

1 **UNDERTAKING JX17.10**

2
3 **Undertaking**

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5 To provide calculations and assumptions provided to government for purposes of
6 meeting Net Zero.
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10 **Response**

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12 **Labour Relations Confidential**

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14 Provided below are the figures provided to the Government for the purposes of demonstrating
15 that the results of OPG's collective bargaining with the PWU and the Society met the mandate
16 of achieving a net neutral cost to electricity ratepayers. The figures are presented on the basis
17 of contract years, consistent with how information was provided to the Government. As noted in
18 Ex. L-6.6-15 SEC-072, the Government assessed these results on a total OPG basis. The
19 results were determined based on information available at the time of bargaining, generally
20 using conservative assumptions (see Tr. Vol. 17, p. 87, line 21 to p. 88, line 11 and Tr. Vol. 17,
21 p. 91, line 13 to p. 94, line 8).
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23 As noted at Ex. F4-3-1, p. 15, lines 16-23, Ex. L-6.6-1 Staff 147, Attachment 1, and as explained
24 at Tr. Vol. 17, p. 84, line 27 to p. 85, line 21, the costs/savings related to pension reform were
25 not considered as part of achieving the "net neutral" mandate. As noted at Ex. F4-3-1, p. 15, line
26 23, Ex. L-6.6-1 Staff-147(c), and Tr. Vol. 17, p. 80, line 19 to p. 81, line 3, the Government was
27 satisfied that OPG had met the "net neutral" mandate.
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29 The estimated overall net savings over the term of each of the collective agreements identified
30 below are as provided in Ex. L-6.6-1 Staff-147(c).

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Chart 1
PWU Collective Agreement Impacts (Total OPG)

Item	Costs / (Savings) \$M			
	Apr 1, 2015 to Mar 31, 2016 (a)	Apr 1, 2016 to Mar 31, 2017 (b)	Apr 1, 2017 to Mar 31, 2018 (c)	Apr 1, 2015 to Mar 31, 2018 (a)+(b)+(c)
<i>Numbers may not add due to rounding</i>				
3-Year Wage Increases at 1%/year (excl. impact on pension contributions) ¹				
Higher OPG Pension Contributions Due to 1%/year Wage Increases ¹				
250-Hour Purchased Services Threshold ²				
Nuclear Outage Purchased Services Agreement ²				
Radiation Protection Technician (RPT) Appendix A Midterm ²				
Project Technician Purchased Services Agreement ²				
Targeted Severance Provision ³				
Term Employees (re: Pickering Closure) ⁴				
Temporary Work Headquarters Travel Time Provisions ²				
Out-of-Country Medical Coverage Improvement ⁵				
Paramedical Benefit Improvements ⁵				
Net Savings				



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Numbers may not add due to rounding

Notes:

1. The equivalent items were combined into a single line “3-Year Wage Increases at 1%/year” in Ex. L-6.6-15 SEC-072 Chart 1. In addition to being Total OPG amounts, these amounts differ from Ex. L-6.6-15 SEC-072 in that they are based on regular labour cost information used at the time of bargaining, whereas Ex. L-6.6-15 SEC-072 provided estimated impacts consistent with the planned regular labour costs and pension forecasts underpinning this Application.
2. Amounts in Ex. L-6.6-15 SEC-072 Chart 1 for these items represent the nuclear business’ portion of the above Total OPG amounts.
3. Excluded from Ex. L-6.6-15 SEC-072 as explained at Tr. Vol. 17, p. 81, lines 4-20 and p. 83, line 13 to p. 84, line 8.

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4. Excluded from Ex. L-6.6-15 SEC-072 as no Term Employees were assumed in OPG's 2016-2018 Business Plan underpinning this Application, due to uncertainties related to the extent of their future utilization, partly in light of the decision to pursue the extension of Pickering commercial operations beyond 2020, as reflected in that plan. The primary savings during the IR Term from the potential use of Term Employees, compared to regular employees, would relate to the Term Employees not being entitled to pension or benefits. Any such savings realized for pension or other post employment benefits during the IR Term would be captured in the Pension & OPEB Cash to Accrual Differential Deferral Account, Pension & OPEB Cash Payment Variance Account and/or Pension and OPEB Cost Variance Account, as applicable. See Ex. L-6.6-2 AMPCO-132 for further information on Term Employees.
 5. Due to their relatively small value, these items were combined into a single line "Minor Benefit Improvements" in Ex. L-6.6-15 SEC-072 Chart 1. Amount in Ex. L-6.6-15 SEC-072 represents the nuclear business' portion of the above Total OPG amounts.

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Chart 2
Society Collective Agreement Impacts (Total OPG)

Item	Costs / (Savings) \$M			
	Jan 1 to Dec 31, 2016 (a)	Jan 1 to Dec 31, 2017 (b)	Jan 1 to Dec 31, 2018 (c)	Jan 1, 2016 to Dec 31, 2018 (a)+(b)+(c)
3-Year Wage Increases at 1%/year (excl. impact on pension contributions) ¹				
Higher OPG Pension Contributions Due to 1%/year Wage Increases ¹				
Purchased Services Agreement LOU #193 ²				
Overtime PWU Rate Equivalency ²				
Hours of Work Averaging Permit ²				
Time-Limited Out-of-Country Medical Coverage Improvement ³				
Time-Limited Prescription Dispensing Fee Coverage Improvement ³				
Temporary Work Headquarters Meal Allowance Provisions ⁴				
Shift Differential Increase ⁴				
Elimination of Band N Goal Sharing Equivalent Payment ²				
Medical Absent Report Fee Coverage Improvement ⁴				
Net Savings				



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Numbers may not add due to rounding

Notes:

1. The equivalent items were combined into a single line “3-Year Wage Increases at 1%/year” in Ex. L-6.6-15 SEC-072 Chart 2. In addition to being Total OPG amounts, these amounts differ from Ex. L-6.6-15 SEC-072 in that they are based on regular labour cost information used at the time of bargaining, whereas Ex. L-6.6-15 SEC-072 provided estimated impacts consistent with the planned regular labour costs and pension forecasts underpinning this Application.
2. Amounts in Ex. L-6.6-15 SEC-072 Chart 2 for these items represent the nuclear business’ portion of the above Total OPG amounts.

- 1 3. Due to their relatively small value, these items were combined into a single line “Minor
2 Benefit Improvements” in Ex. L-6.6-15 SEC-072 Chart 2. Amount in Ex. L-6.6-15 SEC-072
3 represents the nuclear business’ portion of the above Total OPG amounts.
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- 5 4. Due to their relatively small value, these items were combined into a single line “Other
6 Miscellaneous Items” in Ex. L-6.6-15 SEC-072 Chart 2. Amount in Ex. L-6.6-15 SEC-072
7 represents the nuclear business’ portion of the above Total OPG amounts.
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UNDERTAKING JX17.11

Undertaking

To provide pension contributions, lump sum payments, and share grant calculations beyond IR period, including assumptions, for both PWU and Society.

Response

Chart 1 below summarizes the total projected savings associated with increased employee contributions for PWU and Society represented employees and the total projected costs associated with the lump sum payments and the Share Performance Plan payments, as attributed to the nuclear facilities, for the 2017-2032 period. These payments apply to eligible employees contributing to the pension plan as of April 1, 2015 (PWU) and January 1, 2016 (Society). The last payment under the plan will be made at the beginning of 2032.

**Chart 1
 Pension Contribution Savings and Share Performance Plan Impacts
 (Attributed to Nuclear)**

<i>\$M</i>	IR Term 2017-2021 ¹	2022-2032	Total 2017-2032
Increased Employee Pension Contributions Savings	88		
Lump Sum Payments and Hydro One Share Performance Plan Costs	(92)		
Net (Cost) Savings	(4)		

This analysis demonstrates that the savings from higher employee contributions will significantly exceed the costs associated with the Share Performance Plan and lump sum payments over the 2017-2032 period, by approximately [REDACTED]. The benefits of higher employee contributions will further continue for the life of the pension plan, as the increased employee contributions do not have a specified end date and will apply to all existing and future employees. Also of note is that the cumulative savings from higher

¹ As per Ex. L-6.6-1 Staff-147 (d) and (g).

1 employee pension contributions are anticipated to exceed the cumulative costs of the
2 payments to employees by 2022.

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4 The pension contribution savings figures attributed to the nuclear facilities post 2021
5 were based on total OPG values calculated by Aon Hewitt, OPG's actuary, using an
6 indicative longer-term headcount profile supplied by OPG and associated projected
7 payroll, assuming wage growth consistent with actuarial assumptions set out in Ex. F4-
8 3-2, Chart 5. The nuclear allocation for the period prior to the shutdown of the Pickering
9 station was based on the 2021 nuclear allocation factor for pension and OPEB amounts
10 reflected the pre-filed evidence. The allocation was directionally reduced to account for
11 the shutdown of the Pickering station in subsequent years.

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13 The post 2021 Share Performance Plan cost figures were calculated in the same
14 manner as those shown in Ex. L-6.6-15 SEC-078, based on an estimated number of
15 eligible employees (continuing the declining trend shown in Ex L-6.6-15 SEC-078 (a)).
16 The number of eligible employees was estimated taking into account forecast attrition,
17 based on the number of staff eligible to retire in a given year and considering both past
18 experience and future expectations regarding how long employees continue working
19 after becoming eligible to retire, on average.

UNDERTAKING J17.13

Undertaking

To advise of the proportion of employees that falls within 35, 37.5 and 40 hour working hour weeks.

Response

The proportion of employees in Nuclear Operations whose standard hours of work are 35, 37.5 and 40 hours per week is shown in the Table 1 below.

Table 1

Nuclear Operations¹				
Standard Weekly Hours	PWU	Society	Management	Total
35	4%	66%	96%	32%
37.5	2%			1%
40	94%	34%	4%	67%

Willis Towers Watson (Towers) does not make any adjustment for hours worked per week for purposes of its Total Direct Compensation (TDC) benchmarking at Ex. F4-3-1, Attachment 2. Towers advises that for TDC benchmarking annualized salary is the most comparable element to use because it integrates various company policies such as paid time off, formal vacation and hours of work which different companies will use in different combinations. Making adjustments on one element such as hours of work without considering the other elements undermines the purpose of benchmarking which is to create as standardized a comparison as possible from one company to the next, recognizing that individual policies vary.

Towers' approach to TDC benchmarking is consistent with industry practices where annualized salary is the comparator used for purposes of TDC benchmarking.

¹ This information is based on current employee populations (regular staff only) and does not include corporate allocated support or employees working directly for the Darlington Refurbishment.