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