

CORPORATE STAFFING

1.0 OVERVIEW

Hydro One faces the prospect of unprecedented challenges in the years ahead associated with the availability of skilled and professional staff to operate, sustain and develop its transmission and distribution systems. This issue is not unique to Hydro One, but applies to the Canadian electricity sector as a whole. In its 2008 study of the Canadian electricity industry (*Powering Up the Future, 2008 Labour Market Information Study – Full Report*, available at www.brightfutures.ca), the Electricity Sector Council states, “The Canadian electricity sector is about to enter into the eye of the perfect storm, whereby the supply of trained workers is decreasing just at the same time that a significant proportion of the current workforce is retiring, and the demand for electricity and investment in new capital and infrastructure projects is increasing”.

Hydro One's greatest corporate risk with respect to its human resources continues to be an aging workforce and, with a world-wide scarcity of core skills in the electricity industry, a highly competitive labour market. By December 31, 2009, approximately 1,000 Networks staff (transmission and distribution) are eligible for an undiscounted retirement. By December 31, 2011, approximately 1,400 Networks staff are eligible for an undiscounted retirement. This is a trend which is expected to continue through the next decade and is consistent with challenges faced by other utilities in the electricity sector throughout the world. Recent studies suggest that up to half the workforce in the North American electricity industry will be eligible for retirement in the next five years¹. Furthermore, it is anticipated that a greater number of staff eligible to retire will elect to

¹ Lester B Lave et al, *The Aging Workforce: Electricity Industry Challenges and Solutions*, *Electricity Journal* (2007), doi: 10.1016/j.tej.2006.12.007

1 retire sooner given the increased competition for these scarce resources in the
2 marketplace.

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4 The recently enacted *Green Energy and Green Economy Act, 2009* (“GEGEA”), will
5 introduce additional human resources challenges going forward. In particular, the
6 GEGEA places extended obligations on electricity distributors and transmitters with
7 respect to:

- 8 • The expansion and reinforcement of the distribution (and transmission) systems to
9 accommodate the connection of renewable energy generation facilities. A large and
10 rapid uptake of distributed generation sources such as wind and solar will
11 significantly impact Hydro One Distribution’s system since the system was not
12 originally designed for this purpose.
- 13 • The development and implementation of the Smart Grid. This will effectively result
14 in a transformation, over time, of Hydro One’s Distribution (and Transmission)
15 systems into intelligent, smart grids of the future.

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17 To meet these challenges, new skill-sets and disciplines, in addition to traditional ones,
18 will be required. Many of the new staff that Hydro One will be acquiring will be new also
19 to the transmission and distribution industry or to the workforce in general. These
20 problems are further exacerbated by competing demands for the same and limited supply
21 of electricity sector workers, both in Ontario, Canada or globally.

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23 To address this demographic challenge, Hydro One has been proactive by implementing
24 a number of initiatives. These include implementation of a staffing strategy as well as
25 recruitment and training of new staff, These initiatives are discussed in the sections which
26 follow.

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1 **2.0 STAFFING STRATEGY**

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3 Hydro One has an integrated workforce for its transmission and distribution businesses.
4 This allows Hydro One to take advantage of economies of scale and efficiencies that
5 would not be available through separate transmission and distribution operations.
6 Examples would include a centralized control centre, one fleet operations, and an
7 integrated asset management strategy.

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9 Hydro One utilizes a work-based approach to staffing, whereby the Company resources
10 according to work programs rather than plans the work around the number of internal
11 resources available. To address the fluctuating and seasonal nature of work programs,
12 the Company maintains as much flexibility as possible by utilizing a variety of labour
13 resources, including regular, temporary, hiring hall and contract staff.

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15 Matching staff to dynamic work programs requires a rigorous approach to staff planning.
16 The company must consider the amount of work to be done, the nature of the work and
17 the skills required, as well as the most cost effective means of acquiring those skills,
18 within the constraints of the collective agreements. Demographic and skills analyses are
19 conducted annually to ensure that Hydro One retains the appropriate talent in the present
20 and is positioned properly in the market to attract the talent we need in the future.

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22 Progress has been made in attaining the optimal number and mix of staff required to
23 complete the Company's increasing work programs. However, the increases in some of
24 Hydro One's Transmission and Distribution programs will add additional challenges,
25 given the tight competition for labour and power system professionals. It is essential
26 because of the long learning curves required for competent performance of our highly
27 skilled jobs that we hire well in advance of expected retirements.

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1 **3.0 RECRUITMENT**

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3 To help address the significant wave of retirements in its critical trades, technical and
4 engineering groups, Hydro One continues to hire into its Apprentice and Graduate
5 Training Programs. Since January 1, 2004, 200 graduate trainees have been hired through
6 the Company's on-campus recruitment program. New Graduates bring not only much
7 needed skills but also new perspectives and fresh energy to the work of Hydro One.

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9 Hydro One also continues its recruitment into trades apprenticeship and technical training
10 programs and has partnered with universities and colleges to develop curricula that
11 educate students in areas where we face a shortage of skilled professionals and trades
12 people. Hydro One has taken a leadership role in support for power system engineering
13 programs, assisting in developing on-line power system engineering programs and
14 providing scholarships to encourage enrolment in key areas where we face a labour
15 shortage.

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17 In addition, Hydro One, with the clear support of the PWU and the Society, has become a
18 corporate participant in Career Bridge – a national, private-sector, non-profit initiative,
19 which aims to provide internationally qualified professionals with Canadian work
20 experience in their field of expertise.

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22 Hydro One will also continue its support of the University and College Co-Op Education
23 Program, hiring approximately 200 co-ops a year. This is a mutually beneficial process
24 in that Hydro One gains bright, skilled workers trained in the latest theories and practices
25 to work for four-month or eight-month work-terms, while the students gain “real world”
26 work experience that can be used to develop their future careers. We have also found
27 that the Co-op programs have proven a rich source of talented candidates for Graduate
28 Trainee positions by offering us an opportunity to assess the student’s “fit” and long-term

1 potential with the company. Once hired our experience shows that these former co-op
2 students have a shorter learning curve than other new hires with no previous Hydro One
3 experience.

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5 Hydro One has entered into a Fellowship Program with the Ryerson and McMaster
6 Universities. This program, which commenced in 2008, provides high achieving students
7 interested in the Electrical sector with summer employment opportunities. Chosen
8 students will work 3 consecutive summers with Hydro One. They will attend mandatory
9 weekly power system course in addition to being exposed to real electrical sector work.
10 Thirty students from each of McMaster and Ryerson started in this program in 2008.
11 Upon successful completion of the 3 summer work terms, the students will receive a
12 Hydro One Power Utility Certificate. Upon graduation, these students will be likely
13 candidates for full time opportunities with Hydro One.

14
15 External recruitment into entry level new graduate or apprentice positions has been
16 successful. Hydro One has had some difficulty attracting more experienced external
17 candidates into higher rated technical, engineering and management positions. For these
18 positions, factors such as compensation and head office location sometimes act as
19 barriers to successful recruitment.

20 21 **4.0 TRAINING**

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23 To address the demographic issue, it is not enough to only hire new staff. Hydro One is
24 active in developing current staff in order to enhance and/or develop new skills.

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1 **4.1 Trades and Technical Training**

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3 Hydro One provides a comprehensive selection of trades and technical training, designed
4 to target the specific needs of field staff in relation to the work requirements of the asset
5 base.

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7 **4.2 Leadership and Senior Management Development**

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9 The primary objective of this program is to ensure that Hydro One has a systematic
10 management development framework. This helps ensure we retain a competitive
11 advantage by developing, maintaining, and enhancing those management competencies
12 deemed to be essential.

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14 Hydro One has established a Management Development Steering Committee to oversee
15 the identification of Management Development needs in the Company. The committee
16 includes senior managers from both line and support functions, and is also responsible for
17 the succession planning process.

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19 **4.3 Succession Planning**

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21 A Succession Planning Process has been developed for all senior management staff
22 within the Company. The program's goal is to ensure that for each of the senior
23 management positions, at least two successor candidates have been identified, and that a
24 developmental plan for each of the candidates is developed and implemented.

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1 **4.4 Engagement**

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3 As discussed in Exhibit A, Tab 16, Schedule 1, Cost Efficiency/ Productivity, Hydro One
4 is embarking upon a program committed to maintaining high levels of employee
5 engagement. Employee engagement, which is a key differentiator in terms of business
6 success, is the extent to which employees commit to someone or something in their
7 organization. It can influence how hard they work and how long they stay as a result of
8 that commitment. Engaged employees provide greater discretionary effort which often
9 leads to increased productivity.

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11 **5.0 HYDRO ONE'S LABOUR PROFILE**

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13 As part of Hydro One's strategy to efficiently and economically manage its fluctuating
14 work requirements, Hydro One utilizes four broad groups of staff – regular employees,
15 temporary employees, casual workers (the Building Trade Unions -BTU's under
16 agreements with the Electrical Power Sector Construction Association – EPSCA, the
17 Labourers' International Union of North America - LIUNA, the Canadian Union of
18 Skilled Workers - CUSW, and Power Workers Union - PWU Hiring Hall employees)
19 and contract staff, discussed below.

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21 **5.1 Regular Employees** of Hydro One can be placed in three categories:

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23 i) PWU represented staff: The PWU is an industrial union that represents the
24 trades, operators, technicians and clerical workers. They perform line
25 work, forestry, electrical, mechanical, protection and control, meter
26 reading, stock keeping, system operation, technical and
27 clerical/administrative work.

1 transmission stations, switchyards, substations, system control centres,
2 and associated telecommunications systems. Construction employees
3 are contingent workers, accessed through the hiring halls to perform
4 specific work programs and then laid off. They are paid a total wage
5 package (including benefits and pension payments) for each hour
6 worked. This relationship ensures that workers with the required skill
7 set are hired in the right location for only the exact duration of the work
8 assignment and that Hydro One has no on-going obligations with respect
9 to benefits or pension for them.

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11 **5.4 Contract Staff** are individuals engaged as independent contractors, not on the
12 Corporation's payroll. Contract staff are retained for their particular skill sets on
13 projects, or to perform other work that is not of an ongoing nature. They are
14 engaged at Hydro One for varying amounts of time and paid varying amounts
15 commensurate with their skill sets and the market rate for that skill. Contract staff
16 are tracked by work programs or activities and not by headcount. Where
17 applicable, the procurement of contract staff is governed by the terms of the
18 collective agreements between the Corporation and its respective unions where
19 applicable.

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21 **6.0 SUMMARY**

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23 Attracting, motivating and retaining the right people is key to Hydro One's success.
24 Despite the Company's efforts to date to ensure that we have an adequate supply of
25 labour, it continues to face staffing challenges. In addition to the potential retirement of
26 up to 1,400 employees in the next couple of years, there are increasing distribution and
27 transmission work programs. Hydro One will continue to utilize a mix of regular, non-

1 regular and contract staff in order to maintain the necessary flexibility to react to this
2 increased workload.

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4 In an industry with aging demographics and a highly competitive labour market, Hydro
5 One needs to be positioned as an attractive employer if it is to succeed in recruiting and
6 retaining staff with the requisite skills. To do so, it must provide challenging and
7 rewarding job opportunities and a competitive compensation package. Hydro One
8 believes its staffing strategy will allow us the flexibility to respond effectively and
9 efficiently to any scenario that will arise over our business planning period.