

1 **ORAL HEARING UNDERTAKING RESPONSES TO SCHOOL ENERGY COALITION**

2
3 **J1.1**

4
5 **EVIDENCE REFERENCE:**

6
7 K1.3 - Compendium of School Energy Coalition Pages 74 & 75 Table 1 - Hydro One Compensation
8 Variance From P50 and Table 2 - Hydro One Compensation Variance From P50 respectively.
9 Excel Attachment - SEC Table Calculations.
10 Attachment 1-3-3(F) - Compensation Benchmarking Study

11
12 **UNDERTAKING(S):**

13
14 Review the information in SEC's compendium at pages 74 and 75 and advise if there is a
15 mathematical error or a data error from the evidence.

16
17 Provide an illustrative example of the impact of a higher salary on the benefit over total
18 compensation ratio.

19
20
21 **RESPONSE(S):**

22
23 Please refer to response J2.3 for information relating to SEC's compendium.

24
25 Regarding the benefit over total compensation ratio - as noted in the Oral Hearing, the OMERS
26 pension plan, which represents the largest portion of the employer-paid benefit envelope, uses a
27 tiered contribution formula that requires higher contribution rates on earnings above the Yearly
28 Maximum Pensionable Earnings (YMPE). This structure results in the pension cost accelerating as
29 a percentage of salary as compensation increases, acting as a counterweight to fixed-cost benefits
30 (such as Health insurance) which typically dilute as a percentage of salary.

1 The following illustrative example in Table A below demonstrates this using the 2026 OMERS
2 contribution rates (9.0% below YMPE; 14.6% above YMPE).

3

4

Table A - Illustrative Example of Pension Contributions at Higher Salary levels

	Scenario A	Scenario B	% Increase
Salary	\$100,000	\$150,000	50%
YMPE	\$74,600	\$74,600	
Salary > YMPE	\$25,400	\$75,400	
Rate under YMPE	9.0%	9.0%	
Rate over YMPE	14.6%	14.6%	
Pension Contribution	\$10,422	\$17,722	70%
Benefit as % of Salary	10.4%	11.8%	

5

6 As noted in Schedule 4-1-3(A) - Employee Compensation Strategy, effective January 1, 2027 the
7 rates will be changing to 8.6% below YMPE and 15.7% above YMPE.

1 **ORAL HEARING UNDERTAKING RESPONSES TO COMMUNITY ACTION FOR**
 2 **ENVIRONMENTAL SUSTAINABILITY AND POLLUTION PROBE**

3
 4 **J2.1**

5
 6 EVIDENCE REFERENCE:

7
 8 IR 4.0-VECC-40 Table A

9
 10 UNDERTAKING(S):

11
 12 Provide an IR that shows the allocation of new employees hired separated by the executive level.

13
 14 a) Provide the job titles that comprise the 23 FTEs allocated from the Holding Company to Hydro
 15 Ottawa Limited in 2026.

16
 17
 18 **RESPONSE(S):**

19 Table A below provides new Hydro Ottawa Holding Inc. employees by executive level.

20
 21 **Table A - New FTE by Holding Company Executive Level**

Management Service	New Hires	After 5% vacancy	Allocation %	FTE equivalent
Finance	0.5	0.48	65%	0.31
Corporate Planning & Performance	3.2	3.04	70%	2.12
Customer Service, Corporate Communications	1.0	0.95	80%	0.76
Information Management & Technology	0.3	0.32	60%	0.19
Distribution Leadership	1.0	0.95	75%	0.71
Other (Not Allocated)	0.5	0.48	0%	0.00
	6.5			4.09

1 As noted and presented in Table A above, Hydro Ottawa Holding Inc.'s vacancy allowance is set at
 2 5% which is based on historical trends at the holding company.

3

4 Please see Table B below for the list of job titles that comprise the 23 FTEs allocated from Hydro
 5 Ottawa Holding Inc. to Hydro Ottawa Limited.

6

7 **Table B - Job Titles of 23 FTEs Allocated From Hydro Ottawa Holding Inc. to Hydro Ottawa**
 8 **Limited**

Management Service	Position	HOHI FTE	HOHI FTE with 5% vacancy	Allocation %	FTE equivalent
Management Services	President and Chief Executive Officer	1.0	0.95	70%	0.66
	Senior Executive Assistant	1.0	0.95	70%	0.66
Finance	Treasurer	1.0	0.95	65%	0.62
	Chief Financial Officer	1.0	0.95	65%	0.62
	VP, Finance	0.5	0.48	65%	0.31
	Director, Finance	1.0	0.95	65%	0.62
	Manager, Corporate Financing	1.0	0.95	65%	0.62
	Executive Assistant	1.0	0.95	65%	0.62
Corporate Planning & Performance	Director, Corporate Planning, Risk, Advisory Services and Head, Internal Audit	1.0	0.95	70%	0.66
	Manager, Corporate Planning and Performance Reporting	1.0	0.95	70%	0.66
	Finance Officer - Business Performance Monitoring and Reporting	1.0	0.95	70%	0.66
	Finance Officer - Corporate Planning and Reporting	1.0	0.95	70%	0.66
	Research Assistant - 2 Part Time	1.2	1.14	70%	0.79
Internal Audit, Risk Management	Manager, Internal Audit and Risk Management	2.0	1.90	80%	1.52
	Finance Officer - Planning and Communications - Internal and Risk	2.0	1.90	80%	1.52
	Finance Officer - Internal Audit and Risk	1.0	0.95	80%	0.76
	Student	0.5	0.48	80%	0.38

Management Service	Position	HOHI FTE	HOHI FTE with 5% vacancy	Allocation %	FTE equivalent
Human Resources (HR)	Chief Human Resources Officer	1.0	0.95	85%	0.81
	Executive Assistant	1.0	0.95	85%	0.81
Customer Service, Corporate Communications	Chief Customer Officer	1.0	0.95	80%	0.76
	Executive Assistant	1.0	0.95	80%	0.76
	Director, Communications and Public Affairs	1.0	0.95	80%	0.76
	Manager, Customer and Digital Engagement	1.0	0.95	80%	0.76
	Manager, External and Corporate Affairs	1.0	0.95	80%	0.76
Legal	General Counsel and Corporate Secretary	1.0	0.95	40%	0.38
Board of Directors	Governance Officer	1.0	0.95	70%	0.66
	Associate Corporate Secretary and Governance Officer	1.0	0.95	70%	0.66
	Paralegal	1.0	0.95	70%	0.66
Information Management & Technology	Chief Information Technology Officer	1.0	0.95	60%	0.57
	Director, Cybersecurity and IT Infrastructure	1.0	0.95	60%	0.57
	Executive Assistant	1.0	0.95	60%	0.57
	Manager, Cybersecurity	1.0	0.95	60%	0.57
	Summer Student	0.3	0.32	60%	0.19
Distribution Leadership	Chief Operating Officer, Distribution and Generation	1.0	0.95	75%	0.71
Other (Not Allocated)	Chief Energy and Infrastructure Services Officer	1.0	0.95	0%	0.00
	Executive Assistant	1.0	0.95	0%	0.00
	Manager, Growth Initiatives	1.0	0.95	0%	0.00
	Finance Officer - Growth Initiatives	0.5	0.48	0%	0.00
Total		38.0			23.30

1 **ORAL HEARING UNDERTAKING RESPONSES TO SCHOOL ENERGY COALITION**

2
3 **J2.3**

4
5 **EVIDENCE REFERENCE:**

6
7 Exhibit K1.3 - SEC Hydro Ottawa Compendium, Table 2, page 75.

8
9 **UNDERTAKING(S):**

10
11 Advise whether Hydro Ottawa agrees that Table 2 in the SEC compendium provides a reasonable
12 method to quantify the associated variances applied to Hydro Ottawa’s overall compensation costs
13 included in the 2026 OM&A budget, and if not, provide Hydro Ottawa’s views of the appropriate
14 method and the resulting calculation, if it can be reasonably done.

15
16 _____
17 **RESPONSE(S):**

18
19 **1. INTRODUCTION**

20 No, Hydro Ottawa does not agree that Tables 1 and 2 in the SEC compendium provide a
21 reasonable method to quantify variances applied to Hydro Ottawa’s overall compensation included
22 in the 2026 OM&A budget. In this response, Hydro Ottawa demonstrates that the figures presented
23 by SEC are unreliable and have been significantly overstated due to numerous methodological and
24 data errors.

25
26 The tables in SEC’s compendium were based on a model created by counsel, which Hydro Ottawa
27 saw for the first time just 48 hours before the Oral Hearing. Despite having all the information
28 required to prepare this analysis during the extensive discovery process for this application, SEC
29 did not put forward this analysis to Hydro Ottawa and the expert Mercer in interrogatories, at
30 technical conferences, or during pre-settlement clarification questions. It is also important to
31 reiterate that these tables are not a simple summary of evidence and were not prepared by any

1 witness (let alone an expert with specialized compensation or benchmarking evidence) and remain
2 outside the evidentiary record.

3
4 Hydro Ottawa understands that the tables in question represent an attempt by SEC's counsel to
5 extrapolate the results of the limited-scope 2024 Mercer compensation benchmarking study,¹ which
6 covered 20 positions (approximately 33% of the total workforce) to the entirety of the 2026 OM&A
7 compensation budget.

8
9 Hydro Ottawa provided the tables and model developed by SEC counsel to Mercer, and asked
10 Mercer to evaluate and comment on whether the methodology and resulting tables produced by
11 SEC counsel are reasonable and reliable from a compensation benchmarking perspective.

12
13 Mercer's review concluded that the 2024 benchmarking study of the 20 positions in question lacks
14 the statistical significance required to assess the market competitiveness of Hydro Ottawa's 2026
15 total compensation. The study was never intended to be used in this manner and should not be
16 extrapolated as SEC has attempted in the model that counsel created.

17
18 However, if the 2024 Mercer study data is to be extrapolated, Mercer has identified numerous
19 methodological and data errors which significantly distort the results that SEC calculated in its
20 model and presented in the SEC compendium tables. These errors can be summarized as follows:

- 21
22 ● **Weighting Data Sources Equally:** Where data exists in both surveys, Mercer Benchmarking
23 Database (MBD) and MEARIE data should be weighted equally to ensure a robust data set and
24 avoid skewing results.
- 25 ● **Segregating by Employee Group:** Market results and associated costs should be split by
26 employee group (Management, Union, and Non-Union) rather than pooling Union and
27 Non-Union employees into the same category as SEC has done in their model.
- 28 ● **Using 2024 Data:** The calculation must be done using 2024 data, consistent with the study, as
29 there is no market data for 2026 compensation.

30 ¹ The 2024 Mercer compensation benchmarking study was completed using the same methodology as the study in the
previous Hydro Ottawa rate application.

- 1 • **Using Base Salaries for Comparison:** The calculation should be done using base salary.
 2 Target Total Cash (TTC) data is of an even smaller sample as not all positions had available
 3 data and its use clearly distorts extrapolated results.
- 4 • **OM&A Allocation:** An OM&A allocation of 66% should be applied to assess the impact, as the
 5 75% figure used by SEC in its model only reflects direct labour capitalization.
- 6 • **Applying the Competitive Range:** The study defined market competitiveness as P50 ±10%.
 7 Variances from the market should only be calculated for the roles exceeding this competitive
 8 range.

9
 10 As maintained throughout Mercer's response, the 2024 trend benchmarking study should only be
 11 used to assess compensation variances outside of the market competitive range; the output of this
 12 calculation is reflected in the first row of Table A below. However, should the OEB consider using
 13 the P50 benchmark to assess total compensation, the second and third rows in Table A below
 14 provide the alternative extrapolated results with the methodological and data errors corrections
 15 identified. The second row shows the extrapolated results calculated by Mercer using a different
 16 methodology, and the third row shows extrapolated results calculated by Hydro Ottawa by
 17 correcting SEC's methodology and data errors. Both alternatives have been calculated using P50
 18 for an apples-to-apples comparison to the SEC model; however, Hydro Ottawa maintains its
 19 position (supported by Mercer's expert opinion) that using P50 ±10% is the appropriate market
 20 competitive range for evaluating compensation as reflected in the first row of the table.

21

22

Table A - Summary of Corrected Model Scenarios

Model Scenario	Extrapolated 2024 Result
Extrapolation using P50 +- 10% (7 Positions above) - calculated by Mercer	\$625,120
Extrapolation using P50 - calculated by Mercer	\$1,973,142
Extrapolation using P50 and SEC's original Model - corrected by Hydro Ottawa	\$2,067,069

23

1 **2. RESPONSE FROM MERCER (COMPENSATION BENCHMARKING EXPERT)**

2 Mercer has reviewed the tables and related spreadsheet from SEC and has concluded that due to
3 significant methodological issues, the model can not be reasonably or reliably used to reflect an
4 accurate total dollar differential. Specifically, it will be inaccurate to leverage the outcomes when
5 assessing the appropriateness of Hydro Ottawa's 2026 budgeted compensation costs. The reasons
6 include that: (1) given the purpose and scope of our 2024 benchmarking study – a trend study
7 looking at 20 particular roles – it was not intended to be representative of the entire employee
8 population and its results should not be extrapolated and applied the way SEC has done in its table;
9 (2) the SEC table and the model its counsel has created in the accompanying spreadsheet leverage
10 the Mercer study findings, in a manner that it was not designed to support, and applies a formulaic
11 approach that misinterprets the study results; and (3) there are also a number of data and
12 methodological and/or formula/mathematical errors in SEC's approach and table results.

13
14 **2.1. PURPOSE AND SCOPE OF STUDY – NOT INTENDED FOR THIS OVERALL VARIANCE**
15 **CALCULATION**

16 Mercer's 2024 study was designed as a trend report relative to the previous Mercer study
17 undertaken in 2019 with a similar sample size (15 roles representing approximately 32% of the
18 Hydro Ottawa employee population). The 20 roles in the 2024 study (14 union, 4 management and
19 2 non-union) represent 33% of the Hydro Ottawa employee population. These roles were reviewed
20 to determine general competitiveness at various levels, similar to the 2019 study in order to enable
21 a comparison over time. This type of study provides a baseline market positioning for common roles
22 within the organization, and emphasizes a focus on providing a trend analysis to assess how Hydro
23 Ottawa's competitiveness levels change over time. To do so, Mercer was instructed to keep the
24 methodology constant and minimize changes to the scope of the study as is typical in these repeat
25 studies.

26
27 The type and scope of study undertaken by Mercer for Hydro Ottawa is different from certain
28 Mercer studies in other rate applications where those studies may have been amenable to the kind
29 of extrapolation that SEC's counsel attempted to undertake.

1 It is not reasonable to extrapolate the results of the Hydro Ottawa Mercer study in the way SEC has
2 done. A typical detailed study used to conduct this type of comprehensive analysis would aim to
3 cover at least 50% of the organization's population (whereas only 33% of Hydro Ottawa's 2024
4 population were captured in the referenced Mercer study). In addition to this, a sizable percentage
5 of unique jobs would need to be included (only 7.1% of Hydro Ottawa's unique jobs were captured
6 in the referenced Mercer study). An extrapolation of the Mercer study findings, in the manner the
7 SEC model does, will not only be inaccurate but generate results that are simply misrepresentative.
8 The additional points set out below compound this issue and further indicate why SEC's table
9 results are not accurate or reliable.

10

11 **2.2. SEC'S TABLE MISREPRESENTS THE MERCER STUDY FINDINGS**

12 Completing the type of extrapolation and variance calculation that SEC's counsel attempted
13 requires market knowledge and expertise regarding the benchmarking study methodology. The
14 Excel model and tables that SEC's counsel put together incorrectly represent Mercer's expert study
15 results. SEC applied a formulaic approach that oversimplifies complex market data, misapplies the
16 study's findings with respect to market competitiveness and presents an overall analysis that in
17 Mercer's view is not accurate or reliable for assessing the total dollar compensation differential for
18 Hydro Ottawa's total workforce.

19

20 In particular, SEC's use of the market median (P50) as a precise cut-off contrasts with Mercer's
21 standard practice of using a $\pm 10\%$ range around P50 to define competitiveness when benchmarking
22 individual jobs, as this study did. This oversimplified approach by SEC in its table and spreadsheet
23 methodology, lead to the misclassification of numerous jobs as being over-market when they are in
24 a competitive market position to the median.

25

26 In a general trend study, there are a number of reasons why any job benchmarking result that is
27 $\pm 10\%$ of the market (or 90% to 110% in the case of the market index) is considered to be
28 competitive. There are both statistical and market practice rationales for why this range is used.

29

- 30 ● **Statistical Rationale:** market data inherently has variability due to factors in the data gathering
31 process such as changes in the number of organizations in the peer group and changes in

1 organization data / matches. In addition to this, differences in company size, industry,
2 geography, and other key factors such as incumbent tenure/seniority, and specialized skill levels
3 can also play a factor. A $\pm 10\%$ band around the median accounts for these normal market
4 fluctuations and data variability without being too narrow or too broad. This range captures a
5 realistic spread of pay levels that compensation experts consider to be market aligned. A tighter
6 $\pm 5\%$ may be used in more comprehensive studies when assessing compensation levels at an
7 aggregate level (by salary grade, department, etc.). Aggregate results smooth out variability in
8 underlining data thereby allowing for a narrowing competitive range.

9 ● **Industry Standard Practice:** many compensation surveys and consulting practices adopt this
10 range as a standard competitive zone. It provides employers with flexibility to differentiate pay
11 based on factors like merit, individual performance, tenure, or skills specialization while staying
12 within market norms. As market conditions are in constant state of flux (industry, region, job
13 specialization, etc.) it helps avoid rigid pay structures that could either underpay (risking talent
14 loss) or overpay (increasing costs unnecessarily). In addition, the range allows organizations to
15 differentiate compensation levels based on organization needs as well as the scarcity or
16 criticality of required skills.

17
18 SEC's model takes individual benchmarking job results and treats any compensation above the
19 exact P50 midpoint as though it is above market, when that is not the case and is not what the
20 benchmarking study results indicated.

21
22 Given SEC's model does not incorporate or take this range into account, it offers no recognition and
23 allowance for the many year-over-year market variability factors outlined above. Adopting this rigid
24 philosophy to compensation benchmarking would necessitate frequent compensation adjustments,
25 which would increase administrative burden and negatively impact employee engagement and
26 retention. In addition, consideration has not been given to the criticality of the services provided by
27 Hydro Ottawa and the need to have highly skilled and tenured employees to meet customer
28 demands.

29

1 While Mercer maintains that it is not appropriate to use the 2024 trend study for extrapolation in the
2 manner modelled by SEC, if the data is to be used for such a calculation, it must be applied using
3 valid assumptions that reflect the actual study results.

4
5 When the study is reviewed as intended—applying the standard competitive range of P50
6 $\pm 10\%$ —only 7 roles fall above the market competitive position. Notably, all 7 of these roles are
7 within the unionized group; no management or non-union roles in the study exceeded the
8 competitive range.

9
10 If one were to extrapolate the variance for these specific roles to the 2024 Union base salary, the
11 resulting total differential is \$0.625M relating to compensation within OM&A. This figure is derived
12 using the following correct methodological inputs:

- 13
- 14 ● **Weighting Data Sources Equally:** Where data exists in both surveys, MBD and MEARIE data
15 are weighted equally to avoid skewing results.
 - 16 ● **Segregating by Employee Group:** Market results and associated costs are split by employee
17 group (Management, Union, and Non-Union) to reflect that only the Union group fell outside the
18 competitive range.
 - 19 ● **Using Correct Vintage Data:** The calculation relies on 2024 Base Salary alone, consistent with
20 the 2024 study data.
 - 21 ● **Applying the Competitive Range:** The calculation adheres to the study's definition of market
22 competitiveness as P50 $\pm 10\%$. Variances are only calculated for roles exceeding this upper
23 bound.
 - 24 ● **Corrected OM&A Allocation:** An OM&A application rate of 66%² is applied to determine the
25 ratepayer impact.
 - 26 ● **Using Base Salaries for comparison:** This model leveraged actual paid salaries by role and
27 applied across Full-Time Equivalent (FTEs) by category of management, non-union and union.
28 In addition, in the Mercer calculated variance, total target cash compensation analysis was not
29 considered as some jobs don't have incentive information, and it would further diminish the
30 representativeness of available data.

² Refer to Section 3.3 for a summary of the 66% provided by Hydro Ottawa to Mercer.

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2.3. METHODOLOGICAL, DATA AND FORMULA ERRORS

In addition to the fundamental problems identified above, there are also a number of additional data, methodological errors and inconsistencies with SEC’s counsel’s approach and figures, which further makes the table results incorrect and unreliable. Below are some key examples:

- **Inappropriately Extrapolating 2024 Market Data to 2026 Compensation:** The SEC model inappropriately applies the 2024 market compensation data results to Hydro Ottawa’s 2026 compensation levels. The 2024 benchmarking results and any dollar variances they represent should not be applied on a percentage basis to overall 2026 compensation, as SEC’s counsel has done. This approach is problematic for numerous reasons:
 - It excludes any market fluctuations, data variability, introduction of new roles, “hot skills” and corresponding changes in compensation for specified jobs at P50 between those years which is not best practice.
 - For example, the increased popularity of electric vehicles and the increased demand for artificial intelligence tools have put an increased demand for electricity. This increased operational demand has increased the demand for skillsets seen within the utilities industry, and as such, put upward pressures on labour costs.
 - It fails to recognize that as senior incumbents are retiring, their roles are typically being replaced at lower levels in the pay band, which we would reasonably expect to impact (improve) the benchmarking results.
 - It risks not taking into account Hydro Ottawa’s continued efforts to manage the company’s compensation levels in a manner that results in outcomes below levels seen in that market.

- **Inappropriately Extrapolating Base Salary to Total Remuneration:** The SEC table and spreadsheet model take market positioning for base salaries / total cash compensation and apply it to other total remuneration elements (e.g. group benefits, retirement programs, overtime, other labour costs). The cash benchmarking results cannot be applied to these other compensation elements in that way, as the Mercer findings do not in any way indicate that those

1 other elements of compensation are above market the way SEC is attempting to conclude.
2 Though cash levels directly impact other elements of total remuneration, it is not reasonable to
3 assume that the impacts are always equal. For example, an organization may have higher base
4 salary levels for select roles but a below market overtime and/or incentive policy. Similarly,
5 though cash levels may be above market for select roles, the organization may staff or deploy
6 its workforce in a manner that reduces overall overtime costs. In respect of overtime pay, for
7 example, there are many variables that would impact how the amounts paid compare to the
8 market, and the same goes for the amounts of benefits paid and pension costs. The Mercer
9 study did assess Hydro Ottawa benefits and concluded that they are aligned with the Ontario
10 Public Sector and market.

11

12 ● **Inaccurately Weighting the Benchmarked Positions to Extrapolate to the Total Workforce:**

13 A further and very significant issue with SEC's approach and table results is that their weighting
14 approach to determine overall results and dollar variances does not accurately capture the
15 impact of each employee group in a manner that is representative of the full Hydro Ottawa
16 organization. The weighting approach SEC used is inappropriate in that:

17 1) It groups the non-union and union population together though the two populations
18 reflect different competitiveness levels. The approach SEC has taken inaccurately
19 inflates the impact of the market findings of the unionized jobs on the total population.
20 The mix of employees within a workforce, including the proportion of unionized
21 employees, affect an organization's total compensation costs. Unionized populations are
22 subject to collective agreements and thus have different staffing and compensation
23 practices from Non-union and management roles. The mix of unionized and
24 non-unionized employee populations and the different compensation practices used in
25 each group should be taken into account when assessing the reasonableness of an
26 organization's total compensation costs. The SEC model does not account for these
27 differences and the population base. In the Mercer study, the unionized incumbents
28 (FTEs) represented approximately 88% of the total incumbents covered by roles in the
29 study. In actuality, unionized FTEs in 2024 represented about 62% of Hydro Ottawa's
30 total population. SEC also opts to group Union and Non-union roles, where these would
31 typically be analysed and costed separately. Unionized roles are governed by negotiated

1 collective agreements and compensation may be less impacted by annual market
2 benchmarking.

3 2) It considers market data from the two survey sources in a manner inconsistent with
4 Mercer's practices in the review. The impact of this risks overemphasizing one survey
5 outcomes over the other. Where multiple survey data is available, to conduct such
6 costing comparisons, the standard practice for Mercer is to average the two survey data
7 points where available to compare against a role/position's market comparison. The SEC
8 modelling looks to maintain each survey reference point which results in unbalanced
9 compounding of comparator data by role.

10 3) It relies on target total cash in determining the dollar gap to market. The issue here is
11 that there are a number of jobs that do not have market data for target total cash -
12 including the most highly populated job in the review - excluding the data for these jobs
13 further impacts the representativeness of the baseline data. Specifically, the percentage
14 of employees used to extrapolate the total employee population further reduces from an
15 already concerning level. Target total cash findings should simply not be leveraged in the
16 manner SEC counsel has done in its model.

17 4) It inaccurately leverages Hydro Ottawa's labour costs to determine a total dollar
18 differential. The Mercer study is not intended to be a "cost review" - the focus of the
19 study is an assessment of directional market competitiveness while staying consistent
20 with prior reviews. As such, the total differential analysis should focus on the total dollar
21 difference between Hydro Ottawa to the market. Taking the Mercer findings and
22 extrapolating in the manner that SEC's model does material risks overlooking additional
23 variables that drive labour costs that are simply not factored in the study.

24 5) It contains specific data and formula errors. Mercer identified errors in the SEC
25 counsel's model with respect to the data in Mercer's report (including using the wrong
26 figures in a few instances), as well as inconsistencies in the SEC counsel model's use of
27 Mercer data. This also includes inconsistent grouping formulas, and data transcription
28 issues of FTEs for a role to name a few.

29
30 To provide a complete comparison and isolate the impact of SEC's other methodological errors
31 (independent of the competitive range debate), Mercer has also modeled the results using SEC's

1 preferred "strict P50" definition. This analysis shows that even when removing the $\pm 10\%$
2 competitive buffer, correcting the fundamental data, grouping, and weighting errors results in a
3 significantly lower variance than SEC's counsel calculated.

4
5 Using the strict P50 definition, the corrected differential is **\$1.973M** relating to compensation within
6 OM&A.

7
8 These figures were derived using the corrections identified above, with the exception of the market
9 competitive range:

- 10
11 • **Weighting Data Sources Equally:** Where data exists in both surveys, MBD and MEARIE data
12 are weighted equally to ensure a robust data set and avoid skewing results.
- 13 • **Segregating by Employee Group:** Market results and associated costs are split by employee
14 group (Management, Union, and Non-Union) rather than pooled.
- 15 • **Using 2024 Data:** The calculation relies on 2024 Base Salary, consistent with the 2024 study
16 data, as there is no market data for 2026 compensation.
- 17 • **OM&A Allocation:** An OM&A allocation of 66% is applied to assess the full impact.
- 18 • **Using Base Salaries for comparison:** This model leveraged actual paid salaries by role and
19 applied across FTEs by category of management, non-union, and union. In addition, in the
20 Mercer calculated variance, total target cash compensation analysis was not considered as
21 some jobs don't have incentive information, and it would further diminish the representativeness
22 of available data.

23 24 **3. HYDRO OTTAWA'S RESPONSE**

25 Hydro Ottawa shares the concerns that Mercer articulated above with respect to the analysis that
26 SEC's counsel prepared. However, to be helpful should the OEB consider the SEC analysis to be
27 instructive in its evaluation of the company's compensation envelope, Hydro Ottawa corrected the
28 SEC model for the methodological and data errors that Mercer identified in its response. The
29 corrected information is filed as Excel Attachment J2.3(A) - SEC Table Calculations - Hydro Ottawa
30 Corrected. The sections that follow provide additional comments and context with respect to the
31 corrections that Hydro Ottawa made to SEC tables.

1 **3.1. WEIGHTING DATA SOURCES EQUALLY AND USING BASE SALARIES FOR**
 2 **COMPARISON RATHER THAN TTC**

3 Hydro Ottawa has updated only the 50/50 SEC scenario based on Mercer’s expert opinion that this
 4 scenario is most appropriate for extrapolating the results without skewing the data. The first two
 5 scenarios — MBD alone and MEARIE alone — simply lack sufficient data and it's not appropriate to
 6 look at them in isolation. Hydro Ottawa further notes that SEC counsel selected a fourth scenario
 7 ('MBD if available, MEARIE if not') but neglected to present the inverse scenario ('MEARIE if
 8 available, MBD if not'), which would have yielded a lower result. Nonetheless, the only credible data
 9 set that can be considered in an extrapolation analysis is the 50/50 scenario.

10
 11 Furthermore, Hydro Ottawa notes that due to data availability constraints for specific benchmark
 12 positions, TTC data was available for only approximately 15% of FTEs of the total FTE population
 13 as shown in Table B below.

14
 15 **Table B - Summary of Data Points for Base Salary vs TTC**

	MEARIE Samples	MBD Samples	Total Positioned Covered	Represented FTEs	As a % of 624 (2024 Total FTEs)
Base Salary	17	16	20	203.9	33%
TTC	7	14	17	94.7	15%

16
 17 The impact of the reduced TTC data availability, in addition to becoming less representative of the
 18 total Hydro Ottawa FTE population, also biases the weighted average upwards because of two data
 19 attributes of the smaller sample:

- 20
 21 **1. TTC Data Differences and Higher Concentration in the MBD Samples:**
- 22 a. The TTC includes base salary and short term incentives. Therefore, the only difference
 - 23 between the Base Salary samples and the TTC samples are the short-term incentives.
 - 24 In the cases where Hydro Ottawa does not provide short term incentives for a specific
 - 25 position, the Base Salary and TTC share the same data point. This allowed Hydro
 - 26 Ottawa to provide a comparator in both categories; however, the MEARIE data does not
 - 27 appear to follow the same approach as there are many instances where data is

1 presented for the Base Salary benchmark, but not the TTC benchmark. MBD on the
2 other hand is a national database and presumed to have a larger pool of samples to
3 draw from.

4 b. MEARIE provided a sample of the Ontario Market and MBD provided a sample of the
5 national Canadian Market. The higher concentration of TTC in the MBD sample relative
6 to MEARIE distorts the more balanced view provided in the Base Salary Comparison.

7 **2. Key Roles with lack of TTC data:** The System Operator and Powerline Technician roles do not
8 have TTC market data points, however these two positions represent more than half of the FTE
9 base used for the Base Salary analysis. Since these roles carried base pay closer to P50
10 median, their exclusion in the TTC market comparison creates a skewed sample that does not
11 accurately represent the benchmarked group, let alone the total organization.

12 **3.2. TARGETED TOTAL CASH COMPENSATION (TTC) VERSUS TOTAL COMPENSATION**

13 As noted above, TTC reflects base salary plus short-term incentives. Total compensation however,
14 is made up of TTC in addition to other employer benefits such as dental, health and pension plans
15 and legally required benefits such as Canadian Pension Plan and Employment Insurance. Since
16 many benefits are capped at a much lower value than P50 compensation levels it is not appropriate
17 to extrapolate market percentage variances on Base salary or TTC to total compensation, as SEC's
18 counsel has done in the model. Doing so overinflates the impact of P50 on total compensation.
19 Approximately 40% of the benefits are salary driven, such as pensions and life insurance. The
20 remaining 60%, including health and dental, is independent of salary. For illustrative purposes,
21 Attachment J2.3(A) contains the extrapolation to total compensation for SEC's original model as
22 corrected by Hydro Ottawa (3rd row of Table A above), the amount is \$2,501,263. However, Hydro
23 Ottawa maintains Mercer's expert view that the study can only be credibly used to compare and
24 extrapolate base salaries.

25
26
27 As a result, Hydro Ottawa has changed the title in the corrected SEC Tables from TTC to Total
28 Compensation, and calculated the impact to total compensation by layering on the proportional
29 impacts of the cost items that make up the difference between base salary and total compensation
30 (i.e. Overtime, Incentive, and Benefits). Hydro Ottawa also adjusted the impact on total

1 compensation to be limited to those benefits that are indeed impacted by SEC's counsel's analysis
2 of P50.³

3
4 In addition, in the disaggregated Union, Non-union and Management compensation amounts, as
5 Mercer recommended, Hydro Ottawa also applied the appropriate overtime and incentives
6 components to account for the differing policies applicable to each employee group.⁴

7 8 **3.3. OM&A RELATED TOTAL COMPENSATION**

9 Hydro Ottawa only included directly attributed compensation in Appendix 2-K while counsel to SEC
10 understood Appendix 2-K to include all capital allocated compensation. During the Oral Hearing,⁵
11 Hydro Ottawa's witness clarified that the 75.39% figure used in SEC's counsel's model came from
12 Appendix 2K and only reflects "Direct Labor." Instead, Appendix 2-D includes burdens such as
13 Engineering, Supervision, Fleet, and Supply Chain, all of which also contain compensation costs.
14 Including these in the calculation, approximately 66% of the compensation is within OM&A for 2026.

15
16 As a result, SEC's counsel's model unintentionally overstates the compensation attributed to
17 OM&A. Hydro Ottawa has adjusted the model to use this 66% figure for all calculations to reflect the
18 total compensation remaining in OM&A.

19 20 **3.4. EXTRAPOLATING THE 2024 TREND STUDY TO 2026 OM&A - ADDITIONAL FACTORS** 21 **AND CONSIDERATIONS**

22 As Mercer notes, Hydro Ottawa's compensation study was a trend study at a single point in time,
23 specifically 2024, and should not be assumed it reflects compensation in 2026. There are many
24 other factors that need to be considered alongside the 2024 Mercer results to evaluate the impacts
25 of compensation on the proposed 2026 OM&A. These include evidence on the record which clearly

26 ³ Evidence to support capped benefits are publicly available on the following websites (CPP -
27 <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/canada-pension-plan-cpp/cpp-contribution-rates-maximums-exemptions.html>), EI -
28 <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html> and Ontario Health Tax
29 <https://www.ontario.ca/document/employer-health-tax-ehf> and well as described in Attachment J2.3(A).
30

⁴ See Hydro Ottawa's response to interrogatory 4-Staff-165 (August 18, 2025).

⁵ EB-2024-0115, Oral Hearing Transcript, Volume 1 - January 14, 2026, page 91 (lines 24-25).

1 indicates Hydro Ottawa is performing well against its peers on relevant metrics,⁶ and in managing
2 year-over-year compensation increases relative to the labour component embedded in the OEB
3 inflationary parameter and other labour market comparators.⁷

4
5 Hydro Ottawa manages its total compensation within a disciplined envelope to maintain the service
6 standards expected by customers, drive continuous improvement, and respond to a rapid industry
7 evolution. To that end, Hydro Ottawa leverages numerous measures and reviews to ensure
8 compensation costs are reasonable and prudent, yet competitive.

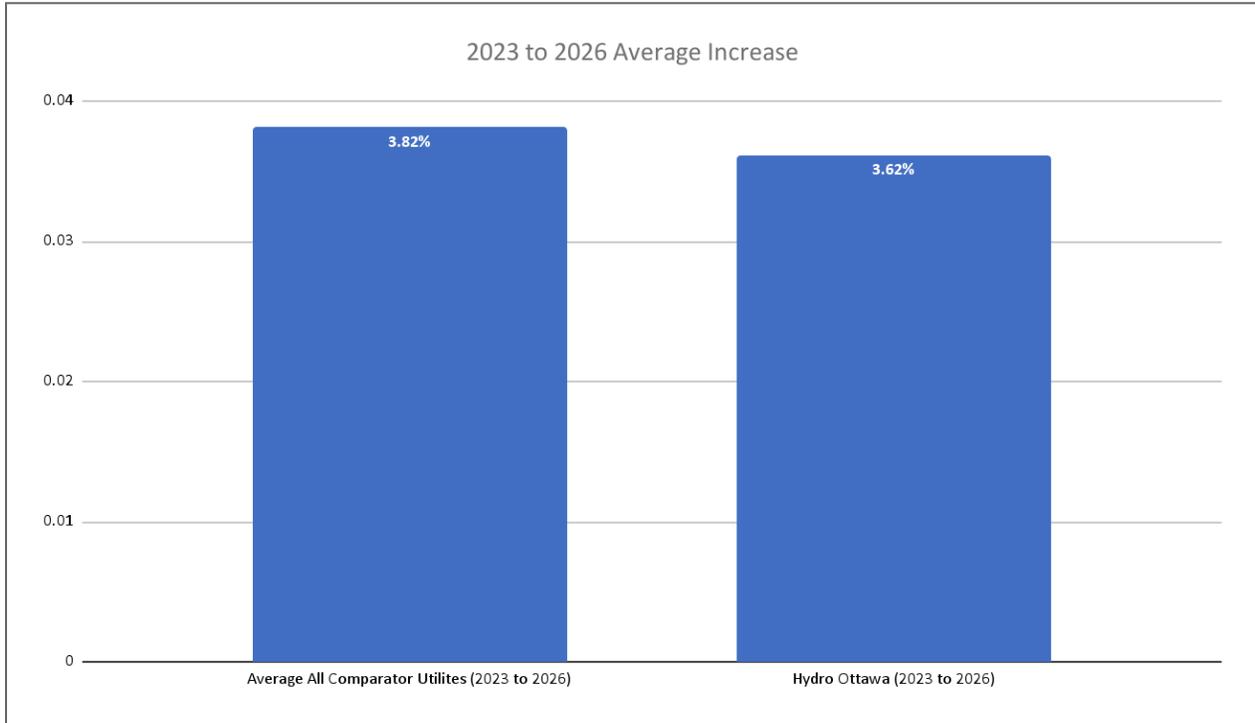
9
10 For example, in its most recent collective bargaining, Hydro Ottawa reviewed recently negotiated
11 wage increases from comparator utilities to ensure proposed increases were fair and reasonable.
12 As Figure A below demonstrates, in comparison to a comparator group of utilities,⁸ Hydro Ottawa's
13 average wage increase of 3.62% from 2023 to 2026 (the term of the collective agreement) was
14 below the average increase of 3.82% for its comparators.

17 ⁶ Attachment 1-3-3(B) - Activity and Program-Based Benchmarking Analysis and Attachment 1-3-3(D) - Supplemental
Industry Benchmarking Analysis.

⁷ Attachment 4-1-3(A) - Employee Compensation Strategy; Schedule 1-2-5 - Impacts of Inflationary Pressure.

15 ⁸ Toronto Hydro, Alectra Utilities, Ellexicon Energy, Kitchener-Wilmont Hydro (Enova), London Hydro and Waterloo North
16 Hydro (Enova), <https://www.lr.labour.gov.on.ca/en-CA/Collective-Agreements/>. Note that Hydro Ottawa is excluded from
the Average.

1 **Figure A - 2023-2026 Collective Agreement Average Increase**



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9

Further, this average wage increase was also below the average of the OEB Escalation Rate of 3.93%, for 2021-2026. Please see Table C below that illustrates Hydro Ottawa’s performance in comparison to industry averages used to set the labour component of the OEB inflationary parameter.

Table C – Labour Rate Increases

	Historical Years				Bridge Year	Test Year	Average	Total
	2021	2022	2023	2024	2025	2026	2021-2026	2021-2026
Hydro Ottawa Labour Rate Increase	2.35%	2.58%	3.86%	3.66%	3.55%	3.45%	3.24%	19.45%
OEB Labour Escalation	2.70%	7.00%	3.50%	2.30%	3.20%	4.90%	3.93%	23.60%

10
11
12

Despite the most recent collective bargaining, including an 84 day strike which added significant pressure on services provided to customers, the company was successful in reaching an

1 agreement while keeping wage increases inline with and below the multi-year average of our
2 comparator utilities and the OEB's inflationary labour parameter.

3
4 Furthermore, in order to ensure annual merit increases for management and non-union employees
5 are reasonable and competitive, Hydro Ottawa reviews trending data from a number of sources
6 including reputable compensation salary benchmark studies showing salary projections for the utility
7 and broader public sectors, collective agreement increases, and consumer price indices as outlined
8 in Tables A-D of the interrogatory response to 4-Staff-157. In that same response, Table E details
9 the merit increases for the associated years. Again SEC's council discounts any effort between
10 2024 and 2026 to manage compensation.

11
12 As provided in the response to interrogatory 4-Staff-166, management wage increases for the
13 period January 1, 2021 to December 31, 2026 will be on average 3.3% per year. The Consumer
14 Price Index from October 2021 to October 2024 has risen by an average annual rate of 3.99%,
15 while management wages at Hydro Ottawa during the same period increased by an average of
16 3.07% per year. This, like the union compensation, is also lower than the labour component of the
17 OEB escalation factor.

18
19 In addition, Hydro Ottawa has also shown productivity initiatives⁹ (poles, net metering, move-in out
20 process) through its evidence that have resulted in less labour time being used, which is another
21 mechanism to managing compensation costs by not requiring new headcount.¹⁰

22
23 By assuming that 2024 is directly representative of 2026 compensation, the model developed by
24 SEC fails to account for all the ways in which Hydro Ottawa is actively managing its compensation
25 envelope to deliver value to customers while maintaining market competitiveness to attract and
26 retain the talent it needs to execute its investments plans and deliver the outcomes customers
27 expect.

⁹ Schedule 1-3-4 Facilitating Innovation and Continuous Improvement.

¹⁰ As noted in Table A of Hydro Ottawa's response to interrogatory 1-Staff-23 (August 18, 2026).

1 **3.5. APPLYING A MARKET COMPETITIVE RANGE: ATTRACTING AND RETAINING**
2 **SPECIALIZED TALENT**

3 Attracting and maintaining highly skilled employees is essential for executing the growth and
4 electrification forecasts outlined in Hydro Ottawa's Application for the 2026-2030 period. This
5 specialized talent pool is critical to managing the energy transition within an increasingly
6 sophisticated grid and a complex cyber security landscape. The approach developed by SEC's
7 counsel to evaluate Hydro Ottawa's compensation framework based on P50 is not aligned with
8 industry practice as noted by Mercer, and also fails to recognize the company's need to attract and
9 retain talent in highly technical or specialized roles, such as Powerline Technicians and engineers.

10
11 In addition, a number of the roles within the study manage duties that are unlike other industries
12 although it might not be immediately evident when comparing similar job titles. As described at the
13 Oral Hearing on January 14, 2026 (Day One), Hydro Ottawa's warehouse attendants are expected
14 to be available for storm response and to support 24/7 emergency activities, which might not
15 necessarily be the case in a food distributor warehouse.¹¹ Similarly, Hydro Ottawa's collection
16 agents in addition to being "responsible for having very difficult conversations with customers when
17 you're talking about turning off an essential service,"¹² work within a highly regulated industry with
18 codes and regulations that govern required communication of low income programs and payment
19 plan options to prescribed processes to disconnect customers for non payment and special
20 obligations related to reconnection. The specialized essential service context within which Hydro
21 Ottawa's employees work further underscores the need to use all data points that are available
22 within a benchmarking study and to apply an appropriate range in the assessment of market
23 competitiveness.

24

¹¹ EB-2024-0115, Oral Hearing Transcript, Volume 1 - January 14, 2026, pages 188 (line 26) - 189 (line 3).

¹² Ibid., page 119 (lines 6-8).

1 **3.6. UNDERSTANDING THE COMPENSATION IMPACT OF NEW POSITIONS IN 2026¹³**

2 Lastly, looking at the 81 new positions in 2026, only two of those positions were included in the
3 2024 Mercer compensation study. As such, if the results are applied from that study against the
4 compensation of these two positions, there is only a **\$5,758** impact. However, considering the 81
5 positions in general and allocating the portion of positions to Management, Non-Union, and Union,
6 then extrapolating using an FTE basis, then the 2026 compensation impact approximates **\$0.167M**,
7 as seen in Table D below.

8
9 **Table D - Summary of Impact of 2026 New Positions in 2024 Benchmarking Dollars**

Scenario	Impact of 81 New Positions
Extrapolation of P50 to the 81 New positions in 2026	\$167,223 ¹⁴

10
11 It is also important to note that new positions in 2026 have a much smaller impact on the 2026 base
12 year OM&A than one may expect. At the Oral Hearing, a discussion arose regarding the vacancy
13 allowance specifically for new positions within Hydro Ottawa Limited and cost included in the 2026
14 base year. Hydro Ottawa's witness explained that an overall vacancy rate of 8% is applied which
15 accounts for both existing and new positions. As illustrated in Table E below, if a pre-pandemic 4%
16 vacancy allowance is assumed for existing positions, the 81 new positions would require an
17 approximate vacancy allowance of 41% to reach the total average of 8%. This 41% allowance
18 equates to almost five months of vacancy for these new roles.

19 ¹³ EB-2024-0115, Oral Hearing Transcript, Volume 1 - January 14, 2026, pages 141 (line 27) - 142 (line1): "Mr.
20 Rubenstein, are you saying if every job, the new hire was at the 50th, calculate what that difference would be, and sum
21 them all up for all positions"; and page 143 (lines 5-13): "So I think it would be important to phrase the undertaking
22 properly, though. I am agreeing that an undertaking can be done. The first one is that you would like -- perhaps you could
23 say what you want -- but you'd like the quantification at P50 for the new positions, and then they can add any commentary
regarding the difficulty or the plus and 10 percent, minus 10 percent."

¹⁴ Extrapolated to total compensation including benefits, would be \$205,246. Refer to Attachment J2.3(A) for details.

1

Table E - Vacancy Rate Illustration

	Existing Positions	New Positions	Total Positions
Positions	667	81	748
Vacancy Rate	4%	41%	8%
Average months Vacant	0.5	4.9	1.0

2

3 As such, the 81 new positions are reflected in the 2026 OM&A base year at a lower cost recovery
4 percentage than current positions and this differential is only funded through the OM&A escalation
5 factor for the years 2027-2030. Meaning, new positions are essentially not fully funded for the five
6 year term, as their full cost is not included in the 2026 base year OM&A. Therefore for the years
7 2027-2030 incremental efficiencies are required to offset costs above which are managed through
8 growth and the built in stretch factor within the Custom Revenue OM&A escalator.

1 As noted in the Oral Hearing, the 2023 actuals are not a realistic comparator due to the 84-day
 2 strike which caused all training to be paused for a significant portion of that year.

3

4 **Table A - Training Budget Breakdown by Appendix 2-JC OM&A Programs**

Programs	Historical Year	Bridge Years		Test Year
	2023	2024	2025	2026
Collections	\$ 1,612	\$ 600	\$ 600	-
Customer Billing	\$ 1,950	\$ 6,704	\$ 6,704	\$ 3,661
Corporate Costs	\$ 1,520	\$ 6,000	\$ 6,000	\$ 4,000
Customer & Community Relations	\$ 17,125	\$ 66,668	\$ 66,668	\$ 26,624
Distribution Operations	\$ 42,023	\$ 146,268	\$ 146,268	\$ 112,090
Engineering & Design	\$ 106,666	\$ 139,696	\$ 139,696	\$ 128,659
Facilities	\$ 1,522	\$ 8,200	\$ 8,200	\$ 3,200
Finance	\$ 1,471	\$ 23,000	\$ 23,000	\$ 11,400
Human Resources	\$ 20,804	\$ 74,000	\$ 74,000	\$ 76,100
Information Management & Technology	\$ 33,664	\$ 36,504	\$ 36,504	\$ 29,069
Metering	\$ 7,945	\$ 22,308	\$ 22,308	\$ 43,704
Regulatory Affairs	\$ 17,709	\$ 20,000	\$ 20,000	\$ 15,500
Safety, Environment & Business Continuity	\$ 73,276	\$ 927,300	\$ 1,082,300	\$ 793,300
Supply Chain	\$ 1,830	\$ 6,500	\$ 6,500	\$ 3,250
Total	\$ 329,116	\$ 1,483,749	\$ 1,638,748	\$ 1,250,556

5

6 The 2026 Test Year budget was reduced relative to the 2025 Bridge Year budget as part of the
 7 overall cost rationalization process, which reduced the original plan for total OM&A by
 8 approximately \$20 million as discussed in the response to interrogatory 2-Staff-73(b).

9

10 This reduction will challenge the company to drive productivity by leveraging alternate training
 11 resources including technology based options such as eLearning, video based learning and more.

12 This efficiency is critical at a time when the workforce is younger, with less years of hands-on field
 13 experience and more apprentices going through training to achieve journeyman status.

- 1 Furthermore, legislative, regulatory and technical requirements are driving up the need for more
- 2 training as stated in pages 4 and 7 of Attachment 4-1-3(E) - Health, Safety and Environment
- 3 Compliance, Sustainability and Business Continuity Management.

