A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 001

Reference:

Exhibit A-6-1, Attachment 1

Preamble:

This report seems to focus on the issues related to a possible conversion from US GAAP to IFRS as HONI's basis for external financial reporting. There is potential for confusion on whether an OEB accounting policy decision in this matter will require: the adoption of IFRS for external reporting purposes; the adoption of Modified IFRS solely as a basis for future rate regulation; or more simply the adoption of an IFRS-compliant overhead capitalization policy irrespective of the rest of the accounting model used as a basis for rate regulation.

Interrogatory:

a) Please provide some context on the possible OEB decisions that would drive any combination of the three changes described above.

Response:

a) Response from Hydro One: In response to SUP's comment in the preamble that the PwC Report at Exhibit A-06-01 Attachment 1 "seems to focus on the issues related to a possible conversion from US GAAP to IFRS as HONI's basis for external financial reporting", Hydro One notes that this is not correct. The PwC Report, in the first paragraph under the heading "Purpose, Scope and Limitations of this Report" on p. 3, states that PwC "prepared this report to comment on the potential impacts of Hydro One transitioning the measurement and reporting of its revenue requirement, <u>for purposes of seeking rate approvals from the OEB</u>, from US GAAP to IFRS" (emphasis added).

   Hydro One further notes that the OEB, in its November 23, 2011 Decision and Order in EB-2011-0268 at p. 10 states that "the Board does not regulate the accounting system adopted by any regulated utility for general financial reporting purposes. Unless otherwise constrained by other regulatory requirements, utilities are free to adopt whatever accounting system they choose for such purposes."

   As described in Interrogatory Response A-Staff-013, part a), Hydro One is currently permitted to use US GAAP for external financial reporting purposes. Accordingly, it is Hydro One's understanding that there is no potential for the OEB to issue a decision requiring Hydro One to adopt IFRS for external reporting purposes.

Hydro One's intention is to continue reporting under US GAAP for both external financial reporting and regulatory purposes, and notes that the PwC Report was prepared in response to a specific direction from the OEB as described on p. 6 of Exhibit A-06-01. Hydro One is not in a position to speculate as to what decisions the OEB could potentially make in the current proceeding. In Hydro One's view, the continued use of US GAAP for regulatory purposes supports just and reasonable rates, as further described in Exhibit A-06-01.

With respect to SUP's suggestion in the preamble that the OEB could potentially require Hydro One to adopt an IFRS-compliant overhead capitalization policy irrespective of the rest of the accounting model used as a basis for rate regulation, as described in Interrogatory Response A-Staff-15(b), the guidance issued by a regulator generally drives the accounting for certain charges. Should the OEB issue additional guidance related to treatment of administration and other general overhead costs related to capital programs, Hydro One notes that it would have to evaluate the nature and feasibility of such a change and assess the implications it would have on processes, tools and systems, as well as on ratepayers.

A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 002

Reference:

Exhibit A-6-1, Attachment 1

Interrogatory:

a) If the Board opted only to require HONI to change its overhead capitalization policy to discontinue the ability to capitalize overheads and indirect costs based on US GAAP and instead to conform to MIFRS, would HONI still expect or prefer to have other aspects of its regulated businesses continue to be regulated on a US GAAP basis?

Response:

a) In the event that the OEB imposed a change on Hydro One whereby overhead costs that are currently capitalized can no longer be capitalized and Hydro One would have to conform to MIFRS for rate setting purposes, the Company would have to assess what implications this would have on the processes, tools and systems that support Financial, Management and Regulatory reporting.

However, Hydro One notes that pursuant to Regulation 395/11 under the Financial Administration Act it is required to prepare its financial statements in accordance with US GAAP and, to the extent possible, Hydro One would prefer to have alignment between the basis of accounting it uses for Regulatory and External reporting purposes, otherwise it would entail the keeping of two sets of books which would be inefficient, costly and administratively burdensome. Moreover, Hydro One would be concerned that transitioning to MIFRS, either just for overhead capitalization or more broadly, would be premature and could result in the need for a further change (and the incurrence of additional costs and disruption as a result) once the IASB issues a final standard for rate regulated entities within IFRS (as discussed in Exhibit A-06-01). Please refer to Interrogatory Response **A-SUP-001** for further discussion regarding Hydro One's preference for alignment between external financial reporting and regulatory reporting.

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A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 003

Reference:
Exhibit A-6-1, Attachment 1

Preamble:
PWC's report (Exhibit A-6-1, Attachment 1, Page 2) refers to the potential for the OEB to provide a regulatory basis for continued capitalization of overheads if HONI is directed to adopt MIFRS as the basis of regulation or if its capitalization policy is changed to a MIFRS-compliant one.

Interrogatory:
a) Why does HONI or PWC believe this to be a credible scenario in light of past OEB statements of concern with the extent of HONI overhead capitalization?

Response:
a) Response provided by PwC:

The treatment of overhead capitalization has been a topic of discussion at the OEB and its constituents for many years. There has been limited guidance on this topic issued by standard setters in recent years under US GAAP and IFRS except for the release of IFRS 14 in January 2014 that acknowledges the recognition of a regulatory asset for "non-directly-attributable overhead costs that are treated as capital costs for rate regulation purposes" as outlined in IFRS 14.B5.iii. In the OEB's Decision and Order in EB-2019-0082, the wider issue of capitalization of indirect and overhead costs was suggested to be studied from a policy perspective before a decision is taken to block this sub-category of costs from being included in rate base or otherwise deferred.

Hydro One self-constructs the vast majority of its capital projects. In PwC's experience, this is in contrast to many of its peers which generally perform more construction activity through the use of third parties. Consequently, it is reasonable to expect that Hydro One's capital program requires significantly more support from all areas of the company, including engineering, management, administration and infrastructure resources than other utility companies that use contractors.

In order for capital work to reflect all costs incurred to bring the assets to be capable of operating for their intended use, utility regulators permit regulated entities, such as Hydro One, to capitalize common corporate costs that relate to capital work. A widely accepted principle used to assign common corporate costs to capital work is that a reasonable causal link or an association with capital activity exists to support the assignment. Under cost of service-based regulation, regulated entities are permitted to recover their capital costs (through depreciation expense) and earn a return on the capital costs that are included in their rate base (subject to any adjustments that may apply under a related incentive regulation framework). By including these costs in rate base and recognizing and permitting recovery of depreciation expense, the capitalization of common corporate costs aligns the recovery of those common corporate costs associated with capital activity with the estimated useful life of the underlying fixed assets.

Consequently, the capitalization of such common corporate costs aligns their recovery with the period of time during which customers are expected to benefit from the use of those assets, consistent with the regulatory principle of intergenerational equity.

A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 004

Reference:

Exhibit A-6-1, Attachment 1

Preamble:

PWC's report refers to certain common corporate costs no longer qualifying for capitalization if HONI becomes regulated on a MIFRS basis or becomes subject to a MIFRS-based overhead capitalization policy for regulatory purposes.

Interrogatory:

a) Is the risk of a change in accounting classification from capital to OM&A limited to common corporate costs or are there other overhead or indirect costs in the company that could also be subject to reclassification?

b) Have all such costs been identified and quantified?

Response:

a) Please refer to Interrogatory Response **A-Staff-015** part c).

b) Please see Interrogatory Response **A-SUP-005** part a).

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A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 005

Reference:
Exhibit A-6-1, Attachment 1

Preamble:
It does not appear from the evidence that either HONI or PWC has identified the "revenue requirement impact" associated with a full transition from US GAAP to MIFRS, or with the adoption of a MIFRS-compliant overhead capitalization policy. Such an impact was requested by the OEB (Exhibit A-6-1 P. 5). Estimates of the amounts to be reclassified and the associated rate impacts have been provided to the OEB in the past for both Distribution and Transmission. The PWC report seems imprecise on the amounts that would be reclassified from capital to OM&A if the OEB required a change in accounting by HONI assuming it did not provide a regulatory basis for continued cost capitalization. A number of up to $208 million is noted by PWC (Exhibit A-6-1, Attachment 1, p. 8).

Interrogatory:
a) Has HONI made an updated point or range estimate of the costs that would be reclassified to OM&A as a result of a US GAAP to MIFRS change in overhead capitalization policy?

b) If so, please provide the cost estimates for the test years.

c) Please compare the updated estimate to any analogous estimates previously provided to the OEB. Please provide a high-level explanation for any differences noting the general cause (e.g. changes in accounting rules, changes in cost levels, changes in direct versus indirect costs etc.)

d) For 2022-2027 please provide the annual associated revenue requirement and rate impacts for a potential accounting policy change for overhead capitalization, separately for Distribution and Transmission.

e) If no updated estimate has been prepared, please explain why given the materiality and importance of the potential change and given such estimates have previously been provided to the OEB.

f) If no updated estimates exist, please provide a comment on the cost and time required to develop such estimates.

Response:

a) Yes, Hydro One made an estimate of the costs that would be reclassified to OM&A as a result of a US GAAP to IFRS change in overhead capitalization policy as related to common corporate costs in accordance with OEB's direction from EB-2019-0082. Hydro One notes that this estimate does not reflect all of the costs that would be subject to reclassification in the event Hydro One was required to change to IFRS. In addition to the common corporate costs that would be subject to reclassification, Hydro One has costs that are accounted for outside the Common Corporate Cost Allocation Methodology, which could be impacted by the change from US GAAP to IFRS. These costs are incurred directly within Transmission and Distribution operations and consist of costs that are charged to work within each of those businesses and includes labour, materials, fleet and supply chain costs. A portion of these direct costs reflects the costs of support activities which could be subject to reclassification. Hydro One has not provided an estimate of the amount of these particular costs that would be reclassified to OM&A as a result of a US GAAP to IFRS change. At this time Hydro One is unable to quantify these costs and can only conduct this quantification in conjunction with updating its capital work program to reflect the requirements under IFRS.

   In PwC's US GAAP to IFRS Conversion Impact Review Study, the referenced amount of up to $208.0M reflects total common corporate costs capitalized as follows, $118.1M for Transmission and $89.9M for Distribution in 2023 that would be subject to reclassification. In the event any accounting processes are amended and updated, there may be specific components within common corporate cost categories that meet the criteria under IAS 16 to be capitalized to specific capital projects.

b) Yes, please refer to response to part a) above for 2023 amounts. Additionally, all test years amounts (2023 to 2027) for common corporate costs capitalized that could be reclassified to OM&A under IFRS are presented in Table 1 in Exhibit C-08-02.

c) While Hydro One previously provided estimates to the OEB of the impact of transitioning to IFRS, those estimates were not on the same basis and are therefore not comparable. In particular, the applicable accounting standards have continued to evolve. Moreover, the $208M referenced in the PwC study is based only on capitalized common corporate costs and not on a full analysis of all costs that might need to be reclassified to OM&A as a result of a US GAAP to IFRS conversion. Hydro One notes, however, that its capitalized common corporate costs have remained relatively consistent from year to year as evident from Interrogatory Response **C-SEC-180**.

In EB-2010-0002[1] Hydro One filed for 2012 Transmission Revenue Requirement on the basis of IFRS. At that time, it was Hydro One's expectation that it was required to Transition from CGAAP to IFRS. Accordingly, Hydro One undertook a detailed assessment to determine all of its costs that were subject to reclassification and also requested a variance account to capture any additional costs that would arise as a result of differences between CGAAP and IFRS. Based on that detailed analysis, Hydro One Transmission estimated that a change from CGAAP to IFRS would result in shifting approximately $200M of capital expenditures to OM&A resulting in a similar increase in revenue requirement for the 2012 test year, with similar impacts in years thereafter.[2] In the EB-2011-0268 proceeding in which Hydro One Transmission was granted to use US GAAP, Hydro One estimated that the equivalent number for Hydro One Distribution would be $170M.[3] Accordingly, Hydro One estimated a total of approximately $370M that would have been subject to reclassification on a combined basis. These estimates were based on both capitalized common corporate costs and direct costs.

d) Please refer to parts a), b) and c) above. Based on current estimates of common corporate costs as shown in Table 1 in Exhibit C-08-02, there would be ongoing increases to OM&A over the test period. In 2023, $118.1M of additional costs would be added to Transmission OM&A and $89.9M of additional costs would be added to Distribution OM&A. Similar increases to revenue requirement would also happen in 2024-2027 as OM&A costs are established based on a custom IR formula as discussed in Exhibit A-04-01. There would also be an offsetting impact to capital, as a result of moving these amounts to OM&A. In addition, there would be the revenue requirement and rate impact resulting from reclassification of certain direct costs once those amounts have been quantified.

e) Not applicable. Please refer to response to part a), b) and c) above for an updated estimate.

f) Not applicable. Please refer to response to parts a), b) and c) above for an updated estimate.

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[1] 2011 was on the basis of CGAAP
[2] EB-2010-0002, Transcript Volume 7, p. 69
[3] EB-2011-0268, Board Staff Interrogatory #3 List 1.

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A - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 006

Reference:

Exhibit A-6-1, Attachment 1

Preamble:

SUP notes that numerous consultants were engaged by HONI's external legal counsel rather than by HONI directly. Examples include:

- "PWC US GAAP to IFRS Conversion Impact Review", Exhibit A-6-1 Attachment 1
- "Benchmarking and Productivity Research for Hydro One Networks' Joint Rate Application – Clearspring", Exhibit A-4-1 Attachment 1
- "Hydro One Productivity Framework Review", Exhibit B-1-1, Section 1.4, Attachment 2
- "PWC Capitalization of Common Corporate Costs Review", Exhibit C-8-2 Attachment 2
- "Black & Veatch Corporate Cost Allocation", Exhibit E-4-8 Attachment 1
- "Alliance Consulting Depreciation Study", Exhibit E-8-1 Attachment 1

Interrogatory:

a) Why were these consultants engaged by external counsel rather than by HONI and its on-staff subject experts directly?

b) Are there any differences that result from having these consultants engaged by counsel rather than by HONI?

Response:

The expert consultants noted above were engaged by legal counsel in connection with providing legal advice regarding the preparation of Hydro One's pre-filed evidence and supporting expert reports filed by Hydro One as part of discharging its legal burden of proof that the rates sought in the Application are just and reasonable. The experts are independent. Their reports have been filed in evidence and are subject to the requirements of rule 13A.03, including the provision of the acknowledgment of expert duty. Intervenors are entitled to ask interrogatories, conduct examination on the experts' reports and make submissions to the extent relevant. That is the case regardless of whether counsel or the applicant directly retained the experts. Other questions in respect of the process of engaging the experts (or a comparative exercise of the process of engagement via counsel or the applicant) are not relevant to the setting of rates or the matters at issue in this proceeding.

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 007

Reference:

Exhibit E-6-1, Page 18

Interrogatory:

The planned increases to regular FTEs for 2021 and 2022 noted above are attributable to the addition of approximately 250 employees into the Shared Services & Information Services LOBs due to repatriation of Inergi employees.

a) Using the format of E-6-1 Table 1 “Actual and Planned FTEs for 2019 to 2027” p18, please provide the annual increases for 2021 to 2027 due to the repatriation of Inergi employees.

Response:

a) The table below shows the anticipated annual net increases to FTE levels for years 2021 to 2027 due to the repatriation of Inergi employees.

Type	Representation	2021	2022	2023	2024	2025	2026	2027
Regular	Society	101	150	150	150	150	150	150
	PWU	33	73	73	73	73	73	73
	Total	134	223	223	223	223	223	223

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 008

Reference:

Exhibit E-6-1, Attachment 2A, Appendix 2K
Exhibit E-6-1, Attachment 1.1

Interrogatory:

a) (i) Using the same format as the staff headcount table in Appendix 2k, please provide separately annual staff retirement and attrition (excluding retirements) as well as new hires for 2018 to 2027. (ii) Please also provide this table in Excel format.

b) (i) Does the forecast assume an increase in the retirements of SUP and PWU employees in 2025 with the change in the pension in 2025 [high 5 rather than high 3 years of compensation]. (ii) If not, why not?

c) (i) Does the forecast assume an increase in the retirements of PWU employees in 2025 with the change in the pension in 2025 [rule of 85 rather than 82 as of April 1, 2025]. (ii) If not, why not?

d) (i) Does the Mercer compensation benchmarking forecast (E-6-1 Attachment 1.1) use the same retirement and attrition forecast as provided in a) above? (ii) If not, why not?

e) Please outline the health and safety training provided to new hires between 2018 and 2027 [as provided in a) above].

f) (i) Has HONI considered undertaking a productivity initiative to reduce accident rates and the resulting costs for new hires as well as PWU Hiring Hall apprentices? This could entail improved ongoing health & safety training and follow up; reduced or zero accident level targets in management performance contracts; improved condition and reliability of equipment including fleet; increased in the field work site supervision by FLM's etc (ii) What would the ballpark annual costs and benefits be for such an initiative?

Response:

a) Below is the annual staff retirement and attrition (excluding retirements) as well as new hires for 2018 to 2027

Annual Staff Retirements										
Representation	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 YTD**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**	**2027 Plan**
MGT/Non-Represented	42	31	18	27	15	14	13	12	12	13
Society	38	43	48	42	28	28	27	25	26	29
PWU	126	93	95	119	87	81	77	70	62	62
Total Regular	**206**	**167**	**161**	**188**	**130**	**123**	**117**	**107**	**100**	**104**

Annual Staff Attrition (excluding retirements)					
Representation	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 YTD**	Due to Hydro One's low turnover, it does not project turnover net of retirements. Projected hires do not include replacement of terminations (with the exception of retirements). Planned FTE is inclusive of expected terminations and retirements.
MGT/Non-Represented	74	73	38	47	
Society	17	21	12	22	
PWU	35	28	24	30	
Total Regular	**126**	**122**	**74**	**99**	

Annual Staff Hires										
	Actual Hires				*Projected Retirements + FTE Plan Change					
Representation	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 YTD**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**	**2027 Plan**
MGT/Non-Represented	66	62	59	82	51	19	8	12	15	13
Society	86	23	39	50	125	38	29	33	52	53
PWU	282	30	32	47	131	70	60	68	47	33
Total Regular	**434**	**115**	**130**	**179**	**307**	**127**	**97**	**113**	**114**	**99**

**Projected hires include a) replacements for anticipated retirements and, b) (if applicable) new FTEs required to meet workforce needs (planning levels captured in Exhibit E-06-01, Table 1 on page 18). Some FTE levels will naturally attrite in accordance with resource requirements.*

b) No, we are not expecting an increase in retirements due to the future service changes coming into effect in 2025. These changes do not affect those who reach eligibility for an unreduced pension before April 30, 2025.

c) See response to part b) above.

d) Response from Mercer

When developing the forecast analysis, Mercer leveraged the retirement and attrition rates provided by Hydro One. Specifically, Mercer ran simulations to understand which employees were likely to exit the organization based on the retirement scales and made additional adjustments as needed based on the FTE plans provided to it by Hydro One. Mercer used Hydro One's historical turnover (i.e., retirement, total attrition) rates to validate the results.

e) Health and Safety Training provided to new hires include:

- Employee Safety Orientation
- Health & Safety At Work
- Hydro One Safety Rulebook
- Safety Basics Video
- Driver Safety Program
- Fire Safety Training
- Fit for Duty
- WHMIS
- Safety Awareness training is provided for employees and contractors working within a stations environment.
- Apprentices and journeypersons receive trade-specific safety training related to their technical training and development.

f) Hydro One is implementing a multi-year safety improvement plan based upon recommendations received from an employee-led Safety Improvement Team to strengthen the safety culture of our organization. Safety improvement initiatives have been developed for all aspects of the Health and Safety Management system, including risk assessments and communication, hazard ID & control, apprentice mentorship and employee training and development. Initiative costs are expected to be net zero as they are covered within our operating budget. Expected benefits include improved health and safety leadership, a more positive safety culture, and a reduction in workplace hazard exposures (and therefore less incidents).

Incident reduction targets are established, and management compensation is directly linked to the achievement of these goals. The Board of Directors provides governance and oversight of programs developed to reduce the risk of serious injuries and fatalities.

E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 009

Reference:

Exhibit E-6-1, Attachment 2A, Appendix 2K
Exhibit E-6-1, Attachment 1.1

Canada Pension Plan enhancement as explained here:
https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-enhancement.html

Preamble:

As per the above reference, as of 2019 the Canada Pension Plan (CPP) is being gradually enhanced. The enhancement means that the CPP will begin to grow to replace **one third** of the average work earnings received after 2019, whereas before it replaced **one quarter**. The maximum limit used to determine average work earnings will also gradually increase by 14% by 2025. Pensions will increase based on how much and for how long individuals contribute to the enhanced CPP. The CPP enhancements will increase the maximum CPP retirement pension by up to 50% for those who make enhanced contributions for 40 years. Employee and employer annual CPP contributions increase gradually between 2019 and 2023 (from 5.10% to 5.95% on the earnings limit).

Further enhancements are outlined in the above Canada.ca link.

Interrogatory:

a) (i) Do the annual labour burden costs provided in Appendix 2K [rows 84-92] for 2019 to 2027 reflect the increasing CPP contributions as outlined above? (ii) If not, please explain why not?

b) Please confirm that the Defined Benefit (DB) pension which the HOPP pays pensioners monthly is the calculated pension benefit owing less the CPP benefit which the pensioner collects.

c) (i) Further to b) above, please confirm that with the increased enhanced CPP benefit being earned by current employees, when these current employees retire the HOPP will actually pay these current employees a lesser amount than they otherwise would prior to the CPP being enhanced as of 2019. (ii) If not, please explain why not?

d) (i) Further to b) and c) above, please confirm that Hydro One has made as of 2019 gradually lower annual pension contributions on behalf of current employees. (ii) If not, please explain why not?

e) (i) Further to d) above, do the annual pension contribution costs provided in Appendix 2K [row 81] for 2019 to 2027 for current employees reflect the lower pension contributions due increasing CPP contributions? (ii) If not, please explain why not?

f) (i) For current employees who are members of the Defined Benefit (DB) pension, do the annual increases in Hydro One CPP contributions match the decreases in Hydro One's required contributions to the DB HOPP? (ii) If not, please explain why not?

g) (i) Does the Mercer compensation benchmarking forecast (E-6-1 Attachment 1.1) reflect the increasing CPP contributions and decreasing HOPP contributions as outlined in parts a) through f) above? (ii) If not, please explain why not?

Response:

a) Appendix 2K (compensation table) planning data does include estimated increases to Hydro One's payroll burdens (statutory burdens) due to CPP program changes.

b) No, the actual CPP benefit that the pensioner collects is not reflected in the member pension calculation under the HOPP. The formula estimates an offset for the estimated CPP benefit.

c) No, as per part b) above, the pension earned under the HOPP is not affected by the 2019 CPP enhancements.

d) As per part c) above, the pension benefit under the HOPP has not changed as a result of the changes to the CPP and therefore there has been no gradual decrease in Hydro One's contributions to the HOPP as a result of the changes to the CPP.

e) See response to part d) above

f) See responses to parts b), c) above

g) No, 'decreasing HOPP contributions' are not reflected in the Mercer Forecast, nor the cost projections provided in Appendix 2K, as there is no direct offset from program changes, as described above in responses to b), c) and d) above.

E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 010

Reference:

Exhibit E-6-1, Attachment 1.1

Interrogatory:

a) Please provide the annual forecast of HONI's standing versus P50 market median for 2021 to 2027. Break this down by employee category [unrepresented, SUP, PWU].

b) (i) Does the forecast assume an increase in the retirements of SUP and PWU employees in 2025 with the change in the pension in 2025 [high 5 rather than high 3 years of compensation]. (ii) If not, why not?

c) (i) Does the forecast assume an increase in the retirements of PWU employees in 2025 with the change in the pension in 2025 [rule of 85 rather than 82 as of April 1, 2025]. (ii) If not, why not?

d) (i) Does the forecast reflect the annual decline in share grants issued as per E-6-1 Tables 2 and 3? (ii) If not, why not?

e) (i) With reference to the reply to interrogatory E-6 Society #9, does the forecast reflect the growing annual decline in the earned pension benefits for current employees due to the growing contributions to the enhanced CPP? (ii) If not, why not?

f) (i) With reference to the reply to interrogatory E-6 Society #14, does the forecast reflect annual reductions in Management/non-represented salaries. (ii) If not, why not?

Response:

Response from Mercer:

a) The table below presents Hydro One's market positioning relative to the market 50th percentile, by employee group, for 2023 and 2027 – the end of the forecast period. These time-frames were the primary focal points of the forecast and provide, in Mercer's view, the most accurate results.

[redacted]

We also note, in respect of the above results, that the market competitive range is considered to be anywhere within plus/minus 5% of the P50 market median (as discussed in the Mercer study report). The market competitive range has important implications in respect of compensation decisions as well as how compensation costs are analyzed.

b) No, the retirement assumptions used do not reflect any anticipated increases in retirements in 2025.

c) No, see part b) above.

d) Yes, the forecast reflects the anticipated number of share grants through to 2027.

e) No, see Hydro One's Interrogatory Response in **E-SUP-009**.

f) No, see Hydro One's Interrogatory Response in **E-SUP-014**.

E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 011

Reference:

Exhibit E-6-1, Attachment 1

Exhibit E-6-1, Page 3, Figure 2
Total Workforce Representation Groups 2020
Canadian Union of Skilled Workers (CUSW) are 11% of the Hydro One total workforce, and EPSCA employees are 6%.

Exhibit E-6-1, Page 6
Casual workers engaged by Hydro One include "[m]embers of a building trades unions, such as the Carpenters, Labourers (LIUNA), Operating Engineers, or Ironworkers, which negotiate agreements with a group of employers known as the Electrical Power System Construction Association (EPSCA). "

Exhibit E-6-1, Page 25
*Hydro One negotiates directly with CUSW, and has negotiated a total wage package with CUSW that is below typical market rates for employees that perform similar work, or possess similar skills and certifications, such as employees represented by the IBEW that work in the Electrical Power System Sector. As shown in Table 4 - Comparison of CUSW and IBEW Wages, which compares the [2020] CUSW wage rates to those of EPSCA negotiated rates with the IBEW, **the total CUSW rate negotiated by Hydro One is $5.73 less (per hour) or nearly 10% lower than the average IBEW rate pursuant to EPSCA-negotiated agreements**.*

Interrogatory:

a) Please either confirm that the "EPSCA" casual workers engaged by Hydro One are at market median compensation in Ontario or estimate roughly where they stand versus Ontario market median compensation.

b) Please either confirm that the total CUSW rate negotiated by Hydro One is roughly 10% below Ontario market median compensation or estimate roughly where they stand versus Ontario market median compensation.

c) As per E-6-1 p3 Figure 2, "Total Workforce Representation Groups 2020", Canadian Union of Skilled Workers (CUSW) are 11% of the 2020 Hydro One total workforce, and EPSCA employees are 6%. Using this information as well as the answers to parts a) and b) above, please re-estimate Hydro One's level of compensation relative to market as estimated in the Mercer Report with the inclusion of CUSW and EPSCA employees utilized by Hydro One.

d) Using the data for CUSW and EPSCA headcount found in E-6-1 p8, Table 1, and the answers to parts a) and b) above, please re-estimate the results contained in E-6-1 Attachment 1.1 "Compensation Benchmarking Forecast" with the inclusion of CUSW and UPSCA employees utilized by Hydro One.

Response:

a) Hydro One does not have market comparison data for employees that are represented by a construction trades unions that negotiate with EPSCA.

b) Hydro One does not have market comparison data for CUSW wage rates.

c) Please see responses to parts a) and b) above.

d) Please see responses to parts a) to c) above. Furthermore, this request is outside of the scope of the Mercer study and it is not possible to forecast results as requested.

E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 012

Reference:

Exhibit E-6-1, Page 18, Table 1

Interrogatory:

a) (i) Please explain why the FTE forecasts for CUSW, EPSCA and LIUNA employees do not vary with forecast work levels like all the other employee categories but are instead straightlined for 2022 to 2027. (ii) Why is HONI incapable of forecasting the annual usage of the casual labour which it employs, which compromise roughly 20% of the total staff which it employs?

Response:

a) i and ii

Hydro One intends to maintain its current level of resources in the construction trades and increase the percentage of work executed through external delivery partners. Maintaining the current levels of trades allows Hydro One to also maintain the ratio of regular staff that provides supervision and oversight to this workforce.

Workforce plans are undertaken on a best efforts basis, however, due to the nature of casual trades the resource levels will fluctuate slightly to follow project plans as they unfold. Engaging external delivery partners provides increased flexibility to ramp up quickly to respond to a growing work program and deliver on strategic priorities.

For more information on execution strategy and resources please see TSP Section 2.10.4.1 Capital Work Execution (Execution Resources and Approach).

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 013

Reference:

Exhibit E-6-1, Page 25

Interrogatory:

The Mercer Report also confirms that market position for total compensation is typically within 5% of the P50 market median. Thus, an overall level of compensation that is +/- 5% of the P50 is considered to be at market.

a) Which other subject expert companies, similar to Mercer, view the market position for total compensation as being typically within 5% of the P50 market median?

b) Are there any such subject expert companies, such as Willis Towers Watson, who view the market position for total compensation as being typically within ***10%*** of the P50 market median?

Response:

a) Yes, Willis Towers Watson in its report on Management Compensation (Exhibit F-04-01 Attachment 1) and PWU Benchmarking (Exhibit F-04-01 Attachment 3) filed as part of the EB-2019-0082 proceeding refer to the competitive range or at market as +/-10%.

b) See part a) above.

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 014

Reference:

Exhibit E-6-1, Attachment 5

Interrogatory:

a) (i) Does the Appendix contain a strategy for reducing the salaries of Management/non-represented staff going forward? (ii) If so, please provide the estimated annual savings of doing this. (iii) If not, why not?

Response:

As outlined in Section 5.2 (Achieving Market Level Compensation) of Exhibit E-06-01 page 48-49, Hydro One is focused on managing overall compensation costs. Based on the latest compensation benchmarking results (the 2020 Mercer study), Management and Non-Represented (MGT/N-R) compensation is 4% below the P50 market median and is at-market, as defined by Mercer - +/- 5%. Therefore, the primary focus of Hydro One’s efforts to align compensation levels with market is on represented compensation. Related to this focus, the Confidential Appendix contains Hydro One’s labour relations strategy, as summarized in Exhibit E-06-01 Attachment 5.

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 015

Reference:

Exhibit E-7-1, Page 3

Interrogatory:

"*Hydro One's next Tri-Annual Acturial Valuation for the DB Plan is required as at December 31, 2021 and must be filed by September 30, 2022*".

a) Please file Hydro One's next Tri-Annual Actuarial Valuation for the DB Plan as at December 31, 2021 when it becomes available.

b) In EB-2019-0082 HONI filed their updated Willis Towers Watson pension valuation as of 20181231 dated 20190919 on 20191017. Will HONI be able to expedite the completion of this pension valuation so that it can be filed earlier in the summer of 2022?

Response:

a) Hydro One does not expect it will be able to file its next Tri-Annual Valuation for the DB Plan in this proceeding based on the schedule established by the OEB in Procedural Order #2, where it determined that the application will proceed on the basis of Illustrative Hearing Schedule D from Procedural Order #1. Preparation of the Tri-Annual Valuation depends on the availability of Hydro One's audited financial statements. Preliminary valuation results would not be available until at the earliest mid-April, 2022, and the results would not be presented to the Management Pension Committee for approval until late April 2022. Under the approved hearing schedule, three scenarios are contemplated depending on whether there is a full settlement, partial settlement or no settlement reached during the settlement conference in early February. Under Scenario 1, the settlement proposal is filed March 10. Under Scenario 2, the oral hearing on limited issues runs from late March to early April, with submissions starting in mid-April. Under Scenario 3, the oral hearing runs from mid-February to April 1, with submissions starting in mid-April.

b) See response to part a) above.

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 016

Reference:

Exhibit E-8-1

Interrogatory:

HONI notes that the new depreciation consultant was selected based on an RFP issued via external counsel (E-8-1 p.3).

a) Please confirm the engagement was competitively bid.

b) Did the prior consultant Foster Associates do any work or produce any draft recommendations as updates to its last depreciation study prior to the move to a new provider?

Response:

a) Yes, this engagement was competitively bid through an RFP process. Please refer to Exhibit E-08-01 Section 1.3 for the process followed.

b) No, Foster Associates did not perform any work or produce any draft recommendations prior to engagement of the new depreciation consultant.

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E - SOCIETY OF UNITED PROFESSIONALS INTERROGATORY - 017

Reference:

Exhibit E-8-1

Interrogatory:

a) Will the recommended change in depreciation procedure result in any ancillary accounting or regulatory impacts beyond a revision to depreciation rates? For example, does the new depreciation methodology impact HONI's historical gain/loss accounting for asset retirements.

Response:

Response provided by Alliance:

No. The change in depreciation procedure will not impact the Company's ancillary accounting or regulatory impacts.

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