SOCIETY of UNITED PROFESSIONALS
IFPTE 160

13th May, 2022

Michelle Johnston
President
Society of United Professionals, IFPTE 160
2239 Yonge St
Toronto, ON M4S 2B5

VIA email and RESS Filing

Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Re: EB-2022-0002 Independent Electricity System Operator (IESO)
2022 Expenditure and Revenue Requirement Submission
Society of United Professionals' Interrogatories to IESO

Dear Ms. Marconi,

Please find attached the Society of United Professionals' interrogatories to IESO in their above noted proceeding, EB-2022-0002.

Sincerely,

MJohnston

Michelle Johnston
President
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email copy: interested parties

SOCIETY OF UNITED PROFESSIONALS
INTERROGATORY QUESTIONS

EB-2022-0002 Independent Electricity System Operator (IESO)

2022 Expenditure and Revenue Requirement Submission

13th May, 2022

EB-2022-0002: The Society of United Professionals' Interrogatory Questions

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Society #1

SUP notes that Hydro One Networks Inc. (Hydro One) has recently refiled it's EB-2021-0110 five-year rate application due to forecast changes and uncertainty caused by recent inflationary trends[1]. SUP notes that inflation does not appear to be a specifically identified risk in the approved IESO business plan for 2022.

a) Would the IESO agree that inflation is a recently emerging risk that it needs to consider. If not, please explain why not.

b) Please comment on the impacts of known inflation since the business plan date on the IESO's forecast.

c) Please comment on which IESO capital and OM&A cost categories are at risk for further inflation (or deflation should it occur). Please provide the rationale the response.

d) SUP presumes that any unanticipated inflationary impacts on the IESO's 2022 cost levels would be accommodated using the IESO's reserve account. Given growing uncertainties resulting from recent inflationary forces, would the IESO reconsider and support replenishing this account to the approved $10 million level? Please provide the rationale for the response.

e) Please provide the IESO's specific inflation assumptions for 2022 and the support for these assumptions.

f) Hydro One has undertaken to update its inflation assumptions at the draft rate order stage of it's proceeding. Please comment on whether or not a similar late stage update would make sense for the IESO too. Please provide the rationale for the response.

1.1 Is the IESO's Fiscal Year 2022 revenue requirement of $201.5 million appropriate?

1.1 Society #2

Reference: EB-2021-0230 A-2-2 Pages 1,2

[1] "EB-2021-0110 - Custom IR Application (2023-2027) for Hydro One Networks Inc. Transmission and Distribution (Hydro One) - Evidence Update", dated 20220331.

The IESO has also started an assessment of office space needs in response to the COVID-19 pandemic impact which has the potential to allow the IESO to reconfigure and reduce overall office footprint by exploring a hybrid working model for returning to the office.

a) Please provide a copy of the final version of this assessment.
b) Please explain the hybrid working model which was being explored.
c) Has this been put in place?
d) What impact has this had on 2022 costs?

1.2 Are the IESO's 2022 projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate?

1.2 Society #3
Reference: D-1-3 Staffing and Compensation, Page 1, Table 1 "Staffing and Operating Compensation Expenses"

As per the referenced table, management FTE's and compensation were more than 15% above budget in 2021. The 2022 budget for management FTE's and compensation are more than 13% above the 2021 budget.

a) Please explain why management FTE's and compensation are substantially higher than the 2021 budget for both 2021 actuals and the 2022 budget. Are these increases in part due to conversions of MP6 staff to management staff?

b) In contrast, non-management regular FTE's for both 2021 actuals and the 2022 budget are lower than the 2021 budget. Further, there are 4.7 non-management regular FTE's per management FTE in the 2021 budget, 3.9 in the 2021 actual, and 4.1 in the 2022 budget. Please explain why IESO has chosen to decrease the number of non-management FTE's per management FTE?

c) In 2022, the number of executive FTE's increases by 1 or more than 14% over both the 2021 actual and budget. Please explain this substantial increase in executive FTE's. If this increase is due to the substantial increase in management FTE's explored in part a) above, please explain why the existing 7 executive FTE's could not take line accountability for these additional management FTE's.

1.2 Society #4
Reference: D-1-3 Staffing and Compensation Page 2, lns 4-8

Compensation and benefits expenses in the 2022 budget are 2% or $2.5 million higher than 2021, due to additional FTEs required to support key business priorities ($4.8 *million), and collective agreement escalation impact ($3.0 million). These increases are mostly offset by a pension liability actuarial update ($4.0 million) and other lower compensation costs ($1.3 million – mostly related to non-reoccurring 2021 severance and overtime expenses).*

a) Please provide a copy of the pension liability actuarial update report.

b) How often does IESO update its pension liability actuarial report?

1.2 Society #5
Reference: D-1-3 Staffing and Compensation Page 2, lns 13-19

Employee benefits, as an expense category, are related to health and dental benefit coverage, pension plan expenses, and other (non-pension) post-employment and post-retirement benefit expenses (OPEB). 2021 actual benefit costs were approximately 37% of salary and wages, consistent with the 2021 budget assumption, and for 2022 budget this rate is projected at 31% of salary and wages. The reduction in costs in the 2022 budget reflects the IESO's actuarial provider assumption for retirement benefits plans (Registered Pension Plan, Supplemental Employee Retirement Plan and other post-employment and post-retirement benefits).

a) Please provide "the IESO's actuarial provider assumption for retirement benefits plans", along with their calculations of the reduced benefit claims costs. If this is contained in a report and/ or memorandum please provide such.

b) If there is an OPEB actuarial update please provide that.

1.2 Society #6

Reference: Exhibit D-1-3, Attachment 1 Appendix 2-K

a) For each of the four categories (ie FTE's, Total Salary and Wages, Total Benefits, Total Compensation), please break out Non-Management Regular and Non-Management Temporary into Society and PWU represented employees.

b) In the table provided to answer part a) above, please separate out pension contributions from Total Benefits

c) Does Attachment 1 include compensation costs which are capitalized? If not, please provide a version of the table created to answer parts a) and b) above for capitalized labour costs.

d) Please provide the above in an excel spreadsheet.

5.0 Commitments from Previous OEB Decisions

5.1 Has the IESO responded appropriately to outstanding OEB directions from previous proceedings?

5.1 Society #7
Reference: B-1-3
Minister of Energy, Northern Development and Mines letter approving the 2022-2024 Business Plan, dated February 3, 2022. Page 2

The next IESO Business Plan (to be submitted September 2022) is to elaborate upon how it meets government priorities including:
d) Workforce Management
g) Diversity and Inclusion

a) Please explain what the government priorities are regarding both Workforce Management and Diversity and Inclusion and how they impact upon IESO.

5.1 Society #8
Reference: B-1-3
Minister of Energy, Northern Development and Mines letter approving the 2022-2024 Business Plan, dated February 3, 2022. Page 2

The minister states in his letter that he expects the IESO business plan to provide updates on:

2 Progress with execution on government priority initiatives discussed in the Consolidated Business Plan, including those outlined in my letters to the IESO dated October 7, 2021 and November 10, 2021.

6 Collective bargaining and alignment with broader government priorities on broader public sector compensation.

a) Please provide the Minister's two letters to the IESO dated October 7, 2021 and November 10, 2021 and explain what progress has been made by IESO on execution of the government priority initiatives outlined in them.

b) Please explain what the "broader government priorities on broader public sector compensation" are.

c) Please explain what IESO intends to do in order to become in "alignment with broader government priorities on broader public sector compensation".

5.1 Society #9

References:
D-1-3 Staffing and Compensation
Table 2: Ongoing and Planned Efforts to Make Progress towards the 50th Percentile for Total Remuneration p4

The Power Worker's Union (PWU) Collective Agreement expired as of April 1, 2020. Through collective bargaining, the PWU salary increases were set at 1% for the April 1, 2020 to March 31, 2021 period (one- year contract). The IESO is currently in negotiations for the contract beginning April 1 2021.

Society's Collective Agreement expired as of December 31, 2021. The IESO and Society engaged in collective bargaining in 2021 which resulted in an arbitrated settlement of a 1% economic salary increase for 2022. The terms of the Collective Agreement are in place for 2022 and will expire as of December 31, 2022.

Exhibit D-1-3 Attachment 3, "Non-Executive Total Remuneration Review", Mercer dated 2022 February 18. p4
All compensation data are reflective of the most recently available data as of April 1, 2021, and are aged to reflect April 1, 2022 compensation levels, based on sector.

a) As per the first reference, SUP wages in 2022 were increased by 1% and PWU's wages have not been increased since 2020. Meanwhile inflation in Canada in 2021 and 2022 has exceeded 3% and 5% respectively[2]. As per Mercer, how has this impacted SUP's and PWU's as well as IESO's overall standing in its remuneration review where it has "aged" data from April 1, 2021 to reflect April 1, 2022 compensation levels? Or has Mercer not taken this into account? Please explain Mercer's rationale for the methodology which it has applied.

b) As per Mercer, how would the referenced contract wage increases impact SUP's and PWU's as well as IESO's overall standing in a remuneration review based on 2022 compensation data?

[2] EB-2021-0110 Exhibit O-1-2 Attachment 1.1 p2 Scotiabank Inflation Forecast dated 2022-03-31
"Our forecast is for Canadian inflation to equal 5.9% in 2022, 3.1% in 2023, 2½% in 2024 and then return toward the Bank of Canada's 2% inflation target in subsequent years."

5.1 Society #10

References:
D-1-3 Staffing and Compensation
Table 2: Ongoing and Planned Efforts to Make Progress towards the 50th Percentile for Total Remuneration p4,5

Negotiated plan changes, not yet implemented, that will have a positive impact on future cost containment

- *Effective March 31, 2025 the undiscounted early retirement rule for PWU and Society will change to reflect the Rule of 85 (age & service) from the Rule of 82. This will ensure employees have to contribute to their pensions for a longer period of time, reducing the cost burden on the IESO.*
- *Effective March 31, 2025 an averaging period of 60 months, rather than 36 months, will determine pensionable earnings for both PWU and Society.*

Exhibit D-1-3 Attachment 3, "Non-Executive Total Remuneration Review", Mercer dated 2022 February 18. p4

For the retirement and benefits program review, Mercer benchmarked the IESO against the energy, private and public sector peer groups for organizations available in the Mercer Plan Design databases considering their relative employer provided value ("EPV"). Relative value analysis focuses only on the plan design as it sets all other cost drivers at a common level and is more consistent when comparing the value of the benefit programs of several organizations.

As per the first reference, effective March 31, 2025 both SUP and PWU represented employees will contribute to the pension plan for three additional years and newly retired staff after that date will collect a smaller annual pension [due to the calculation being based on the last five years of pensionable earnings in place of the last three years].

a) Please explain in detail how this material reduction in IESO's pension liability has been reflected in Mercer's retirement and benefits program review as provided in the second reference. If this has not been reflected in the Mercer remuneration review, please explain in detail Mercer's rationale for ignoring this material reduction in IESO's pension liability.

5.1 Society #11

Reference: D-1-3 Staffing and Compensation
Table 2: Ongoing and Planned Efforts to Make Progress towards the 50th Percentile for Total Remuneration p7

Target Area: Culture and Values

Ongoing and planned efforts to align Total Remuneration to the 50th percentile:
Continue to focus on initiatives that support engagement, productivity and help retain and attract a diverse workforce

- Ongoing embedding of the IESO Values
- Ongoing recognition of employee accomplishments through the Employee Recognition Program
- Ongoing embedding of the Learning and Development Framework
- Ongoing focus on the action plan in support of the Equity, Diversity and Inclusion Strategy
- Labour Relations Strategy that continues to recognize the principles of aligning Total Remuneration to the 50th percentile

a) Please explain how each of the initiatives in a) are being achieved e.g. how is the "ongoing embedding of the IESO Values" being achieved.

(b) How will the IESO's pursuit of 50th percentile salaries impact its ability to attract and retain talent? Please explain.

(c) What impact has the tightening labour market, increased labour-side wage pressures, and persistently high inflation had on the IESO's pursuit of 50th percentile wages?