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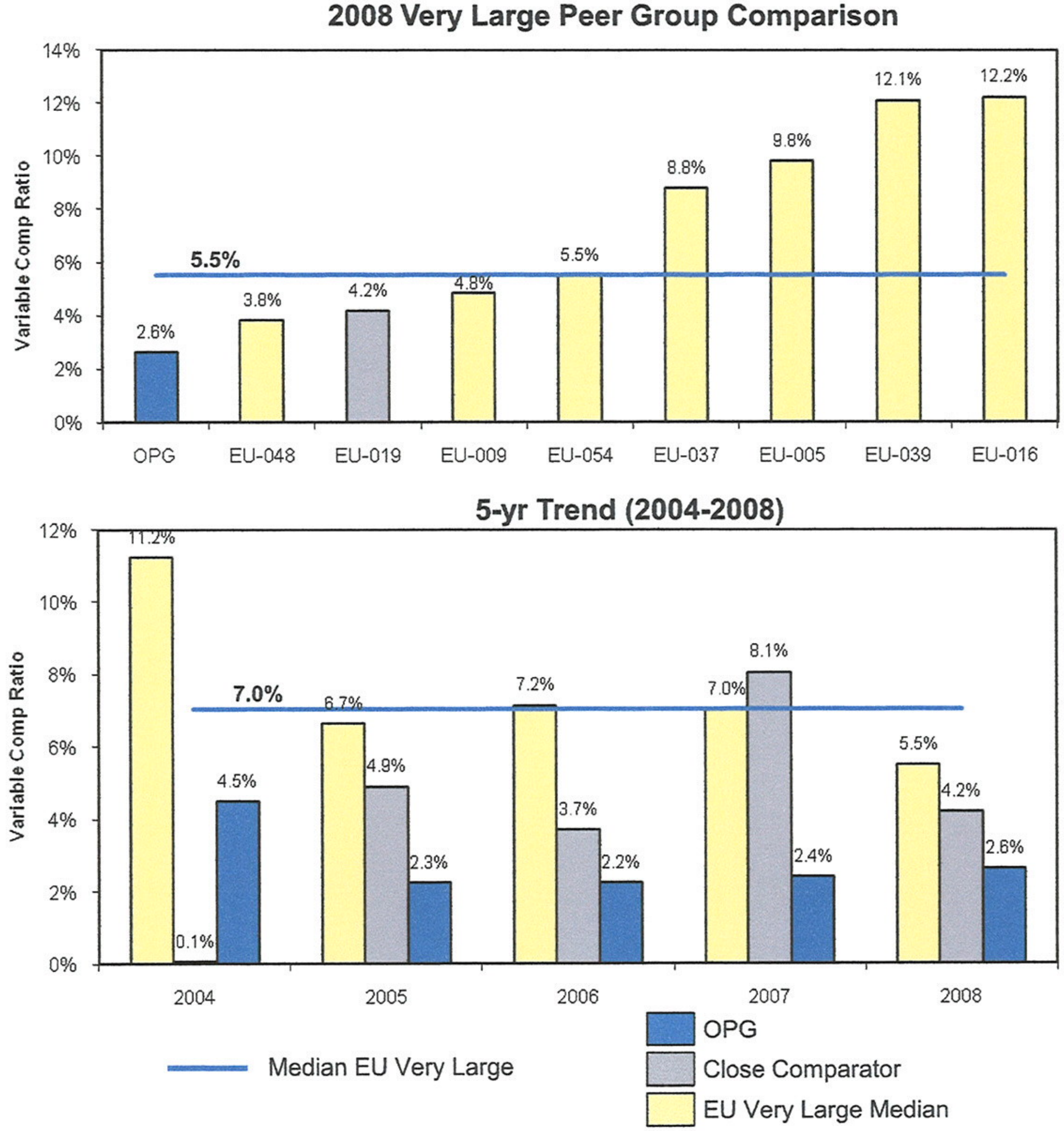
Appendix 2-K
Employee Costs

	Last Rebasing Year	Historical Year (Bridge Year - 1)	Bridge Year	Test Year
Number of Employees (FTEs including Part-Time)				
Executive				
Management				
Non-Union				
Union				
Total				
Number of Part-Time Employees				
Executive				
Management				
Non-Union				
Union				
Total				
Total Salary and Wages				
Executive				
Management				
Non-Union				
Union				
Total				
Current Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Accrued Pension and Post-Retirement Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Benefits (Current + Accrued)				
Executive	$ -	$ -	$ -	$ -
Management	$ -	$ -	$ -	$ -
Non-Union	$ -	$ -	$ -	$ -
Union	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Total Compensation (Salary, Wages, & Benefits)				
Executive	$ -	$ -	$ -	$ -
Management	$ -	$ -	$ -	$ -
Non-Union	$ -	$ -	$ -	$ -
Union	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Compensation - Average Yearly Base Wages				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Overtime				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Incentive Pay				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Compensation	$ -	$ -	$ -	$ -
Total Compensation Charged to OM&A				
Total Compensation Capitalized	$ -	$ -	$ -	$ -

A Microsoft Excel version of this table is available, and the Applicant is requested to file the completed table in working Microsoft Excel format.

Variable Compensation Ratio



Definition:
Variable Compensation Ratio = Variable Compensation Expense/(Total Compensation + Benefits Costs)

Observations

- OPG's Variable Compensation Ratio has decreased by 42% over the last five years but has increased by 8.3% since 2007
- Median Variable Compensation Ratio for the very large company size group has decreased by 51% over the last five years
- While offering incentive pay to all employees, OPG is conservative in the amount paid for incentives

Qualifiers/Considerations

- Public sector compensation plans typically have lower variable compensation than private sector plans
- OPG has increased pension contributions in the last five years which has increased the denominator

Recommendations

- Examine trends in variable compensation per employee over time
- Maximize variable compensation percent within the allowable parameters to further incent employees

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companies, if you will, or the successors of Ontario Hydro, and shown that over the years we have been doing fairly well, in terms of negotiated results.

MR. MILLAR: And as you pointed out, you can cut the numbers a number of different ways.

MS. IRVINE: Yes.

MR. MILLAR: Not looking to cast aspersions here, but maybe it is a natural inclination for organizations, whether knowingly or not, to look at the numbers from their own particular perspective.

My question to you is: Hydro One, I think, because the Board made it do so, did a -- something called the Mercer compensation study. That is not its actual name, but it was a study done by Mercer, where they had a third party have a thorough review of their compensation levels and they benchmarked them against another -- a number of other industries.

That is not something we have for OPG; is that correct?

MS. IRVINE: Mercer is -- has been hired to do a compensation benchmarking for the management grid, the non-unionized staff, and have for a number of years, you know, since OPG's inception. But we have not had Mercer do unionized studies.

MR. MILLAR: Right. What would -- you don't even have to answer this question, but Board Staff and perhaps others may be suggesting, as a condition of this order, that OPG be required to do a study for the unionized side similar to what you have done for management.

Do you have a position on that? And you can look to your counsel, if you wish, and if you don't want to answer, I won't make you. But I thought I would put that to you to give you an opportunity to comment on that.

MS. IRVINE: It is a very expensive undertaking. It would be significant, in terms of several hundred thousand dollars it would take, because it would have to be custom.

MR. MILLAR: Of course.

MS. IRVINE: So Mercer would have to dig out as much information and approach as many companies as possible to try and find comparable jobs that they could then compare the rates to.

I haven't seen the Mercer study that was done for Hydro One. I don't know if it was on base pay or if it was on total compensation. If it's on total compensation, that is a significant amount of work for a consultant, and they will charge us for it.

MR. MILLAR: It was total compensation.

MS. IRVINE: Including benefits, pensions and incentives, and all of that?

MR. MILLAR: I believe so.

MS. IRVINE: So that information is hard to come by from other companies, and if it is unionized, then you have to ask yourself: We have all of this data, but now what can we do about it? We have to bargain.

So to the extent we can pull information from other collective agreements of similar companies, like Bruce

Power and so on, and from the Towers Perrin study, which we got in 2007 - and we updated that one chart as a result of the request - you know, we have to say, All right, what are we going to do with that data?

MR. MILLAR: Well, that is a good question. However, you conceded off the top that OPG's general philosophy, anyways, is that you should be paying market rates for labour. You said that?

MS. IRVINE: That's correct. I did not define the market.

MR. MILLAR: No, you didn't, but that is what this study would do. That would be the purpose of this study.

MS. IRVINE: No. The study would give us information and we would still have to compare ourselves against what we would consider the market.

MR. MILLAR: Fair enough, but it would be a tool you would use?

MS. IRVINE: It would be a tool, but for what purpose? And for management group, we can go to the board and say, Here is where we stand relative to -- we are in the 50th percentile on the management side, because we can control those wages.

When it comes to the union, we can spend hundreds of thousands of dollars collecting data and have the union say, That's interesting. Now let's bargain.

It is a question of economics.

MR. MILLAR: Okay. Well, fair enough, but you wouldn't suggest that ratepayers should be -- just as OPG would like to be at the market, whatever the market is, to the extent you are over the market, presumably ratepayers shouldn't give you money for that?

MS. IRVINE: I think that rate -- well, perhaps I should look at my lawyer.

MR. MILLAR: You don't have to answer if you don't want.

MS. IRVINE: I think ratepayers should be paying the costs --

MR. MILLAR: Reasonable costs.

MS. IRVINE: -- associated with producing the electricity. These are part of the costs.

MR. MILLAR: You have accepted it should be market?

MS. IRVINE: I am not sure that it is not market.

MR. MILLAR: Agreed. I concede that there are different ways to look at market. Why don't we move on? I think that concludes this part of the cross-examination.

I am going to move on to some questions about your collective agreements, since we are on that topic. Maybe you can turn to page 6 of the booklet. This is Staff IR 75, Issue 6.8.

Just to set some of the background, as I think you have already said, the PWU's collective agreement doesn't expire until March 31st, 2012; is that right?

MS. IRVINE: That's correct.

MR. MILLAR: So most of their costs over the test years are essentially locked in?

MS. IRVINE: Correct.