

Compensation Cost Benchmarking Study

2013-2014 Transmission Rate Application Consultation Session

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Keith McDonell

Manager, Human
Resources Operations,
Hydro One



Background

- EB 2006-0501
 - “The Board looks forward to the filing of a study which provides useful and reliable information concerning Hydro One’s compensation costs, and how they compare to those of other regulated transmission and /or distribution utilities in North America”
 - This directive resulted in the Mercer Study
- EB 2010-002
 - *‘The Board directs Hydro One to revisit its compensation study in an effort to more appropriately compare compensation costs to those of other regulated transmission and /or distribution utilities in North America’. “ To that end, the Board directs Hydro One to consult with stakeholders about how the Mercer Study should be updated and expanded to produce such analysis.’*

Principles for Compensation Cost Benchmarking Study

- Methodology and approach will have to rely upon and defer to expert knowledge of consultant engaged to perform study
- Keep as simple as possible as participation of peer group in study is at their discretion i.e. “what’s in it for me? It’s not worth all the time and effort”
- Independent, testable and repeatable market based assessment of the reasonableness of Hydro One’s compensation
- Confidentiality of responses

2008 Mercer Study

- 13 companies
- 11 T, D or G; 2 regulated non-utility
- 28 benchmarked positions representing 47% of Hydro One's employee population
- Compared base salary, total cash and pension and benefits
- Reported Hydro One results relative to the median
- MCP - 1%, Society +5%, PWU +21%
- Weighted average +17%

Straw Dog – subject to discussion

- Goal is to improve study but allow for comparison trend analysis with 2008 Mercer results
- Peer Group
 - Use the same 2008 Mercer Study peer group as a starting point but expand (*recognizing this is a slight deviation from the Board directive*)
 - i.e. some companies will not and/or cannot participate again
 - Similar criteria as in Mercer Study
 - e.g., scoping criteria of 33% to 300% of annual Hydro One revenue or total assets
 - May want to consider other peer groups

Straw Dog cont'd

- Jobs to be benchmarked
 - Follow principle of job classifications with large number of incumbents
 - From all employee groups
 - Should be comparing 'like' jobs
- Compensation metric
 - Report on base pay, total cash and total remuneration

Straw Dog cont'd

- Independent consultant to report on internal productivity benchmarks used within peer group and how or whether such measures could be used with readily available Hydro One internal data
- May also report on academic “best practices” if applicable