

# MINUTES CAP MECHANISM TASK FORCE

January 11, 1999

**OVERVIEW:** The Task Force (TF) reviewed and discussed the PBR process and issues as well as the TF Terms of Reference. Particular attention was focused on agenda item (V), Key Issues in Developing Price and Productivity Adjustment Factors. Some representatives expressed the desire to adopt parameters developed in prior PBR implementations in other jurisdictions or by other expedited approaches. TF co-manager noted problems (e.g., biases) in immediately adopting factors not based on Ontario experience or untested for their statistical validity. TF co-manager acknowledged desire to expedite where appropriate. TF reviewed procedures to create industry-specific input price index and total factor productivity (TFP) index, i.e., ratio of output to nonpower inputs (i.e., labor, capital and materials).

**ASSIGNMENTS:** TF members agreed to provide data (and qualitative discussions of individual circumstances) necessary to construct input price and total factor productivity indexes in a 3-4 week period.

TF members will collect and supply the following data by year for the 1988 to 1998 period:

## Labor

- number of own full-time employees
- number of own part-time employees
- number of own FTE employees
- number of contract or outsourced "employees"
- total labor compensation (i.e., wages, salaries, pension, fringe, bonuses, etc.)
- total contract and outsourced labor expenses
- number of management vrs. nonmanagement employees

TF members agreed to supply the following data annually for the period 1972 to 1998 period, if possible, but at least over the 1977 to 1998 period.

## Capital

- gross book value
- depreciation expense
- amortization expense
- retirements

- capital additions by category, including capitalized labor component (i.e, *as recorded* in financial system)
- “estimated” capitalized labor expenditures in total contained within the total capital additions and amortization for each year.

The MEA agreed to provide line crew rates by locale and determine the scope of its statistical collection; Toronto Hydro agreed to consider whether or not it could expedite its data collection and analysis process to act as a test bed for the TF; Servco agreed to check on whether or not it had Stats Canada input purchase data.

**OUTSTANDING**

**ISSUES:**

Specification of outputs; ways to handle contributed capital and capitalized labor; and, implications of amalgamation of generation, transmission or other costs with distribution.

**SCHEDULE:**

TF will meet on 1/26 (10:00am), 2/10 (9:30am), 2/24 (9:30am), and 3/9 (10:00am).