.4	1,440
ENMAX Corporation	\$2,801.0	1,786
Bruce Power L.P.	\$2,656.0	4,109
Enbridge Inc.	\$2,606.0	2,053
SaskPower	\$2,296.0	3,238
EPCOR Utilities, Inc.	\$1,932.0	2,989
Manitoba Hydro	\$1,867.0	5,925
New Brunswick Power	\$1,791.0	2,573
Nalcor Energy*	\$824.0	1,334
Veridian Corporation	\$364.1	219
Kinder Morgan Canada Ltd.*	\$253.0	353
Independent Electricity System Operator*	\$194.1	665
Black & McDonald <sup>3*</sup>	--	--
K-Line Maintenance & Construction Ltd <sup>3*</sup>	--	--
<b>75th %ile</b>	<b>\$3,927.2</b>	<b>5,413</b>
<b>50th %ile</b>	<b>\$2,296.0</b>	<b>2,573</b>
<b>25th %ile</b>	<b>\$1,162.0</b>	<b>1,375</b>
<b>Average</b>	<b>\$3,390.7</b>	<b>3,951</b>
<b>Hydro One Network Inc.</b>	<b>\$6,552.0</b>	<b>5,400</b>

<sup>1</sup> Data as reported by survey participants in CAD (\$MM)

<sup>2</sup> Representative of full-time employees and equivalents only

<sup>3</sup> Private organization. Revenue and number of Employees information has been masked

\* New participants in 2017

## Benchmark Jobs

The compensation survey was designed to benchmark compensation levels from a cross-section of Hydro One's population. To determine the roles to be included in our benchmark analysis, Mercer reviewed jobs that represented all of Hydro One's major business units and covered, at least, 50% of Hydro One's employee population.

To assist with study-over-study comparisons, it was determined that the Study should collect incumbent data using 29 of the 32 benchmark roles surveyed in the 2016 study. In an effort to rebalance the mix of Distribution, Transmission and Functional jobs within the study to better reflect the representation of jobs found within Hydro One, the following roles have been removed from the 2016 job list, partially due to their low incumbency at Hydro One:

- Area Superintendent
- Meter Reader
- Production Field Administrator III

The following five (5) jobs were added to the Study as replacements:

- Non-Represented: Manager Construction
- Energy Professionals: Estimator/Scheduler, Senior Protection & Control Supervisor
- Trades and Technical: Heavy Equipment Operator, Carpenter-Construction

In total, 34 benchmark roles were included in the 2017 compensation benchmarking study and data is reported on all 34 jobs.

As a result, ***the 2017 Compensation Cost Benchmarking Study directly reflected 3,210 Hydro One employees in 34 benchmark jobs representing 59% of Hydro One's employee population (excluding non-full time employees).***

In the market, Mercer collected approximately 16,800 individual incumbent observations across the benchmark roles (this figure excludes the 3,210 Hydro One incumbents) ***employed in the Canadian energy and/or adjacent sectors.***

Summarized below are the benchmark jobs organized by major employee group. The results in this report are summarized by the following employee groups. Specifically:

**Table 3**

Hydro One Group	Job #	Benchmark Survey Title
<b>Non-Represented</b>	1	Financial Director
	2	Regulatory Director**
	3	Manager of Construction*
	4	Senior Legal Counsel
	5	Engineer F
	6	Operations Manager**
	7	Human Resource Manager / Consultant
	8	Administrative Assistant
<b>Energy Professionals</b>	9	Engineer E
	10	Business Analyst C
	11	Engineer D
	12	Senior Protection and Control Supervisor*
	13	Estimator/Scheduler*
	14	Engineer C
	15	Engineer B
	16	Business Analyst A
	17	Engineer A
<b>Trades and Technical</b>	18	System Operator (Controller)
	19	Regional Maintainer - Lines (Supervisory)
	20	Protection and Control Technician
	21	Lineman - Journeyman
	22	Engineering Technician
	23	Regional Maintainer - Lines
	24	Regional Maintainer - Electrical
	25	Fleet Mechanic
	26	Service Dispatcher
	27	Draftsperson**
	28	Stock Keeper
	29	Carpenter - Construction*
	30	Heavy Equipment Operator*
	31	Labourer**
	32	Data Entry Clerk
	33	Electrical Apprentice
	34	Lines Apprentice

\* New position in 2017

\*\* Retitled position

“Energy Professionals” refers to Hydro One jobs represented by the Society of Energy Professionals (i.e., “Society”) and “Trades and Technical” refers to Hydro One jobs represented by the Power Workers’ Union (i.e., “PWU”).

See Appendix B for a summary of job descriptions.

## Methodology

As outlined in Appendix B, summarized below is the methodology used to determine compensation levels. Specifically:

**Base Salary/Wage** – Annual base salary at October 1, 2017 - If an hourly rate was reported, Mercer annualized the value by multiplying the standard number of work hours per week by 52 weeks per year. If a weekly rate was reported, Mercer annualized the value by multiplying by 52 weeks per year.

**Total Cash Compensation** - Base salary **plus** most recent short-term incentive or bonus paid/lump sum where applicable.

- Hydro One does not provide short-term incentives or bonus programs to Energy Professional or Power Worker jobs.
- In 2017, Hydro One provided lump sum payments, to the Energy Professional jobs, in exchange for reduced base salary increases.

**Benefits and Pensions** – To value benefit and pension programs, Mercer applied a relative value process to a set of standard employer paid cost factors, plus actuarial and demographic assumptions to measure all financially significant features of benefit and pension programs based on open and closed plans.

**Total Compensation** – Total cash compensation **plus** estimated annual value of the most recent long-term incentive grant (i.e., long-term cash, expected value of stock options or share awards) and pensions and benefits.

- Hydro One only provides long-term incentives to the Financial Director and Regulatory Director job.
- In 2017, Hydro One provided share grants, to the Power Worker jobs, in exchange for reduced base salary increases.

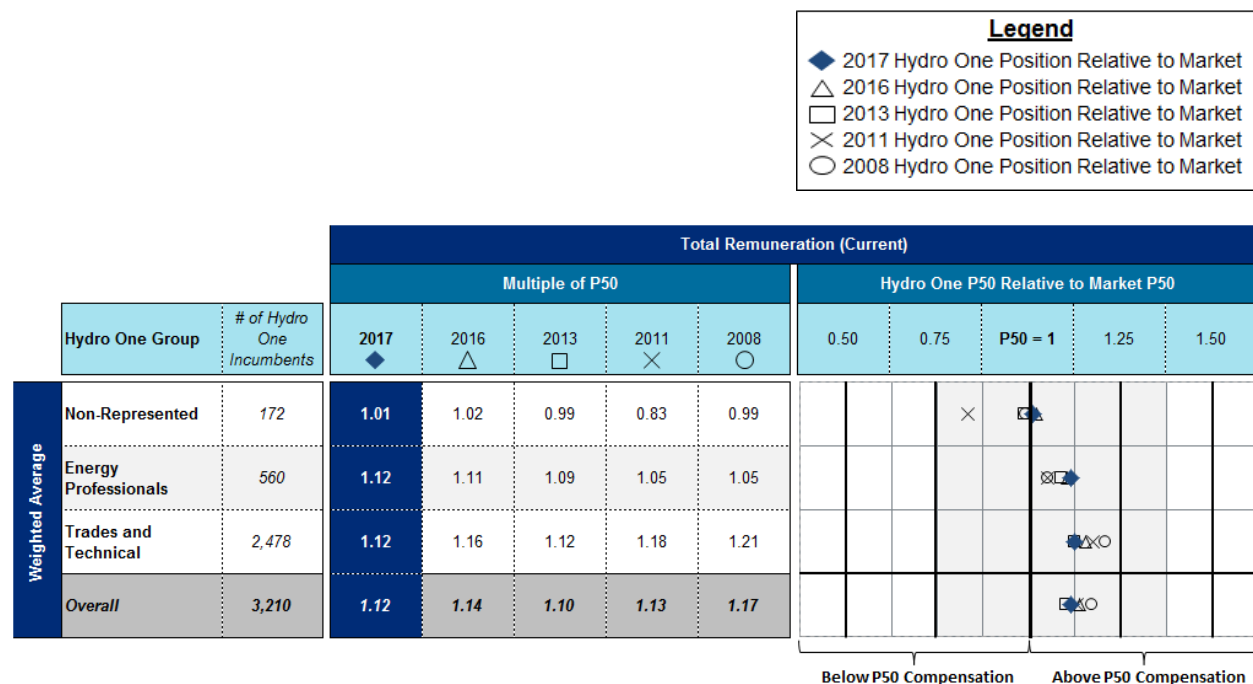
## Findings

Summarized below are the results of our compensation benchmarking analysis.

Overall, **on a weighted average basis, Hydro One's total compensation cost is 12% above market median.** Hydro One is consistently positioned above the market 50<sup>th</sup> percentile for all employee groups, ranging from a low of 1% for the Non-Represented group and a high of 12% above the market P50 for the Trades and Technical group.

In the 2016 study, Hydro One's overall weighted average was 14% above the market total compensation P50 – a 2% shift towards the market median since 2016.

**Table 4**



The results are driven by a combination of factors the most significant of which are the following:

- The use of casual workers that have lower cost pension and benefit packages
- Higher short-term incentive payouts to the non-represented group following strong company performance
- Highly competitive base wages, especially for the most highly skilled Power Workers' Union ("PWU") jobs (Trades and Technical Group)
- The introduction of lump sum and share grant awards to the Energy Professionals and Technical and Trades workers, respectively, in exchange for reduced base salary / wage increases, resulting in lower pension and benefit costs
- Changes in the organizations participating in the study and the benchmark job list
- The relatively high value of legacy collective agreement wages, pension and benefits programs. We note that the legacy non-represented pension and benefit and Society pension plans are now closed to new members

Mercer understands that these legacy plans relate to collective agreements negotiated prior to the formation of Hydro One. All PWU employees continue to be covered by the legacy plans. Even if all Non-Represented and Energy Professional employees were covered by the new plans, the difference in overall cost on a weighted average basis would not be substantial as the high population Power Worker jobs continue to be covered by the legacy plans; however, the use of casual workers (“hiring hall”) for several of the PWU benchmarks does reduce compensation costs relative to other PWU jobs and our market data.

For new employees hired into Non-Represented and Energy Professional job classifications, the value of pensions and/or benefits, where applicable, have decreased due to recent amendments to these plans (see “Future” & “Go Forward” columns on the following pages).

Mercer notes that, when measured on revenue, Hydro One is the third largest organization, for which we are able to report revenue, in the sample. Although size has a limited impact on middle management and unionized roles, size may have an impact on compensation for executive roles, as these roles tend to be larger and more complex in larger organizations.

As requested by stakeholders in 2011, in addition to comparing Hydro One P50 to market P50, a comparison was also made of Hydro One median to market average (“mean”). On a weighted average basis, Hydro One’s total compensation cost is 8% above market average. Hydro One’s position relative to market varies by employee group from 6% below market average for the Non-Represented group to a high of 9% above the market average for the Trades and Technical group. There is a noticeable difference between the market median and market average. This is driven, to a certain extent, by outliers in the data set and the sample size used. See Appendix A for detailed results.



## Non-Represented

Summarized below are the results for the Non-Represented roles that Mercer benchmarked at Hydro One relative to the market peer group.

In comparison to 2016, the 2017 Total Compensation (Current) result has decreased from 2% above market median to 1% above market median.

**Table 5**

			Hydro One P50 Relative to Market P50 <sup>1</sup>				
			Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup>		
Hydro One Group	# of Hydro One Incumbents	Current <sup>4</sup>			Future <sup>5</sup>	Go Forward <sup>6</sup>	
Non-Represented	Financial Director	2	-4%	10%	23%	23%	8%
	Regulatory Director**	2	-16%	-6%	5%	4%	-9%
	Manager of Construction*	8	6%	17%	22%	20%	4%
	Senior Legal Counsel	7	-4%	18%	15%	15%	4%
	Engineer F	57	-10%	-9%	-1%	-3%	-14%
	Operations Manager**	85	-3%	-1%	1%	-1%	-13%
	Human Resource Manager / Consultant	8	-24%	-25%	-21%	-21%	-31%
	Administrative Assistant	3	4%	4%	5%	5%	-5%
2017 Weighted Average Non-Represented		172	-6%	-3%	1%	0%	-12%
2016 Weighted Average Non-Represented		167	-1%	-3%	2%	-1%	-12%
2013 Weighted Average Non-Represented		206	-2%	-4%	-1%	-6%	-
2011 Weighted Average Non-Represented		137	-17%	-20%	-17%	-18%	-
2008 Weighted Average Non-Represented		151	-2%	-4%	-1%	-5%	-

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job.)

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

<sup>5</sup> Based on Hydro One's employee population, assuming all incumbents in the new DB pension and benefits programs.

<sup>6</sup> Based on Hydro One's employee population, assuming all incumbents in the new DC pension and benefits programs.

\* New job in 2017.

\*\* Retitled job.

## Energy Professionals (“Society”)

Summarized below are the results for the Energy Professional roles that Mercer benchmarked at Hydro One relative to the market peer group.

In comparison to 2016, the 2017 Total Compensation (Current) result has increased from 11% above market median to 12% above market median.

**Table 6**

		Hydro One P50 Relative to Market P50 <sup>1</sup>				
		Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup>		
Hydro One Group	# of Hydro One Incumbents			Current <sup>4</sup>	Future <sup>5</sup>	
Energy Professionals	Engineer E	113	-1%	-1%	2%	-2%
	Business Analyst C	1	28%	28%	34%	34%
	Engineer D	276	0%	-3%	6%	6%
	Senior Protection and Control Supervisor*	26	7%	9%	22%	17%
	Estimator/Scheduler*	16	33%	36%	43%	43%
	Engineer C	21	14%	4%	16%	16%
	Engineer B	86	22%	15%	29%	29%
	Business Analyst A	7	41%	40%	42%	42%
	Engineer A	14	2%	-5%	7%	7%
2017 Weighted Average Energy Professionals	560	5%	3%	12%	11%	
2016 Weighted Average Energy Professionals	612	5%	1%	11%	10%	
2013 Weighted Average Energy Professionals	746	7%	3%	9%	7%	
2011 Weighted Average Energy Professionals	779	6%	-3%	5%	4%	
2008 Weighted Average Energy Professionals	578	8%	-2%	5%	3%	

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job.)

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

<sup>5</sup> Based on Hydro One's employee population, assuming all incumbents in the new pension and benefits programs.

\* New job in 2017.

## Trades and Technical (“PWU”)

Summarized below are the results for the Trades and Technical roles that Mercer benchmarked at Hydro One relative to the market peer group.

In comparison to 2016, the 2017 Total Compensation result has decreased from 16% above market median to 12% above market median.

**Table 7**

		Hydro One P50 Relative to Market P50 <sup>1</sup>			
		Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup> Current <sup>4</sup>	
	Hydro One Group	# of Hydro One Incumbents			
Trades and Technical	System Operator (Controller)	88	18%	18%	37%
	Regional Maintainer - Lines (Supervisory)	62	5%	4%	21%
	Protection and Control Technician	90	17%	17%	34%
	Lineman - Journeyman	142	12%	12%	1%
	Engineering Technician	144	6%	6%	27%
	Regional Maintainer - Lines	748	-3%	-5%	10%
	Regional Maintainer - Electrical	255	8%	8%	29%
	Fleet Mechanic	73	9%	9%	26%
	Service Dispatcher	20	41%	35%	50%
	Draftsperson**	29	6%	3%	20%
	Stock Keeper	56	19%	16%	40%
	Carpenter - Construction**	57	30%	30%	31%
	Heavy Equipment Operator*	11	12%	12%	18%
	Labourer	225	10%	8%	12%
	Data Entry Clerk	65	13%	9%	27%
	Electrical Apprentice	54	-14%	-14%	-16%
	Lines Apprentice	359	-17%	-17%	-20%
2017 Weighted Average Trades and Technical		2,478	3%	1%	12%
2016 Weighted Average Trades and Technical		2,212	5%	4%	16%
2013 Weighted Average Trades and Technical		2,100	8%	6%	12%
2011 Weighted Average Trades and Technical		2,411	10%	9%	18%
2008 Weighted Average Trades and Technical		1,966	20%	16%	21%

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job.)

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

\* New job in 2017.

\*\* Retitled job.

^ Average market data reported as median for comparison purposes.

# APPENDIX A

## Hydro One vs. Market Average

As requested by stakeholders, summarized below are the results of our compensation benchmarking analysis comparing Hydro One median to market average.

Overall, **on a weighted average basis, Hydro One's total compensation cost is 8% above the market average (mean)**. Hydro One's position relative to market varies by employee group from a low of 6% below the market average for the Non-Represented group to a high of 9% above the market average for the Trades and Technical group.

Table 8

Legend	
◆	2017 Hydro One Position Relative to Market
△	2016 Hydro One Position Relative to Market
□	2013 Hydro One Position Relative to Market
×	2011 Hydro One Position Relative to Market
○	2008 Hydro One Position Relative to Market

			Total Remuneration (Current)									
			Multiple of Average					Hydro One P50 Relative to Market Average				
Hydro One Group			2017	2016	2013	2011	2008	0.50	0.75	Avg. = 1	1.25	1.50
			◆	△	□	×	○					
Weighted Average	Non-Represented	172	0.94	0.98	0.97	0.84	0.99					
	Energy Professionals	560	1.07	1.06	1.09	1.06	1.05					
	Trades and Technical	2,478	1.09	1.10	1.13	1.15	1.21					
	Overall	3,210	1.08	1.08	1.10	1.12	1.17					

## Non-Represented

Summarized below are the results for the Non-Represented roles that Mercer benchmarked at Hydro One relative to the market peer group.

**Table 9**

			Hydro One P50 Relative to Market Average <sup>1</sup>				
			Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup>		
					Current <sup>4</sup>	Future <sup>5</sup>	Go Forward <sup>6</sup>
	Hydro One Group	# of Hydro One Incumbents					
Non-Represented	Financial Director	2	-4%	5%	16%	16%	3%
	Regulatory Director**	2	-15%	-12%	-13%	-14%	-25%
	Manager of Construction*	8	3%	6%	13%	10%	-4%
	Senior Legal Counsel	7	-5%	4%	1%	1%	-8%
	Engineer F	57	-14%	-13%	-13%	-14%	-24%
	Operations Manager**	85	-5%	-7%	-2%	-3%	-15%
	Human Resource Manager / Consultant	8	-24%	-28%	-26%	-26%	-34%
	Administrative Assistant	3	-2%	0%	1%	1%	-8%
2017 Weighted Average Non-Represented		172	-8%	-9%	-6%	-7%	-18%
2016 Weighted Average Non-Represented		167	-2%	-5%	-2%	-5%	-16%
2013 Weighted Average Non-Represented		206	-4%	-6%	-3%	-8%	-
2011 Weighted Average Non-Represented		137	-15%	-17%	-16%	-17%	-

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job.)

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

<sup>5</sup> Based on Hydro One's employee population, assuming all incumbents in the new DB pension and benefits programs.

<sup>6</sup> Based on Hydro One's employee population, assuming all incumbents in the new DC pension and benefits programs.

\* New job in 2017.

\*\* Retitled job.

## Energy Professionals (“Society”)

Summarized below are the results for the Energy Professional roles that Mercer benchmarked at Hydro One relative to the market peer group.

**Table 10**

			Hydro One P50 Relative to Market Average <sup>1</sup>			
			Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup>	
					Current <sup>4</sup>	Future <sup>5</sup>
	Hydro One Group	# of Hydro One Incumbents				
Energy Professionals	Engineer E	113	-6%	-12%	-5%	-8%
	Business Analyst C	1	29%	26%	31%	31%
	Engineer D	276	1%	-3%	1%	1%
	Senior Protection and Control Supervisor*	26	4%	3%	13%	9%
	Estimator/Scheduler*	16	33%	35%	45%	45%
	Engineer C	21	12%	8%	15%	14%
	Engineer B	86	23%	20%	27%	27%
	Business Analyst A	7	37%	33%	41%	41%
	Engineer A	14	0%	-4%	6%	6%
2017 Weighted Average Professionals		560	5%	1%	7%	6%
2016 Weighted Average Energy Professionals		612	7%	-1%	6%	5%
2013 Weighted Average Energy Professionals		746	8%	1%	9%	7%
2011 Weighted Average Energy Professionals		779	6%	-1%	6%	4%

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job.)

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

<sup>5</sup> Based on Hydro One's employee population, assuming all incumbents in the new pension and benefits programs.

\* New job in 2017.

## Trades and Technical (“PWU”)

Summarized below are the results for the Trades and Technical roles that Mercer benchmarked at Hydro One relative to the market peer group.

**Table 11**

		Hydro One P50 Relative to Market Average <sup>1</sup>			
		Base Salary	Total Cash <sup>2</sup>	Total Compensation <sup>3</sup>	
Hydro One Group	# of Hydro One Incumbents			Current <sup>4</sup>	
Trades and Technical	System Operator (Controller)	88	14%	11%	28%
	Regional Maintainer - Lines (Supervisory)	62	6%	1%	19%
	Protection and Control Technician	90	18%	15%	34%
	Lineman - Journeyman	142	11%	9%	-2%
	Engineering Technician	144	7%	7%	23%
	Regional Maintainer - Lines	748	-3%	-6%	8%
	Regional Maintainer - Electrical	255	10%	7%	24%
	Fleet Mechanic	73	10%	9%	27%
	Service Dispatcher	20	29%	26%	48%
	Draftsperson**	29	4%	2%	17%
	Stock Keeper	56	22%	19%	39%
	Carpenter - Construction*^	57	30%	30%	31%
	Heavy Equipment Operator*	11	10%	7%	9%
	Labourer	225	6%	5%	5%
	Data Entry Clerk	65	3%	2%	15%
	Electrical Apprentice	54	-17%	-20%	-26%
	Lines Apprentice	359	-16%	-17%	-21%
2017 Weighted Average Trades and Technical	2,478	2%	0%	9%	
2016 Weighted Average Trades and Technical	2,212	2%	-1%	10%	
2013 Weighted Average Trades and Technical	2,100	9%	7%	13%	
2011 Weighted Average Trades and Technical	2,411	10%	8%	15%	

<sup>1</sup> Market results weighted by organization (i.e., for each participating organization, Mercer determined one average value per job).

<sup>2</sup> Base salary plus short-term incentives granted (i.e., bonus/lump sum), where applicable.

<sup>3</sup> Total cash compensation plus estimated long-term incentives, benefits and pension values.

<sup>4</sup> Based on Hydro One's employee population, assuming current pension and benefits program eligibility.

\* New job in 2017.

\*\* Retitled job.

^ Average market data reported as median for comparison purposes.

# APPENDIX B

## Job Descriptions

Benchmark Job	Survey Code	Generic Description
Administrative Assistant	220.108.430	Requires a general knowledge of departmental procedures, practices and office routine. Possesses good office and computer skills including word processing, spreadsheets, graphics software, and filing. May provide assistance to a more senior Administrative Assistant in a large department.
Business Analyst A	320.392.360	Assists with analyzing internal metrics. Performs responsible and varied business analytical or administrative functions. Assists with preparation documents, forecast summaries, status reports, budget reports, etc. Duties may include interpreting and processing company contracts, AFEs, and government agreements. Assignments are given in terms of objectives and relative priorities. Problems may be solved by adapting standard methods or by practical applications of knowledge. Usual qualifications include a university degree and up to 2 years' experience.
Business Analyst C	320.392.340	Analyzes internal metrics. Performs responsible and varied business analytical or administrative functions. Prepares documents, forecast summaries, status reports, budget reports, etc. Duties may include interpreting and processing company contracts, AFEs, and government agreements. Assignments are given in terms of objectives and relative priorities. Problems may be solved by adapting standard methods or by practical applications of knowledge. Usual qualifications include a university degree with a minimum of 4 years' related experience.
Carpenter - Construction	999.999.012	Lay out and build forms for concrete work needed to construct transformer stations, distribution stations, generating stations and lines as well as formwork for spill containment. Work involves assembling/disassembling scaffolding and shoring (indoors &/or outdoors); framing walls/rooms inside buildings, barriers, temporary outdoor shelters or winter housing and other miscellaneous carpentry projects as required (e.g. building shelving, crates) and other duties as required.
Data Entry Clerk	999.999.002	Perform data processing services including inputting, updating, to various computerized databases and applications of external service providers. Perform clerical/administrative duties in support of system processes. Work with various internal and external contacts and customers in the set up, maintenance, reporting and follow up of non-electricity accounts, customer service orders, materials, corporate charge cards, time reporting, management reporting, damage claims, accounts receivable, etc. Perform administrative services for provincial client group and special projects.
Draftsperson	510.656.420	Incumbent works on standard drafting assignments. Methods are detailed and standard but judgment is required in planning tasks and choice of methods. Accountable for accuracy and adequacy of work performed. May provide technical guidance to less experienced Drafters. Usual qualifications include a technical school diploma or equivalent, with a minimum of 5 years' related experience.
Electrical Apprentice	999.999.112	A five year apprenticeship leading to a Construction and Maintenance Electrician.



Benchmark Job	Survey Code	Generic Description
Engineer A	510.780.360	Incumbent receives "on-the-job" training in various phases of office, plant or field engineering through assignments or, in some cases, classroom instruction. Tasks assigned are simple and routine in nature. Assists more senior engineers in the preparation of plans, calculations, reports, etc. Few technical decisions are made and these are routine, with clearly defined procedures and guidelines. Works under close supervision and work is reviewed for accuracy, adequacy and conformance with prescribed procedures. Usual qualifications include a university degree in engineering with minimal experience.
Engineer B	510.780.350	Uses a variety of standard problem solving techniques. May assist more senior engineers in carrying out technical tasks requiring computation methods. Duties are assigned with detailed oral, and occasionally written instructions. Work is reviewed in detail with guidance given. May give limited technical guidance to junior professionals or technicians working on a common project. Usual qualifications include a university degree in engineering with a minimum of 2 years' related experience.
Engineer C	510.780.340	Incumbent is responsible for varied engineering assignments requiring a broad knowledge of an engineering specialty and the effect the work has upon other fields. Solves problems using a combination of standard or modified procedures. Participates in planning objectives. Performs independent studies, and analyzes, interprets and draws own conclusions; more complex work projects are referred to more senior authorities. Not supervised in detail except on more difficult assignments. May give periodic technical guidance to less experienced professionals or technicians assigned to work on a common project. Usual qualifications include a university degree in engineering with a minimum of 4 years' related experience.
Engineer D	510.780.330	This is the first level of full engineering specialization and is considered the senior level position. Alternatively may be the level at which an individual acts as group leader or work task force leader of a small group of technical personnel. Requires application of well-developed technical knowledge in planning, conducting and coordinating difficult assignments. The position requires the modification of established guidelines and initiation of new approaches. Makes independent decisions in planning, organizing and completing technical assignments. Work is reviewed for soundness of judgement but accepted technically as accurate and feasible. Work is assigned in terms of objectives and priorities but informed guidance is available. Advises on technical problems and supervision, and may plan, schedule and review work of professional engineers and technicians. May make recommendations concerning selection, training, discipline and remuneration of staff.
Engineer E	510.780.320	May have responsibility for coordinating engineering work assignments and making recommendations on technical applications developed by other professional personnel or consultants. May involve the direct supervision of a group of professionals. Provides guidance and training to less experienced staff. Checks work for accuracy and completeness. As a specialist, conducts special, complex and advanced level studies. Work is generally reviewed for results only. Makes independent decisions within broad guidelines and policies. May make recommendations concerning selection, training, discipline and remuneration of staff. May also responsible for construction.
Engineer F	510.780.310	Incumbent is considered an authority in an engineering field of specialization and acts as a technical consultant to the organization. This level is a dual-stream first level managerial position. Incumbents may be responsible for directing a staff of professional and support employees or act as a technical specialist. Responsible for planning and directing large engineering programs/projects; sets priorities and allocates resources; makes necessary decisions on all day-to-day operating matters within constraints of company policy. Receives work in terms of broad objectives. Usual qualifications include over 15 years' experience.
Engineering Technician	999.999.001	Perform technical support work for the Distribution and/or Transmission system: such as monitoring the performance of the distribution/transmission system by performing various technical studies, identifying and recommending solutions to the supervisor, providing field data and preliminary analysis for engineering studies. Negotiate property settlements on distribution/transmission lines and perform joint use activities. Provide administrative support related to preparation of estimates and work orders (WO) work schedules, line layouts, joint use, provision of underground cable and fault location service. Perform staking activities and prepare design packages for new connections, service upgrades, extensions, betterments and relocations.
Estimator/Scheduler	510.330.320	Supervise and direct the work operations of a group engaged in the preparation of capital construction projects, release and study estimates and schedules, construction cost estimates and cost reporting systems.

Benchmark Job	Survey Code	Generic Description
Financial Director	210.100.130	Responsible for providing overall direction for tax, insurance, budget, credit and treasury functions for the organization. Provide short to medium term direction for all corporate financial functions so that financial transactions, policies, and procedures meet the organization's short and medium-term business objectives and are conducted in accordance with regulations, and standards. Activities may include: credit control; cash flow; investment management; tax; insurance; treasury; internal audit; budgeting and forecasting; and foreign exchange. Lead, direct, evaluate, and develop a team of senior managers to ensure that the organization's financial strategy is implemented effectively, consistently and according to established guidelines.
Fleet Mechanic	999.999.011	Be responsible for the inspection, repair and maintenance, as well emergency repair of vehicles (e.g. bucket truck, all-terrain vehicles, go track, digger truck, ladder truck forklift, backhoe, manlift, vans/pickup trucks and the hydraulic equipment of the vehicles e.g. booms, buckets. Maintain inspection schedules and coordinate scheduling repairs to be contracted out. Work is performed in a garage or on site.
Heavy Equipment Operator	708.729.400	Equipment Operators are operators of heavy earth moving construction equipment such as bulldozers, front-end loaders, forklifts, excavators, backhoes, tension pulling machines, equipment for pole hold drilling and Hydro Vac excavation trucks etc. Generally assist both lines and stations crews. Under lines construction often operate and drive various types of cranes and boom trucks and must hold and maintain the required license(s) such as AZ, 339C, 339A based on the equipment being operated/driven. Operating Engineers/Heavy Duty Mechanics are trained to repair and maintain many types of heavy equipment.
Human Resource Manager / Consultant	120.100.220	This position supports the planning, design, development, implementation and administration of policies and programs through functional supervision in all or some of the following areas: employee relations, executive compensation, wage and salary administration, job evaluation, performance management, recruitment and selection and employment equity/human rights.
Labourer	700.792.431	Performs general labour work & assists other construction trades as required. The work involves material handling; hand excavation/backfill; operating equipment; demolition of structures including jack hammering to break up concrete; operating small tools; intermittent tractor/forklift/Bobcat operation; janitorial tasks, flagging, traffic control, equipment monitoring; assisting with formwork, scaffold erection/dismantling; and other miscellaneous labour related tasks as required.
Lineman - Journeyman	920.788.410	Responsible for the installation, maintenance, removal, and inspection of transmission/distribution power lines. Typically requires 4 years of experience and certification as a Power Line Technician (or equivalent).
Lines Apprentice	999.999.113	A four year apprenticeship leading to a Power Line Technician position.
Manager of Construction	708.100.220	Responsible for providing construction management and supervision within the construction group. Administers construction contracts. Is accountable for construction costs, schedules, safety, product quality and environment performance. Provides input into Project Execution Plans and the associated schedules and estimates. Usual qualifications include 10 to 12 years of experience including supervisory experience. Requires experience in construction management and supervision of various trades.
Operations Manager	700.793.240	Manage and supervise trade, technical and clerical staff. Develop work programs, organize schedules, provide instructions, guidance and checks, monitor work to ensure work quality and accuracy and in conformity to governing regulations. Ensure the administration of procedures, applicable legislation and collective agreements are met. Administer and control contract work. Review work methods, ensure appropriate training. Develops, maintains and enhance customer relationships through direct contact both internally and externally. This position is non-represented. Areas of accountability could be managing staff responsible for operating transmission or distribution systems, the execution of protection, control and station maintenance work programs or managing staff responsible for electrical services such as new connections/upgrades, trouble call/storm restoration or forestry work programs.
Protection and Control Technician	999.999.004	Perform initial inspections, conduct trouble-shooting and preventative maintenance, carry out modifications and repairs as required, on all types of protection, telecommunications, metering and control equipment which comes under Protection and Control (P&C) jurisdiction. Discuss and review results with supervisor, if the equipment is highly critical from the standpoint of system operation, before putting the equipment into service.

Benchmark Job	Survey Code	Generic Description
Regional Maintainer - Electrical	999.999.007	Responsible for the general maintenance and repair work on electrical systems and equipment at various geographical locations. Requires overhauling, maintaining and inspecting equipment such as conductors & insulators i.e. batteries, station bus, cable, compressed air systems, fire protection equipment switchgear i.e. circuit breakers, load interrupters metalclad switchgear, oil circuit breakers, SF6 breakers, air blast breakers, transformers, rotating machines, distribution stations & equipment. Has the necessary knowledge of the trade theory, operating principles, charts, tables, testing equipment and other reference works, to test, dismantle, repair, clean and assemble station electrical equipment within the required specifications. Requires certification as a construction and maintenance electrician. Also performs mechanical and protection and control work.
Regional Maintainer - Lines	999.999.006	Construct and maintain transmission and distribution lines and associated apparatus. Maintain power service to electrical customers. Understands and is able to operate the tools of his/her trade, and is familiar with the various instruments, i.e. voltmeters, ammeters and ohmmeters. Must be familiar with hydraulically-operated articulated or telescopic aerial devices. Must provide at own expense any tools listed for the classification if required in his/her work in accordance with the attached tool list. This classification also includes the requirement to hold a Power Line Technician certification (or equivalent).
Regional Maintainer - Lines (Supervisory)	999.999.008	This position is responsible for the safety, quality and quantity of the work performed by his/her crew. They plan work including staffing requirements, assigning work, co-ordinate work with other work groups, ensure proper work practices are followed, report on work performed and engage in good public relations. He/she performs the following physical work activities. Construct and maintain transmission and distribution lines and associated apparatus. Maintain power service to electrical customers. Also responsible for contract monitoring and lead hand responsibilities.
Regulatory Director	110.200.130	Executive with primary responsibility for preparing, managing, and leading company's testimony in utilities rate cases before local, regional or federal agencies. Responsibilities include development of all research associated with regulatory activities including activity across other regulatory entities and maintaining relationship with all regulators. Develops cost factors in association with utilities rate cases, may or may not, be involved in delivery of testimony. Typically reports to a Top Legal Executive, Chief Operations Officer or a Top Utilities Executive.
Senior Legal Counsel	115.100.340	Responsible for providing management and employees with advice on a broad range of moderately complex conflicting legal principles. The applicable laws and regulations are numerous and varied, and present difficult problems of interpretation. Applies independent judgement in recommending a course of action for a client department, providing input as to the ramifications of a course of action, a legal decision, or a new piece of legislation. Usual qualifications include a law degree, membership in a law society/bar association and/or other relevant jurisdiction with a minimum of 8 year's related experience.
Senior Protection and Control Supervisor	999.999.005	Provide advice and guidance to field and support groups on matters related to the work programs such as protection, instrumentation, control and telecommunications pertaining to the protection, operations, control and maintenance of the electrical power system. Also may participate in the development of standards and procedures. Minimum of 8 years' experience. Supervise staff engaged in the inspection and testing of electrical equipment to verify the equipment meets specified requirements and regulations.
Service Dispatcher	430.612.340	Responsible for handling incoming consumer calls to schedule and dispatch service technicians to problem areas (including high voltage switching). Maintains documentation of crew activities for continuous knowledge of line and substation work. Key coordinator during power failures provides notification to internal and external customers regarding restoration of power services.
Stock Keeper	999.999.009	Receives, receipts, stores, issues and ships materiel used in operations. Manages materiel, in accordance with established practices and regulations. Is responsible for materiel under his/her control. Performs maintenance, not requiring formal trades qualifications, and assists in tasks where unskilled or semi-skilled ability is required.
System Operator (Controller)	999.999.010	Monitor and operate the transmission/distribution system assets on a 24-hour basis. Determine condition and recommend on availability of equipment. Carry out Manual Block and Rotational Load Shedding Schedules procedures. Monitor, approve and report LV - load transfers. Direct / monitor personnel on a 24 hour basis (i.e. - switching agents, field crews) in the operation of the Transmission / Distribution network system assets. Troubleshoot & sectionalize for low voltage feeder faults.

## APPENDIX C

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### Detailed Compensation Benchmarking Methodology

Summarized in this appendix is supporting descriptions of how Mercer determined values for each of the major components of compensation. Specifically:

**Base Salary/Wage** – Annual base salary at October 1, 2017. If an hourly rate was reported, Mercer annualized the value by multiplying the standard number of hours per week by 52 weeks per year. If a weekly rate was reported, Mercer annualized the value by multiplying by 52 weeks per year.

**Total Cash Compensation** - Base salary *plus* most recent short-term incentive or bonus paid/lump sum.

**Benefits and Pensions** – To value benefit and pension programs, Mercer applied a relative value process to a set of standard employer paid cost factors, plus actuarial and demographic assumptions to measure all financially significant features of benefit and pension programs based on open and closed plans. See detailed methodology below.

**Total Compensation** - Total cash compensation *plus* estimated annual value of the most recent long-term incentive grant (i.e., expected value of stock options or share awards) and pensions and benefits.

Detailed Benefits and Pension Methodology – Total remuneration includes the following values for benefits and pensions:

- Mercer's relative value process applies a broad set of standard cost factors, plus actuarial and demographic assumptions to measure all of the financially significant features of benefit programs on a benefit line basis.
- Effectively, this process isolates the plan design and removes variable factors such as historical experience, demographics, and utilization trends specific to each participant in the study. For example, if two survey participants have an identical benefit offering, the values will be equal regardless of the actual plan costs to each of the employers.

## Aligning Values with Hydro One's Actual Costs

### Participation & Anti-Selection:

#### ***Active Flex Benefits:***

- Participation: Mercer uses a standardized set of participation assumptions for all participants that vary only by the number of options that are offered under the plan. Therefore, two identical flex programs will produce similar relative Total Values.
- Anti-Selection: A unique feature of flex plans is that employees who choose richer options are likely to be higher claimers than those choosing poorer options. This is reflected within our methodology by increasing the value of the richer options and reducing the value of the poorer options. The final relative values of the flex plan are a weighted average of the values of each of the options.
- Optional plans that are fully employee-paid (such as optional life) are excluded from the review.
- Low value core plans / catastrophic core plans and spousal top-up plans are excluded from the valuation.

### Projection Methodology for Pension Plans

#### ***Defined Benefit Plans***

- For defined benefit plans, annual service costs were estimated for each company's plan design at various earnings levels using a common sample employee demographic (age and years of service). The annual service costs were converted into company provided values by deducting any required employee contributions under each plan. The resulting company provided values were expressed as a percentage of earnings to be applied to the earnings associated with each benchmark job.

#### ***Defined Contribution Plans***

- For defined contribution benefit plans, the company provided value was set equal to the company contributions.
- Where employees are entitled to choose the level of their contributions, employees were assumed to contribute at the level that would maximize company contributions.

## Projection Methodology for Post-Retirement Non-Pension (PRNP)

Employee-specific factors including earnings and service are projected to each of the assumed retirement ages at which point the benefit payable is determined, actuarially valued and discounted with interest to the current age of the employee. The resulting values are split pro-rata on service into the benefit in respect of past service and the benefit in respect of future service, and the future service benefit value is converted to a level percentage of future pensionable earnings.

- The results are weighted by the assumed retirement rates and combined to produce a single value of future benefit accruals, as a percentage of future earnings, per member.
- Benefits are projected both before and after retirement based on benefit-specific (e.g. medical, dental) inflation assumptions.
- Benefits are coordinated with provincial medical and drug plans.
- Lifetime maximums are reflected where applicable.

### ***Flex Premium Cost Sharing & Credit Allocation:***

- Cost sharing is determined using each participant's actual price tag and credit formula.
- Assumptions are made as to where credits would commonly be used, unless they are allocated to specific benefits. These assumptions coordinate with the standardized participation assumptions outlined earlier.

### ***Standard Demographic Assumptions:***

- A common population reflecting the general demographics of a Canadian workforce group and adjusted to more closely mirror Hydro One's workforce is used in the analysis.
  - This population reflects a group of employees with an average age of 40 and average service of 12 years.
- For Pension and Post Retirement Non-Pension benefits, the above population is assumed to retiree approximately as follows:
  - 25% of the group retire at age 55
  - 60% of the group retire at age 60
  - 15% of the group retire at age 65
  - 70% of the active members are assumed to be married over their career while 90% of members are assumed to be married at the time of their retirement

***Other Actuarial Assumptions:***

- The following assumptions were used in the review:
  - Discount rate: 4.00% per annum
  - Inflation: 2.00% per annum
  - YMPE Increase: 3.00% per annum
  - Salary Increase: 4.00% per annum
  - Post Retirement mortality: 100% of CPM 2014 Public Sector Mortality projected with CPM-B Scale
  - Termination rates of 2% each year prior to age 55 (for pension values)
  - Medical and Dental inflation/utilization increases

**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:

	Study Year	2020	2021	2022
<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



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

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

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

<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>

- 1 • Mercer Median (+\$10.1 million) is the OM&A component of the transmission  
2 allocated portion of \$36.8 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 Hydro One submits that if the OEB is contemplating a further reduction to the amount  
22 of compensation recovered in rates based on the Mercer benchmark median, the  
23 appropriate amount is \$0.5 million. This amount reflects the reductions already  
24 incorporated in Hydro One’s current application.

- 25
- 26 b) The compensation elements included in the Mercer Compensation Benchmark Study  
27 are described in Exhibit F-4-1 Attachment 2, p. 28 of 34 Appendix C – Detailed  
28 compensation Benchmark Methodology. The compensation elements are: Base  
29 Salary / Wage, Short-term Incentive or Bonus paid/lump sum, Benefits including post  
30 retirement non-pension benefits, Pensions, and long-term incentives (i.e. LTIP, share  
31 awards).
- 32
- 33 c) The study included all relevant compensation elements for both Hydro One and  
34 market respondents.
- 35
- 36 d) There are no planned additional types of compensation that will be paid in 2020  
37 through 2022 that were not in 2017.

Witness: Sabrin Lila, Iain Morris, Joel Jodoin

## UNDERTAKING - JT 2.9

**Reference:**

I-07-SEC-055, part a)

**Undertaking:**

To produce a table similar to the one at SEC IR No. 55(a) to show capital reductions.

**Response:**

The following table outlines the capital reductions related to the net mercer median table and is consistent with how the OM&A table was produced in SEC IR No. 55 (a).

<b>Net Mercer Median Reductions Allocated to Capital (\$M)</b>	<b>2020</b>
Mercer Median - Tx Capital	28.5
Pension Reduction Capital	(3.0)
OPEB Increase Capital	1.7
Executive Comp. Reduction	(2.6)
The Directive	(0.3)
<b>Total Net Mercer Capital Reductions</b>	<b>24.3</b>

- Mercer Median (+\$28.5 million) is the Capital component of the transmission allocated portion of \$38.6 million as stated above;
- The current revenue requirement reflects the reduced pension capital costs (-\$3.0 million) due to the actuarial valuation of pension expenses completed by Willis Towers Watson (Exhibit F, Tab 5, Schedule 1 Attachment 1);
- The current revenue requirement reflects the updated OPEB capital costs, the allocation to Tx Capital results in an increase of (+\$1.7 million) as a result of the latest valuation which is provided in Exhibit I, Tab 1, Schedule OEB-205;
- The current revenue requirement reflects the reduced executive compensation capital costs (-\$2.6 million) identified in EB-2018-0130, Exhibit I, tab 7, schedule 3, page 2 to be in compliance with Bill 2; and
- As part of the blue-page update Hydro One further reduced its capital (-\$0.3 million) by factoring the Ontario Government Directive issued on February 21,

Witness: Joel Jodoin, Sabrin Lila

- 1           2019 (“the Directive”), as discussed in Exhibit F, Tab 4, Schedule 1, page 35 and
- 2           also identified in Exhibit F, Tab 1, Schedule 1, page 3.

## UNDERTAKING - JT 2.15

### **Reference:**

I-07-SEC-055

### **Undertaking:**

Regarding SEC 55, in particular in respect of the global figures as to the differential relative to market median, to advise how the differential was calculated.

### **Response:**

Below, Mercer has provided a summary of the methodology used.

An estimate of the dollar difference between the weighted average total compensation for Hydro One and the market median calculated in response to Exhibit I, Tab 07, Schedule SEC-55 is as follows:

**Table 1: Estimated Dollar Differential – Hydro One (Dx and Tx)**

	Study Year	2020	2021	2022
<b>Estimated Dollar Difference</b> (Hydro One to Market Median)	\$70,915,000	\$79,979,865	\$80,535,602	\$80,826,246

The Study Year value in Table 1 was calculated based on the results of the Mercer 2017 Compensation Cost Benchmarking Study (Exhibit F, Tab 4, Schedule 1 Attachment 2). The dollar differences in subsequent years were estimated based on the following steps and assumptions.

- Update the Hydro One benchmark and market benchmark based on salary/wage increases provided in Table 2 below and the market adjustment assumptions listed below. Results, by year, are provided in Table 3.

Witness: Sabrin Lila

**Table 2: Actual and Projected Hydro One Salary/Wage Adjustments: 2018 to 2022**

Category	Desc.	2018	2019	2020	2021	2022
MCP	Merit Budget	2.50% (actual)	2.30% (CPI)	2.00% (CPI)	2.50% (est.)	2.50% (est.)
PWU	Negotiated Step Increase	1.80% (Apr. 1, 18)	2.00% (Apr. 1, 19)	2.00% (Jan. 1, 20)*	2.00% (est.)	2.00% (est.)
SOCIETY	Negotiated Step Increase	0.50% (Apr. 1, 18)	2.00% (Apr. 1, 19)	2.00% (Apr. 1, 20)	2.00% (est.)	2.00% (est.)

Table 2 Notes: \*PWU has agreed to a 0.6% wage adjustment on January 1, 2020. A projected annual adjustment of 2.0% was used for 2020 to reflect the opportunity, in 2020, for a wage adjustment associated with the new collective agreement.

- Projected external market salary/wage increases as per the information below:
  - Market (MCP roles): CPI + 0.6%,
  - Market (represented roles): Increase at rate of CPI
  - CPI Assumptions: 2017: 2.3%, 2018: 2.3%, 2019: 2.0%, 2020: 2.0% , 2021: 1.9%, 2022: 2.0%

**Table 3: Updated Benchmark Based on Stated Assumptions: 2018 to 2022**

	2017*	2018	2019	2020	2021	2022
<b>Non-Represented</b>		103.5	105.9	108.0	110.7	113.5
Market**		102.9	105.9	108.6	111.4	114.2
Multiple of P50	1.01	1.01	1.00	0.99	0.99	0.99
<b>Energy Professionals</b>		112.6	114.8	117.1	119.4	121.8
Market		102.3	104.7	106.7	108.8	110.9
Multiple of P50	1.12	1.10	1.10	1.10	1.10	1.10
<b>Trades and Technical</b>		114.0	116.3	118.6	121.0	123.4
Market		102.3	104.7	106.7	108.8	110.9
Multiple of P50	1.12	1.11	1.11	1.11	1.11	1.11
<b>Total</b>						
Multiple of P50	1.12	1.11	1.10	1.10	1.10	1.10

Table 3 Notes: \*Mercer Compensation Cost Benchmark Study effective October 1, 2017

- Estimated Dollar Differentials are based on the differential between the average salary and the market median rate for the corresponding level, multiplied by the number of incumbents in the relevant level based on the FTE forecast found at Exhibit I, Tab 7, Schedule 58 Attachment 1 (Payroll Table).
- The allocation of compensation to Transmission related activities is based on the following percentages 2019: 44.33%, 2020: 48.22%, 2021: 49.68% and 2022: 48.35% to reach the figures provided in Exhibit I, Tab 07, Schedule SEC-55.

In summary, the 2017 estimated total reward dollar differential, based on the Mercer Study, was projected forward to 2022 by adjusting for Hydro One's actual and projected wage/salary adjustments and the expected market wage/salary adjustments during the

Witness: Sabrin Lila

## CME INTERROGATORY #44

**Reference:**

F-04-01p. 30 of 46

**Interrogatory:**

At Exhibit F, Tab 4, Schedule 1, page 30, Hydro One indicates that “Pension costs were reduced by increasing employee pension contributions and reducing future pension benefits. In addition to advancing the progression to a 50-50 cost-sharing for pension benefits, it is also significant in that the increase in pension contributions more than offsets the costs of the share grant program for both unions.”

- a) Please provide the costs calculations which supports the statement that the increase in employee pension contributions more than offsets the costs of the share grant program for both unions.
- b) Please provide particulars of the amount of pension costs reductions and how this was achieved through collective bargaining.
- c) Please specify the current cost sharing ratio of pension expenses for both unions.

**Response:**

- a) At the time the share grant program was negotiated, the following costing demonstrates that the increased employee pension contribution more than offset the cost of the share grant programs.

(\$M)		2017	2018	2019	2020	2021	2022
<b>PWU</b>							
Forecasted Maximum Stock Based Compensation Cost ( Cash)	A	4.0	4.1	4.1	3.9	3.6	3.4
Projected Pension Cost Savings ( Cash)	B	5.8	7.7	7.7	7.5	7.2	7.2
Savings	B less A	1.8	3.6	3.6	3.6	3.6	3.8
<b>Society</b>							
Forecasted Maximum Stock Based Compensation Cost ( Cash)	A	0	1.5	1.4	1.4	1.3	1.2
Forecasted Lump Sum salary payment	B	1.5	0	0	0	0	0
Projected Pension Cost Savings ( Cash)	C	1.5	2.8	3.7	3.7	3.6	3.6
Savings	C less (A+B)	0	1.3	2.3	2.3	2.3	2.4
<b>Net Pension Cost Savings ( Cash)</b>		<b>1.8</b>	<b>4.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>6.2</b>

- b) The 2015 collective bargaining and the resulting introduction of share grant compensation and increased employee contributions was part of a complex set of

Witness: Sabrin Lila

- 1 negotiations facilitated by the Government. These negotiations were further
- 2 complicated by having Sector bargaining for key issues involving OPG and also local
- 3 bargaining committees which negotiated local issues.
- 4
- 5 c) Please refer to Exhibit I, Tab 02, Schedule 19 and Exhibit I, Tab 02, Schedule 20.



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	
Transmission Unrepresented Total	63,339,829	64,739,302	60,177,949	73,211,844	68,526,913	65,506,806	74,018,853	78,467,725	77,762,769	

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	
Distribution Unrepresented Total	71,327,180	74,883,031	74,438,303	80,821,878	86,856,697	92,692,386	87,981,412	87,417,704	91,943,411	

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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TOTAL Unrepresented Labour	137,756,810	142,237,587	144,213,420	163,694,131	168,496,396	181,948,030	186,288,823	190,767,400	195,196,682	
TOTAL Unrepresented Headcount / FTE/VE	703 / 605 / 584	673 / 597 / 585	709 / 611 / 596	735 / 633 / 627	793 / 638 / 641	692	693	694	694	

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	
Transmission Society Represented Total	115,609,754	115,225,928	101,818,351	115,798,964	107,598,095	125,143,693	137,707,506	145,101,125	144,205,083	

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>

<b>Headcount Total / FTE Distribution</b>		<b>741 / 683</b>	<b>734 / 687</b>	<b>764 / 698</b>	<b>724 / 662</b>	<b>815 / 730</b>	<b>878</b>	<b>810</b>	<b>788</b>	<b>806</b>
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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	167,856,747	186,191,714	207,329,668	199,162,322	198,963,253	209,660,938
Overtime		39,001,377	32,831,201	45,703,166	24,324,164	31,327,025	28,808,186	29,785,152	30,653,401	31,495,408
Lump Sums		-	1,551,922	3,233,471	-	-	-	-	-	-
Burdens		111,891,096	114,674,170	93,685,049	86,417,744	79,943,198	88,066,336	85,890,427	87,119,436	93,283,118
Share Grants		-	-	-	3,991,098	3,907,977	3,794,608	3,760,554	3,646,797	3,475,119
<b>Distribution PWU Represented Total</b>		<b>317,446,650</b>	<b>317,825,115</b>	<b>321,022,520</b>	<b>282,589,752</b>	<b>301,369,913</b>	<b>327,998,798</b>	<b>318,598,456</b>	<b>320,382,887</b>	<b>337,914,583</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>563,612,577</b>	<b>573,288,623</b>	<b>609,747,745</b>	<b>631,933,457</b>	<b>651,993,279</b>	<b>671,743,773</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 / 3529</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
Temporary Distribution Total	107,800,840	97,862,320	110,671,417	95,653,937	105,075,217	121,799,047	118,269,640	125,754,096		129,076,009

<b>Headcount Total / FTE Distribution</b>	<b>1895 / 1234</b>	<b>1732 / 1131</b>	<b>1794 / 1235</b>	<b>1845 / 1118</b>	<b>1721 / 1179</b>	<b>1,397</b>	<b>1,323</b>	<b>1,384</b>	<b>1,393</b>
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<b>TOTAL Temporary Labour</b>	<b>257,516,811</b>	<b>238,054,274</b>	<b>260,558,779</b>	<b>243,473,782</b>	<b>266,631,781</b>	<b>282,479,838</b>	<b>279,120,554</b>	<b>284,588,766</b>	<b>286,316,568</b>
<b>TOTAL Temporary Headcount / FTE/VE</b>	<b>4714 / 3070 / 2191</b>	<b>4351 / 2842 / 2063</b>	<b>4495 / 3095 / 2278</b>	<b>4164 / 2842 / 2760</b>	<b>3892 / 2927 / 1984</b>	<b>3,208</b>	<b>3,098</b>	<b>3,099</b>	<b>3,054</b>

Total Capital Transmission Comp		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	506,498,946	542,636,628	543,823,133
Total OM&A Transmission Comp		207,166,269	200,807,004	151,489,987	223,675,880	185,069,058	176,094,700	179,413,328	171,377,284	169,214,468
Total Transmission Compensation		<b>605,059,190</b>	<b>591,937,030</b>	<b>552,123,353</b>	<b>617,853,477</b>	<b>609,600,282</b>	<b>633,080,237</b>	<b>685,912,274</b>	<b>714,013,912</b>	<b>713,037,600</b>

Total Capital Distribution Comp		2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Distribution Comp		319,056,686	330,163,788	318,482,459	285,834,231	303,991,403	399,601,250	378,225,534	390,700,714	431,538,200
Total OM&A Distribution Comp		308,085,500	293,826,096	315,501,373	293,726,326	315,330,439	296,704,045	292,373,150	288,016,313	279,243,254
Total Distribution Compensation		<b>627,142,186</b>	<b>623,989,883</b>	<b>633,983,832</b>	<b>579,560,557</b>	<b>619,321,842</b>	<b>696,305,295</b>	<b>670,598,684</b>	<b>678,717,027</b>	<b>710,781,454</b>

Total Capital Transmission + Distribution Comp		2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Capital Transmission + Distribution Comp		716,949,607	721,293,813	719,115,826	680,011,828	728,522,627	856,586,788	884,724,480	933,337,343	975,361,333
Total OM&A Transmission + Distribution Comp		515,251,769	494,633,100	466,991,359	517,402,206	500,399,497	472,798,745	471,786,477	459,393,597	448,457,722
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		<b>1,235,291,177</b>	<b>1,218,542,167</b>	<b>1,195,704,354</b>	<b>1,207,074,444</b>	<b>1,242,034,910</b>	<b>1,353,134,369</b>	<b>1,380,799,515</b>	<b>1,417,612,911</b>	<b>1,449,309,557</b>

**Headcount FTE**  
MCP Represented Regular Employees  
Society Represented Regular Employees  
PWU Represented Regular Employees  
Temporary and Casual Employees  
**Total**

2014	2015	2016	2017	2018	2019	2020	2021	2022
605	597	611	633	638	692	693	694	694
1,291	1,282	1,267	1,289	1,337	1,577	1,565	1,566	1,560
3,342	3,356	3,391	3,382	3,527	3,739	3,790	3,824	3,852
3,070	2,842	3,095	2,842	2,927	3,208	3,098	3,099	3,054
<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:**  
Pension  
OPEB

2014	2015	2016	2017	2018	2019	2020	2021	2022
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
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:**  
Pension  
OPEB

2014	2015	2016	2017	2018	2019	2020	2021	2022
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
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

**Table 1: Compensation Costs 2014-2022**

Transmission Unrepresented										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Base Pay	34,159,172	35,163,435	35,912,770	44,208,230	43,110,376	43,907,861	46,194,015	48,967,817	49,947,174	
Burdens	22,948,132	23,892,812	18,859,159	23,426,461	23,103,625	23,531,011	24,756,202	26,242,733	26,767,587	
Other Allowances	3,531,125	2,412,825	3,519,123	3,833,409	3,759,755	3,851,501	4,063,816	4,314,105	4,400,387	
STI	4,246,302	4,577,857	5,123,617	5,657,308	5,548,610	5,684,009	5,997,340	6,366,714	6,494,049	
LTI	-	-	473,857	3,708,303	5,488,089	5,612,660	5,773,717	5,937,131	5,796,761	
ESOP	-	-	865,797	977,339	987,113	996,984	1,006,954	1,017,023	1,027,193	
Transmission Unrepresented Total	64,884,730	66,046,929	64,754,323	81,811,052	81,997,567	83,584,027	87,792,044	92,845,523	94,433,151	
Headcount Total / FTE Transmission	331 / 285	313 / 277	319 / 275	330	316	315	325	338	338	338
Distribution Unrepresented										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Base Pay	38,364,187	40,563,964	44,021,905	46,690,212	49,074,770	49,579,097	48,886,318	47,873,177	48,830,640	
Burdens	25,773,061	27,562,357	23,117,573	24,741,693	26,300,050	26,570,328	26,199,056	25,656,095	26,169,217	
Other Allowances	3,965,808	2,783,396	4,313,744	4,048,628	4,279,923	4,348,970	4,300,665	4,217,666	4,302,019	
STI	4,769,024	5,280,942	6,280,535	5,974,927	6,316,270	6,418,168	6,346,880	6,224,391	6,348,879	
LTI	-	-	926,143	3,893,438	5,824,760	5,625,313	5,464,256	5,300,842	5,441,212	
ESOP	-	-	799,197	902,159	911,181	920,293	929,496	938,791	948,178	
Distribution Unrepresented Total	72,872,080	76,190,658	79,459,097	86,251,056	92,706,954	93,462,169	92,126,670	90,210,961	92,040,145	
Headcount Total / FTE Distribution	372 / 320	360 / 320	390 / 336	349	359	356	344	330	330	330
TOTAL Unrepresented Labour										
TOTAL Unrepresented Headcount / FTE /Year End Headcount	137,756,810 703 / 605/584	142,237,587 673 / 597/585	144,213,420 709 / 611/604	168,062,108 679	174,704,521 675	177,046,196 671	179,918,715 669	183,056,484 668	186,473,296 668	186,473,296 668

Witness: Keith McDonell

Transmission Society Represented										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Base Pay	67,393,687	66,909,144	65,179,365	76,057,689	75,026,848	75,517,870	78,182,249	81,378,149	81,785,040	
Overtime	2,940,988	2,853,433	1,792,765	4,515,449	4,554,528	4,564,033	4,566,853	4,566,236	4,589,067	
Lump Sums	-	-	618,063	1,312,146	-	-	-	-	-	
Burdens	45,275,079	45,463,351	34,228,158	40,303,865	40,208,235	40,471,383	41,899,271	43,612,011	43,830,071	
Share Grants	-	-	-	-	1,308,274	1,305,664	1,332,413	1,330,075	1,256,760	
Transmission Society Represented Total	115,609,754	115,225,928	101,818,351	122,189,149	121,097,885	121,858,951	125,980,785	130,886,472	131,460,939	
Headcount Total / FTE Transmission	660 / 608	636 / 595	624 / 569	669	645	646	666	689	689	
Distribution Society Represented										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Base Pay	75,689,891	77,185,295	79,896,923	80,327,794	85,406,940	85,271,924	82,738,905	79,558,999	79,956,794	
Overtime	4,029,156	3,788,344	5,240,140	3,010,299	3,036,352	3,042,689	3,044,569	3,044,157	3,059,378	
Lump Sums	-	-	757,623	1,385,814	-	-	-	-	-	
Burdens	50,848,469	52,445,778	41,956,906	42,566,643	45,771,113	45,698,755	44,341,265	42,637,096	42,850,282	
Share Grants	-	-	-	-	1,489,275	1,474,306	1,410,069	1,300,342	1,228,666	
Distribution Society Represented Total	130,567,516	133,419,417	127,851,592	127,290,550	135,703,681	135,487,675	131,534,808	126,540,595	127,095,120	
Headcount Total / FTE Distribution	741 / 683	734 / 687	764 / 698	706	735	730	704	674	674	
TOTAL Society Represented Labour	246,177,271	248,645,345	229,669,943	249,479,699	256,801,566	257,346,626	257,515,593	257,427,067	258,556,059	
TOTAL Society Represented Headcount / FTE / Year End Headcount	1401 / 1291/1290	1370 / 1282/1285	1388 / 1267/1289	1375	1380	1376	1370	1363	1363	

Witness: Keith McDonell

Transmission PWU Represented											
	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Base Pay	148,298,536	146,298,728	145,538,184	162,500,935	156,353,968	160,998,321	167,752,178	175,858,962	177,230,450		
Overtime	28,468,143	24,728,915	15,636,038	38,388,190	38,384,579	39,401,519	39,679,275	39,958,646	40,263,356		
Lump Sums	-	1,345,306	2,637,844	-	-	-	-	-	-		
Burdens	99,626,956	99,406,896	76,427,624	86,111,158	83,792,899	86,281,891	89,901,404	94,245,975	94,980,980		
Share Grants	-	-	-	3,778,937	3,558,504	3,551,406	3,624,163	3,617,804	3,418,388		
Transmission PWU Represented Total	276,393,635	271,779,845	240,239,691	290,779,220	282,089,950	290,233,137	300,957,020	313,681,387	315,893,174		
Headcount Total / FTE Transmission	1695 / 1574	1687 / 1558	1687 / 1523	1,692	1,611	1,608	1,658	1,721	1,717		
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		
Distribution PWU Represented Total	317,446,650	317,825,115	321,022,520	292,153,138	303,012,142	309,497,259	302,958,514	294,242,963	296,310,548		
Headcount Total / FTE Distribution	1903 / 1768	1946 / 1798	2068 / 1868	1,788	1,833	1,815	1,755	1,682	1,678		
TOTAL PWU Represented Labour											
TOTAL PWU Represented Labour	593,840,285	589,604,960	561,262,211	582,932,358	585,102,092	599,730,396	603,915,534	607,924,350	612,203,722		
TOTAL PWU Represented Headcount / FTE / Year End Headcount	3598 / 3342/3271	3633 / 3356/3350	3755 / 3391/3385	3,480	3,444	3,423	3,413	3,403	3,395		

Witness: Keith McDonell

Temporary Transmission	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	117,432,836	114,683,317	126,561,770	128,509,549	131,506,621	131,259,742	132,908,848	134,815,659	136,197,252
Unrepresented	1,037,380	1,062,954	1,429,735	1,241,668	1,177,649	1,206,386	1,272,888	1,305,202	1,331,306
Society Represented	2,184,967	2,099,278	1,820,954	1,893,136	1,639,171	1,462,415	1,520,339	1,590,241	1,598,192
PWU Represented	9,810,066	5,736,423	6,145,715	4,171,501	3,513,672	3,536,862	3,695,245	3,854,431	3,892,975
Overtime	10,311,405	8,102,478	4,863,103	11,616,167	12,095,543	11,939,524	12,063,003	12,208,607	12,334,860
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	8,939,318	8,507,504	9,066,085	9,544,479	9,897,597	9,977,687	10,177,218	10,453,349	10,890,222
Temporary Transmission Total	149,715,971	140,191,954	149,887,362	156,976,501	159,830,252	159,382,616	161,637,541	164,227,489	166,244,808
Headcount Total / FTE Transmission	2819 / 1836	2619 / 1711	2701 / 1860	1,851	1,861	1,833	1,841	1,852	1,852

Temporary Distribution	2014	2015	2016	2017	2018	2019	2020	2021	2022
Casual Trades	72,600,869	70,901,026	78,244,679	79,448,861	84,499,557	82,600,879	83,157,282	83,816,562	84,689,539
Unrepresented	1,165,082	1,226,207	1,752,571	1,311,379	1,340,578	1,362,206	1,347,075	1,276,025	1,301,545
Society Represented	2,453,938	2,421,692	2,232,127	1,999,422	1,865,953	1,651,304	1,608,948	1,554,693	1,562,466
PWU Represented	11,017,691	6,617,444	7,533,423	4,405,702	3,999,795	3,993,690	3,910,613	3,768,268	3,805,951
Overtime	14,126,632	10,757,207	14,214,548	7,744,112	8,063,695	7,959,683	8,042,002	8,139,071	8,223,240
Other Allowances	-	-	-	-	-	-	-	-	-
Burdens	6,436,628	5,938,744	6,694,070	6,144,266	6,586,151	6,515,853	6,589,437	6,699,604	6,980,664
Temporary Distribution Total	107,800,840	97,862,320	110,671,417	101,053,740	106,355,729	104,083,616	104,655,358	105,254,223	106,563,405
Headcount Total / FTE Distribution	1895 / 1234	1732 / 1131	1794 / 1235	1,196	1,246	1,202	1,195	1,188	1,189

TOTAL Temporary Labour	257,516,811	238,054,274	260,558,779	258,030,241	266,185,981	263,466,232	266,292,900	269,481,713	272,808,214
TOTAL Temporary Headcount / FTE/ Year End Headcount	4714 / 3070/2191	4351 / 2842/2063	4495 / 3095/2021	3,047	3,107	3,035	3,036	3,040	3,041

Witness: Keith McDonell



Total Capital Transmission Comp	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total OM&A Transmission Comp	420,649,814	415,644,828	403,954,089	428,805,894	431,976,261	447,452,622	472,989,442	512,249,688	516,915,737
Total Transmission Compensation	185,954,276	177,599,829	152,745,639	222,950,027	213,039,394	207,606,109	203,377,949	189,391,183	191,116,335
	606,604,090	593,244,657	556,699,728	651,755,921	645,015,654	655,058,731	676,367,391	701,640,871	708,032,072
Total Capital Distribution Comp	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total OM&A Distribution Comp	435,963,276	438,102,009	463,676,410	399,194,419	427,129,438	438,895,081	441,456,196	449,907,123	454,112,697
Total Distribution Compensation	192,723,811	187,195,501	175,328,216	207,554,065	210,649,067	203,635,637	189,819,154	166,341,619	167,896,522
	628,687,087	625,297,510	639,004,626	606,748,484	637,778,506	642,530,718	631,275,350	616,248,742	622,009,219
Total Capital Transmission + Distribution Comp	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total OM&A Transmission + Distribution Comp	856,613,090	853,746,838	867,630,499	828,000,314	859,105,699	886,347,703	914,445,638	962,156,812	971,028,434
Total Transmission + Distribution Compensation	378,678,087	364,795,330	328,073,855	430,504,091	423,688,461	411,241,746	393,197,104	355,752,802	359,012,857
	1,235,291,177	1,218,542,167	1,195,704,354	1,258,504,405	1,282,794,160	1,297,589,449	1,307,642,741	1,317,889,613	1,330,041,291
Burdens Transmission include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	77,000,000	77,000,000	50,000,000	34,506,000	32,316,400	32,195,000	33,291,000	35,092,500	35,092,500
OPEB	59,555,218	52,414,405	43,540,991	51,596,670	50,344,877	50,416,059	53,397,905	57,715,793	59,770,671
Burdens Distribution include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	91,000,000	95,000,000	54,000,000	36,423,000	36,883,600	36,305,000	35,209,000	33,839,000	33,839,000
OPEB	69,352,181	64,843,773	56,157,857	54,493,460	57,310,176	56,852,151	56,474,327	55,654,192	57,635,670
Burdens Transmission + Distribution include:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension	168,000,000	172,000,000	104,000,000	70,929,000	69,200,000	68,500,000	68,500,000	68,931,500	68,931,500
OPEB	128,907,399	117,258,178	99,698,848	106,090,130	107,655,053	107,268,210	109,872,232	113,369,985	117,406,341

Witness: Keith McDonell

**6. FULL TIME EQUIVALENTS (FTES)<sup>2</sup>**

**Table 2: Full Time Equivalents (FTE), 2017 to 2022**

		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Regular</b>	MCP	633	738	692	693	694	694
	Society	1,289	1,432	1,577	1,565	1,566	1,560
	PWU	3,382	3,462	3,739	3,790	3,824	3,852
	<b>Total Regular</b>	<b>5,304</b>	<b>5,632</b>	<b>6,008</b>	<b>6,048</b>	<b>6,084</b>	<b>6,106</b>
<b>Temporary</b>	MCP	18	10	6	6	6	6
	Society	36	25	13	12	9	9
	PWU	194	134	99	98	98	98
	<b>Total Temporary</b>	<b>248</b>	<b>169</b>	<b>118</b>	<b>116</b>	<b>113</b>	<b>113</b>
<b>Casual</b>	PWU Hiring Hall	1,230	1,374	1,794	1,717	1,781	1,782
	Casual Trades	1,364	1,313	1,296	1,265	1,205	1,159
	<b>Total Casual</b>	<b>2,594</b>	<b>2,687</b>	<b>3,090</b>	<b>2,982</b>	<b>2,986</b>	<b>2,941</b>
	<b>Grand Total</b>	<b>8,146</b>	<b>8,488</b>	<b>9,216</b>	<b>9,146</b>	<b>9,183</b>	<b>9,160</b>

Table 2 illustrates the historical (2017), budget (2018) and forecasted (2019-2022) FTEs. Total regular and non-regular FTEs increase over this period primarily due to:

- in 2018, Hydro One repatriated the Customer Contact Centre resulting in approximately 280 regular employees and 130 non regular employees joining Hydro One. By bringing this work in-house, contact centre agents will be able to better serve customers by providing a more seamless customer experience. Since this work is Distribution focused, none of the compensation related to the contact centre is included in this application.

<sup>2</sup> FTE assumptions: (1) A budgeted regular position is 1 FTE; (2) For non-regular positions, unless budgeted for less than 1 year, a non-regular position is 1 FTE; and (3) For casual (Hiring Hall and Casual Construction), FTE's are determined by "person months"/12

Witness: Keith McDonell

## SEC INTERROGATORY #50

### **Reference:**

F-04-01 p.13 Table 2

### **Interrogatory:**

Please revise table 2 to remove FTE who are part of the now repatriated customer contract centre.

### **Response:**

Please see the table below:

Table 2: Full Time Equivalents (FTE), 2017-2022							
		2017	2018	2019	2020	2021	2022
	MCP	633	631	688	689	690	690
<b>Regular</b>	Society	1289	1307	1553	1541	1542	1536
	PWU	3382	3311	3527	3578	3612	3640
	<b>Total Regular</b>	<b>5304</b>	<b>5249</b>	<b>5768</b>	<b>5808</b>	<b>5844</b>	<b>5866</b>
	MCP	18	22	6	6	6	6
<b>Temporary</b>	Society	36	27	13	12	9	9
	PWU	194	173	99	98	98	98
	<b>Total Temporary</b>	<b>248</b>	<b>222</b>	<b>118</b>	<b>116</b>	<b>113</b>	<b>113</b>
	PWU Hiring Hall	1230	1213	1659	1582	1646	1647
<b>Casual</b>	Casual Trades	1364	1353	1296	1265	1205	1159
	<b>Total Casual</b>	<b>2594</b>	<b>2566</b>	<b>2955</b>	<b>2847</b>	<b>2851</b>	<b>2806</b>
	<b>Grand Total</b>	<b>8146</b>	<b>8037</b>	<b>8841</b>	<b>8771</b>	<b>8808</b>	<b>8785</b>

*Note: 2017 Total Regular employees has been corrected.*

Application, Hydro One has provided reporting on FTEs<sup>2</sup>. In the future, Hydro One expects to incorporate the FTE metric into its business planning and performance management processes. Table 1 illustrates the forecast FTEs for 2017 to 2022. Total Regular FTEs and total Networks FTEs in 2022 are expected to be 2.0% and 1.3% lower respectively than in 2017.

**Table 1: Full Time Equivalentents (FTE) - 2017 to 2022**

		2017	2018	2019	2020	2021	2022
<b>Regular</b>	MCP	679	675	671	669	668	668
	Society	1375	1380	1376	1370	1363	1363
	PWU	3480	3444	3423	3413	3403	3395
	<b>Total</b>	<b>5534</b>	<b>5499</b>	<b>5470</b>	<b>5452</b>	<b>5434</b>	<b>5426</b>
<b>Non-Regular</b>	MCP	29	28	28	28	27	27
	Society	51	46	41	41	41	41
	PWU	165	140	138	138	137	137
	<b>Total</b>	<b>245</b>	<b>214</b>	<b>207</b>	<b>207</b>	<b>205</b>	<b>205</b>
<b>Casual</b>	PWU HH	1374	1465	1400	1401	1407	1408
	Casual Construction	1428	1428	1428	1428	1428	1428
<b>Total FTE's</b>		<b>8581</b>	<b>8606</b>	<b>8505</b>	<b>8488</b>	<b>8474</b>	<b>8467</b>

Figure 3 illustrates that Hydro One employs a large number of non-regular casual employees (PWU Hiring Hall and Construction Hiring Hall) and temporary employees through the year to execute on its various work programs. The use of non-regular resources reduces overall compensation costs since non-regular staff do not join pension or benefit programs, are not entitled to paid vacation days off, and can be deployed in a more flexible manner. The Company uses casual labour to appropriately supplement its

<sup>2</sup> FTE assumptions: (1) A budgeted regular position is 1 FTE; (2) For non-regular positions, unless budgeted for less than 1 year, a non-regular position is 1 FTE; and (3) For casual (Hiring Hall and Casual Construction), FTE's are determined by "person months"/12.

Witness: Keith McDonell

## SEC INTERROGATORY #50

### **Reference:**

F-04-01 p.13 Table 2

### **Interrogatory:**

Please revise table 2 to remove FTE who are part of the now repatriated customer contract centre.

### **Response:**

Please see the table below:

Table 2: Full Time Equivalents (FTE), 2017-2022							
		2017	2018	2019	2020	2021	2022
	MCP	633	631	688	689	690	690
<b>Regular</b>	Society	1289	1307	1553	1541	1542	1536
	PWU	3382	3311	3527	3578	3612	3640
	<b>Total Regular</b>	<b>5304</b>	<b>5249</b>	<b>5768</b>	<b>5808</b>	<b>5844</b>	<b>5866</b>
	MCP	18	22	6	6	6	6
<b>Temporary</b>	Society	36	27	13	12	9	9
	PWU	194	173	99	98	98	98
	<b>Total Temporary</b>	<b>248</b>	<b>222</b>	<b>118</b>	<b>116</b>	<b>113</b>	<b>113</b>
	PWU Hiring Hall	1230	1213	1659	1582	1646	1647
<b>Casual</b>	Casual Trades	1364	1353	1296	1265	1205	1159
	<b>Total Casual</b>	<b>2594</b>	<b>2566</b>	<b>2955</b>	<b>2847</b>	<b>2851</b>	<b>2806</b>
	<b>Grand Total</b>	<b>8146</b>	<b>8037</b>	<b>8841</b>	<b>8771</b>	<b>8808</b>	<b>8785</b>

*Note: 2017 Total Regular employees has been corrected.*

1

**Table 1 - Productivity Savings Forecast Summary (\$Millions)**

<b>\$mm</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
Operations	47	52	53	53	54	259
Progressive Operations (Defined Capital)	6	12	12	10	10	49
Corporate	12	11	9	7	6	45
<b>Capital Total</b>	<b>\$65</b>	<b>\$74</b>	<b>\$73</b>	<b>\$70</b>	<b>\$70</b>	<b>\$353</b>
Operations	9	10	9	9	9	45
Information Technology	6	9	10	10	10	44
Corporate	7	6	5	4	3	25
<b>OM&amp;A Total</b>	<b>\$22</b>	<b>\$25</b>	<b>\$23</b>	<b>\$23</b>	<b>\$22</b>	<b>\$114</b>
<b>Total Defined</b>	<b>\$87</b>	<b>\$99</b>	<b>\$97</b>	<b>\$93</b>	<b>\$92</b>	<b>\$468</b>
Progressive Operations (Undefined Capital)	11	27	49	68	81	237
<b>Grand Total</b>	<b>\$98</b>	<b>\$126</b>	<b>\$146</b>	<b>\$161</b>	<b>\$173</b>	<b>\$704</b>
<b>Progressive Productivity</b>						
Progressive Operations (Defined Capital)	6	12	12	10	10	49
Progressive Operations (Undefined Capital)	11	27	49	68	81	237
Progressive Productivity Placeholder	17	39	61	78	91	286

2 As noted in the table above, Hydro One has identified savings opportunities totalling  
3 approximately \$704M over the 2020-2024 TSP period. This reflects Tier 1 Productivity  
4 savings only. There are \$353M in capital productivity savings, \$114M in OM&A  
5 productivity savings and \$237M in undefined capital savings. This latter category of  
6 savings falls within “Progressive Productivity”. Progressive Productivity is a further  
7 reduction in cost that Hydro One has included in the final Transmission Business Plan in  
8 response to concerns that were raised in the OEB’s decision in the Prior Proceeding  
9 regarding the level of investment. It represents a commitment from Hydro One to find  
10 further efficiencies over the planning period when executing the necessary planned

Witness: Joel Jodoin, Andrew Spencer

**UNDERTAKING - JT 2.28**

**Reference:**

SEC-026

**Undertaking:**

Regarding SEC 26, to consider if further level of details can be provided beyond what is currently provided in evidence regarding the base number for each one of the initiatives.

**Response:**

Please see Attachment 1 to this Exhibit.

Category	Initiative Grouping	Measurement and Expected Benefit	Updated Savings							Baseline	
			2016A	2017A	2018A	2019	2020	2021	2022		2023
Capital	Engineering	Cost Reduction from Software Implementation <i>Estimated by quantifying the expected FTE reductions in Engineering through the implementation of EDM software enhancements</i>	\$ -	\$ -	\$ -	\$ 0.4	\$ 0.9	\$ 1.1	\$ 1.4	\$ 1.4	\$ 1.4
	Fleet Telematics and Right-Sizing	Fleet Rationalization - Unit Based Capital Plan Reduction <i>Estimated by utilizing Telematics data on fleet utilization and then measures the expected unit based reduction in the capital plan</i>	\$ -	\$ 1.9	\$ 10.2	\$ 10.6	\$ 11.0	\$ 11.1	\$ 11.4	\$ 11.6	\$ 11.3
	Transmission and Stations	Cost Reduction based on Historical spend <i>Expected Capital allocation based on historical spend for Transmission and Stations efficiencies and Temporary work HQ. Calculated by measuring expected benefit per occurrence</i>	\$ -	\$ 1.8	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7
	OT Reductions	Overtime Reductions <i>Targeted effort to reduce the number of relative OT hours worked as a % vs prior year baseline</i>	\$ -	\$ 1.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
	Procurement	Lower Cost per Unit - Historical Baseline vs Actual <i>Savings are estimated at a category level based on historical spend, expected and achieved negotiated savings, and updated per business plan assumptions (Capital program spend)</i>	\$ 1.2	\$ 12.8	\$ 27.9	\$ 25.1	\$ 30.3	\$ 34.9	\$ 35.8	\$ 35.7	\$ 37.1
	Progressive Defined	Targeted Efficiencies - Defined <i>Efficiencies that have been allocated to specific Operating Initiatives that are not yet proven. Allocations taken in Business Plan based on preliminary estimates. Ex - Hydro Vac reduction, Temp Access Roads</i>	\$ -	\$ -	\$ -	\$ 5.0	\$ 6.1	\$ 11.6	\$ 11.6	\$ 10.1	\$ 10.1
	Progressive Undefined	Targeted Efficiencies - Undefined <i>Escalating commitment of 1-3% of capital work program to be allocated to future initiatives as they are defined. Included as a Top Line capital reduction</i>	\$ -	\$ -	\$ -	\$ -	\$ 10.9	\$ 27.4	\$ 49.4	\$ 67.9	\$ 80.9
	Scheduling Tool	Cost Reduction From Software Implementation <i>Estimated by quantifying the expected FTE reductions in Scheduling Staff through the implementation of software enhancements</i>	\$ -	\$ -	\$ 0.2	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9
	Wrench Time	Lower Cost Per Unit of Operation <i>Utilize unit reporting to compare like for like work in actuals vs baseline year to determine \$ savings per operation.</i>	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
	Contract Reductions	Cost Reduction Based on Historical Spend <i>Lower cost resulting from Inergit Contract renegotiation. Measured against baseline spend for same scope of work</i>	\$ 2.0	\$ 2.3	\$ 6.6	\$ 6.3	\$ 6.4	\$ 8.9	\$ 9.6	\$ 9.6	\$ 9.6
OM&A	Engineering	Cost Reduction From Software Implementation <i>Estimated by quantifying the expected FTE and contractor reductions in Engineering through the implementation of PCMS software enhancements</i>	\$ -	\$ -	\$ 0.7	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6
	Fleet Telematics and Right-Sizing	Fleet Rationalization - Unit Based Capital Plan Reduction <i>Estimated by utilizing Telematics data on fleet utilization and then measures the expected unit based reduction in the capital plan</i>	\$ -	\$ 0.5	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Forestry Initiatives	Lower Cost per KM <i>Estimated based on reductions in cost due to staff policy for inclement weather and expected overall unit volume reduction in trouble calls</i>	\$ -	\$ -	\$ 1.3	\$ 2.1	\$ 2.0	\$ 3.4	\$ 2.0	\$ 2.4	\$ 1.9
	Transmission and Stations	Cost Reduction based on Historical spend <i>Expected OM&amp;A allocation based on historical spend for Transmission and Stations efficiencies and Temporary work HQ. Calculated by measuring expected benefit per occurrence</i>	\$ -	\$ 0.8	\$ 1.8	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
	Network Operating Efficiencies	Operational Program Efficiencies <i>Unit cost reduction in completing Load Transfer studies through Network Operating group</i>	\$ -	\$ -	\$ 0.4	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
	OT Reductions	Overtime Reductions <i>Targeted effort to reduce the number of relative OT hours worked as a % vs prior year baseline</i>	\$ -	\$ 1.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5



Category		Initiative Grouping	Measurement and Expected Benefit	Updated Savings								Baseline	
				2016A	2017A	2018A	2019	2020	2021	2022	2023	2024	
		Procurement	Lower Cost per Unit - Historical Baseline vs Actual <i>Savings are estimated at a category level based on historical spend, expected and achieved negotiated savings, and updated per business plan assumptions</i>	\$ 1.8	\$ 2.9	\$ 1.7	\$ 0.9	\$ 0.8	\$ 0.8	\$ 0.9	\$ 0.8	\$ 0.8	See Procurement category within the Capital section above in this table
		Scheduling Tool	Cost Reduction from Software Implementation <i>Estimated by quantifying the expected FTE reductions in Scheduling Staff through the implementation of software enhancements</i>	\$ -	\$ -	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	See Scheduling Tool category within the Capital section above in this table
		Wrench Time	Lower Cost Per Unit of Operation <i>Utilize unit reporting to compare like for like work in actuals vs baseline year to determine \$ savings per operation.</i>	\$ -	\$ -	\$ 1.5	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	See Wrench Time category within the Capital section above in this table
		Corporate Initiatives	Corporate Cost Initiative <i>Identified reductions in vacancies and contractor and consulting spending</i>	\$ 2.3	\$ 1.2	\$ 1.4	\$ 20.1	\$ 19.1	\$ 16.5	\$ 13.6	\$ 11.3	\$ 9.4	Baseline is \$303.9M (2019 Prior Plan (2018-2023). Tx is allocated by B&V methodology.
Operations	Procurement		Lower Cost per Unit - Historical Baseline vs Actual <i>Savings are estimated at a category level based on historical spend, expected and achieved negotiated savings, and updated per business plan assumptions (Corporate Allocation)</i>	\$ 0.1	\$ 1.8	\$ 5.4	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3	Baseline is \$0. Savings are quantified as a Early Pay credit (negotiated cost reduction) received from Vendors.
			Total Capital	\$ 1.2	\$ 18.0	\$ 39.4	\$ 43.6	\$ 61.7	\$ 88.7	\$ 112.2	\$ 129.2	\$ 143.4	
			Total OM&A	\$ 3.8	\$ 8.0	\$ 14.8	\$ 14.7	\$ 14.7	\$ 18.6	\$ 17.9	\$ 18.3	\$ 17.8	
			Total Common	\$ 2.3	\$ 3.1	\$ 6.8	\$ 22.4	\$ 21.5	\$ 18.8	\$ 16.0	\$ 13.6	\$ 11.7	
				\$ 7.3	\$ 29.1	\$ 61.0	\$ 80.8	\$ 97.9	\$ 126.1	\$ 146.1	\$ 161.1	\$ 172.9	

CCC

1 **Table 6: Bridge Year and Planning Year Capital Expenditure Summary (\$ Millions)**  
2 Revised from Exhibit A, Tab 3, Schedule 1 – Table 7

OEB Category	Historical			Bridge		Forecast				
	2018			2019		2020	2021	2022	2023	2024
	OEB Approved	Actual	Var	F/Cast		Test	Test	Test	Plan	Plan
	\$M	\$M	%	\$M		\$M	\$M	\$M	\$M	\$M
System Access	24.3	33.7	39%	45.1		24.8	11.3	11.7	12.7	4.1
System Renewal	780.4	776.2	-1%	773.3		865.2	1,103.1	1,172.8	1,177.4	1,193.8
System Service	75.6	73.9	-2%	103.8		204.1	148.2	151.8	174.3	204.2
General Plant	119.7	83.6	-30%	116.3		115.4	94.4	94.7	83.6	58.9
Progressive Productivity	0.0	0.0	0%	0.0		-17.0	-39.0	-61.0	-78.0	-91.0
Directive <sup>1</sup>				-0.3		-0.3	-0.3	-0.4	-0.4	-0.4
Total	1,000.0	967.3		1,038.2		1,192.2	1,317.7	1,369.6	1,369.6	1,369.6
Pension Adjustment Dec 31, 2018 Valuation				-3.2		-4.2	-5.2	-5.4	-5.4	-5.4
Updated Total				1,035.0		1,188.0	1,312.5	1,364.2	1,364.2	1,364.2

3 <sup>1</sup>: Directive refers to the Government Directive as detailed and defined in Exhibit F, Tab 4, Schedule 1.

Witness: Joel Jodoin, Clement Li, Stephen Vetsis

Table 7: In-Service Capital Additions 2014 – 2022 (\$ Millions)  
Revised from Exhibit C, Tab 2, Schedule 1 – Table 1

	Historical																Bridge	Test			
	2014			2015			2016			2017			2018								
	Actual	Plan	Variance	Actual	Plan	Variance	Actual	Plan	Variance (New Plan)	Variance (Plan)	Actual	Plan	Variance	Actual	Plan	Variance					
System Access	34.1	50.4	-32%	8.9	13.9	-36%	10.1	17.7	3.0	-43%	237%	51.2	1.8	2,744%	12.1	68.2	-82%	30.4	59.2	5.3	14.1
System Renewal	649.6	575.8	13%	559.8	563.3	-1%	635.7	595.4	472.0	7%	35%	657.8	717.0	-8%	852.3	761.4	12%	770.5	762.0	998.7	1,138.7
System Service	144.8	129.9	11%	18.7	120.7	-85%	174.2	192.4	116.6	-9%	49%	85.7	70.4	22%	218.0	244.8	-11%	54.5	155.1	175.2	137.7
General Plant	86.0	107.2	-20%	111.7	123.4	-9%	90.2	106.3	81.7	-15%	10%	77.5	78.5	-1%	77.9	104.0	-25%	95.6	76.9	155.1	59.5
Progressive Productivity Placeholder																			(15.8)	(36.3)	(56.7)
Total Directive <sup>2</sup>	914.5	863.3	6%	699.1	821.3	-15%	910.2	911.7	673.3	-0.2%	35%	872.2	867.7	1%	1,160.4	1,178.4	-2%	951.0	1,037.4	1,298.0	1,293.3
Total																		-0.3	-0.3	-0.3	-0.4
Pension Adjustment Dec 31, 2018																		950.7	1,037.1	1,297.7	1,293.0
Valuation																		-3.2	-4.2	-5.2	-5.4
Updated Total																		947.5	1,032.9	1,292.5	1,287.6

<sup>1</sup>: New Plan represents the 2016 Bridge Year forecast from 2017-2018 Transmission Rate Application (EB-2016-0160)

<sup>2</sup>: Directive refers to the Government Directive as detailed and defined in Exhibit F, Tab 4, Schedule 1.

Witness: Joel Jodoin, Clement Li, Stephen Vetsis

<sup>1</sup> **Table 5: Summary of Transmission OM&A Expenditures (\$ Millions) Revised from Exhibit F, Schedule 1, Tab 1 – Table 1**

	Historical								Bridge	Test
	2015		2016		2017		2018		2019	2020
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Forecast	Forecast
<b>Category Level</b>										
Sustainment	233.6	238.7	215.1	241.1	218.1	241.2	229.4	238.5	200.6	214.2
Development	6.1	12.9	4.6	13.4	5.1	4.8	5.2	5.0	6.0	6.9
Operations	59.0	58.5	62.5	59.1	61.1	61.3	53.4	62.1	46.1	48.9
Customer Care	5.1	5.5	4.5	5.5	8.5	4.0	11.0	3.9	7.3	7.5
Common Corporate Costs and Other Costs	73.9	70.2	60.1	71.3	41.5	49.9	54.9	47.5	29.4	30.3
Property Taxes & Rights Payments	63.9	66.3	61.3	67.0	50.7	63.6	65.3	64.3	67.2	68.1
<b>Adjustments</b>										
EB-2014-0140 Settlement Reduction		-20.0		-20.0						
EB-2016-0160 Decision Reduction						-15.0		-15.0		
Removal of B2M Expense		-0.9		-0.7		-0.8		-2.1		
Pension Adjustment						-11.4		-9.9		
Directive <sup>1</sup>									-0.1	-0.1
<b>Envelope Level</b>										
<b>Total Transmission OM&amp;A</b>	<b>441.6</b>	<b>431.2</b>	<b>408.1</b>	<b>436.8</b>	<b>385.0</b>	<b>397.7</b>	<b>419.2</b>	<b>394.3</b>	<b>356.5</b>	<b>375.8</b>
Pension Adjustment Dec 31, 2018 Valuation										-1.7
<b>Updated Total Transmission OM&amp;A</b>	<b>441.6</b>	<b>431.2</b>	<b>408.1</b>	<b>436.8</b>	<b>385.0</b>	<b>397.7</b>	<b>419.2</b>	<b>394.3</b>	<b>356.5</b>	<b>374.1</b>

<sup>2</sup> <sup>1</sup>: Directive refers to the Government Directive as detailed and defined in Exhibit F, Tab 4, Schedule 1.

Witness: Joel Jodoin, Clement Li, Stephen Vetsis

1 date, and reduced by \$0.4 million asset balance approved for disposition in 2019. This  
2 will result in a forecast asset account balance of \$0.0 million at the end of 2019.

## 3 4 **2.5 RIGHTS PAYMENTS**

5  
6 This account was established based on the OEB's decision on Hydro One's Transmission  
7 Rates for 2011 and 2012 (EB-2010-0002). In the EB-2016-0160 Decision, the OEB  
8 approved continuance of this account. The OEB requested that Hydro One Transmission  
9 use a variance account to capture the difference between the forecast Rights Payments  
10 approved by the OEB for 2017 and 2018 Transmission Rates and the actual Rights  
11 Payments.

12  
13 As at December 31, 2018, Hydro One Transmission has recorded an asset balance of \$4.0  
14 million, inclusive of accrued interest. This account is reported to the OEB on a quarterly  
15 basis consistent with the OEB's Reporting and Record Keeping Requirements.

16  
17 Included in the balance submitted for approval is interest forecast through to December  
18 31, 2019 to reflect carrying charges anticipated through to the proposed implementation  
19 date, and reduced by \$1.6 million asset balance approved for disposition in 2019. This  
20 will result in a forecast asset account balance of \$2.4 million at the end of 2019.

## 21 22 **2.6 PENSION COSTS DIFFERENTIAL**

23  
24 This account tracks the difference between the OM&A pension cost estimates based on  
25 actuarial assessments used for this Application and the actual OM&A pension  
26 contributions. This account was established based on the OEB's decision on Hydro One  
27 Transmission's Rates for 2011 and 2012 (EB-2010-0002). In the EB-2016-0160  
28 Decision, the OEB approved continuance of this account.

Witness: Samir Chhelavda

1 As at December 31, 2018, Hydro One Transmission has recognized a liability balance of  
2 \$17.2 million, inclusive of accrued interest. This account is reported to the OEB on a  
3 quarterly basis consistent with the OEB's Reporting and Record Keeping Requirements.

4  
5 Included in the balance submitted for approval is interest forecast through to December  
6 31, 2019 to reflect carrying charges anticipated through to the proposed implementation  
7 date, and reduced by \$13.0 million liability balance approved for disposition in 2019.  
8 This will result in a forecast liability account balance of \$4.5 million at the end of 2019.

9  
10 **2.7 LONG-TERM TRANSMISSION FUTURE CORRIDOR ACQUISITION**  
11 **AND DEVELOPMENT ACCOUNT**  
12

13 This deferral account approved during EB-2012-0031, records transmission planning and  
14 study costs associated with preliminary corridor routing considerations for new  
15 transmission infrastructure. In order to ensure land corridor availability in near-urban  
16 areas, long term investment planning is required. The costs recorded in the account will  
17 be associated with land assessment work such as environmental studies and assessments,  
18 preliminary engineering studies, public and First Nations/Métis consultations, etc. The  
19 outcome of this work will be helpful in making siting determinations for new corridors  
20 and in setting aside the required land for planning purposes, thus ensuring its availability  
21 and affordability when the project proceeds.

22  
23 As at December 31, 2018, Hydro One Transmission has recognized an asset balance of  
24 \$0.0 million, inclusive of interest accrued. This account is reported to the OEB on a  
25 quarterly basis consistent with the OEB's Reporting and Record Keeping Requirements.

26  
27 Included in the balance submitted for approval is interest forecast through to December  
28 31, 2019 to reflect carrying charges anticipated through to the proposed implementation

Witness: Samir Chhelavda

### 3.16 OTHER POST-EMPLOYMENT BENEFIT (OPEB) ACCOUNTS

Two prior proceedings dealing with other post-employment benefits (OPEBs) have given rise to issues for determination in this proceeding, as follows:

EB-2015-0040 – In the OEB’s generic proceeding on the regulatory treatment of pension and OPEBs utilities were directed, among other things, to establish a variance account to track the difference between the forecasted OPEB accrual amount in rates and actual cash payments made, with a carrying charge applied to the differential, or “reference amount”. In its distribution rate application (EB-2017-0049), Hydro One applied for an alternative method of calculating the reference amount given that it capitalizes a portion of its OPEB costs. During the course of the distribution proceeding in June 2018, Hydro One agreed to defer the determination of the issue for both its transmission and distribution businesses to this transmission proceeding. Correspondence between Hydro One and the OEB on this subject are included at Attachment 6 to this Exhibit.

EB-2017-0338 – In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update ASU 2017-07 to amend the US GAAP accounting standard for pension and OPEB costs to preclude the capitalization of the non-current service component of pension and OPEB costs. Hydro One requested approval to establish a deferral account for its transmission business to record the financial impact of the new standard (the “OPEB Cost Deferral Account”), indicating that it intended to seek future approval for the capitalization of its OPEB costs. The OEB approved the OPEB Cost Deferral Account and found that the panel in Hydro One’s next transmission rate application (this proceeding) could “consider... whether Hydro One should continue to capitalize OPEBs”. The OEB also directed the company to propose an approach for the disposition of the OPEB Cost Deferral Account as part of this proceeding and suggested that it may be appropriate to amend

1 the calculation and treatment of interest depending on the selected approach to the  
2 disposition of the account.

3  
4 In light of the direction received in the prior proceedings, Hydro One submits as follows:

- 5 i. EB-2015-0040 – Hydro One requests that the OEB approve the methodology  
6 proposed in section 3.16.1 below to calculate the “reference amount” (i.e. the  
7 difference between the forecasted OPEB accrual amount in rates and actual cash  
8 payments made) for both its transmission and distribution businesses; and  
9 ii. EB-2017-0338 – Hydro One requests that the OEB approve the capitalization of  
10 the non-service component of OPEB costs for the reasons set out in section 3.16.2  
11 below for both its transmission and distribution businesses, with the following  
12 contingent requests:  
13 a. If the OEB approves the request, Hydro One proposes to dispose of the  
14 audited 2018 OPEB Cost Deferral Account principal and interest balances  
15 in the manner described below in section 3.16.2; and  
16 b. If the OEB denies the request, Hydro One proposes that the OPEB Cost  
17 Deferral Account be continued and disposed of in the manner described  
18 below in section 3.16.2.

19  
20 **3.16.1 OPEB ASYMMETRICAL CARRYING CHARGE ACCOUNT (EB-**  
21 **2015-0040)**

22  
23 The Ontario Energy Board (OEB) issued a report on September 14, 2017 titled  
24 Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs.<sup>1</sup>

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<sup>1</sup> EB-2015-0040, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, Report of the Ontario Energy Board (September 14, 2017) (OPEB Report) [online](#)

Witness: Samir Chhelavda



1 In the report, the OEB determined that it would set rates for the recovery of pension and  
2 OPEB costs using the accrual method of accounting and directed utilities to establish a  
3 variance account to track the difference between the forecasted accrual amount in rates  
4 and actual cash payments made, with a carrying charge applied to the differential, or  
5 “reference amount”.

6 In Appendix C of the report, the OEB indicated that the guidance provided was based on  
7 the assumption that the total gross accrual cost was reflected in utilities’ total OM&A  
8 expense. It also recognized that where utilities capitalize a portion of their pension or  
9 OPEB amounts, this approach may not be appropriate and utilities were given the option  
10 to propose an alternative method of calculating the reference amount.<sup>2</sup> More specifically,  
11 the OEB stated that:

12  
13 *The forecast accrual reference amount that will be used to calculate the entries*  
14 *recorded in this new account assumes that the total gross accrual cost as*  
15 *determined by an actuarial valuation is what is recorded in a utility’s total*  
16 *OM&A expense. If a utility capitalizes a material portion of its total pension and*  
17 *OPEB accrual costs, and there is sufficient incremental value to warrant the*  
18 *added complexity of tracking amounts that are capitalized separately from those*  
19 *that are expensed, any party may propose an enhanced methodology for*  
20 *determining the reference amount and the appropriate carrying charge to be*  
21 *applied, including journal entries consistent with the intent of the account as*  
22 *outlined in this report.*<sup>3</sup>

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<sup>2</sup> OPEB Report at page 14

<sup>3</sup> OPEB Report at page 20

Witness: Samir Chhelavda

1 While Hydro One recovers some of its OPEB costs through OM&A, it also capitalizes a  
2 material amount of the cost and recovers a portion through a regulatory account, as  
3 follows:

Allocation of OPEB Cost Recovery <sup>4</sup>	Transmission (2018)	Distribution (2018)	Transmission (2020 - forecasted)	Distribution (2020 - forecasted)
Recovered through OM&A	31%	51%	29%	48%
Capitalized to Property Plant and Equipment (PP&E)	29%	20%	33%	24%
Recorded in the OPEB Cost Deferral Account	40%	29%	38%	28%

4

5 Given that a material portion of OPEB costs for Hydro One's distribution (49% in 2018  
6 and 52% in 2020) and transmission (69% in 2018 and 71% in 2020) businesses is not  
7 recovered through OM&A, Hydro One proposes a modified approach that is more  
8 reflective of the actual amounts recovered in rates. Rather than determining the reference  
9 amount using the gross costs from the actuarial valuation, Hydro One proposes to  
10 calculate the reference amount based on the sum of the following, less cash expenses:

- 11 • The full amount of OPEB costs recorded in OM&A;
- 12 • The capitalized OPEB expense which is recovered as part of the depreciation of  
13 PP&E; and
- 14 • The annual recovery of the OPEB costs recorded in the OPEB Cost Deferral  
15 Account and recovered over a 20 year period as proposed below.

16

17 Hydro One proposes to track the difference between the sum of these amounts and the  
18 actual cash payments in the OPEB Asymmetrical Carrying Charge Account. With this

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<sup>4</sup> Rebasing years of each respective application were selected for context purposes. 2018 figures are based on actual 2018 costs and allocations.

Witness: Samir Chhelavda

1 change in calculating the reference amount, Hydro One would follow journal entries as  
2 outlined in Attachment 8 to this Exhibit.

3  
4 **3.16.2 OPEB COST DEFERRAL ACCOUNT (EB-2017-0338)**

5  
6 On November 2, 2017 Hydro One submitted its application for an accounting order  
7 establishing a deferral account to capture the financial impacts associated with a change  
8 to USGAAP accounting standards from the issuance of Accounting Standards Update  
9 (ASU) 2017-07, which related to the accounting for pension and OPEB (EB-2017-0338).  
10 Upon adoption of ASU 2017-07 on January 1, 2018, only the service cost component of  
11 the net periodic pension cost and net periodic post-retirement benefit cost is eligible for  
12 capitalization where applicable. The proposed account will be used to record the net  
13 periodic post-retirement benefit cost other than service cost that would have been  
14 classified as capital prior to the adoption of ASU 2017-07. A draft accounting order is  
15 provided as Attachment 2 to this Exhibit. The accounting order was updated to reflect  
16 input from OEB staff.

17  
18 On May 10, 2018, the OEB approved the establishment of the deferral account, effective  
19 January 1, 2018 until the effective date of Hydro One's next transmission revenue  
20 requirement.<sup>5</sup> In the deferral account, Hydro One records the OPEB cost previously  
21 capitalized but no longer allowed to be capitalized as per Accounting Standards Update  
22 2017-07.

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<sup>5</sup> EB-2017-0338, Decision and Order, Hydro One Networks Inc., Application for an Accounting Order approving the establishment of a deferral account (May 10, 2018), online at: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/608190/File/document>

1 On June 7, 2018, the OEB approved Hydro One's accounting order,<sup>6</sup> directed the  
2 company to propose an approach to the disposition of the deferral account and suggested  
3 that it may also be appropriate to amend the calculation and treatment of interest  
4 depending on the selected approach to the disposition of the deferral account.

5  
6 In the EB-2017-0338 proceeding, the OEB found that the panel in Hydro One's next  
7 transmission rate application (this proceeding) could "consider... whether Hydro One  
8 should continue to capitalize OPEBs". Hydro One requests approval to capitalize the  
9 non-service component of its OPEB costs and repeats and relies on its submissions in  
10 EB-2017-0338<sup>7</sup> (included at Attachment 7 of this Exhibit) that it is eligible to do so  
11 without the requirement of a deferral account, consistent with FERC guidelines. Such a  
12 decision would achieve the same objective as the requested deferral account without the  
13 additional regulatory overhead associated with the ongoing tracking and disposition of  
14 balances in the account and would avoid material adverse rate impacts to Hydro One's  
15 customers.

16  
17 On March 7, 2019, the OEB issued their Decision on Hydro One's Distribution rates for  
18 2018-2022 (EB-2017-0049). The OEB approved the establishment of the deferral  
19 account, effective January 1, 2018 and instructed Hydro One to file the necessary  
20 evidence regarding the OPEB deferral account in its next rebasing transmission rate  
21 proceeding (this Application) to permit this matter to be determined for both Hydro  
22 One's transmission and distribution operations. The OPEB deferral account was also

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<sup>6</sup> EB-2017-0338, Decision and Account Order, Hydro One Networks Inc., Application for an Accounting Order approving the establishment of a deferral account (June 7, 2018), online at: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/610853/File/document>

<sup>7</sup> EB-2017-0338, Hydro One Submissions, Application for an Accounting Order approving the establishment of a deferral account (April 16, 2018), online at: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/605384/File/document>

Witness: Samir Chhelavda

1 approved for continuance in Hydro One's 2019 Transmission rates application (EB-2018-  
2 0130) effective until the effective date of the revenue requirement in this Application.

3  
4 If the OEB does not approve the capitalization of the non-service cost component for  
5 OPEBs, Hydro One proposes that the OPEB Cost Deferral Account be approved for  
6 continuance and be disposed of on a twenty year rolling balance as shown in the example  
7 in Attachment 10 (as opposed to periodic clearances aligned with future rate  
8 applications). Twenty years is consistent with the US GAAP requirement that recovery of  
9 OPEB related amounts is not to exceed a period of twenty years. The twenty year rolling  
10 balance disposition method is also beneficial to ratepayers as it will minimize the impact  
11 on rates. Hydro One further proposes that the interest be calculated and treated in the  
12 same manner presented in the accounting example whereby interest improvement is  
13 recorded on the opening monthly balance of the principal amount.

14  
15 If the OEB allows Hydro One to continue to capitalize the non-service cost component of  
16 OPEBs, Hydro One proposes to add the accumulated amounts in the approved variance  
17 account to rate base as a single high level adjustment.

18  
19 Note that the current rate base proposed, which is inclusive of capital expenditures and  
20 in-service additions, is based on the assumption that Hydro One is not capitalizing the  
21 non-service cost component for OPEBs as those costs are removed from rate base for  
22 revenue requirement purposes. If the OEB does approve the capitalization, Hydro One  
23 will prepare an updated rate base during the draft rate order process.

Witness: Samir Chhelavda