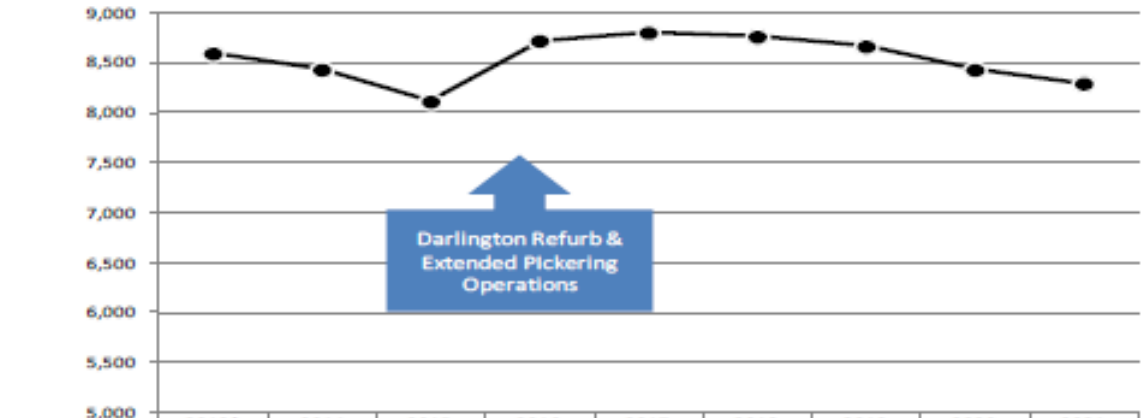
6.6.4. In fact, even after the DRP sees completion, OPG expects to maintain a higher level of FTEs than its record low in 2015, as the chart[88] below illustrates:

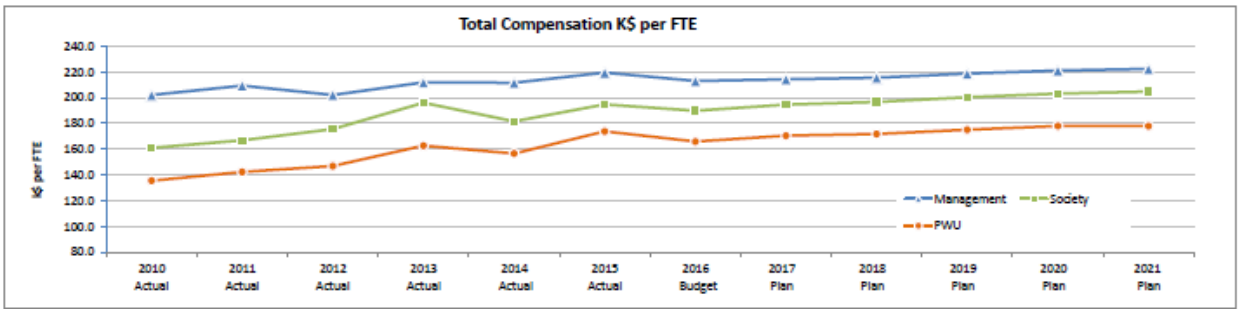
Figure 4- Nuclear Full Time Equivalents (FTE)



	2013*	2014	2015	2016	2017	2018	2019	2020	2021
Temporary	634	734	843	808	833	853	816	731	694
Regular	7,960	7,698	7,271	7,912	7,968	7,909	7,848	7,699	7,599
Total	8,594	8,432	8,114	8,721	8,801	8,761	8,665	8,430	8,293

* The actual 2013 FTEs shown are adjusted from those provided in EB-2013-0321, J7.3, Attachment 1. The adjustment increases the number of FTEs by excluding the impact of banked overtime (overtime taken as time off rather than pay) and shows the 2013 Actual FTEs on a consistent basis with the remaining years in the table.

6.6.5. Second, regarding OPG's rising costs per FTE, this trend continues to move upward over the life of the rate plan, as the chart[89] below indicates:



6.6.6. With respect to OPG's unionized staff specifically, the Willis Towers Watson (WTW) study provides useful findings despite some deficiencies. For example, WTW found that the compensation of OPG's unionized staff lands significantly above that of benchmarked peers.[90]

88 Exhibit F4, Tab 3, Schedule 1, Page 7 of 23.
89 Exhibit L, Tab 6.6, OEB Staff Interrogatory #142.
90 Exhibit F4-3-1, Attachment 2, Page 21.

6.6.7. However, the study underestimates compensation by omitting pension and incentive or share benefits, and neglecting to account for working conditions such as a shorter work week. The table below shows that although the WTW study indicated OPG management falls below the benchmark, 96% of OPG's nuclear management staff work 35 hours per week, compared to, for instance, 95% of staff in the PWU, who work 40 hours per week

Table 3
Standard Weekly Hours of OPG Nuclear Operations FTEs[91]

0:9<$;E%AF$E;5 1#				
H5;#>;E>%\$$]<P% Q1:E	@\Y !	H19"$ P	B;#;?7#5 !	T15;<
82	7: !	44: !	34: !	8/: !
801	/: !	!	!	-: !
75	37: !	87: !	7: !	40: !

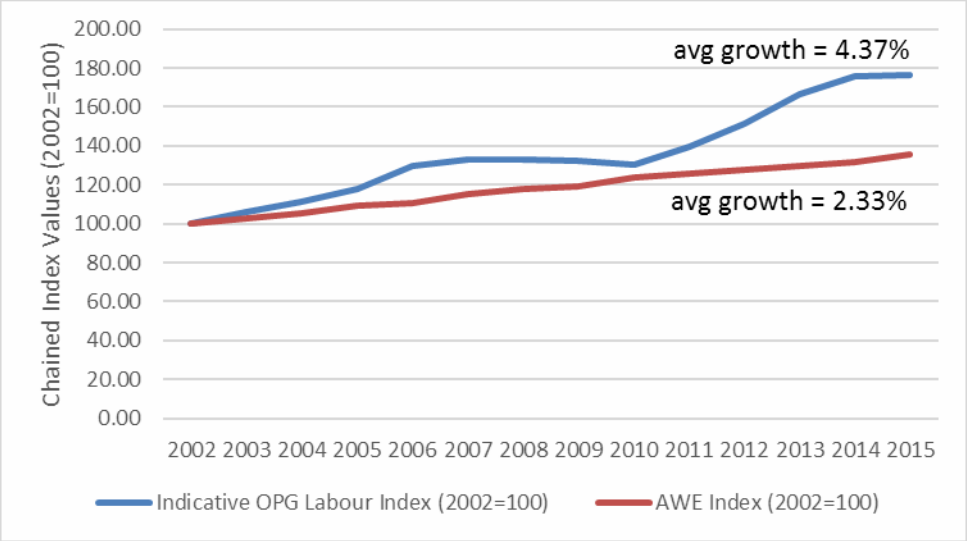
6.6.8. Despite the above shortcomings and others in the WTW study, which other parties such as OEB staff, SEC, and CME have amply addressed and elaborated upon in more detail, the study still shows that OPG continues to be an outlier relative to its peers. However, it is key that the Board take into account the entire peer group and scrutinize general industry comparators as a whole, for two reasons.

6.6.9. First, comparators among both nuclear-specific and other types of utilities suffer from the problem of self-fulfilling prophesy and a tautological feedback loop that pushes compensation costs ever upward. That is to say, monopoly or monopoly-like utilities that consistently allow high compensations will only ever point to high compensations as appropriate, if they are compared to each other for the purpose of determining compensation levels. Thus, the Board must look outside these comparator groups or seek additional and independent indicia for a more objective sense of appropriate compensation.

6.6.10. Second, as indicated by the chart[92] below, compensation trends at utilities such as OPG and its comparator groups in the WTW study depart from general wage inflation in the Ontario industrial sector generally.

[91] 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 Project.

[92] Exhibit J10.4, page 1.



6.6.11. Parties who do not represent unionized employees and outside parties such as the Auditor General have come to similar conclusions.[93] The evidence strongly suggests that OPG's compensation costs are excessive, and the Board should establish incentives or take other steps that would compel OPG to bring such costs down to a reasonable level.

6.6.12. VECC recommends that the Board take a dual course of action to assist OPG in reducing compensation costs going forward. First, the Board should directly incentivize OPG to control more rigorously its number of employees as well as the compensation cost of each FTE. Second, the Board must explore ways to meaningfully integrate the results of benchmarking studies into OPG's allowed rate of return, or the prices that are paid to OPG, while remaining cognizant of the issue with comparator groups as described above.

6.6.13. Lastly, VECC finds concerning the fact that OPG has no discernible comprehensive human resources plan, given major challenges such as (a) ongoing retirements and attrition, and (b) the imminent phase-out of Pickering operations, including the interplay between Pickering's human resources situation and that of OPG's Darlington operations and associated requirements.

6.6.14. First, in 2015, OPG's nuclear attrition rate was at its highest level in several years, with over 300 retirements. By the end of 2016, approximately 20 percent of active employees were eligible to retire with an undiscounted pension. An additional four percent of active

[93] "The study looked at three groups of positions (Power Generation & Electric Utilities, Nuclear Power Generation & Electric Utilities and General Industry) and found that compensation for a significant proportion of OPG's staff was well above the market median (see Figure 7). The study also found that OPG's annual pension and benefits (health, dental and life insurance as well as disability benefits) were higher than the market average, depending on base salary level." Auditor General's Report, Exhibit K17.1, at page 42.

employees will become eligible to retire in each subsequent year. The table[94] below shows retirement eligibilities over the upcoming rate term of OPG's plan:

T;I<$%(D%a@X%:9<$;E%$?:<;E%7F<1P$%%95:;<%$5"E$7$#%#> %<"?"I<%1%$5"E$									
	/5-8	/5-7	/5-2	/5-4	/5-0	/5-6	/5-3	/5/5	/5/-
;&<=#?(<,@(A(B<	/43	/76	885	BC#	BC#	BC#	BC#	BC#	BC#
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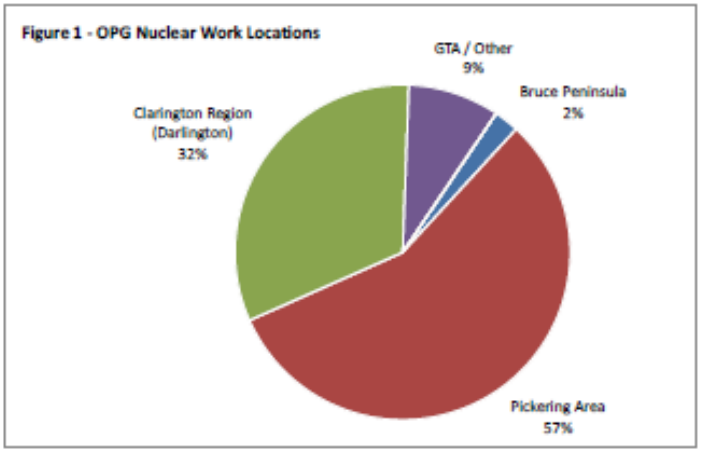
"-$!F+,C<E<#,8BE<&=A=>#<,H(									

6.6.15. OPG continues to rely on rehiring as a means of addressing ongoing retirements. However, this indicates a significant problem with human resource planning.[95]

6.6.16. Second, the Board should consider providing directions to OPG regarding its expectations for human resource planning in view of the eventual shutdown of Pickering. This is particularly the case given that a large part of OPG's nuclear labour force is committed to the Pickering operation, as shown in Figure 1[96] below.



6.6.17. OPG has instituted a "term employee" program to avoid adding regular staff in circumstances where they are likely to lay off such staff as a result of shutting down Pickering.[97] However, it is unclear what the utility's liability or duty to employees would be under these contract terms. It is also unclear how OPG plans to integrate its ongoing retirement needs with the pending close of its Pickering operations.

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94 Exhibit 2, AMPCO-126, Table 1.

95 "Many of the respondents to our survey expressed concerns similar to ours. They felt that rehiring former employees on an ongoing basis was an indication of poor succession planning. They also felt that better processes should have been put into place to capture the knowledge and experience of retiring staff; to identify and train their successors with sufficient lead time for the transition; and to avoid "double-dipping" by former employees who had withdrawn their pensions in lump sums upon leaving OPG only to return and earn a salary again." Auditor General's Report, Exhibit K17.1, at page 46.

96 Exhibit F4, Tab 3, Schedule 1, Page 4.

97 Exhibit F4, Tab 3, Schedule 1, Page 7 of 23.

6.6.18. In addition, the Board may need to provide direction to OPG regarding its expectations surrounding the transition to operating Darlington in a steady state, in context of ongoing retirements and the Pickering shutdown. Without such advance planning, it is possible that ratepayers will find themselves five years from now and onward continuing to pay for compensation (and/or termination) costs that have been established as unreasonable and well beyond that of the vast majority of income-earning ratepayers across Ontario.

Issue 8. Nuclear Waste Management and Decommissioning Liabilities

8.1 Is the revenue requirement impact of the nuclear liabilities appropriately determined?

8.2.1. VECC adopts and endorses the arguments of SEC and the CCC with respect to nuclear liabilities.

Issue 11. Methodologies for Setting Payment Amounts

HYDROELECTRIC PAYMENT AMOUNT SETTING

11.1 Is OPG's approach to incentive rate-setting for establishing the regulated hydroelectric payment amounts appropriate?

11.1.1. VECC supports the arguments of LPMA with respect to this issue.

NUCLEAR

11.2 Is OPG's approach to incentive rate-setting for establishing the nuclear payment amounts appropriate?

11.3.1 VECC supports the arguments of LPMA on this issue.

11.3 Is OPG's proposed mid-term review appropriate?

11.5.1 VECC supports the position of a number of parties, notably LPMA and OEB staff, that no mid-term review should be allowed for the review of the production forecast.

11.5.2 VECC submits that OPG should apply for disposition of deferral and variance accounts on an annual basis in order to avoid large balance dispositions.

11.4 Is OPG's proposal for smoothing nuclear payment amounts consistent with O. Reg. 53/05 and appropriate?

11.6.1 The total interest cost associated with the $1,005 million that OPG has proposed to defer over the 2017-2021 period is approximately $470 million over the life of the current rate-smoothing plan (based on a 2029 recovery).[98] This is not an insignificant amount.

11.6.2 In the absence of a decision regarding the establishment of payments, it would seem that determining rate-smoothing at this point in time would be premature. The Board should allow for submissions on this issue subsequent to its decision on the main substance of OPG's application.

Issue 12. Implementation

12.1 Are the effective dates for new payment amounts and riders appropriate?

12.1.1 VECC submits that the rates be effective on the first of the month following the Board Decision. There are no special circumstances that would warrant retroactive application of the Board's decision.

12.1.2 Based on a September 1 implementation date, this would result in a shortfall of approximately $435 million in nuclear payments and $14 million in hydroelectric payments.[99] The reduction in the recoverable amounts booked into the RSDA would have an impact on the rate-smoothing requirements.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

[98] Undertaking J22.2.
[99] Undertaking J23.1.