COMPENSATION, WAGES AND BENEFITS

1.0 PURPOSE

This evidence presents the compensation and benefits framework associated with OPG's regulated facilities. It provides context for other parts of the Application which address operating costs that factor into the revenue requirement sought by OPG.

2.0 OVERVIEW

The compensation and benefits framework associated with OPG's regulated facilities has not changed significantly from that reviewed in EB-2007-0905. OPG manages its compensation and benefits costs within a complex context. OPG requires highly skilled employees and these employees have high ongoing training needs. It also has a high degree of unionization (90 per cent), operates in an evolving external environment in the electricity industry, and is subject to a high level of transparency.

OPG will be facing significant demographic challenges in the next five to ten years that will increase compensation cost pressures. OPG is committed to maintaining a competitive, equitable and cost effective compensation and benefits program which will enable OPG to attract, retain and engage employees required to fulfil OPG's goals and objectives.

Section 3.0 discusses OPG's current employee demographics and human resources environment. Section 4.0 identifies the labour agreements in effect at OPG and section 5.0 discusses compensation levels for its major categories of employees. Section 6.0 describes OPG's pension and benefits programs. Section 7.0 addresses the standard labour rate developed for each functional group by job category, and section 8.0 addresses benchmarking with respect to compensation and support for labour negotiations.

3.0 CURRENT DEMOGRAPHICS AND HUMAN RESOURCES ENVIRONMENT

At the end of 2009 there were approximately 12,000 regular staff at OPG, and approximately 10,000 in the regulated businesses. These staff work in a predominantly unionized environment, with approximately 90 per cent of staff belonging to either the Power Workers'

Union ("PWU") or the Society of Energy Professionals ("Society"). Of this 90 per cent, approximately 60 per cent belong to the PWU and approximately 30 per cent belong to the Society. This extent of unionization and the mix of PWU, Society and non-represented staff have generally remained constant over the years.

For the regulated operations, the proportion of staff in Management, the PWU and the Society is essentially the same as for the company as a whole. The PWU and Society collective agreements have been in place since the time of demerger from Ontario Hydro, albeit with some modifications as outlined below. Since items such as wages, pension, and benefits form part of the collective agreements, any changes to these can only be made through the collective bargaining process.

Within the regulated business the staff headcount for each jurisdiction is as follows:

Chart 1

Staff Headcount[1] by Representation - Regulated Business - Year End 2009					
Representation	**Nuclear[2]**		**Regulated Hydroelectric[2]**		**Totals**
	Regular	**Non-Regular[3]**	**Regular**	**Non-Regular[3]**	
Management Group	936	12	60	1	1,008
Power Workers' Union	4,972	504	306	15	5,795
Society of Energy Professionals	3,028	45	124	2	3,199
Totals	**8,936**	**560**	**490**	**18**	**10,003**

1. Based on 2009 year end payroll data for active employees with a base salary payment in their home base positions.
2. Includes an allocation of 61.0 per cent to the nuclear facilities and 5.2 per cent to the regulated hydroelectric facilities of corporate support functions staff as well as an allocation of 29 per cent of Hydroelectric Central Support staff to the regulated hydroelectric facilities.
3. Non-Regular includes external service contractors assigned to appropriate representations.

In order to support the diverse mix of generation technologies within OPG, staff must be highly skilled, and must possess a wider array of skills than employees in many other utilities. OPG's workforce is comprised of engineers, scientists, other professional staff, and skilled trades people. Approximately 8,760 employees (73 per cent of the OPG population) require post secondary education to perform their jobs. For the majority of these, two or more years of community college or a university degree is required, and this education ranges from skilled technician or technologist training, to advanced university degrees in fields such as engineering and finance. The highly skilled staff are in demand across the country, and OPG must compete for these employees with Bruce Power and other private generators and energy service organizations as well as the general marketplace.

OPG has a mature and experienced workforce. Half of the employees are over the age of 47 and over half have greater than 17 years of service. With an aging and experienced workforce, a significant portion of employees are currently eligible to retire. Most of the employees eligible to retire work in Thermal, Hydro and Nuclear, and on a relative basis, are more likely to be supervisory staff than non-supervisory staff. As a result, OPG's planning assumptions indicate that the company will be facing significant resourcing gaps over the next five years. For OPG as a whole, between 2010 and 2014, it is estimated that 20 per cent to 25 per cent of staff will need to be replaced due to retirements and terminations. Replacement details by job family are captured below in Chart 2. For the regulated businesses, the replacement percentages by job family are similar to those for OPG as a whole.

Chart 2

Per Cent of Staff to be Replaced: 2010 - 2014	
Engineering	25% to 50%
Control Maintainers	25% to 30%
Mechanical Maintainers	25% to 30%
Operators & Authorized	25% to 30%
Other (trades supervisors & managers, service maintainers, administrative support, business analysts, lawyers, human resource consultants, real estate services staff, emergency response, security)	10% to 15%
Total	**20% to 25%**

OPG's workforce planning projections indicate that by the year 2019 the company will experience a shortfall of 5,000 employees as a result of retirements and regular turnover. Depending on staffing decisions related to re-powering OPG's coal units and new nuclear at Darlington, this shortfall could be as high as 7,000 by 2019.

In response to these challenges, OPG is focusing on recruitment and talent management, skills development, and retaining and managing potential retirees.

3.1 Recruitment and Talent Management

The nature of the work performed at OPG means that many positions cannot be filled from normal external sources. The demand for highly-skilled and industry-specific trades and engineering knowledge requires that OPG recruit carefully and train extensively. In order to facilitate this process, OPG has implemented a succession management process that has identified replacement candidates for critical positions that may be impacted by retirements.

OPG has renewed its hiring programs over the last five years, and has made an effort, through initiatives such as career fairs, to establish a brand presence on campuses of post-secondary institutions across Ontario. Approximately 286 new employees have been hired

through this program over the last five years. A substantial increase to this number is required over the next five years. In order to facilitate future hiring and to further strengthen its relationships with colleges and universities, OPG has actively partnered with selected institutions to offer specialized training. One such strategic partner is the University of Ontario Institute of Technology which is offering specific training programs from which OPG will draw future employees.

In support of research and development in nuclear engineering, OPG has worked with other organizations in the industry to establish and fund industrial research chairs. OPG also provides more than 250 youth student awards and scholarships.

OPG has begun to partner with companies who are in the process of downsizing in order to redeploy their mid-career employees who have skills that can be used at OPG. As well, OPG has renewed its apprenticeship program to bring in a regular stream of entry-level skilled tradespersons to address the demographics issue with its skilled trades workforce.

3.2 Skills Development

OPG invests considerable resources to provide technical training to its employees ensuring that they are prepared to take on the roles essential to the organization. In addition, OPG has focused on development initiatives to prepare employees for promotion to supervisory and management positions as incumbents retire. Examples of development initiatives are the training programs for new supervisors and for middle managers.

3.3 Retaining and Managing Potential Retirees

In addition to the succession management process outlined above, OPG is also making use of retirees as a source of contingent labour for project-related work.

4.0 LABOUR AGREEMENTS

Pursuant to the Ontario *Labour Relations Act*, OPG was required, as a successor employer to Ontario Hydro, to adopt collective agreements covering the employees transferred to OPG from Ontario Hydro on April 1, 1999. For the majority of employees within OPG that are unionized, items such as wages, pensions, and benefits can only be changed through the

collective bargaining process. In this environment, it is necessary to balance the business requirements and long-term company interests related to maintaining a positive relationship with its unions, while recognizing that the unions, in most cases, have the right to strike.

Since OPG was created, new collective agreements have been negotiated by OPG with both the PWU and the Society. The following are the agreements currently in place:

- Collective agreement between OPG and the PWU respecting general working conditions, wages and pension for nuclear employees (April 1, 2009 - March 31, 2012).
- Collective agreement between OPG and the PWU respecting general working conditions, wages and pension for non-nuclear employees (April 1, 2009 - March 31, 2012).
- Collective agreement between OPG and the Society respecting general working conditions, wages, and pensions (January 1, 2006 - December 31, 2010).

A comparison of labour rates between OPG and other successors to Ontario Hydro and major competitors is found in section 8.0 – Benchmarking, which shows that OPG compares favourably on labour rates.

5.0 CURRENT COMPENSATION

The highly skilled nature of the work, coupled with the aging workforce, means that OPG needs to compensate its employees appropriately in order to retain and attract a consistent supply of employees with the high standards of skills required by OPG. Chart 3 provides the 2009 average compensation and benefits levels for the major categories of OPG employees in the regulated businesses.

Chart 3

Average Employee costs ($K) for Regulated Business – Year-End 2009							
		PWU		Society		Management Group	
		Regular	Non-Regular [2]	Regular	Non-Regular [2]	Regular	Non-Regular [2]
Nuclear	Total Wages	108.6	62.7	122.3	79.9	156.8	89.2
	Base Salary	81.4	42.8	100.4	56.2	127.3	77.1
	Overtime	18.0	11.8	15.7	10.5	0.9	0.0
	Incentives	2.4	0.1	3.3	1.9	18.1	7.4
	Other	6.8	8.0	2.8	11.3	10.6	4.8
	Benefits [4]	4.5	0	5.5	0	7.1	0
	Pension/OPEB [5]	12.1	0.0	14.7	0.0	19.1	0
Regulated Hydro	Total Wages	98.1	40.7	104.6	71.6	157.0	0.0
	Base Salary	84.5	35.7	95.5	68.4	126.6	0.0
	Overtime	8.3	3.4	4.9	1.7	0.7	0.0
	Incentives	1.0	0.0	2.1	0.0	18.9	0.0
	Other	4.3	1.6	2.1	1.6	10.8	0.0
	Benefits [4]	3.8	0	4.4	0	6.1	0
	Pension/OPEB [5]	10.2	0	11.8	0	16.6	0
Corporate Support Functions	Total Wages	70.5	19.6	108.5	65.8	139.3	56.4
	Base Salary	65.5	18.3	101.3	61.1	115.7	55.6
	Overtime	2.1	0.7	2.3	2.0	0.0	0.0
	Incentives	1.1	0.0	2.4	0.0	17.9	0.0
	Other	1.8	0.6	2.4	2.7	5.7	0.8
	Benefits [4]	3.8	0	5.9	0	7.1	0
	Pension/OPEB [5]	10.3	0	15.9	0	19.1	0

[1] Based on 2009 year end payroll data for active employees with a base salary payment in their home base positions.

[2] Non-regular includes external service contractors assigned to appropriate representations.

[3] Includes an allocation of 29.5 per cent of Hydroelectric Central Support staff to the regulated hydroelectric facilities.

[4] Benefits include group life insurance, dental, health, maternity and the Employee Family Assistance Program.

5 Represents the current service cost component of total pension/OPEB costs. Current service cost is the only component of the pension/OPEB costs (discussed in section 6.3.1 Ex. F4-T3-S1) that relates solely to current employees. Current service cost represents the cost of the Pension/OPEB benefit deemed to be accrued by current employees in the year.

Each year OPG conducts a comprehensive market review to determine an appropriate salary increase budget. Information is gathered from various consulting companies including Towers Perrin, Mercer, and Hay Consulting. Chart 4 provides a summary of 2008 actual salary increases. A comparison between this chart and the wage increases provided at OPG shows that OPG is in line with or below the external market. Charts 5 and 6 compare annual wage adjustments for other employers of PWU and Society represented staff. The Cumulative column in Chart 4 provides a compounded total for the increases over the period. Charts 4, 5 and 6 demonstrate that OPG has been successful in negotiating general wage increases that are below those of most of the successor companies of the former Ontario Hydro, and OPG's current competitors.

Chart 4

2008 Actual Salary Increases (%)					
SOURCE	**ALL**	**NATIONAL - EXECUTIVES**	**NATIONAL - MANAGEMENT**	**ONTARIO - EXECUTIVES**	**ONTARIO - MANAGEMENT**
Mercer	3.9%	4.1%	3.9%	3.7%	3.5%
Hay	3.7%	3.8%	3.7%	3.6%	3.5%
Conference Board	3.9%	N/A	N/A	N/A	N/A
Watson Wyatt	3.5%	N/A	N/A	N/A	N/A
Hewitt	3.8%	3.7%	N/A	N/A	N/A
Board of Trade	3.4%	N/A	N/A	N/A	N/A
OPG	3.5%	3.5%	3.5%	3.5%	3.5%

5.1 Power Workers' Union

As a result of collective bargaining, the general wage increases for the PWU have been between 2 per cent and 3 per cent for the past number of years, and this trend continues for the years 2008 – 2012.

Chart 5

PWU General Wage Increases (%)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	Cumulative
OPG	3.0%	2.0%	3.0%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	28.0%
Bruce Power	3.0%	3.1%	4.0%	3.0%	3.0%	3.0%	3.3%	3.2%	3.0%	32.4%
Hydro One	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.0%	3.0%	3.0%	31.7%
Kinectrics*	3.0%	5.0%	3.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	32.4%
New Horizons	3.0%	3.0%	3.5%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	31.4%
Inergi	3.0%	3.0%	3.0%	3.0%	3.0%	2.8%	3.0%	3.0%	3.0%	30.2%
IESO	2.0%	2.0%	3.0%	3.0%	2.5%	3.0%	3.0%	3.0%	N/A	N/A

Goalsharing, the incentive program applicable to PWU staff, is discussed in section 5.4.

5.2 The Society of Energy Professionals

As a result of collective bargaining, the general wage increases for the Society have been between 2 per cent and 3 per cent for the past number of years, and this trend continues through 2010, the end of the current contract for the Society. Cost savings from the new 2006 base pay program in which the maximum pay for of each of the five band pay structures was reduced by 12 per cent, continue in the future (beyond the bridge and test years), until employees at the top of the Bands retire or leave the company.

Chart 6

Society General Wage Increases (%)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	Cumulative
OPG	3.0%	2.5%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	28.6%
Bruce Power	3.0%	2.5%	3.0%	4.0%	3.3%	3.3%	3.0%	3.0%	3.0%	31.7%
Hydro One	3.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	29.2%
Kinectrics*	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	23.0%
New Horizons	3.0%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	29.2%
Inergi	3.0%	2.0%	3.0%	3.0%	2.0%	3.0%	3.0%	3.0%	3.0%	28.0%
IESO	4.5%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	33.7%

In an effort to contain and simplify administrative systems and costs, the existing Society bonus programs - Goalsharing and Performance Recognition Program - were consolidated into one program in 2008. The new program called, “Award for Performance” simplified pay administration for the employees represented by the Society and continued focus on performance. The level of the award varies based on an annual individual performance score and the relative ranking of employee performance within a given business unit.

5.3 Management Group

Each year OPG conducts a comprehensive market review using a comparator group of companies to determine the competitiveness of its compensation and benefits program.

The results of the 2007 market review indicated that OPG’s Management Group’ base pay program had fallen significantly below market. The base pay program had not been adjusted since 2002. As a result, the salary ranges were adjusted to align with the external market. There were few changes to individual salaries and the associated cost was approximately $50,000. This cost was absorbed as part of the annual salary increase budget.

In 2008, the salary increase budget for all Management Group employees was 3.5 per cent, which was consistent with the market range of 3.4 per cent to 3.9 per cent.

In 2009, more stringent base pay budgets of 1.5 per cent for employees earning greater than $150,000 and 2 per cent for remaining employees were established. These types of increases are below market value and more aligned with recent provincial government practices.

In 2010 the base pay budget was limited to 1.5 per cent and was distributed according to competency and performance levels. There were no across the board increases given.

<u>Management Group Compensation Philosophy</u>

OPG follows best practices when dealing with Management Group compensation. There is a Compensation and Human Resources Committee of the Board of Directors, which is comprised of independent directors. The Committee meets at least four times per year, has

full access to management and company data, and has hired an advisor from Towers Watson to provide independent advice. The Compensation and Human Resources Committee is responsible for overseeing all significant compensation matters and making recommendations to the full Board of Directors for approval.

When reviewing management and executive compensation, OPG gathers information from a listing of 24 companies that represent Canadian industries in both the public and private sector. In 2008 and 2009, OPG compared its compensation and benefits program to the 50th percentile of this market. Overall, the compensation and benefits program and employees actual pay are competitive with the external market. Figure 1 in Attachment 1 presents OPG's current market position. In practice, when recruiting and retaining quality executives OPG often finds that the salary norms for the general industrial sector drive the levels of compensation. This has been the case when recruiting senior nuclear operating executives. OPG has needed to look to the United States because an executive market for the nuclear industry is limited in Canada.

The OPG Management Group salary structure is detailed and rigorously maintained, with base salaries defined by job responsibilities and salary ranges defined for each job level. The base salary and Annual Incentive Plan ("AIP") award structure (discussed in the next section – Variable Pay Programs) is found in Chart 7.

Chart 7

2009/10 Management Group Base Salary Ranges and AIP Award Program					
Band Level	**Organization Structure**	**Min.**	**Mid.**	**Max.**	**AIP Target**
A	Senior Executive	$580,000	$720,000	$860,000	100%
B		$315,000	$390,000	$465,000	45%
C		$265,000	$330,000	$395,000	45%
D	Executive	$195,000	$260,000	$325,000	25%
E		$160,000	$200,000	$240,000	25%
F	Management	$120,000	$150,000	$180,000	20%
G		$95,000	$130,000	$160,000	15%
H		$85,000	$110,000	$140,000	15%
I	Professional	$65,000	$85,000	$105,000	10%
J		$55,000	$70,000	$90,000	8%
K	Administrative	$45,000	$55,000	$65,000	8%
L		$40,000	$50,000	$60,000	8%

5.4 Variable Pay Programs

Changes to the variable pay programs for 2008 are indicated below. For 2009, the awards under all of the variable pay programs were reduced by 5 per cent. For 2010, the awards were reduced by ten per cent for all employees.

5.4.1 Goalsharing

Goalsharing is an annual incentive plan for unionized staff to share in the gains realized when OPG meets or exceeds its business targets. This program does not operate like a profit sharing plan but rather is based on achieving business unit objectives such as decreased costs, increased productivity and reliability and environmental and safety targets.

The objectives of the goalsharing program are to:

- Contribute to OPG's business success.
- Share OPG's business success with all represented employees.
- Engage employees in OPG's business.

- Enhance employees' understanding of OPG's business.
- Foster a productive relationship and sense of partnership between OPG Management, the Society and the PWU.

Awards are distributed following the end of the calendar year (typically within the first quarter of the following year). Goalsharing payments are considered to be income and are subject to statutory deductions; however, they are non-pensionable and do not form part of base salary for any other purpose. Management establishes the mandatory performance measures and target performance levels for the site scorecards, and determines the year-end results and performance score. Measures and targets may be adjusted by OPG during the year if there are significant changes to the business direction or priorities. Goalsharing results and awards are audited internally and are approved by the Board of Directors. Refer to Chart 3 for information on recent award levels.

5.4.2 Award for Performance

In an effort to contain costs and simplify administrative systems the existing bonus programs - Goalsharing and Performance Recognition Program - were consolidated into one program in 2008 for Society-represented employees. The new program called, Award for Performance, simplified pay administration for the employees represented by the Society and continued focus on performance. The level of the award varies based on an annual individual performance score and the relative ranking of employee performance within a given business unit.

The amount of award depends on the level of individual performance relative to that of peers within a given business area.

5.4.3 Management Group Annual Incentive Plan ("AIP")

Incentives are a key and normal component of the compensation payable to executives and non-union employees. The AIP was adopted in 1999 to encourage and reward performance, based on the achievement of defined objectives. The plan has evolved over the years and has been adapted in response to changing business requirements. In 2007, the plan was revised to improve the alignment of the production units and the corporate support functions as well as to simplify the plan. The intent of the plan is to deliver a portion of total

compensation paid to Management Group employees on a pay-at-risk basis. Under the plan, eligible employees can earn annual cash awards if key cost control and operational objectives of the corporation, business unit and individual are met during the plan year. Refer to Chart 3 for information on recent award levels.

The plan was revised for 2010 to provide for a cap on the total funds available to be distributed to individuals. The budget for AIP is now based on corporate OPG performance and is further influenced by Fleet (Nuclear, Thermal, Hydro, and Corporate Functions) performance.

As with other aspects of Management Group compensation previously discussed, the AIP continues to undergo a rigorous review process. After the CEO approves the Corporate targets, the scorecards are reviewed and approved by the Compensation and Human Resources Committee of the OPG Board. AIP is made up of three components: a Corporate scorecard, Fleet scorecards, and personal objectives for individual performance. For each performance objective, there are threshold, target, and maximum levels of performance. Individual awards vary depending on Corporate performance, Fleet performance, and the employee's level of performance and salary band level. Refer to Chart 7 for information on target award percentages for each salary band. Once performance levels are assessed, the CEO and the Compensation and Human Resources Committee complete a final review and approval of the award for AIP. Results and awards undergo an internal audit each year.

5.4.4 Authorization Bonuses and Leadership Allowances

Employees in nuclear who are authorized by the Canadian Nuclear Safety Commission, such as authorized nuclear operators, control room shift supervisors and control room shift operating supervisors, and who are required to maintain their licenses as a requirement of their job, receive a licence retention bonus of between 15 - 28 per cent of their base salary. The bonus is pensionable. In addition, Authorized Training Supervisors are eligible to receive 75 per cent of the Control Room Shift Supervisors and Control Room Shift Operating Supervisors authorization bonus.

Management Group employees who are required to work shifts are paid a leadership allowance. This allowance is in lieu of provisions such as shift premiums and on-call payments which are paid to represented employees who work shifts. The leadership allowance provides an additional 30 - 40 per cent of base salary, of which 10 per cent is pensionable. Management Group employees who are on call 24 hours a day, seven days a week, who are licensed and hold the licence authority for plant operations also receive the same license retention bonus.

These allowances and bonuses are necessary to attract and retain staff for the applicable positions and to provide appropriate incentives to staff to keep their licences current. The staff licensing process is set out by the Canadian Nuclear Safety Commission and represents a challenging and time-consuming task. Not every employee is prepared to devote personal time and effort necessary to obtain and maintain a licence. In addition, first line Management Group employees in these organizational units are significantly more likely to have salaries that are similar to or lower than their union subordinates and the allowance or bonus retains the appropriate relativity of compensation.

5.5 Compensation Summary

Operating within a unionized environment can pose challenges in terms of labour cost containment. This challenge becomes even greater when coupled with the requirement for highly skilled workers and an anticipated staff shortfall. Despite all of the above, OPG has made progress towards containing labour costs through the implementation of a number of initiatives including: skill broadening, a new Society compensation plan, and maintaining management salaries at the 50th percentile of their comparator market. Details on compensation benchmarking and wage competitiveness are found in section 8.0.

6.0 PENSION AND BENEFITS

OPG's pension and benefit programs consist of post employment benefits as well as health, dental, and other benefits for current employees and their dependants. Post employment benefits programs consist of a registered pension plan ("RPP") and supplementary pension plans, and other post employment benefits ("OPEB"), which include post-retirement benefits,

such as group life insurance and health and dental care for pensioners and their dependants, as well as long-term disability benefits for current employees.

Pension and benefits levels at OPG are determined in two ways. Approximately 90 per cent of the employee population is covered by collective agreements that contain pension and benefits clauses. Pension and benefits levels for Management Group employees are determined by OPG's Board of Directors. OPG views pension and benefits as part of the total compensation package that should vary according to the overall compensation for each employee group. As a result, there are differences between the pension and benefits levels for PWU and Society-represented staff and those for the Management Group. These differences also contribute to the ability of OPG to attract, retain, and motivate employees.

As a successor of Ontario Hydro, OPG has a contributory, defined benefit registered pension plan ("RPP"), which follows closely the model used by most public sector pension plans. All OPG employees earn and contribute towards their pension package, although the benefit levels are slightly less for non-unionized employees than for union members. In addition, all employees are eligible to receive benefits from the defined benefit supplementary pension plans should their pension promise exceed the limits under the *Income Tax Act* for payment from the RPP. The health and dental benefits have also moved away from a "one size fits all" approach and there are now differences between the unionized and non-unionized groups of employees. OPG monitors benefit payments associated with both pension and health and dental benefits plans closely to ensure that the plans are being administered appropriately.

6.1 Pension

The RPP is funded. The fund assets include equity securities and corporate and government debt securities, real estate, and other investments which are managed by professional investment managers. The fund does not invest in securities issued by OPG. Independent actuarial valuations are performed routinely to determine the funded status of the RPP and, in turn, OPG's contributions. The valuation is filed with the Financial Services Commission of Ontario, as required by the *Pension Benefits Act* (Ontario). Deficits are funded over a period of time in accordance with the *Pension Benefits Act* (Ontario) (5 - 15 years depending on the nature of the deficit). If the plan is in a surplus position, OPG may reduce or suspend its

contributions to the extent permitted under the *Pension Benefits Act* (Ontario). The most recently filed actuarial valuation was as at January 1, 2008 and showed that the pension fund was in a deficit position. The next funding valuation will be performed as at January 1, 2011 and will be carried out during 2011.

The supplementary pension plans are not funded but are secured by letters of credit. A number of changes have been made to the pension plans over the past few years. These include:

- In 2001, all new employees hired into manager positions or higher received a different set of pension benefits including reduced indexing levels, inclusion of incentive amounts in pensionable earnings and undiscounted retirement at age 60.
- In 2003, employee contribution rates increased for all groups from 4 per cent of base earnings up to the year's maximum pensionable earnings and 6 per cent of base earnings in excess of year's maximum pensionable earnings to 4.5 per cent and 6.5 per cent respectively.
- In 2006, employee contribution rates further increased to 7 per cent of base earnings for the Society and Management Group members.
- In 2009 employee contribution rates increased to 5 per cent of base earnings up to the year's maximum pensionable earnings and 7 per cent of base earnings in excess of year's maximum pensionable earnings for PWU represented members.

A defined benefit RPP has long been a part of the public service compensation package. It is designed to be retentive and to reward long service. In an industry where skills are generally developed and not bought on the outside market, this type of pension plan is desirable. Historical and planned pension costs for the regulated businesses are presented in Chart 9.

6.2 Benefits

All employees and pensioners at OPG have health and dental benefits designed to protect them from undue costs associated with illness and to encourage them to take steps to maintain good health. The benefits plan has experienced some pressure recently as fewer services are covered by the provincial government. OPG has been taking steps to both monitor and control benefits and has implemented a number of changes to stabilize costs

and to better align benefit provisions with those of the external market. Changes for the employees represented by the Society and the PWU are achieved only through the collective bargaining process and are, therefore, tied to the timelines of the agreements. OPG outsources its claims management to Great West Life and, in addition, has put in place a number of mechanisms to control benefits costs. These include the mandatory use of generic drugs, the use of a drug card at pharmacies, and a requirement for prior approval for uncommon and expensive drug and treatment therapies.

Recent benefits changes for each employee group include the following:

Management Group (2008)

Pension:

- Eliminated 90-day waiting period for new hires (Controls administrative costs since, historically, all new hires did buy-back the additional 90 days pensionable service).

The Society (2008)

Pension:

- Eliminated 90-day waiting period for new hires.

Health and dental benefits:

- Effective January 1, 2008, vision care increased to $600 per person every two years from $550 per person every two years.

PWU (2008)

Pension:

- Effective January 4, 2009, increased employee contribution rates from 4.5 per cent of base annual earnings up to Year's Maximum Pensionable Earnings ("YMPE") and 6 per cent for base annual earnings greater than YMPE to 5 per cent and 7 per cent respectively.
- Eliminated 90-day waiting period for new hires (effective January 3, 2008).

Health and dental benefits:

- Increases in coverage to paramedical services from $500 per person per year at 50 per cent co-insurance to $600 per person per calendar year, effective April 1, 2010 and $650 per person per calendar year, effective April 1, 2011 at 50 per cent co-insurance.
- Increases in coverage for vision care from $500 per person every two years to $550 per person every two years effective April 1, 2010 and $600 per person every two years effective April 1, 2011. The current two year period commenced January 1, 2010 and ends December 31, 2011.
- A commitment to pay directly to a carrier $35 per year per PWU employee in each of the next three years for an out-of-country personal travel insurance program and $35 per year per PWU pensioner who opt to purchase out-of-country personal travel insurance provided by the same carrier.

As a result of some of these changes, OPG is experiencing less escalation in the cost of its health and dental benefits than other employers. In 2009, OPG's benefit payments rose an average of 2.9 per cent against an industry average figure of approximately 17 per cent based on information provided by Great West Life. Great West Life, like all other group insurance carriers, keeps track of changes taking place in the healthcare industry, specifically with respect to trends in overall utilization, inflation, and cost shifting between the public and private sectors through changes to Government health programs**.**

One area in which OPG incurred additional costs relates to the Ontario health premium. OPG was directed, through an arbitration award, to pay the Ontario health premium for all PWU-represented employees and pensioners. This resulted in an additional payment of approximately $6M annually, plus one-time expenditures incurred for a pay system change to allow tracking and payment of these amounts.

The payment amount of claims processed in 2009 associated with health and dental benefits and life insurance for both current employees and pensioners across the Company was approximately $109M.

Historical and forecasted OPEB costs for the regulated businesses are presented in Chart 9.

6.3 Pension and Benefits Costs

OPG is seeking recovery of pension and benefits costs associated with the regulated operations based on the amount of pension and benefits costs determined in accordance with GAAP.

6.3.1 Accounting Treatment of Pension and OPEB Plans

In accordance with GAAP, pension and OPEB costs for the current year are based on the measurement of benefit obligations and RPP fund assets at the end of the previous year. The full impact of events arising during a year is not immediately charged to pension and OPEB costs. Certain amounts are accumulated and amortized over future periods and therefore generally affect pension and OPEB costs in future years.

The obligations for pension and other post retirement benefit costs are determined using the projected benefit method pro-rated on service. Under this method, an equal portion of the total estimated future benefit is attributed to each year of service until the date the plan participant would be entitled to the full benefit. The obligation at a particular date is the actuarial present value of the benefits attributed to service rendered up to that date.

The obligation for long-term disability benefits is determined using the projected benefit method on a terminal basis. Under this method, the total estimated future benefit is attributed to the year of service in which a disability actually occurs.

Pension and OPEB costs and obligations are determined annually by independent actuaries using management's best estimate assumptions, both economic (inflation, salary escalation, health care cost trends, etc.) and demographic (mortality, termination rates, retirement rates, etc). The discount rates used in determining projected benefit obligations and the costs for pension and OPEB are based on AA corporate bond yields for the appropriate duration of the benefit obligation in accordance with GAAP.

For purposes of determining pension costs, RPP fund assets are valued using a market-related value of assets. The market-related value used by OPG recognizes gains and losses on equity assets relative to a 6 per cent assumed real return over a five-year period.

Pension and OPEB costs are made up of a number of components, including current service costs, interest costs on the obligations at the appropriate discount rate, the expected return on RPP fund assets using an estimated long-term rate of return, amortization of past service costs arising from plan amendments and amortization of actuarial gains or losses. Actuarial gains and losses consist of experience gains and losses, which arise because actual experience differs from that assumed (e.g., investment experience different than expected, fewer deaths or higher inflation), and adjustments for changes in assumptions (e.g., discount rate or a new mortality table).

Actuarial gains and losses are generally amortized over future periods and, therefore, affect recognized costs and the recorded obligation over a period of time. In accordance with GAAP, OPG's policy for accounting for pension and OPEB is to amortize the net cumulative unamortized gain or loss in excess of 10 per cent of the greater of the benefit obligation and the market-related value of the plan assets over the expected remaining service life of the employees. This is known as the "corridor approach". Past service costs for pension and OPEB are amortized over the remaining service period to full eligibility, and therefore also affect recognized costs and the recorded obligation over a period of time.

As a result of the use of a market-related asset value, the corridor approach, and the amortization of actuarial gains and losses and past service costs, certain components of the actuarial gains and losses and past service costs are not being immediately charged to pension and OPEB costs.

6.3.2 Assumptions and Budget Setting for Pension and OPEB Costs

To project OPG's total pension and OPEB costs for business planning purposes, it is necessary to estimate the value of the obligations and the pension fund assets at the end of each year preceding each of the years in the forecast period. This requires making projections of the actual pension fund performance and of the assumptions that will be used to determine the costs.

The discount rates for projections are determined by the actuary based on the most recent AA corporate bond yields for the appropriate duration of the benefit obligation available at the time that the projection is being prepared. The discount rates used for projections may be adjusted by a maximum of 25 basis points if the AA corporate bond yields provided by the actuary are not indicative of historical trends or during a period of volatility in those yields.

The long term inflation assumption used for projections is based on the Ontario consumer price index for the final year in the most recent forecast from a publicly available economic report, subject to an adjustment if the rate is outside of the Bank of Canada's target range for inflation. The salary schedule escalation rate is equal to the long term inflation assumption plus 1 per cent.

The expected long term pension fund rate of return is calculated and updated as required by the actuary. It is based on the current and expected asset allocation and the long-term historical risks and returns associated with each of the asset classes, and includes a provision for additional return as a result of active fund management and a provision for administrative expenses.

The projected actual return on pension fund assets in the current year is based on the actual return up to the end of the month prior to the date on which the projection is being prepared. If the assumptions for the projection are selected during the first half of the year, the return on assets in the current year is based on the actual return up to the end of the month prior to the date the assumptions are determined, and the assumed annualized return for the remainder of the year is equal to the expected long term rate of return on pension fund assets. The projected actual return on pension fund assets in subsequent years is equal to the expected long term rate of return on these assets. Chart 8 presents the projected assumptions used to determine the forecasted pension and OPEB costs for 2010 to 2012 and the actual assumptions used for 2007 to 2009:

Chart 8

Pension and OPEB Cost Assumptions						
	2007 Actual	**2008 Actual**	**2009 Actual**	**2010 Budget**	**2011 Plan**	**2012 Plan**
Discount rate for pension	5.25% per annum	5.60% per annum	7.50% per annum	6.80% per annum	6.80% per annum	6.80% per annum
Discount rate for other post retirement benefits	5.25% per annum	5.60% per annum	7.50% per annum	7.00% per annum	7.00% per annum	7.00% per annum
Discount rate for long term disability	5.0% per annum	5.50% per annum	7.25% per annum	5.25% per annum	5.25% per annum	5.25% per annum
Inflation rate	2.0% per annum	2.25% per annum	2.0% per annum	2.0% per annum	2.0% per annum	2.0% per annum
Salary schedule escalation rate	3.0% per annum	3.25% per annum	3.0% per annum	3.0% per annum	3.0% per annum	3.0% per annum
Expected long-term rate of return on pension fund assets	7.0% per annum	7.0% per annum	7.0% per annum	7.0% per annum	7.0% per annum	7.0% per annum
Actual rate of return on pension fund assets in the prior year(s)[1]	N/A	N/A	N/A	9.0% per annum in 2009	9.0% per annum in 2009 and 7.0% per annum in 2010	9.0% per annum in 2009; 7.0% per annum in 2010; and 7.0% per annum in 2011

[1] No assumption for actual rate of return on pension fund assets in prior year(s) is required for the calculation of actual pension costs because the actual prior year-end pension fund asset values are known.

As a result of OPG being required to make assumptions in forecasting pension and OPEB costs, significant variances may occur between the forecast and the actual pension and OPEB costs to the extent that the forecast assumptions are not adjusted to reflect various changes, such as those in economic conditions and demographics, between the forecast date and the beginning of a forecast year. Similarly, significant variances may occur between the forecast and actual pension and OPEB costs to the extent that the forecast is not

adjusted to reflect the actual experience, such as the return on pension funds assets, to the beginning of the forecast year.

6.3.3 Pension and OPEB Cost Distribution

A portion of OPG's total pension and OPEB costs is charged directly to the business units via a payroll burden included as part of the standard labour rate (see section 7). The portion of pension and OPEB costs included in the standard labour rate is based on the budgeted current service cost. The remainder of pension and OPEB costs, which includes interest costs on the obligations, the expected return on pension plan assets, amortization of applicable past service costs, amortization of actuarial gains and losses, and any current service cost variance from budget, is recorded as a centrally-held cost (presented in Ex. F4-T4-S1 section 3).

The payroll burden component that is reflected in the regulated business units' OM&A is largely presented as part of labour costs in Ex. F2-T2-S1 and Ex. F2-T4-S1 for Nuclear and Ex. F1-T2-S1 for Regulated Hydroelectric. The payroll burden for corporate support groups is embedded in the costs of those groups. Corporate support groups' OM&A costs are directly assigned and allocated to the regulated business units in accordance with OPG's cost allocation methodology, as described in Ex. F3-T1-S1.

The centrally-held costs for pension and OPEB are directly assigned and allocated to the regulated business units in proportion to the pension and OPEB costs that are charged to the regulated business units based on direct charges via payroll burden plus the costs assigned and allocated from the corporate support groups. This methodology was reviewed as part of OPG's external cost allocation study presented in Ex. F5-T2-S1 and discussed in Ex. F3-T1-S1. The centrally-held costs for pension and OPEB attributed to the regulated businesses are recorded as OM&A costs.

6.3.4 Comparison of Pension and OPEB Costs

Chart 9 presents pension and OPEB costs attributed to regulated operations for the period 2007 – 2012.

Chart 9

Pension and OPEB Costs[1,2] ($M)												
	Nuclear						Regulated Hydroelectric					
	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Plan	2012 Plan	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Plan	2012 Plan
Pension – Burden Component	170.4	163.0	154.6[3]	112.9	117.7	121.6	7.8	7.8	7.8	5.7	6.0	6.0
Pension – Centrally Held Component	13.3	(22.7)	(103.8)	(18.8)	(3.7)	41.2	0.6	(1.1)	(5.2)	(1.0)	(0.2)	2.1
Total Pension Cost	**183.7**	**140.3**	**50.8[3]**	**94.1**	**114.0**	**162.8**	**8.4**	**6.7**	**2.6**	**4.7**	**5.8**	**8.1**
OPEB – Burden Component	62.2	59.5	50.9[3]	45.2	47.5	49.6	2.8	2.9	2.5	2.2	2.4	2.4
OPEB – Centrally Held Component	121.5	110.1	83.3	106.8	111.8	117.1	5.6	5.3	4.2	5.4	5.6	5.9
Total OPEB Cost	**183.7**	**169.6**	**134.2[3]**	**152.0**	**159.3**	**166.7**	**8.4**	**8.2**	**6.7**	**7.6**	**8.0**	**8.3**

[1] Pension and OPEB costs include allocations of costs related to corporate support functions

[2] Supplementary pension plans costs are included with OPEB costs

[3] Includes pension and OPEB costs totalling less than $1M related to the Nuclear Waste Management Organization consolidated into OPG's financial statements effective January 1, 2009

Pension and OPEB costs charged directly to regulated business units via payroll burden decrease significantly over the 2007 to 2010 period. The decreases are due mainly to the net impact of: successive increases in the discount rate assumption from 5 per cent in 2007 for both pension and other post retirement benefits to 6.80 per cent for pension and 7 per cent for other post retirement benefits in 2010, updated membership and claims data, and a change in the demographic and health care cost trend assumptions in 2009. The payroll burden amounts are expected to remain relatively stable over the 2011 to 2012 period as compared to 2010.

Pension and OPEB costs recorded as centrally-held costs directly assigned and allocated to the regulated business units decreased significantly over the 2007 - 2009 period. The main drivers of the net decrease are: the change in assumptions in the discount rates and the expected net growth in the cost components during the period, as well as a change in the demographic and health care cost trend assumptions, the loss on the RPP fund assets in 2008 and lower amounts of pension and OPEB costs being charged to the business units via payroll burden. The expected net growth in the cost components includes an increase in current service costs, higher interest costs on a higher benefit obligation, and a change in the expected return on the RPP fund assets due to the impact of certain gains and losses being reflected in the asset value as a result of using market-related values.

Centrally-held pension and OPEB costs are expected to increase in 2010 mainly due to the change in assumptions in the discount rates, the expected net growth in the cost components, and the lower amounts of pension and OPEB costs being charged to the business units via payroll burden. Centrally-held pension costs are expected to increase further in 2011 and 2012 mainly due to the expected net growth in the cost components. Centrally-held OPEB costs are expected to remain relatively stable over the 2010 to 2012 period. Specific period-over-period and budget-to-actual comparison of the centrally-held pension and OPEB costs is presented as part of the analysis of centrally-held costs in Ex. F4-T4-S2.

6.3.5 Accounting Treatment of Benefit Plans for Employees During Employment

The discussion above considers cost of benefits for employees post-employment with OPG. This section considers cost of benefits for OPG employees during employment.

Costs associated with plans that provide benefits, such as health and dental coverage, for current employees during employment are recorded for accounting purposes on the basis of actual benefit payments made by OPG to, or on behalf of, the employees. The costs are charged to regulated business units via the burden component of the standard labour rate (see section 7). The component of these costs reflected in the regulated business units' OM&A is largely presented as part of labour costs in Ex. F2-T2-S2 and Ex. F2-T4-S1 for Nuclear and F1-T2-S1 for Regulated Hydroelectric. Costs are also charged via payroll burden to corporate support groups and are embedded in the costs of these groups. Corporate support group's OM&A costs are directly assigned and allocated to the regulated business units in accordance with OPG's cost allocation methodology, as described in Ex. F3-T1-S1.

6.4 Pension and Benefits Summary

OPG has taken a number of steps to control pension and benefits costs. A less generous benefits plan now exists for newly hired Management Group employees and some of the previous benefits enjoyed by existing Management band employees are no longer available. In bargaining with both the PWU and the Society, OPG has been successful in placing maximums on a variety of benefits items and in eliminating coverage for others.

7.0 STANDARD LABOUR RATE

As part of its business planning process, OPG develops a standard hourly labour rate for each functional group within the company by job family (e.g., one labour rate is established for all nuclear operators). This rate is uploaded into the time reporting systems and is used to track and record costs for accounting and cost management purposes during the year. Separate standard labour rates are developed for job families within Nuclear, the Niagara Plant Group and R.H. Saunders. Separate labour rates are also developed for job families within each corporate support group.

The labour rate is based on actual historical base salary information for each job category, adjusted for escalation rates and increased by the burden component, with the largest component being pension and benefits costs, and other entitlements. A standard overtime hourly labour rate is also developed for represented staff by including an overtime premium, as a percentage of base salary, based on actual historical information. Regular and overtime (where applicable) standard labour rates are determined separately for each of the representations: PWU, the Society, and Management Group.

The escalation rates used in developing labour rates for PWU and the Society represented staff are based on the general wage increases under applicable collective agreements (see sections 5.1 and 5.2) and the anticipated staff movement, progressions and promotions. The escalation rates are approximately 3 per cent to 4 per cent annually for PWU and approximately 4 per cent annually for the Society during the 2005 - 2009 period. The escalation rates for Management Group are 3 per cent for each of the years during 2007 - 2009. Escalation rates used in the calculation of standard labour rates are consistent across all functional groups within OPG.

The burden component of the labour rate primarily reflects an estimate of the costs of pension and OPEB as well as costs for health, dental and other benefits for employees while they are employed. The rate is applied as a percentage of base salary in calculating the standard labour rates. The burden component of total pension and OPEB costs decreases over the 2007 - 2010 period. The reasons for the decrease in the burden component of the total pension and OPEB costs over the 2007 – 2010 period are discussed in section 6.3.4 of this exhibit. For 2011 – 2012 period, the burden component of the labour rate is expected to be relatively stable compared to 2010. The burden percentages used for developing standard labour rates are the same across all functional groups within OPG.

8.0 BENCHMARKING

OPG conducts a comprehensive market review each year to ensure that data is available to make decisions about the management salary structure and to support the negotiation processes with the unions. The challenge with finding appropriate benchmarks for OPG

results from the unique nature of the technology and the business model. There are no utilities in Canada that deal with nuclear, thermal and hydroelectric technologies to the same extent as OPG. Looking to other heavily unionized manufacturers is also not a complete match because of the ownership structure of the company. These factors make it difficult to find appropriate comparators for the whole company and, as a result, OPG uses several different benchmarks for different segments of the employee population. It should be noted that OPG uses the standard compensation convention of stating that a position is considered at "market" if the compensation being compared is within 5 to 10 per cent of the market level.

In 2007 the Ontario Minister of Energy issued a report on compensation practices of Ontario's electricity sector organization called the *Agency Review Panel Report*. This report included a recommendation that OPG use a group of public sector and private sector organizations for comparing compensation levels. In response to this recommendation, OPG and its Board of Directors engaged Mercer Consulting Group in 2009 to conduct a market benchmarking review comparing 24 private and public sector organizations that are similar in asset size and organization scope as OPG. Chart 10 provides a list of the Agency Review Panel Comparator Group.

Chart 10

2009 Compensation Market Review - Panel Comparator Group

Private Sector	Public Sector
Air Canada	Atomic Energy of Canada Limited
ATCO Ltd.	BC Hydro
Canadian Natural Resources	Canadian Broadcasting Corporation
Canadian Pacific	Canada Post Corporation
CN Rail	Hydro One Inc.
Enbridge Inc.	Hydro Quebec
Husky Energy	London Health Sciences
Nexen Inc	Mount Sinai Hospital
NOVA Chemicals	Sunnybrook Health Sciences Centre
Talisman Energy Inc.	The Hospital for Sick Children
TransAlta Corp	Trillium Health Centre
TansCanada Corp	University Health Network

Attachment 1 Figure 1 shows the market compensation analysis for this review. The findings from this analysis indicate that, when compared with the 50th percentile of the Agency Review Panel market, senior executives at OPG are paid below market, and middle management and administration positions are generally paid at market.

In addition, OPG participates in a study of the Power Services Industry conducted by Towers Perrin. This study compares data across Canada where job matches are sufficiently strong. Attachment 1 Figure 2 provides a list of comparator organizations. Chart 11 provides a range of positions throughout OPG and compares them to the 75th percentile of market data. This chart indicates that while some positions are paid above market and some are below market, OPG is slightly above the 75th percentile of market on an overall basis.

Chart 11

OPG Salary Variance from 75th Percentile	
Operation Technician - Senior	-13%
Operating Technician - Entry	-14%
Senior Business Developer	-16%
Project Financial Analyst - Senior	-5%
Project Financial Analyst - Fully Qualified	-10%
Engineer – Specialist	10%
Engineer - Fully Qualified	15%
Engineer – Developmental	18%
Engineer – Entry	14%
Technologist - Advanced Specialist or Supervisor	11%
Technologist - Fully Qualified	8%
Technologist – Developmental	5%
Technologist – Entry	12%
Senior Daily Trader/Power Trader	15%
Environment - Advanced Specialist	11%
Environment - Fully Qualified	24%
Industrial Nurse	-7%
Safety - Advanced Specialist or Supervisor	4%
Safety - Specialist or Group Leader	18%
Purchasing Supervisor	14%
Junior Buyer	3%
Fleet Manager	2%
Regulatory Analyst - Advanced Specialist	-1%
Regulatory Analyst – Specialist	9%
Regulatory Analyst - Fully Qualified	4%
Warehouse Supervisor	16%
Maintenance Supervisor	12%
Maintenance Technician - Dual Trade	-1%
Maintenance Planner	19%
Labourer	11%
Source: Towers Perrin	

OPG also tracks the differences between its unions and other employers as much as possible. The primary competitor for nuclear jobs represented by the PWU is Bruce Power LP. A wage comparison, conducted following the last round of negotiations between the PWU and Bruce Power LP is shown in Chart 12. Overall OPG wages are generally lower than those at Bruce Power LP.

Chart 12

2008 - Wage Comparison between PWU Positions in Bruce Power and OPG				
Position	**OPG 2009**	**Bruce Power 2009**	**OPG 2009 Difference Bruce Power to OPG**	
			$	**%**
Civil Maintainer I	$34.79	$46.30	-$11.51	-33%
Emergency Response Maintainer	$34.79	$41.74	-$6.95	-20%
Civil Maintainer II	$34.79	$43.38	-$8.59	-25%
Nuclear Operator	$44.73	$51.59	-$6.86	-15%
Shift Control technician	$44.73	$50.66	-$5.93	-13%
Mechanical Maintainer	$44.73	$50.52	-$5.79	-13%
Nuclear Security Officer	$34.79	$33.81	$0.98	3%
Clerk II Admin	$28.56	$31.48	-$2.92	-10%
Supervising Nuclear Operator	$49.19	$53.71	-$4.51	-9%
Clerk I Admin	$34.79	$37.70	-$2.91	-8%
Project Technician II - E&C	$44.73	$47.44	-$2.71	-6%
Chemical Technician	$44.73	$45.07	-$0.35	-1%
Cost & Scheduling Technician	$44.73	$47.44	-$2.71	-6%
Mechanical Maintainer UTS	$49.19	$50.52	-$1.32	-3%
Sr. Shift Control Technician	$49.19	$50.66	-$1.46	-3%
Control Maintenance Assessor	$44.73	$50.66	-$5.93	-13%
Finance Clerk	$34.79	$37.70	-$2.91	-8%
FLMa Civil II	$38.27	$46.30	-$8.03	-21%
Maintenance Assessor (Nuclear)	$44.73	$46.30	-$1.57	-4%
Clerk III Admin	$28.56	$26.29	$2.27	8%

Bruce Power wage information is contained in the collective agreement between Bruce Power and the PWU. The above classifications account for the majority of Bruce Power classifications. Some classifications in OPG do not exist at Bruce Power (e.g., Thermal and Hydroelectric classifications). The above analysis was provided based on a sample group large enough to provide an estimate as to the overall difference in pay rates for all employees represented by the PWU at each of Bruce Power and OPG.

On a weighted average basis, OPG's wages were 10 per cent lower than Bruce Power wages in 2009.

Chart 13 provides a comparison of the salaries for Society-represented employees at OPG, Hydro One, and Bruce Power LP. OPG and Bruce Power LP are similar in their pay ranges. Comparing OPG to Hydro One both companies have roughly the same upper limits for all salary bands. Hydro One differs from OPG on its salary bands for senior salary bands (MP6 and MP5). Hydro One's bands are broader in that they have lower starting salaries than OPG for these salary bands.

Chart 13

2008 and 2009 - Wage Comparison							
		2008			2009		
Salary Band	Range	OPG	Bruce Power	Hydro One	OPG	Bruce Power	Hydro One
MP6	Min	$99,495	$102,328	$79,649	$102,480	$105,398	$82,038
	Max	$115,460	$113,776	$113,776	$118,924	$117,189	$117,189
MP5	Min	$92,310	$95,987	$74,704	$95,079	$98,866	$76,945
	Max	$108,276	$106,736	$106,736	$111,524	$109,938	$109,938
MP4	Min	$59,172	$59,871	$70,029	$60,948	$61,667	$72,130
	Max	$101,547	$100,071	$100,071	$104,593	$103,073	$103,073
MP3	Min	$59,172	$59,871	$65,729	$60,948	$61,667	$67,701
	Max	$95,275	$93,891	$93,891	$98,133	$96,707	$96,707
MP2	Min	$59,172	$59,871	$61,644	$60,948	$61,667	$63,494
	Max	$89,323	$88,032	$88,032	$92,002	$90,673	$90,673

As seen previously in Charts 5 and 6, OPG has been able to negotiate collective agreements that provide reasonable wage increases.

8.1 Benchmarking Summary

The Mercer Benchmarking study showed that when management positions are compared with those in the private and public sector market, some OPG positions are slightly above

market and some are at or below market. The recent comparisons have used the 50th percentile as the market comparison.

When comparing OPG positions with those in Bruce Power, the Bruce Power PWU-represented positions are paid significantly more than similar positions within OPG, while OPG Society-represented positions are paid similarly to Bruce Power and Hydro One.

LIST OF ATTACHMENTS

Attachment 1: Figure 1 Summary of the Mercer Results for Total Remuneration Comparison Market Position for OPG

Figure 2 Towers Perrin Market Comparator Group

ATTACHMENT 1

Figure 1

Summary of the Mercer Results for Total Remuneration Comparison Market Position for OPG

		2009 Direct Compensation										2009 Non-Cash Compensation									2009 Total	
		Base Salary (1)		Annual Incentive (2)		Total Cash Compensation (3)	Total Cash Compensation Position to Market	Long-Term Incentive (4)		Total Direct Compensation (5)	Total Direct Compensation Position to Market	Perquisites (6)				Benefits Pre '01 (7)	PowerFlex Credits (8)	Pension (9)	Total Non-Cash Compensation (10)	Total Non-Cash Compensation Position to Market	Total Remuneration (11)	Total Remuneration Position to Market
Band	Data Source	Midpoint	Actual Average	(% of Base)	($ Value)			(% of Base)	($ Value)			Car Allowance	Club Membership	Financial Counseling	Annual Medical							
A	OPG	$720,000	$800,000	100%	$800,000	$1,600,000	114%	---	---	$1,600,000	63%	$24,000	---	---	---	$33,662	$53,600	$158,197	$269,459	179%	$1,869,459	69%
	Market	**$805,350**		**75%**	**$604,013**	**$1,409,363**		**142%**	**$1,143,597**	**$2,552,960**		**$24,000**	**$7,000**	**$4,000**	**$1,200**	**$30,431**	**---**	**$84,249**	**$150,880**		**$2,703,840**	
B	OPG	$390,000	$475,000	45%	$213,750	$688,750	123%	---	---	$688,750	69%	$30,000	---	---	---	$20,042	$53,268	$52,390	$155,700	176%	$844,450	78%
	Market	**$425,390**		**32%**	**$136,125**	**$561,515**		**103%**	**$438,152**	**$999,667**		**$18,000**	**$3,500**	**$3,500**	**$1,200**	**$18,813**	**---**	**$43,348**	**$88,361**		**$1,088,028**	
C	OPG	$330,000	$421,667	45%	$189,750	$611,417	111%	---	---	$611,417	73%	$30,000	---	---	---	$17,565	$36,108	$41,864	$125,537	190%	$736,954	82%
	Market	**$378,928**		**46%**	**$174,307**	**$553,235**		**75%**	**$284,196**	**$837,431**		**$12,000**	**$3,500**	**$3,500**	**$1,200**	**$15,136**	**---**	**$30,764**	**$66,100**		**$903,531**	
D	OPG	$260,000	$330,890	25%	$82,723	$413,613	127%	---	---	$413,613	89%	$20,000	---	---	---	$14,676	$33,338	$23,292	$91,306	162%	$504,919	97%
	Market	**$251,930**		**29%**	**$73,060**	**$324,990**		**56%**	**$141,081**	**$466,071**		**$12,000**	**$3,500**	**$3,500**	**$1,200**	**$12,468**	**---**	**$23,787**	**$56,455**		**$522,526**	
E	OPG	$200,000	$215,789	25%	$53,947	$269,736	98%	---	---	$269,736	72%	$12,000	---	---	---	$12,200	$16,242	$15,800	$56,242	123%	$325,978	78%
	Market	**$212,695**		**30%**	**$63,809**	**$276,504**		**45%**	**$95,713**	**$372,217**		**$9,000**	**$3,500**	**$2,000**	**$1,200**	**$10,856**	**---**	**$19,093**	**$45,649**		**$417,866**	
F	OPG	$150,000	$172,745	20%	$34,549	$207,294	108%	---	---	$207,294	93%	---	---	---	---	$10,136	$13,321	$10,804	$34,261	89%	$241,555	93%
	Market	**$157,973**		**21%**	**$33,174**	**$191,147**		**20%**	**$31,595**	**$222,742**		**$9,000**	**$3,500**	**$2,000**	**$1,200**	**$8,832**	**---**	**$13,824**	**$38,356**		**$261,098**	
G	OPG	$130,000	$135,577	15%	$20,337	$155,914	95%	---	---	$155,914	82%	---	---	---	---	$9,311	$10,757	$8,963	$29,031	79%	$184,945	81%
	Market	**$140,420**		**17%**	**$23,871**	**$164,291**		**19%**	**$26,680**	**$190,971**		**$9,000**	**$3,500**	**$2,000**	**$1,200**	**$8,250**	**---**	**$12,634**	**$36,584**		**$227,555**	
H	OPG	$110,000	$119,061	15%	$17,859	$136,920	118%	---	---	$136,920	111%	---	---	---	---	$8,485	$8,889	$7,574	$24,948	161%	$161,868	117%
	Market	**$103,250**		**12%**	**$12,390**	**$115,640**		**7%**	**$7,228**	**$122,868**		**---**	**---**	**---**	**---**	**$6,839**	**---**	**$8,670**	**$15,509**		**$138,377**	
I	OPG	$85,000	$81,774	10%	$8,177	$89,951	93%	---	---	$89,951	88%	---	---	---	---	$7,453	$4,375	$5,877	$17,705	130%	$107,656	93%
	Market	**$90,860**		**6%**	**$5,452**	**$96,312**		**7%**	**$6,360**	**$102,672**		**---**	**---**	**---**	**---**	**$6,383**	**---**	**$7,285**	**$13,668**		**$116,340**	
J	OPG	$70,000	$64,784	8%	$5,183	$69,967	91%	---	---	$69,967	87%	---	---	---	---	$6,834	$3,728	$4,655	$15,217	136%	$85,184	93%
	Market	**$73,308**		**5%**	**$3,665**	**$76,973**		**5%**	**$3,665**	**$80,638**		**---**	**---**	**---**	**---**	**$5,666**	**---**	**$5,490**	**$11,156**		**$91,794**	
K	OPG	$55,000	$61,923	8%	$4,954	$66,877	93%	---	---	$66,877	89%	---	---	---	---	$6,215	$3,544	$3,394	$13,153	129%	$80,030	93%
	Market	**$65,048**		**10%**	**$6,505**	**$71,553**		**6%**	**$3,903**	**$75,456**		**---**	**---**	**---**	**---**	**$5,378**	**---**	**$4,849**	**$10,227**		**$85,683**	
L	OPG	$50,000	$51,586	8%	$4,127	$55,713	100%	---	---	$55,713	96%	---	---	---	---	$6,009	$2,823	$2,988	$11,820	135%	$67,533	101%
	Market	**$53,690**		**4%**	**$2,148**	**$55,838**		**4%**	**$2,148**	**$57,986**		**---**	**---**	**---**	**---**	**$5,002**	**---**	**$3,784**	**$8,786**		**$66,772**	

Notes:

(1) For OPG, Base Salary Midpoint is the salary midpoint for each band. Actual Average Salary represents the average salary of positions matched for each band. All other OPG compensation components are derived from the Actual Average value, where applicable. For market data, Base Salary represents the average salary of position matches at the 50th percentile unless otherwise specified in the Benchmark Jobs table.
(2) Represents target annual incentive for OPG and for Bands A-L market data. Value calculated as a % of Base Salary.
(3) Total Cash Compensation equals Base Salary plus Annual Incentive.
(4) OPG does not currently have a Long-Term Incentive Plan. For market data, value is calculated as a % of Base Salary.
(5) Total Direct Compensation equals Total Cash Compensation plus Long-Term Incentive.
(6) Perquisite market data figures are based on previous analysis, as summarized in Mercer letter to Tony Marr, "Industry Perquisite Information - Additional Details", dated December 21, 1999. This data was adjusted to reflect current markets levels.
(7) Benefits include value of Life, Accident, Disability, Health and Dental Benefits paid by the company. Values for LTD, Health and Dental include inflationary/utilization adjustments over the prior year's values for costing changes seen in today's market. Benefit value is based on the Heritage program. Figures reflect relative values of the benefit programs and not true costs.
(8) For OPG, PowerFlex Credits are as provided by OPG. This benefit was discontinued in 2001. Not all employees are eligible.
(9) For Pension, values for Bands A-H are based on ESPS plan and values for Bands I-L are based on SPS plan. For market data, pension amounts are based on base salary plus annual incentive targets for bands A-L.

ATTACHMENT 1

Figure 2

Towers Perrin Powers Survey Participant Listing

Towers Perrin Power Services Survey Participants	
GOVERNMENT-OWNED (N=14)	INVESTOR-OWNED (N=12)
Atomic Energy of Canada Ltd.	AltaLink Management Ltd.
British Columbia Hydro and Power Authority	ATCO Electric Ltd.
British Columbia Transmission Corporation	ATCO Power Ltd.
City of Medicine Hat (Hydro Division)	Bruce Power
ENMAX Corporation	FortisAlberta Inc.
EPCOR Utilities Inc.	Nexen Inc.
Hydro One	Nova Scotia Power Inc.
Hydro-Québec	Siemens Power Generation
Manitoba Hydro-Electric	Sithe Global
New Brunswick Power Holding Corporation	TransAlta Corporation
Newfoundland & Labrador Hydro Electric Corporation	TransCanada Pipelines Limited
Ontario Power Generation Inc.	Whitecourt Power
Saskatchewan Power Corporation	
Toronto Hydro Corporation	