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INTERROGATORY RESPONSE - OEB-49

1-Staff-49

EXHIBIT REFERENCE:

Exhibit 1/Tab 1/Schedule 12/pp. 17-19 of 21

Exhibit 1/Tab 1/Schedule 12/Attachment G

SUBJECT AREA: Benchmarking

Question(s):

- a) Please explain the criteria of selecting the 15 positions (five management jobs and ten non-management jobs) as the sample in the Mercer benchmarking study.
- b) Please clarify whether the ten non-management positions are all unionized.
- c) Please explain why compensation and benefits for executive positions were not reviewed in the study.
- d) Has Hydro Ottawa done any benchmarking analysis for its executive positions? If so, please provide the analysis/study.
- e) Please clarify which year of data was used for Hydro Ottawa's management and non-management positions.
 - i) If Hydro Ottawa's data are not 2019, please explain what inflation factors were applied to Hydro Ottawa's data to make it comparable to the 2019 Mercer benchmark database.
- f) Please clarify whether overtime pay is included in the compensation benchmarking review.

1 g) Mercer’s study defines the “competitiveness” of salaries and total cash compensation as
2 falling within +/-10% of the median job rate for each market and industry comparator.
3 Please discuss how Hydro Ottawa interpret the results of the study given that six of the
4 total 15 positions are more than 10% above the P50 of the market’s target total cash
5 compensation.
6

7 **RESPONSE:**

8
9 a) The 15 positions selected for the benchmarking study are positions that are core to the
10 utility’s business, as well as technical, professional, and paraprofessional roles that
11 support the business. These positions are commonly found in either or both the utility
12 sector and general industry, are multi-incumbent, and are representative of the utility’s
13 current and projected workforce.
14

15 b) Yes, the 10 non-management positions are unionized.
16

17 c) The purpose of the 2019 Market Benchmarking study conducted by Mercer was in
18 relation to multi-incumbent management and non-management positions.
19

20 d) Although Hydro Ottawa has not performed any benchmarking analysis for its executive
21 positions as part of this Application, the utility’s executive compensation is nevertheless
22 regularly reviewed in comparison to both the industry and the general market.
23

24 A review of industry comparators through publicly available sources (examples of which
25 are found in Table A below) show the reasonableness of Hydro Ottawa’s executive
26 compensation in comparison to Toronto Hydro, Alectra Utilities, and Hydro One
27 Networks.

1 **Table A – Executive Compensation - Industry Comparators**

Principal Position	Hydro Ottawa	Toronto Hydro ¹	Alectra (2018) ²	Hydro One ³
President and Chief Executive Officer	446,318	1,269,208	941,394	677,264 ⁴
Chief Financial Officer	262,993	458,319	573,363	909,030
Chief Electricity Distribution Officer	201,244	684,996 ⁵	665,581 ⁶	-

2

3 In addition, to ensure competitiveness of executive compensation, a Competitive
 4 Compensation Review was conducted in September 2019 by Willis Towers Watson. A
 5 redacted copy of the review is appended to this response as Attachment OEB-49(A): Hydro
 6 Ottawa Competitive Compensation Review - Executive Management Team. The review
 7 provides the following findings and observations at page 5, regarding overall positioning of
 8 Hydro Ottawa’s executive compensation:

9

10 *“On average, Hydro Ottawa’s salary and target total cash for the executive*
 11 *management team are positioned below the 25th percentile of the Combined*
 12 *Sample, Utilities Only Sample and Government Sample”.* Note that combined
 13 sample means the utilities, government and transportation comparators
 14 combined. The detailed individual finding for the Chief Electricity Distribution
 15 Officer, who is the only executive in Hydro Ottawa Limited and whose
 16 compensation as an Officer is disclosed in the Hydro Ottawa Holding Inc. Annual
 17 Reports, can be found at page 22 of the review.”

18

19 Lastly, Hydro Ottawa Holding Inc. discloses the compensation of its Officers in its Annual
 20 Reports, which can be found on the corporate website.⁷

21

22 ¹ <https://www.torontohydro.com/documents/20143/407273/Annual-Information-Form-2019.pdf>.

23 ² <https://www.alectra.com/sites/default/files/assets/pdf/Alectra-Executive-Compensation-Disclosure-2018.pdf>.

24 ³ <https://www.hydroone.com/investorrelations/Reports/2019%20MIC.pdf>.

25 ⁴ Compensation is not annualized.

26 ⁵ The job title for this analogous position is Executive Vice President and Chief Engineering and Construction Officer.

27 ⁶ The job title for this analogous position is President, Utilities Corporation.

28 ⁷ <https://hydroottawa.com/about-us/our-company/our-reports>.

- 1 e) 2019 data was used for Hydro Ottawa's management and non-management positions.
2 f) Hydro Ottawa confirms that overtime is not included in the compensation benchmarking
3 review.
4
5 g) As stated in UPDATED Attachment 4-1-5(A): Employee Compensation Strategy at page
6 2, Hydro Ottawa interprets the results of the benchmarking study as follows:

7
8 *"The jobs that are core to the operational business – Manager, Distribution*
9 *Operations, Supervisor, Distribution Operations, Professional Engineer and the*
10 *trades jobs of Power Line Technician and System Operator were all found to be*
11 *very well aligned with the utility market comparators and in the case of the*
12 *Professional Engineer job, also with the general industry market comparators.*
13 *Some jobs, generally unionized support roles, were found to be higher than the*
14 *general industry market comparators but in most cases within +/-10% of P50 of*
15 *the utility market comparators.*

16
17 *Key professional roles such as Senior Procurement Agents, Management*
18 *Accountants, Network Administrators were also found to be very well aligned with*
19 *both the utility and general industry market comparators."*
20

21 _____
22 **UPDATED RESPONSE:**

23
24 In response to interrogatory OEB-49 Hydro Ottawa filed a copy of Hydro Ottawa's Competitive
25 Compensation Review that was conducted by Willis Towers Watson. The report was included
26 as Attachment OEB-49(A): Hydro Ottawa Competitive Compensation Review - Executive
27 Management Team. Portions of this report were redacted.

28
29 The information that was redacted was compensation details associated with individual Hydro
30 Ottawa executives. This information was redacted because Hydro Ottawa deemed that the

1 specific compensation details by individual executive members were not relevant to this
2 proceeding.

3

4 Hydro Ottawa Limited is now filing the additional information below in response to OEB Staff
5 interrogatory 49.

6

7 Hydro Ottawa's view is that the relevant information about executive compensation is the
8 amount that is charged to the regulated business and thus borne by the customers of Hydro
9 Ottawa. The executive compensation charged to the regulated business consists of the costs for
10 executive staff that are in the regulated business and the costs for executives in Hydro Ottawa
11 Holding (the "Holding Company") who have a portion of their compensation costs allocated to
12 the regulated business consistent with the Service Level Agreements ("SLAs") and the
13 associated cost allocation methodology. A discussion of the SLAs is contained in Exhibit 4-2-1:
14 Shared Services and Corporate Cost Allocation.

15

16 It should be noted that the SLA allocation process and cost allocation methodology was
17 reviewed in 2019 in preparation for this Application. Time studies were conducted and the
18 services and allocations between affiliates were updated as necessary.

19

20 The total cost for Compensation for Executives (Chiefs and Directors) who are in the regulated
21 business is \$1.992M. The total cost for Compensation for Executives (Chiefs and Directors) who
22 are in the Holding Company and have a portion of their costs allocated to the regulated
23 business is \$3.198M of which \$1.388M is allocated to the regulated business. These amounts
24 are detailed in Tables B, C and D below, and are consistent with the definition of USofA account
25 5605.

26

27

Table B - Executive Compensation - Hydro Ottawa Holding Inc.

Positions	Total Compensation (\$)	Allocation (%)	Allocated to Hydro Ottawa Limited (\$)
Chiefs and Directors	\$3,197,797	0% to 80%	\$1,387,785

28

1 Positions included in Chiefs:

- 2 ● President and Chief Executive Officer
- 3 ● Chief Human Resources Officer
- 4 ● Chief Financial Officer
- 5 ● Chief Information and Technology Officer
- 6 ● Chief Customer Officer
- 7 ● Chief Energy and Infrastructure Services Officer
- 8 ● Chief Electricity Generation Officer

9

10 Positions included in Directors:

- 11 ● Treasurer
- 12 ● Director, Corporate Planning and Governance
- 13 ● Director, Internal Audit, Risk & Advisory Services
- 14 ● Director, Finance
- 15 ● General Counsel
- 16 ● Director, Communications

17

18 **Table C - Executive Compensation - Hydro Ottawa Limited**

Positions	Total Compensation (\$)
Chiefs and Directors	\$1,991,722

19

20 Positions included in Chiefs:

- 21 ● Chief Electricity Distribution Officer

22

23 Positions included in Directors:

- 24 ● Director, Distribution Construction and Maintenance
- 25 ● Director, System Ops & Grid Automation
- 26 ● Director, Distribution Engineering & Asset Management
- 27 ● Director, Health, Safety and Environment
- 28 ● Director, Human Resources Services

- 1 • Director, Labour Relations and Compensation
- 2 • Director, Planning and Program Management fo IM&IT
- 3 • Director, Enterprise Applications
- 4 • Director, Regulatory Affairs
- 5 • Director, Customer Service

6

7 **Table D - Executive Compensation - Hydro Ottawa Holding Inc and Hydro Ottawa Limited**

Positions	Total Compensation (\$)	Included in Hydro Ottawa Limited OM&A
Chiefs and Directors	\$5,189,519	\$3,379,508

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