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Appendix N
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Toronto Hydro Corporation Executive Compensation Assessment

October 2012

Market Review

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Introduction & Methodology

Introduction & Methodology

- This report provides a competitive compensation analysis for the 4 Named Executive Officers (“NEOs”) of Toronto Hydro Corporation. These data were provided to the Human Resource Committee of the Board in November 2012. Market analysis for the CEO has been provided in a separate report.
- Compensation levels have been benchmarked in respect of:
 - Base Salary;
 - Total Cash Compensation (i.e., salary plus annual incentive); and,
 - Total Direct Compensation (i.e., total cash compensation plus expected value of long-term incentives)
- The data taken from the 2012 Canadian Mercer Benchmark Database (“MBD”) represents the following survey cuts:
 - Industrial companies in the Greater Toronto Area (“GTA”)
 - Industrial companies in Canada
 - General Industry companies with revenue between \$300 million and \$1.2 billion (approximately ½ to 2X Toronto Hydro’s 2011 distribution revenue of \$530 million)
 - For the CFO we supplemented the above cut by also providing a cut of General Industry companies with revenues between \$1 billion and \$4 billion
 - Public sector companies in Canada
- Mercer Benchmark Database Survey data is effective April 1, 2012
 - Data are aged at a rate of 3.0% per annum to an effective date of October 1, 2012
- See Appendix A for detailed descriptions of the Mercer Benchmark Database positions used in this review
- See Appendix B for Terms and Definitions

Introduction & Methodology

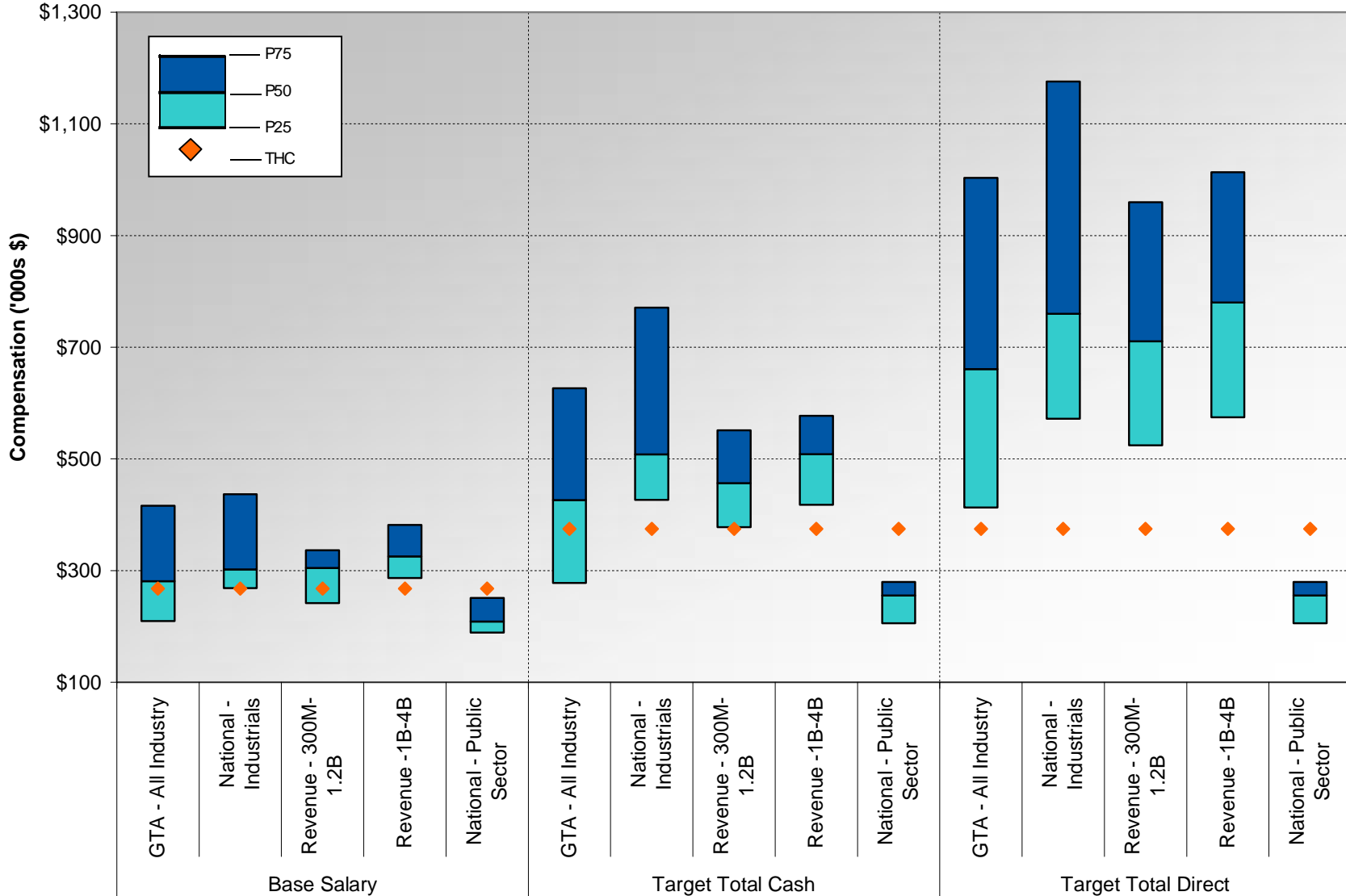
- The table below outlines the market position matches made for Toronto Hydro’s positions in the Mercer Benchmark Database:

THC Title	Mercer Benchmark Database
Chief Financial Officer	<ul style="list-style-type: none"> Chief Financial Officer
VP, Distribution Services	Blend of:
VP, Distribution Grid Management	<ul style="list-style-type: none"> Top Operations Executive (37.5%)
VP, Asset Management	<ul style="list-style-type: none"> Engineering Executive (37.5%) Chief Operating Officer (25%)

- Job matches were provided by Toronto Hydro and reflect the scope and responsibilities of each position

Market Data Summary

Market Compensation Levels Chief Financial Officer



Base salary, target total cash and total direct compensation are generally aligned to or below P25, with the exception of the National - Public Sector market, which is above P75

Market Compensation Levels

Chief Financial Officer (cont'd)

All values in CD\$000's

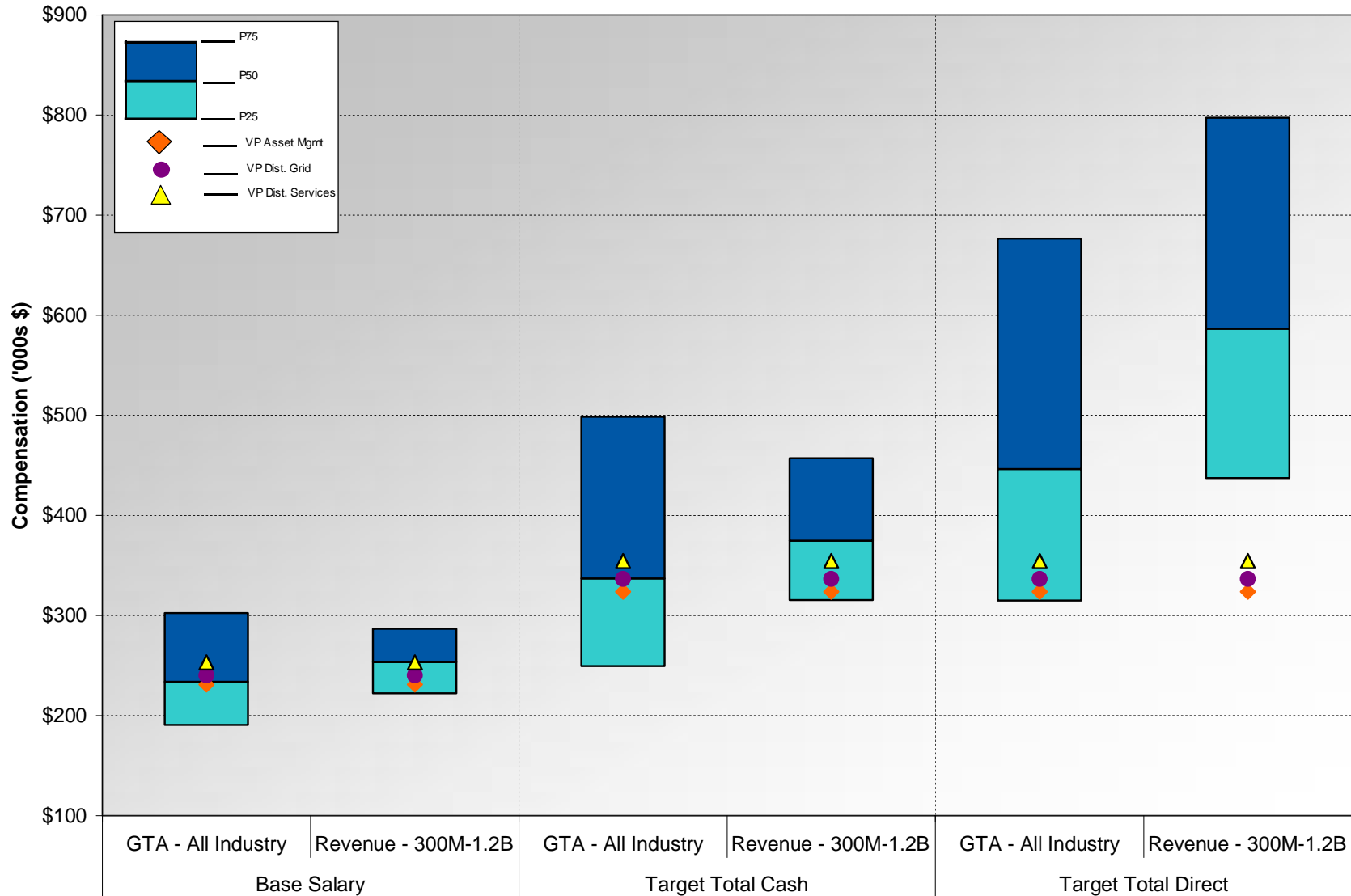
	THC	GTA - All Industry						GTA - Industrials						National - Industrials					
		org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.
Base Salary	\$268	56	56	\$209	\$281	\$416	\$316	4	4	--	\$345	--	\$358	16	16	\$269	\$302	\$437	\$335
Target STI (% of base)	40%	40	40	30%	40%	60%	46%	3	3	--	--	--	48%	13	13	38%	50%	65%	59%
Maximum STI (% of base)	60%	31	31	50%	70%	120%	88%	2	2	--	--	--	--	9	9	63%	80%	130%	100%
Target Total Cash ⁽¹⁾	\$375	40	40	\$278	\$426	\$626	\$495	3	3	--	--	--	\$555	13	13	\$427	\$508	\$771	\$562
Actual Total Cash ⁽²⁾	---	56	56	\$257	\$351	\$660	\$477	4	4	--	\$445	--	\$559	16	16	\$299	\$413	\$757	\$521
LTI (% of Base Salary) ⁽³⁾	---	230	556	48%	84%	134%	110%	230	556	48%	84%	134%	110%	230	556	48%	84%	134%	110%
Target Total Direct ⁽⁴⁾	\$375	40	40	\$413	\$661	\$1,003	\$803	3	3	--	--	--	\$934	13	13	\$572	\$760	\$1,176	\$893
Total Direct ⁽⁵⁾	---	56	56	\$257	\$351	\$793	\$654	4	4	--	\$562	--	\$618	16	16	\$316	\$472	\$799	\$668
Survey Match: LTI Elig. (%):		Chief Financial Officer 41%						Chief Financial Officer 33%						Chief Financial Officer 67%					
Median Revenue (\$ Millions)	Distribution Revenue 2011: \$530 Total 2011: \$2,809	\$77 \$473 \$2,544						-- -- --						\$274 \$1,227 \$4,900					
	THC	Revenue - 300M-1.2B						Revenue -1B-4B						National - Public Sector					
		org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.	org's	obs's.	P25	P50	P75	Avg.
Base Salary	\$268	58	58	\$242	\$305	\$336	\$301	49	49	\$287	\$325	\$382	\$338	17	17	\$189	\$209	\$251	\$221
Target STI (% of base)	40%	42	42	34%	45%	60%	47%	34	34	40%	48%	60%	51%	6	6	9%	23%	25%	19%
Maximum STI (% of base)	60%	27	27	50%	75%	100%	78%	26	26	59%	85%	101%	88%	6	6	13%	23%	41%	26%
Target Total Cash ⁽¹⁾	\$375	42	42	\$378	\$456	\$551	\$470	34	34	\$418	\$508	\$577	\$533	6	6	\$205	\$255	\$279	\$247
Actual Total Cash ⁽²⁾	---	58	58	\$277	\$408	\$533	\$438	49	49	\$360	\$491	\$654	\$522	17	17	\$197	\$218	\$264	\$235
LTI (% of Base Salary) ⁽³⁾	---	230	556	48%	84%	134%	110%	230	556	48%	84%	134%	110%	--	--	--	--	--	--
Target Total Direct ⁽⁴⁾	\$375	42	42	\$524	\$711	\$960	\$805	34	34	\$574	\$780	\$1,014	\$890	6	6	\$205	\$255	\$279	\$247
Total Direct ⁽⁵⁾	---	58	58	\$282	\$514	\$969	\$685	49	49	\$411	\$674	\$1,310	\$933	17	17	\$197	\$218	\$264	\$235
Survey Match: LTI Elig. (%):		Chief Financial Officer 62%						Chief Financial Officer 75%						Chief Financial Officer 0%					
Median Revenue (\$ Millions)	Distribution Revenue 2011: \$530 Total 2011: \$2,809	\$423 \$646 \$1,013						\$1,144 \$1,616 \$2,316						\$54 \$423 \$1,077					

Notes:

- (1) Target Total Cash compensation represents base salary plus target bonus for incumbents eligible for annual incentives.
 - (2) Actual Total Cash compensation represents base salary plus actual bonus for all incumbents.
 - (3) LTI (% of base): Estimated present value of LTI awards (i.e. Black-Scholes value) using MBD LTI tables.
 - (4) Target Total Direct compensation represents target total cash compensation plus the estimated present value of the LTI award.
 - (5) Total Direct Compensation represents actual total cash plus actual long-term incentives for all incumbents.
- "--" indicates that insufficient data is available to report, in accordance with Mercer's standard operating procedures.

Market Compensation Levels

VP, Distribution Services; VP, Distribution Grid Management; VP, Asset Management



THC operations executives are generally between P25 and P50. The inclusion of the COO match has influenced the current positioning

Market Compensation Levels

VP, Distribution Services; VP, Distribution Grid Management; VP, Asset Management (cont'd)

All values in CD\$000's

	THC	GTA - All Industry				GTA - Industrials			
		P25	P50	P75	Avg.	P25	P50	P75	Avg.
Base Salary	\$231-\$253	\$191	\$234	\$302	\$261	--	--	--	\$232
Target STI (% of base)	40%	--	30%	--	--	--	--	--	--
Target Total Cash ⁽¹⁾	\$324-\$354	\$250	\$337	\$499	\$393	--	--	--	--
Actual Total Cash ⁽²⁾	---	\$220	\$306	\$506	\$381	--	--	--	\$332
LTI (% of Base Salary) ⁽³⁾	---	28%	47%	76%	64%	--	--	--	--
Target Total Direct ⁽⁴⁾	\$324-\$354	\$315	\$446	\$676	\$542	--	--	--	--
Total Direct ⁽⁵⁾	---	\$229	\$319	\$688	\$551	--	--	--	\$346
Survey Match:		Top Operations Executive			37.5%	Top Operations Executive			37.5%
		Engineering Executive			37.5%	Engineering Executive			37.5%
		Chief Operating Officer (COO)			25.0%	Chief Operating Officer (COO)			25.0%

	THC	National - Industrials				Revenue - 300M-1.2B				National - Public Sector			
		P25	P50	P75	Avg.	P25	P50	P75	Avg.	P25	P50	P75	Avg.
Base Salary	\$231-\$253	--	\$235	--	\$235	\$222	\$254	\$287	\$259	--	--	--	\$185
Target STI (% of base)	40%	--	30%	--	--	--	40%	--	--	--	--	--	--
Target Total Cash ⁽¹⁾	\$324-\$354	--	--	--	--	\$315	\$375	\$457	\$388	--	--	--	--
Actual Total Cash ⁽²⁾	---	--	\$348	--	\$403	\$259	\$343	\$427	\$361	--	--	--	\$206
LTI (% of Base Salary) ⁽³⁾	---	28%	47%	76%	64%	48%	84%	134%	110%	--	--	--	--
Target Total Direct ⁽⁴⁾	\$324-\$354	--	--	--	--	\$437	\$586	\$797	\$667	--	--	--	--
Total Direct ⁽⁵⁾	---	--	\$378	--	\$422	\$263	\$398	\$738	\$535	--	--	--	\$206
Survey Match:		Top Operations Executive			37.5%	Top Operations Executive			37.5%	Top Operations Executive			37.5%
		Engineering Executive			37.5%	Engineering Executive			37.5%	Engineering Executive			37.5%
		Chief Operating Officer (COO)			25.0%	Chief Operating Officer (COO)			25.0%	Chief Operating Officer (COO)			25.0%

Notes:

- (1) Target Total Cash compensation represents base salary plus target bonus for incumbents eligible for annual incentives.
- (2) Actual Total Cash compensation represents base salary plus actual bonus for all incumbents.
- (3) LTI (% of base): Estimated present value of LTI awards (i.e. Black-Scholes value) using MBD LTI tables.
- (4) Target Total Direct Compensation represents target total cash compensation plus the estimated present value of the LTI award.
- (5) Total Direct Compensation represents actual total cash plus actual long-term incentives for all incumbents.

"--" Indicates that insufficient data is available to report, in accordance with Mercer's standard operating procedures.

Appendix A

Additional Compensation Data

Appendix B

Additional Compensation Data

- The following provides 2011 total cash compensation for selected Hydro One and Ontario Power Generation operational positions based on Ontario's Ministry of Finance Public Sector Salary Disclosure 2012:

Employer	Position	2011 Total Cash Compensation
Hydro One	Senior Vice President, Engineering & Construction Services	\$448,289.16
	Senior Vice President, Grid Operations	\$404,917.56
	Vice President Major Project Coordination & External Relations	\$292,221.84
	Vice President Construction	\$247,672.33
	Vice President Engineering	\$234,964.08
	Director Network Operating	\$231,342.01
	Director of Engineering	\$172,552.68
	Director, Project Management Delivery	\$223,943.20
Ontario Power Generation	Executive Vice President, Hydro	\$755,693.03
	Director, Operations & Maintenance	\$331,212.48
	Director, Operations & Maintenance	\$371,086.28
	Vice President Electricity Sales & Trading	\$329,917.77
	Vice President, Projects	\$307,844.20
	Shift Manager	\$119,839.56 to \$294,239.46
	Control Room Shift Supervisor	\$189,462.48 to \$324,268.07

Appendix B

Mercer Position Descriptions

Mercer Position Descriptions

THC Title	Match	Description
Chief Financial Officer	<ul style="list-style-type: none"> Chief Financial Officer 	<p>This is the top financial position within the organization, with responsibility for formulating financial policy and plans. Responsible for providing overall direction for all finance, accounting, tax, insurance, budget, credit and treasury functions. Typically reports to the Chief Executive Officer (Position 100.000.112). This is generally a single incumbent position. Organizations that are a subsidiary, group or division should not match to this position.</p>
VP, Distribution Services VP, Distribution Grid Management VP, Asset Management	<ul style="list-style-type: none"> Top Operations Executive (37.5%) 	<p>Responsible for effective operations within a non-manufacturing (e.g., retail, service, etc.) or manufacturing organization. Develops and implements operating policies and procedures across functions such as: customer service, quality control standards (may also include ISO certification), purchasing, inventory control, materials management, distribution and facilities maintenance and planning. Conducts and reviews feasibility of new or revised systems and procedures. Manages the internal audit process to ensure compliance with organizational standards. Typically reports to the Chief Executive Officer, or the Chief Operating Officer.</p>
	<ul style="list-style-type: none"> Engineering Executive (37.5%) 	<p>Accountable for the direction and management of the engineering and associated project activities of the whole organization. Works with manufacturing and research managers to design, develop and modify the products and facilities of the organization. Co-ordinates implementation of product and facilities changes and the costing and purchasing of associated materials and equipment. Assesses manufacturing processes and environmental conditions to ensure compliance with organization, regulatory body and safety standards. Frequently reports to the Chief Executive Officer or to the Chief Operating Officer.</p>
	<ul style="list-style-type: none"> Chief Operating Officer (25%) 	<p>This senior executive position carries out the goals, policies and objectives established by the Chief Executive Officer and the Board of Directors. Directs, co-ordinates and administers all aspects of the organization's operations or subsidiary operations through subordinates. Assists in the development of corporate policies that encompass such areas as human resources, operations, financial performance and expansion. Typically reports to the Chief Executive Officer. Organizations that are a subsidiary, group or division should not match to this position. This is generally a single incumbent position</p>

Appendix C

Terms and Definitions

Terms and Definitions

- **Statistical Terms**

- **P25 / Market 25th percentile:**

- The data point that is higher than 25% of all other data in the sample when ranked from low to high. Also known as the first quartile.

- **P50 / Market 50th percentile:**

- The data point that is higher than 50% of all other data in the sample when ranked from low to high. Also known as the median.

- **P75 / Market 75th percentile:**

- The data point that is higher than 75% of all other data in the sample when ranked from low to high.

- **Mean / Average:**

- The sum of all data reported divided by the number of observations in the sample. Also known as the average.

