EB-2013-0321

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application Ontario Power Generation Inc. for an order or orders approving payment amounts for prescribed generating facilities commencing January 1, 2014.

SCHOOL ENERGY COALITION CROSS-EXAMINATION COMPENDIUM
(Panel 5 – Corporate Groups and Compensation – Volume 1)

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Numbers may not add due to rounding.

Table 1
Corporate Support & Administrative Groups - OPG ($M)

Line No.	Corporate Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	**Business and Administrative Service**	188.7	181.0	289.0	300.5	295.6	281.2
2	**Finance**	56.4	60.7	65.1	66.1	62.0	58.7
3	**People and Culture**	50.6	54.9	113.4	121.9	118.4	113.8
4	**Commercial Operations and Env.**	47.1	45.8	36.6	43.9	42.6	39.1
5	**Corporate Centre**	19.2	22.3	43.6	65.5	59.0	54.9
6	**Total**	362.0	364.7	547.7	597.9	577.6	547.8

Numbers may not add due to rounding.

Table 24

Corporate Support & Administrative Groups - OPG ($M)

Line No.	Corporate Costs	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	**Business and Administrative Service**	188.7	181.0	289.0	295.6	295.6	281.2
2	**Finance**	56.4	60.7	65.1	63.9	62.0	58.7
3	**People and Culture**	50.6	54.9	113.4	115.1	118.4	113.8
4	**Commercial Operations and Env.**	47.1	45.8	36.6	37.4	42.6	39.1
5	**Corporate Centre**	19.2	22.3	43.6	50.8	59.0	54.9
6	**Total**	362.0	364.7	547.7	562.8	577.6	547.8

Numbers may not add due to rounding.

Table 1
Centrally Held Costs ($M)
OPG

Line No.	Corporate Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	**Pension/OPEB Related Costs**[1]	111.9	226.1	345.5	388.6	379.7	371.4
2	**OPG-Wide Insurance**	16.9	16.1	16.2	18.5	19.0	19.5
3	**Nuclear Insurance**	7.3	8.1	11.5	9.7	12.9	14.7
4	**Performance Incentives**	47.8	38.0	28.2	29.1	29.1	29.1
5	**IESO Non-Energy Charges**	70.0	67.6	78.6	93.0	102.7	95.2
6	**Other**[2]	0.7	26.7	(4.5)	31.4	39.0	44.6
7	**Total**	254.6	382.6	475.5	570.3	582.4	574.5

Notes:
1 2010 amount is presented on the basis of Canadian GAAP as discussed in Ex. A2-1-1.
2 2010 amount includes SR&ED Investment Tax Credits required by Canadian GAAP to be recorded in OM&A expenses, as discussed in Ex. F4-4-1, section 7.0 and Ex. A2-1-1.

Numbers may not add due to rounding.

Table 30
Centrally Held Costs ($M)
OPG

Line No.	Corporate Costs	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	**Pension/OPEB Related Costs**[1]	111.9	226.1	345.5	374.6	379.7	371.4
2	**OPG-Wide Insurance**	16.9	16.1	16.2	16.3	19.0	19.5
3	**Nuclear Insurance**	7.3	8.1	11.5	7.6	12.9	14.7
4	**Performance Incentives**	47.8	38.0	28.2	20.4	29.1	29.1
5	**IESO Non-Energy Charges**	70.0	67.6	78.6	92.6	102.7	95.2
6	**Other**[2]	0.7	26.7	(4.5)	41.1	39.0	44.6
7	**Total**	254.6	382.6	475.5	552.6	582.4	574.5

Notes:
1 2010 amount is presented on the basis of Canadian GAAP as discussed in Ex. A2-1-1.
2 2010 amount includes SR&ED Investment Tax Credits required by Canadian GAAP to be recorded in OM&A expenses, as discussed in Ex. F4-4-1, section 7.0 and Ex. A2-1-1.

The IT Support Costs identified in the tables refer to the cost of the internal IT support groups providing IT Service and Project Portfolio management, IT Enterprise Strategy and Architecture and IT Programming and Performance Management.

IT continues to use the benchmarking data services of Electric Utility Cost Group ("EUCG"), a non-profit association with membership from North America and international utilities.

2011 EUCG data was used by IT to compare OPG against ten North America electric utilities' IT spending per employee and IT spending per GWH. The 2011 results for the two metrics are as follows:

2011 EUCG Comparator Group Data

Metric	OPG	Q1	Median Q2	Q3	Average
IT Spending (k$)/Employee	$9.9	8.2<$	13.6<$	17.8<$	$13.6
IT Spending (k$)/ GWh	$1.4	1.0<$	1.2<$	1.8<$	$1.4

The 2011 results indicate the OPG's IT costs were within the second quartile for IT spending per employee and within the third quartile for IT spending per GWh. The IT group has committed to further cost reductions over the 2013 - 2015 business planning period through a series of cost saving initiatives by improving demand management, leveraging existing applications, storage reduction and re-tiering, data centre and server optimization, increased standardization and simplification of the information technology environments, and negotiated savings in software maintenance contracts and outsourced services.

IT - Summary

IT Benchmark Report Summary

Report	Methodology Appropriateness	Metrics	Trend Analysis
Final OPG IT Cost Benchmark Analysis: 2008-2010 **Author: OPG**	■ Methodology used was not appropriate ■ The report appears to be an internally generated report ■ Comparison of EUCG IT metrics ■ The report does not clarify whether the data collection approach or the data was reviewed by EUCG for appropriateness or if the formulas used to calculate OPG values were verified to be correct ■ Unclear on why this set of metrics were chosen ■ The study peer group is comprised of 11 North American utilities	■ 30 efficiency/productivity metrics were provided ■ 26 of 30 were evaluated as appropriate ■ The IT metrics that were selected in this study varied significantly in terms level of analysis. Some overall comparisons of hardware/ software/ personnel and outsourcing spending were excluded while detailed activity comparisons were included. ■ Common, industry standard comparisons that have been excluded from this analysis such as spend by tower or capital/operational cost distribution would provide a better comparison against industry peers	■ Year over year analysis indicates that OPG's IT spend per energy unit hour has consistently been lower than the median ■ The IT spend per employee is also lower than the industry median, however, it is unclear the definition for employees is consistent across all participating companies ■ Server metrics indicate that OPG has lagged the industry in virtualization of servers

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IT: Final OPG IT Cost Benchmark Analysis - 2010 Report

Methodology Review

Report Name: Final OPG IT Cost Benchmark Analysis - 2010			
Study Author	OPG	**Benchmark Types**	Productivity/Efficiency
Area of Study	IT	**Date Published**	No date provided
Survey Period	2008-2010		

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Appropriateness of Methodology	**Objective** • The objective of the study is to compare OPG IT performance against industry benchmarks from EUCG • Efficiency and productivity metrics for the study were selected from the EUCG IT benchmarking database, however selected benchmarks do not indicate a clear objective of the study **Data Collection Method** • The report appears to be an internally generated report (i.e. data collected and synthesized by OPG staff) • The report does not clarify whether the data collected was reviewed by EUCG for appropriateness or if the formulas used to calculate OPG values were verified to be correct **Peer Group** • The study peer group is comprised of 11 North American utilities • The peer group appears to be appropriate but is limited to only EUCG members that participate in the IT surveys **Constraints and Limitations** • Common, industry standard comparisons seemed to excluded from this analysis such as spend by tower or capital/operational cost distribution • The IT metrics that were selected in this study varied significantly in terms level of analysis. Some broad comparisons of hardware/ software/ personnel and outsourcing spending were excluded while detailed elemental comparisons (e.g. Unix cost per physical server were included) *As an internally generated report, the approach and methodology were not clearly defined nor verified by EUCG and therefore not appropriate.*

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Metric Review

Functional Area	Metrics	Appropriateness	Evaluation of Metric
IT Spend	*IT Spend per GWh*	**Appropriate**	• Usually the most common IT efficiency measure is the IT spending as a percentage of revenue and since revenue is proportional to GWH in the utility industry, it should be proportional to that metric
	IT Spend per Employee	**Appropriate**	• Good metric to measure the amount of IT support the workforce is receiving, however, all 'workers' should be included in the denominator including contractors and temporary labour
	IT Spend as Percentage of Revenue	**Appropriate**	• This is the most common measure for IT efficiency
	IT Spend per End User	**Not Appropriate**	• Using FTE count would provide a metric that would better match industry standards like the IT Spend per Employee metric
Desktop Support Service	*Help Desk Cost per Transaction*	**Appropriate**	• Good measure of cost in the Desktop Support tower, especially when the cost distribution among the towers is combined with the previous section for context • This metric would be more appropriate if the Help Desk Cost referred to the cost of an incident and service request from reporting to resolution (end to end)
	First Call Resolution	**Appropriate**	• This is an appropriate metric as long as the channel definition is clear (e.g. phone) and that it refers to all incidents as a first level support
	Average Speed to Answer	**Appropriate**	• This is a key measure for helpdesk efficiency
	Help Desk Tickets per End User	**Appropriate**	• This metric measures volume and be used as a productivity measure

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IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Metric Review

Functional Area	Metrics	Appropriateness	Evaluation of Metric
Desktop Support Service	*Help Desk Costs per End User*	**Appropriate**	• Although appropriate, this is similar to the Helpdesk Cost per Transaction metric
	Desktop Cost per PC	**Appropriate**	• This is an appropriate metric to compare the total costs associated with each PC
	PC per Employee	**Appropriate**	• This metric is appropriate to compare broadly, the allocation of PCs to employees, however, all 'workers' should be included in the denominator including contractors and temporary labour
	PC per End User	**Appropriate**	• This metric provides another way to evaluate the allocation of PCs within a company
	Users per Network Printer	**Appropriate**	• This metric measures whether the ratio of users per network printer is efficient and is a key desktop cost drivers
Computing Services	*Computing Costs per Data Centre*	**Not Appropriate**	• This benchmark does provide reasonable comparisons of computing costs as it does not normalize data centre size
	IT Sites per Data Centre	**Not Appropriate**	• This metric does not measure efficiency or productivity of the Computing Services
	Mainframe Cost per MIPS	**Appropriate**	• This is an appropriate metric to measure computing power unit cost
	Unix Cost per Physical Unix Server	**Appropriate**	• This is an appropriate metric to measure unit server cost

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Metric Review

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Functional Area	Metrics	Appropriateness	Evaluation of Metric
Computing Services	*Unix Cost per Unix OS*	**Appropriate**	• Although appropriate, this is similar to the Unix cost per Physical Unix Server metric
	Wintel Cost per Physical Wintel Server	**Appropriate**	• This is an appropriate metric to measure unit server cost
	Wintel Cost per Wintel OS	**Appropriate**	• Although appropriate, this is similar to the Wintel Cost per Physical Wintel Server metric
	% of Unix Virtualization	**Appropriate**	• This is a good indicator to indicate utilization and cost efficiency of Unix servers
	% of Wintel Virtualization	**Appropriate**	• This is a good indicator to indicate utilization and cost efficiency of Wintel servers
	Storage Cost per Gigabyte	**Appropriate**	• This in an appropriate metric to measure unit costs for storage
	Storage Capacity per End User	**Not Appropriate**	• This metric does not measure efficiency or productivity.

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Metric Review

Functional Area	Metrics	Appropriateness	Evaluation of Metric
Telecom Services	*Data Network Cost per End User*	**Appropriate**	• This is an appropriate metric to measure cost efficiency
	Data Network Cost per LAN Port	**Appropriate**	• Although appropriate, this is similar to the Data Network Cost per End User metric
	Data Network Cost per Network Device	**Appropriate**	• Although appropriate, this is similar to the Data Network Cost per End User metric
	Voice Cost per End User	**Appropriate**	• This is an appropriate metric to measure cost efficiency
	Voice Cost per Phone Extension	**Appropriate**	• Although appropriate, this is similar to the Voice Cost Per End User metric
	Phone Extensions per End User	**Appropriate**	• Although appropriate, this is similar to the Voice Cost Per End User metric

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Metric Gap Analysis

Based on our review of the report, the following metric gaps were identified as an important area to consider in measuring performance at OPG. The additional metrics are recommended to better understand the IT cost distribution and business alignment.

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Functional Area	Metric Gap	Recommended Metric to Close Gap
IT Spend	**Understanding the IT investment profile** • Provide a high level picture if IT is investing in the right areas	**IT Operational vs. IT Capital Expenses (% of total spend)**
	IT Investment Alignment with the Business • Classifying IT spending into categories that show impact on business outcomes helps with IT spend alignment	**Strategic IT Spending Categories: Run-the-Business, Grow-the-Business and Transform-the-Business IT Spending**
	Categorized IT Spend • Provide insight if IT Spend is distributed in the right areas	**Hardware, Software, Personnel and Outsourcing Spending Distribution**
	The Relative Investment in IT Towers • To provide insight into the workload of the IT towers and whether this is the desired distribution	**IT Spending by Technology Tower**
Staffing	**Internal Support** • To determine if IT is staffed appropriately	**% IT Employees vs. Total Employees**
	Understand Contractor Usage • A higher percentage of contract labor would result in higher cost over long periods	**% Contractors vs. Internal IT staff**
	Distribution of IT staff per tower • Indicator of which towers are labor intensive	**IT Staff per Tower**

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Ranking Analysis – IT Spending as a Percent of Revenue

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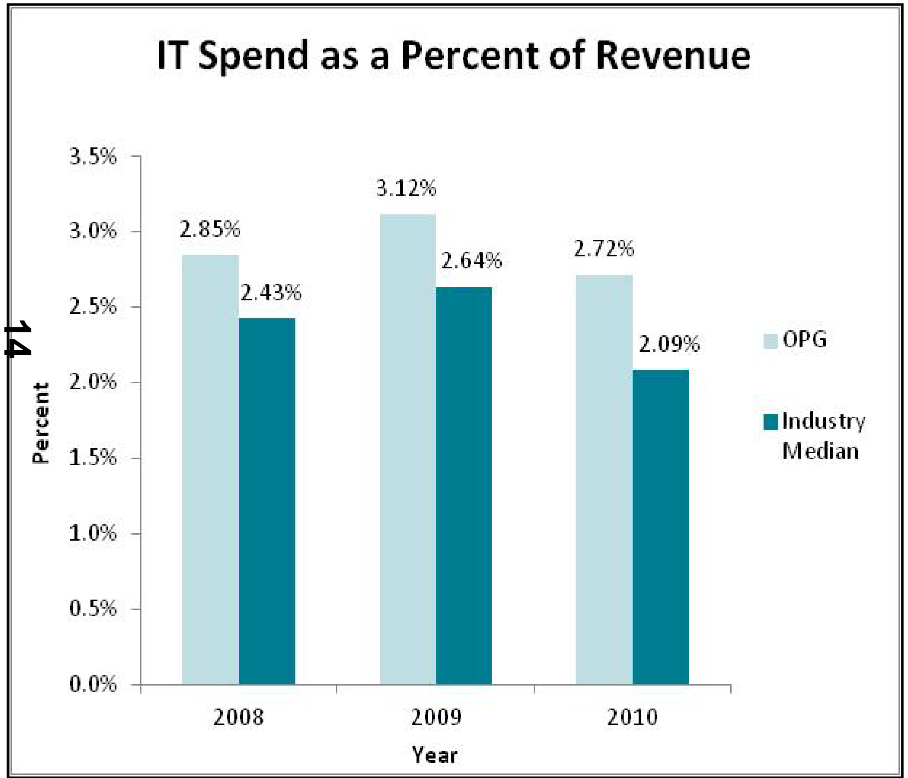
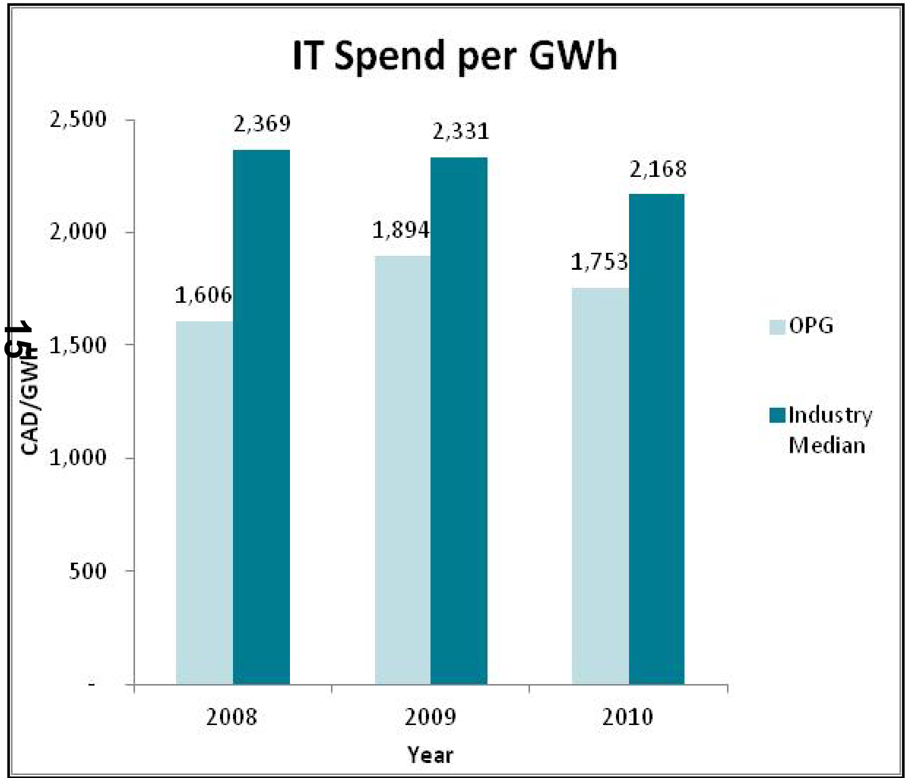


Ranking Analysis

- IT Spending as a Percent of Revenue is the most common measure for IT efficiency
- OPG's IT Spend as a Percent of Revenue has been above the industry median from 2008 to 2010
- Revenue rates can differ significantly across utilities, therefore IT spend per GWh and per FTE are additional metrics that should be used to compare overall IT spend
- Since 2008 OPG's IT Spend as a Percent of Revenue has been in the 3rd/4th quartile
- In 2010, OPG's IT Spend as a Percent of Revenue decreased 4.6% compared to 2008 levels versus an industry median decrease of 14%

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Ranking Analysis – IT Spend per GWh



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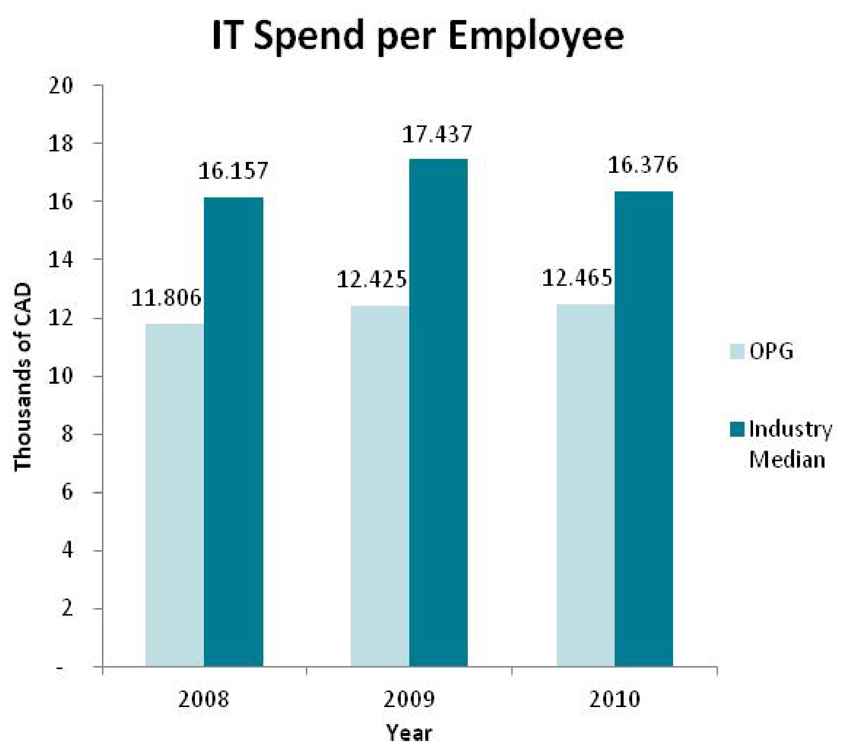
Ranking Analysis

- The IT Spend per GWh is a utility specific metric and is similar to the IT Spend as a Percent of Revenue metric
- This metric compares production to IT spend minimizing any rate bias that may exist
- OPG's performance in this metric signals that relative to the electricity output generated by the company IT spending is being used efficiently
- From 2008 to 2010, OPG's IT Spend per GWh has been below the industry median
- Since 2008 OPG's IT Spend per GWh has increased by 9.2%
- The industry median has decreased by 8.5% from 2008 to 2010
- In 2008, OPG outperformed the industry median by 32.2%, however, this advantage shrank to only 19.1% by 2010
- Since 2008 OPG's IT Spend per GWh has been in the 2nd quartile

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Ranking Analysis – IT Spend per Employee



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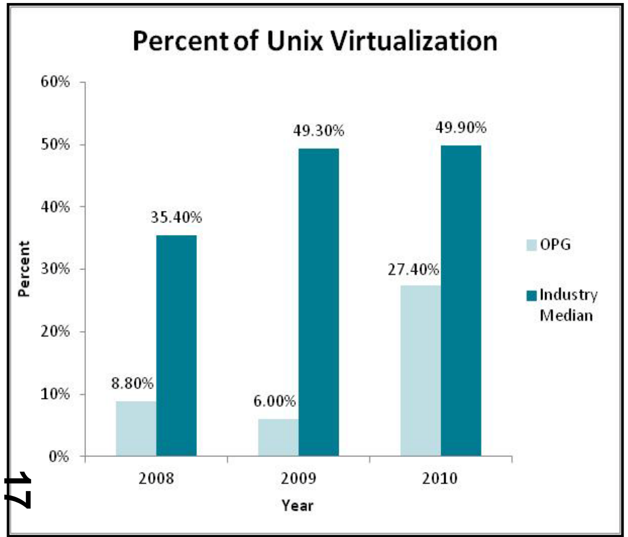
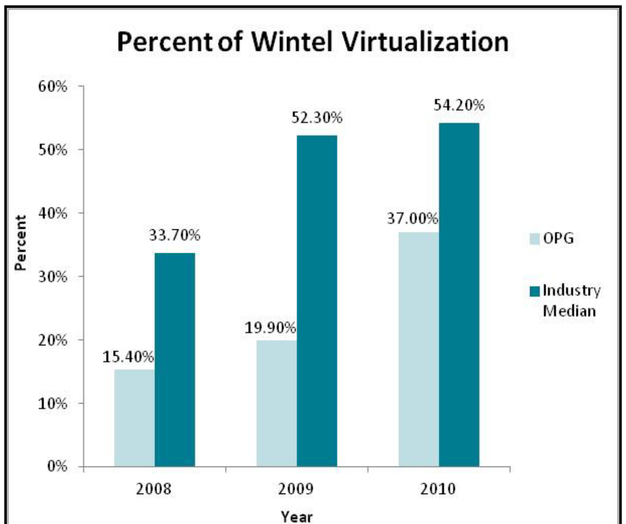
Ranking Analysis

- IT Spend per Employee metric measures the amount of IT support the workforce is receiving
- OPG's performance in this metric signals that relative to the number of employees IT spending is being used efficiently
- From 2008 to 2010, OPG's IT Spend per employee has been below the industry median
- Since 2008 the gap in performance has been closing as the industry median has been on a slower growth rate as compared to the growth rate of OPG's IT Spend per Employee
- Since 2008 OPG's IT Spend per Employee has increased by 5.6%
- The industry median has increased at a slower rate of 1.4% as compared to OPG from 2008 to 2010
- In 2008, OPG outperformed the industry median by 26.9%, however, this advantage shrank to only 23.9% by 2010
- Since 2008 OPG's IT Spend per Employee has been in the 2nd quartile

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Ranking Analysis – Percent of Server Virtualization





Ranking Analysis

Percent of Unix Virtualization

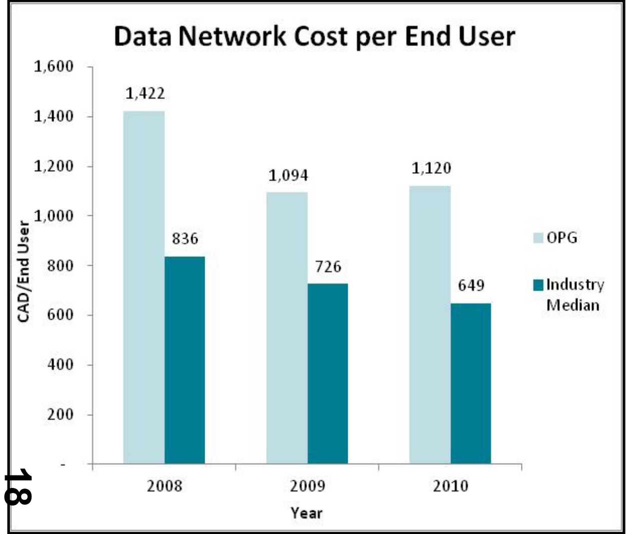
- Percent of Unix Virtualization is a good indicator of efficient server utilization and cost for Unix-based servers
- From 2008 to 2010, OPG has consistently underperformed compared to the industry median. This means that OPG's unit cost for Unix computing services was higher than the industry due to the under utilization of physical servers.
- OPG more than doubled its Unix Virtualization from 2008 to 2010 while the industry median increased by less than half
- However OPG still lags the industry in Unix Virtualization operating at slightly more than half the level of the industry median

Percent of Wintel Virtualization

- Percent of Wintel Virtualization is a good indicator of efficient server utilization and cost for windows based servers
- From 2008 to 2010, OPG has consistently underperformed compared to the industry median. This means that OPG's unit cost for Wintel computing services was higher than the industry due to the under utilization of physical servers
- In 2008, OPG's Percent of Wintel Virtualization lagged the industry median by more than half. However, in 2010 this performance had decreased to a third
- OPG increased its Percent of Wintel Virtualization by more than 140% from 2008 to 2010 while the industry median increased by 61%

IT: Final OPG IT Cost Benchmark Analysis – 2010 Report

Ranking Analysis – Data/Voice Cost per End User



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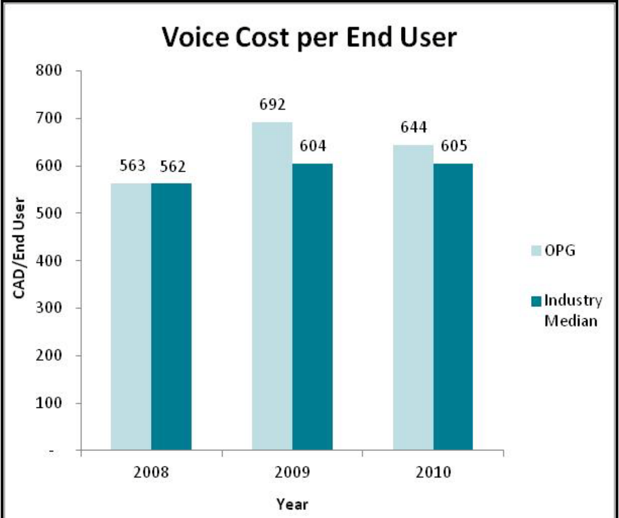

Ranking Analysis

Data Network Cost per End User

- From 2008 to 2010, OPG's Data Network Cost per End User has consistently been higher than the industry median
- The difference has been significant, ranging from 50% to 70% higher than the industry median during this time period
- Although OPG reduced its Data Network Cost per End User by 21%from 2008 to 2010, the industry median declined by 22% during the same time period

Voice Cost per End User

- Voice Cost includes all costs associated with providing telecommunication services. e.g. long distance charges
- From 2008 to 2010, OPG has underperformed in the Voice Cost per End User metric compared to the industry median
- In 2008, OPG's Voice Cost per End User was virtually the same as the industry median
- However voice costs have increased at a rate higher than the industry median and as of 2010 OPG's Voice Costs were higher than the median

Operations Training provides delivery and evaluation of Nuclear License Certification programs including CNSC interface, Nuclear Non-Licensed Operator Training, and Hydro/Thermal Operations Training. Fleet Support Services Training provides delivery of Chemistry Technician training, Engineering training, Radiation Protection training, Health & Safety (Conventional) training programs including legislative and compliance programs. Fleet Maintenance Training provides delivery of trades and technical training including Electrical and Control Maintenance, Protection and Control, Mechanical Maintenance, and Civil Maintenance programs. Fleet Simulators & CBT is responsible for the development and maintenance of Computer Based Training products and desk-top simulations for Nuclear generating stations as well as full scope simulators for Nuclear control rooms. The Other Training Programs department provides delivery of Management and Supervisory training, SAP/Asset Suite 7 training, scheduling of training events, training policies and procedures, training design and development services.

Senior Vice-President

The Senior Vice President's Office manages the People & Culture Business Unit.

Exhibit F3-1-1 Tables 8 and 9 summarize People & Culture costs allocated to hydroelectric and nuclear over the historical, bridge, and test years.

People & Culture Benchmarking

OPG continues to participate in a benchmarking group called the Electric Utility HR Metrics Group ("EU-HRMG"). This group benchmarks performance on a cross-section of HR metrics annually. A consistent definition of HR functions is benchmarked across 42 member utilities. This information is used to analyze performance and trends.

Highlights from the latest EU-HRMG benchmarking study completed in 2013 using 2012 data include the following metrics:

- HR Expense Factor: HR Expense Factor is total HR expenses divided by the number of Regular HR Employees, or the HR expense per HR professional. OPG's HR

Expense Factor in 2012 was $172 k / HR Employee. This is below median for all benchmarked utilities ($194 k) and between median ($155 k) and bottom quartile ($175 k) when compared to OPG's peer group of very large utilities ($174.3 K).

- HR FTE/Employee Ratio: OPG's ratio improved modestly since 2009 with an improvement of about 2%, from 64 to 65. OPG's 2012 HR Employee Ratio of 65 is in the bottom quartile. When OPG completes the Business Transformation process and initiatives, improvements in the HR FTE/Employee ratio are anticipated.

3.4 Commercial Operations and Environment

Commercial Operations and Environment includes Commercial Contracts, Environment, Regulatory Affairs, Electricity Sales & Trading, and Integrated Revenue Planning sections.

Commercial Contracts

Commercial Contracts includes Fuels, Commercial Services, and Bruce Lease Management departments. The Fuels department is responsible for the procurement and delivery of Fuel (excluding uranium), sales of By-products, acquisition of Emission Allowance and Credits, negotiation and contract management for generation and ancillary services with IESO and OPA. Commercial Services markets and manages a program for the sale of isotopes and heavy water products, and services for existing and future applications. Bruce Lease Management Office manages contracts with Bruce Power.

Environment

Environment provides oversight of OPG's environmental management and performance, provides advice and guidance to the Operating Units to minimize the environmental risk and impacts, and seeks opportunities for environmental leadership. The Environment Division supports OPG in a wide range of environmental subject areas including aquatic and terrestrial biology, environmental assessments, land, water and waste management, environmental approvals, environmental risk management, and legislative monitoring

Regulatory Affairs

HR- Summary

HR Benchmark Report Summary			
Report	**Methodology Appropriateness**	**Metrics**	**Trend Analysis**
Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics : 2005-2008, 2009-2010 **Author: ScottMadden**	▪ Methodology used was not appropriate ▪ Comparison of EU-HRMG metrics ▪ The peer group is not a reflective comparator for OPG. When considering only very large employers, all the comparators, except 1 are US companies ▪ The 'Employment at Will' and publically funded healthcare differences significantly impact both the number of required HR team members and employment costs ▪ Study comparisons were conducted in US dollars with no normalization for the large currency rate changes that occurred during the study period.	▪ Nine efficiency/productivity metrics were provided ▪ Three of nine metrics were evaluated as appropriate ▪ Comparison by job type and level would allow for better comparison of specific roles	▪ Year over year indicates that OPG has more HR staff per employee than the industry mean – *however since the methodology in this study was deemed not to be appropriate, these results would need to be verified.*

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HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Methodology Review

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Benchmarking of Human Resources Function Metrics			
Study Author	Scott Madden	**Benchmark Types**	Productivity/Efficiency
Area of Study	Human Resources	**Date Published**	September 2008 and September 2011
Survey Period	2005-2008, 2009-2010		

Appropriateness of Methodology

Objective
- The objective of the 2005-2008 report was to develop a custom assessment of OPG's HR department using benchmarks from EU-HRMG. The 2009-2010 report is a follow-up study.

Data Collection
- The data collection method used for the study is not described in detail
- There is no explanation of why the sub-set of metrics reviewed were selected

Peer Group

2005-2008 Report
- The peer group is not a reflective comparator for OPG. When considering only Very Large employers, all the comparators, except 1 are US companies. The 'Employment at Will' and publically funded healthcare differences significantly impact both the number of required HR team members and employment costs.
- Further reducing the validity, in the very large company comparator segment there is only one other Canadian company (Progress Energy, a Canadian natural gas producer). As a result, the sample size does not provide a robust comparison.

2009-2010 Follow-up Report
- The peer group is not a reflective comparator for OPG. When considering only Very Large employers, all the comparators are American. The 'Employment at Will' and publically funded healthcare differences between the two countries significantly impact both the number of required HR team members and employment costs.
- In this study, the sample size has increased to 42 North American Utilities. There are only 3 Canadian utilities included (OPG, NB Power and Bruce Power). However, neither Bruce Power (3000 employees) nor NB Power (2699 employees) are comparables to OPG in terms of number of employees.
- Further reducing the validity, in the very large company comparator segment there is only one other Canadian company (Progress energy, a Canadian natural gas producer). As a result, the sample size is insufficient for a robust comparison[1].

1. This iteration of the study does not clearly mention the utilities making up the demographic classifications. It is assumed that the very large demographic sample has remained the same as 2009 version of the study.

HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Methodology Review

Benchmarking of Human Resources Function Metrics			
Study Author	Scott Madden	**Benchmark Types**	Productivity/Efficiency
Area of Study	Human Resources	**Date Published**	September 2011
Survey Period	2005-2008, 2009-2010		

Appropriateness of Methodology (cont'd)

Constraints/Limitations

2005-2008 Report

- The study methodology only counts employees and does not include contractors or temporary employees (flexible workforce). Given that Human Resource employees are typically highly involved in the sourcing, contract management, selection, training and managing of the flexible workforce and that the utilization of a flexible workforce can vary greatly from organization to organization the exclusion of this group from the study may significantly misrepresent the requirements of the HR team at OPG or the comparators.
- The study is done in US dollars, with no normalization for currency changes cited. Currency exchange rates in this period ranged from a low of $0.7699 to a high of $0.9438 (CAD/USD) [2]. Given this currency fluctuations, any changes tracked on a year over year basis may only be the result of currency valuation, versus any positive or negative action by OPG.

2009-2010 Follow-up Report

- The study methodology again only counts employees and does not include contractors or temporary employees (flexible workforce). Given that Human Resource employees are typically highly involved in the sourcing, contract management, selection, training and managing of the flexible workforce and that the utilization of a flexible workforce can vary greatly from organization to organization the exclusion of this group from the study may significantly misrepresent the requirements of the HR team at OPG or the comparators.
- The study, again, is done in US dollars, with no normalization for currency changes cited. Currency exchange rates in this period ranged from a low of 0.7785 to a high of 0.9957 (CAD/USD)[2]. Given this currency fluctuations, any changes tracked on a year over year basis may only be the result of currency valuation, versus any positive or negative action by OPG.

The methodology is not appropriate for this report.

2. Source, Oanda, Historical Exchange Currency Conversions

HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Metric Review

Functional Area	Metrics	Appropriateness	Evaluation of Metric
HR Management	*HR Expense Factor*	**Not Appropriate**	• The metric measures cost of the HR function per HR FTE • Measuring HR performance in this way is not effective as it does not measure relative to HR effectiveness • Under/Over performance on this metric does not provide an indication of whether HR is effective or efficient • Also, given that the report precludes Payroll, Health & Safety and Safety & Technical Training, the effectiveness of the metric is further limited
	HR Expense Percent	**Appropriate**	• This metric compares the overall cost of HR relative to overall operating expenses • This is an appropriate metric, however, given the concerns mentioned in the methodology section, the appropriateness of this metric is negated • In addition, there is limited mapping in the survey to ensure cross comparability of HR services and deliverables, which significantly impact the cost structure of HR
	HR FTE Ratio	**Appropriate**	• This is a standard HR efficiency metric • It is broadly used by organizations as a high level assessment of size of HR team • Limitation is that it only accounts for regular employees and can be misleading for organizations with a significant flexible workforce • Also, given the metric's high level perspective it is not designed to provide actionable information
	Management Span of Control (management to employee ratio)	**Not Appropriate**	• The baseline assumption for this metric is that a higher management span of control drives higher need for HR support and services, as HR team members step into Operational Management issues. As a result, a higher management span of control would result in higher HR headcount and costs. • The challenge is that this baseline assumption has not been tested in the methodology presented in this report, thereby negating the metric

HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Metric Review

25

Functional Area	Metrics	Appropriateness	Evaluation of Metric
Staffing	*Separation Rate, all ranges*	**Not Appropriate**	• Separation rates are important to track but are often lagging indicators • The appropriateness of this metric is reduced due to the inclusion of retirements and involuntary terminations, and thus does not provide an understanding of causes of separations (i.e. Employee concerns, mis-hires, etc.) • Most organizations track 30/60/90 day hires to assess recruitment effectiveness. This study's lowest tracking is 0-3 years separation, which negates the understanding of hiring effectiveness in light of turnover.
	External Hire Rate	**Not Appropriate**	• This metric is often used to demonstrate the volume of talent being "bought" on the market versus "built" internally. To meet this objective it needs to be represented by job classification and job level. (i.e.an increase in the number of management roles filled externally points to a potential need for an internal management development program). • Given that this report looks at the data in aggregate it does not inform any decision making
	Total Hire Rate	**Not Appropriate**	• Similar to the External Hire metric, the aggregate nature of the data reduces the metric appropriateness. The data needs be combined with other data, such as hire rate by number of recruiters to become informative. • Also, lack of comparability limits deduction of actionable insight
	Hire Cycle Time	**Appropriate**	• This is typically an appropriate and very useful metric • However, the issue of hiring data validity highlighted by the report does not allow for confident analysis
Union	*Workforce Represented (Union)*	**Not Appropriate**	• Given the comparison issues this number is interesting, however, does not speak directly to the impact on the HR team. • Tracking grievance rates and/or labour disruption rates relative to costs of labour relations would provide information as to the effectiveness of labour relations

HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Metric Gap Analysis

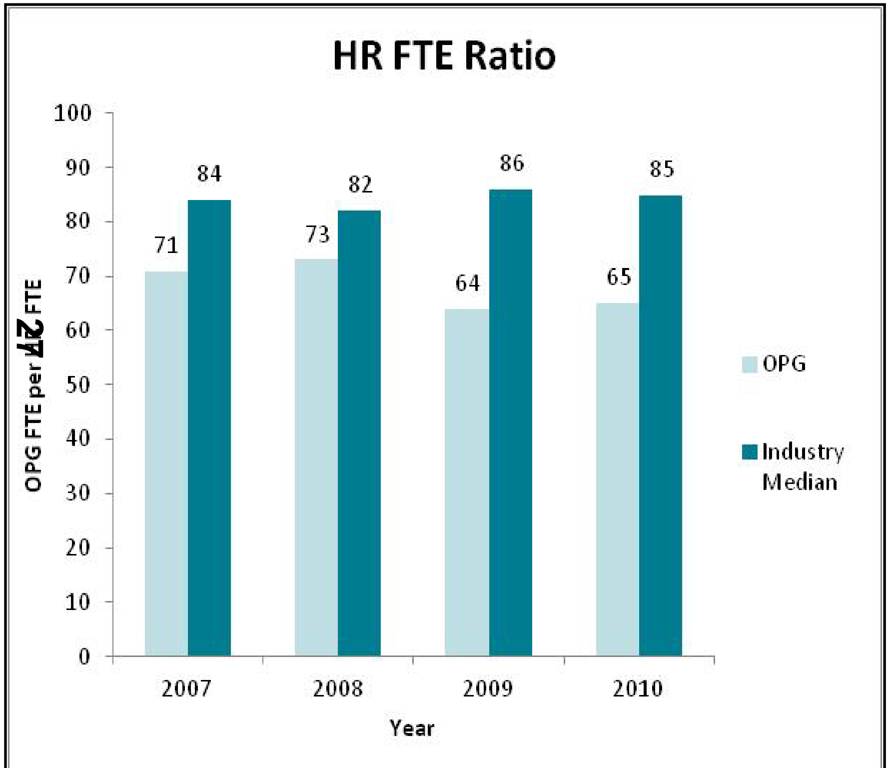
Based on our review of the report, the following metric gaps were identified as an important area to consider in measuring performance at OPG. The additional metrics are recommended to better understand drivers of HR efficiency and effectiveness.

Functional Area	Metric Gap	Recommended Metric to Close Gap
Human Resources Management	**HR Department Productivity** • Insight into the productivity level of the HR function employees as it relates to the size of the organization's workforce	**Number of Employees Serviced by HR Function FTEs**
	HR Process Efficiency - Employees • Insight into the systems in place for employee self-service	**Percentage of Employees with Access to Employee Self-Service (ESS) System**
	HR Process Efficiency - Managers • Insight into the systems in place for manager self-service	**Percentage of Managers with Access to Manager Self-Service (MSS) System**
	Retaining Employees • Provides important indicators regarding organizational capability and health. Voluntary and Total Turnover should be reported for the organization as a whole, and for each job category	**Voluntary Turnover Rate[1]** **Total Turnover Rate[1]**
	Leadership Depth • Evaluate an organization's preparation for and success at managing both planned and unplanned leadership succession	**Percent of Defined Positions with one or more Successors[1]** **Percent of Defined Positions Filled Internally During Fiscal Period[1]**
	Employee Engagement • Gain insight into whether employees are engaged in their work	**Employee Engagement Index[1]**

1. The standard definition for metric is determined by the American National Standard Institute, Inc.'s "Guidelines for Reporting Human Capital Metrics to Investors"

HR: Ontario Power Generation HR Metrics Analysis & Benchmarking of Human resources Function Metrics

Ranking Analysis



Ranking Analysis

- *Direct comparison between OPG, competitors and the industry median is deceptive since FTE count is not standardized between organizations sampled* – the utilization of flexible workforce by each organization can significantly affect the metric results
- Year over year analysis indicates that the gap in performance between OPG and the industry median has widened during the past 4 years
- As per the Scott Madden report, this underperformance relative to the industry median may be due to:
  - OPG's geographically dispersed employee
  - Exclusion of contract and temporary workers in OPG's FTE count

UNDERTAKING JT2.33

Undertaking

To review and confirm a table by Board Staff regarding FTEs and headcount, and provide information for missing categories as appropriate, before the settlement conference.

Response

The table on the following page shows headcount, FTE and employee costs for OPG's regulated facilities. For clarity, the following information and definitions are provided:

Headcount is defined as the number of persons employed as of December 31 of the given year, including both regular and non-regular staff.

Regular Staff are as defined in Ex F4-3-1, page 5, starting at line 20. Non-Regular Staff are as defined in Ex F4-3-1, page 5, starting at line 25.

Employee costs are total base salary and wages, overtime, incentive pay, fiscal year adjustment and total benefits including current service cost of pension and OPEB costs as noted in the notes page of Ex F4-3-1, Attachment 6.

Non-regular staff figures have not been broken down by representation (i.e. management, Society and PWU).

Nuclear staffing and employee cost data has been presented in two categories, "Nuclear Operations and Projects" and "DRP and New Nuclear" as opposed to the three categories requested by Board Staff. A breakdown of data into "Operations" and Projects" was not possible in the time frame.

As noted in Ex L-6.8-1 Staff 100, OPG's Business Transformation headcount reduction targets are in reference to regular staff, not non-regular staff and are in reference to ongoing operations, which exclude DRP and New Nuclear. OPG has added several lines in Board Staff's table, in addition to those originally provided, in order to address undertaking JT2.32's request for "number of ongoing regulated regular employees".

As this application is based on the 2013 – 2015 Business Plan, OPG has used data consistent with the 2013 – 2015 Business Plan.

Certain simplifying assumptions were made in the allocation of headcount data and 2013 actual costs. The same labour percentages used to allocate FTEs in the preparation of Ex F4-3-1 Attachment 6 were also used to allocate headcount. For 2013 actual compensation, the same percentages for payroll burden and statutory benefits used in the preparation of Ex F4-3-1 Attachment 6's 2013 budget figures were used.

Headcount, FTE and Employee Costs for OPG's Regulated Facilities

Line #		2010 Actual	2011 Actual	2012 Actual	2013 Plan	2013 Actual	2014 Plan	2015 Plan
	Headcount							
1	Nuclear Operations & Projects	8,246	7,901	6,556	6,542	6,362	6,329	6,210
2	DRP and New Nuclear	153	241	227	270	198	266	276
3	Allocated Corporate Support to Nuclear	871	857	1,941	1,880	1,883	1,759	1,683
4	Previously Reg Hydro Operations	365	376	343	342	319	339	337
5	Allocated Corp Support to Previously Reg Hydro	87	79	103	102	102	102	96
6	Newly Reg Hydro Operations	609	617	589	584	571	591	573
7	Allocated Corp Support to Newly Reg Hydro	127	113	143	129	128	144	138
8	Total (Regular and Non-Regular Staff)	10,458	10,184	9,902	9,850	9,563	9,529	9,314
9	Less DRP And New Nuclear Regular Staff (Incl Allocated Corp Support)	176	283	290	365	276	367	378
10	Less All Non-Regular Staff (incl DRP & New Nuclear)	496	463	449	539	551	464	460
11	Regular Staff in Ongoing Operations	9,786	9,438	9,163	8,946	8,736	8,698	8,475
	FTE							
12	Nuclear Operations & Projects	8,292.5	7,988.6	6,536.7	6,547.8	6,353.6	6,315.6	6,243.9
13	DRP and New Nuclear	152.9	226.5	225.1	259.4	200.6	264.1	276.0
14	Allocated Corporate Support to Nuclear	875.0	876.1	2,037.2	1,903.2	1,910.6	1,790.6	1,714.1
15	Allocated Corp Support to Previously Reg Hydro	359.7	369.4	343.8	346.8	321.5	343.1	340.9
16	Previously Reg Hydro Corp Support	88.7	80.8	108.9	104.7	103.0	104.6	97.8
17	Newly Reg Hydro Operations	584.3	617.4	600.9	596.8	584.0	599.5	582.2
18	Allocated Corp Support to Newly Reg Hydro	127.7	115.6	152.8	132.5	129.1	148.6	140.8
19	Total (Regular and Non-Regular Staff)	10,480.8	10,274.4	10,005.5	9,891.2	9,602.5	9,566.1	9,395.6
20	Less DRP And New Nuclear Regular Staff (Incl Allocated Corp Support)	178.3	268.6	290.7	355.4	280.2	368.1	380.4
21	Less All Non-Regular Staff (incl DRP & New Nuclear)	787.2	698.6	635.0	485.9	676.2	423.8	475.4
22	Regular Staff in Ongoing Operations	9,515.3	9,307.2	9,079.8	9,049.8	8,646.0	8,774.3	8,539.8
	Headcount (regular and non regular)							
23	Management	1,067	1,039	1,015	1,108	978	1,084	1,063
24	Society	3,292	3,198	3,066	3,101	2,876	2,995	2,937
25	PWU	5,603	5,484	5,372	5,102	5,159	4,986	4,853
26	Sub Total - Regular	9,961	9,721	9,453	9,311	9,012	9,065	8,853
27	Non-Regular	496	463	449	539	551	464	460
28	Total (Regular and Non-Regular Staff)	10,458	10,184	9,902	9,850	9,563	9,529	9,314
	FTE (regular and non-regular)							
29	Management	1,101.7	1,099.2	1,095.6	1,124.5	1,091.0	1,101.0	1,076.3
30	Society	3,269.0	3,254.6	3,112.6	3,146.9	2,909.2	3,043.3	2,965.6
31	PWU	6,012.9	5,840.7	5,711.0	5,564.7	5,542.0	5,371.7	5,300.3
32	EPSCA	97.2	79.8	86.3	55.1	60.2	50.1	53.4
33	Total (Regular and Non-Regular Staff)	10,480.8	10,274.4	10,005.5	9,891.2	9,602.5	9,566.1	9,395.6
	Employee Costs ($million)							
34	Nuclear Operations & Projects	1,274.6	1,281.5	1,135.7	1,166.1	1,242.7	1,143.6	1,163.9
35	DRP and New Nuclear	23.1	36.3	37.6	49.5	41.7	52.2	55.2
36	Allocated Corporate Support to Nuclear	122.4	129.1	268.2	297.8	291.7	290.1	280.5
37	Previously Reg Hydro Operations	50.4	54.5	51.8	57.1	53.7	58.4	59.0
38	Allocated Corp Support to Previously Reg Hydro	12.7	13.1	15.9	17.7	17.4	17.9	16.8
39	Allocated Corp Support to Newly Reg Hydro	79.2	87.9	91.5	102.1	96.1	105.8	104.1
40	Newly Reg Hydro Corp Support	18.6	18.7	23.0	23.6	22.5	26.4	25.3
41	Total	1,581.0	1,621.0	1,623.7	1,713.8	1,765.8	1,694.4	1,704.9
	Employee Costs ($million)							
42	Management	222.8	230.9	220.8	238.5	233.1	238.2	233.5
43	Society	522.9	541.0	543.4	570.1	567.3	556.7	551.5
44	PWU	820.9	837.9	847.6	897.6	897.5	893.0	912.8
45	EPSCA	14.4	11.3	11.9	7.6	67.9	6.6	7.1
46	Total	1,581.0	1,621.0	1,623.7	1,713.8	1,765.8	1,694.4	1,704.9

Notes

1. Employee Costs: Total of Base Salary & Wages, Overtime, Incentive Pay, Fiscal Year Adjustment and Total Benefits
2. Plan figures for 2013, 2014 and 2015 are based on 2013-15 Business Plan
3. Headcount, FTE and Employee Cost plan figures exclude New Nuclear since the proposed revenue requirement excludes New Nuclear costs as discussed in Ex F2-8-1.

2010

AJAX, ATIKOKAN, CAMPBELLFORD, CLARINGTON, CORNWALL, GREATER NAPANEE, HALDIMAND COUNTY, KAPUSKASING, MATTAGAMI FIRST NATION, MOOSE CREE FIRST NATION, NIAGARA FALLS, NORTH BAY, OSHAWA, PICKERING, RENFREW, ST. CLAIR TOWNSHIP, TAYKWA TAGAMOU NATION, THUNDER BAY, TIMMINS, WHITBY, AJAX, ATIKOKAN, CAMPBELLFORD, CLARINGTON, CORNWALL, GREATER NAPANEE, HALDIMAND COUNTY, KAPUSKASING, MATTAGAMI FIRST NATION, MOOSE CREE FIRST NATION, NIAGARA FALLS, NORTH BAY, OSHAWA, PICKERING, RENFREW, ST. CLAIR TOWNSHIP, TAYKWA TAGAMOU NATION, THUNDER BAY, TIMMINS, WHITBY,

ONTARIO POWER GENERATION

Skilled Workforce

As of December 31, 2010, OPG had approximately 11,800 full-time employees and approximately 1,000 contract, casual construction and non-regular staff. The majority of OPG's full-time employees are represented by two unions: approximately 6,800 by the Power Workers' Union (the "PWU") and approximately 3,700 by the Society of Energy Professionals ("The Society"). The current collective agreement between OPG and the PWU has a three-year term (April 1, 2009 – March 31, 2012). The collective agreement between OPG and The Society expired on December 31, 2010. OPG and The Society commenced negotiations on a collective agreement renewal, however, the parties reached an impasse in mid-November 2010. The mediation/arbitration process concluded in January 2011, and in early February 2011, the Arbitrator issued a binding arbitration award detailing the changes for the renewal agreement. The new collective agreement with The Society will expire on December 31, 2012.

In addition to the regular workforce, construction and contract maintenance is performed through 22 craft unions with established bargaining rights on OPG facilities. These bargaining rights are either through the Electrical Power Systems Construction Association ("EPSCA") or directly with OPG. All the construction agreements expired April 30, 2010. OPG, in conjunction with EPSCA, is actively involved in all aspects of negotiations.

Currently, 17 agreements have been ratified. Negotiations are being planned with the remaining construction unions. Negotiations are in the planning phase for the Canadian Union of Skilled Workers, the International Brotherhood of Electrical Workers Transmission, and Bricklayers International. Cement Mason and Tile and Terrazzo negotiations are on-going.

Electricity generation involves complex technologies, which demand highly skilled and trained workers. Many positions at OPG have significant educational prerequisites as well as rigorous requirements for continuing training and periodic requalification. In addition to maintaining its extensive internal training infrastructure, OPG relies on partnerships with government agencies, other electrical industry partners, and educational institutions to meet the required level of qualification.

Capability to Deliver Results

OPG's capabilities to execute its corporate strategies and deliver results are impacted by a number of areas.

GENERATING ASSETS RELIABILITY

OPG continues to implement specific initiatives to improve the reliability and predictability of each nuclear generating station. These initiatives are designed to address the specific technology requirements, operational experience, and mitigate risks. The Darlington nuclear generating station has converted to a three-year outage cycle to take advantage of the physical condition of the plant, the availability of backup systems, and on-power refuelling. The Pickering A and B nuclear generating stations will continue to focus on implementing targeted reliability improvements.

OPG has increased the productive capacity of its hydroelectric stations, and invested significant capital to replace aging equipment, upgrade runners, increase station automation, and enhance maintenance practices. Programs are in place to further improve the efficiency and availability of existing hydroelectric stations.

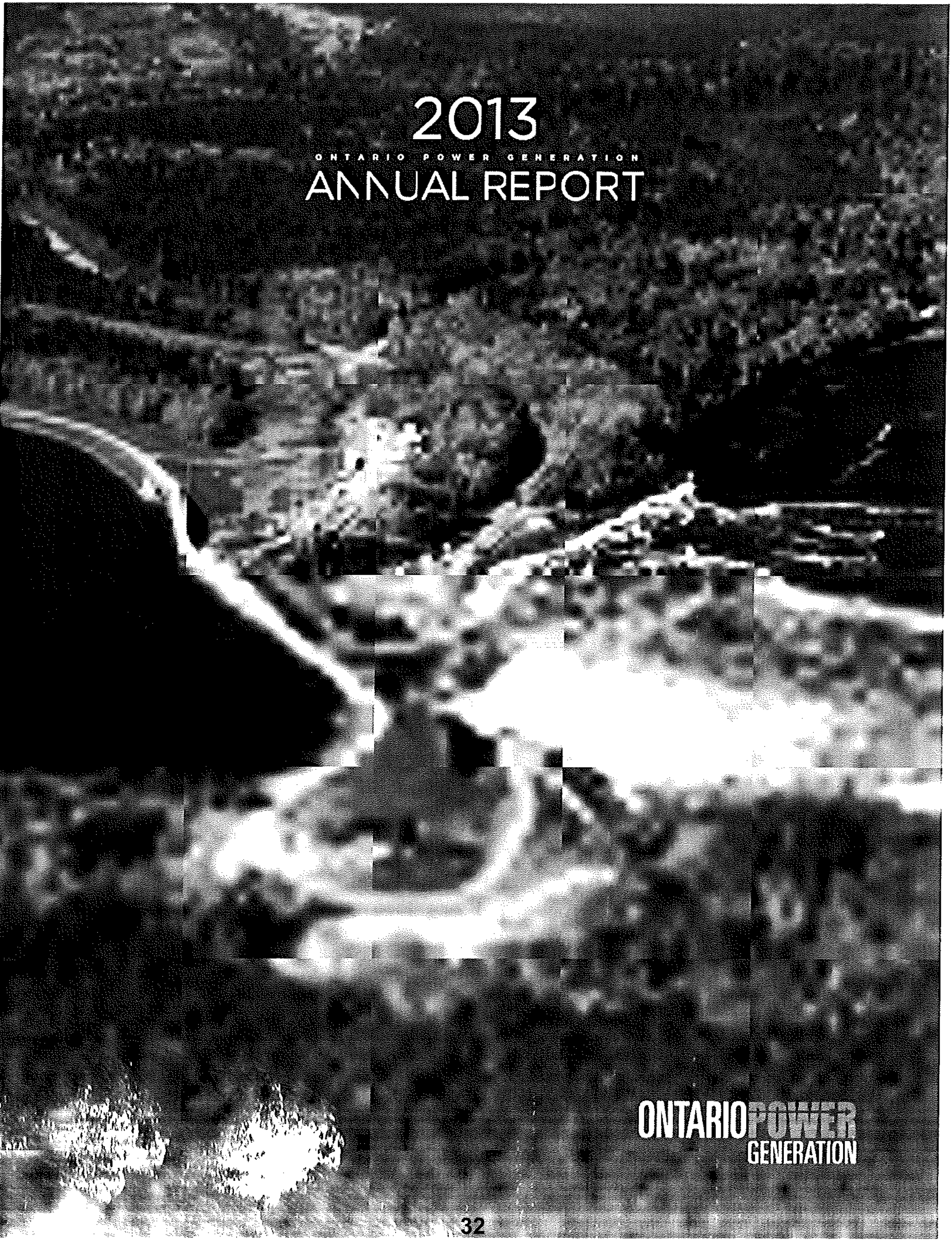
OPG will continue to maintain the reliability of its coal-fired generating stations to produce the electricity required until their scheduled closure dates, or upon conversion to alternative fuels.

PROJECT EXCELLENCE

OPG is pursuing and executing a number of generation development opportunities as described under the *Vision, Core Business and Strategy* section of the MD&A. In addition, OPG continues to plan and execute maintenance and capital improvement projects for its existing assets. Project excellence is essential to deliver these projects on time and on budget.

Project excellence includes ensuring OPG acquires the necessary talent and experience to properly plan and execute projects. OPG's strategy for developing and acquiring talent is discussed under the *Vision, Core Business and Strategy* section of the MD&A. Planning and preparation for projects are also essential to delivering projects on time and on budget. The planning and preparation process includes establishing contingency plans to manage potential challenges, creating and maintaining comprehensive risk registries, and setting up clear milestones at key stages of projects. In addition, project accountability is established at the appropriate level and with proper oversight by senior management and Board Committee.

2013
ONTARIO POWER GENERATION
ANNUAL REPORT



ONTARIO POWER GENERATION

Electricity generation involves complex technologies. These in turn demand highly skilled and trained workers. Many positions at OPG have significant educational prerequisites. They also have rigorous requirements for continuing training and periodic requalification. In addition to maintaining its extensive internal training infrastructure, OPG relies on partnerships with government agencies, other electrical industry partners, and educational institutions to meet the required level of qualification.

As of December 31, 2013, OPG had approximately 10,270 full-time employees and approximately 800 seasonal, casual construction, contract, and non-regular staff. Most of OPG's full-time employees are represented by two unions:

The Power Workers' Union (PWU) – This union represents approximately 6,000 OPG employees. The current collective agreement between OPG and the PWU has a three-year term, which expires on March 31, 2015

The Society of Energy Professionals (The Society) – This union represents approximately 3,200 OPG employees. The Company's most recent collective agreement with The Society was established through an arbitration award issued on April 8, 2013. This collective agreement has a three-year term, which expires on December 31, 2015. The Society filed a Judicial Review Application in the second quarter of 2013 to the Superior Court of Ontario in the matter of the arbitration award. The case is expected to be heard in late 2014. The Society represents 31 percent of OPG's regular workforce. Union membership includes supervisors, professional engineers, scientists, and professionals.

In addition to the regular workforce, construction work is performed through 20 craft unions with established bargaining rights on OPG facilities. These bargaining rights are either through the Electrical Power Systems Construction Association (EPSCA) or directly with OPG. Collective agreements between the Company and its construction unions are negotiated either directly or through EPSCA. A common expiry date for a number of the EPSCA agreements is April 30, 2015.

BUSINESS SEGMENTS

For the year ended December 31, 2013, OPG has five reportable business segments:

Regulated – Nuclear Generation
Regulated – Nuclear Waste Management
Regulated – Hydroelectric
Unregulated – Hydroelectric
Unregulated – Thermal.

Regulated – Nuclear Generation Segment

OPG's Regulated – Nuclear Generation business segment operates in Ontario, generating and selling electricity from the nuclear generating stations that it owns and operates. The business segment includes electricity generated by the Pickering and Darlington Nuclear generating stations. This business segment also includes revenue under the terms of a lease arrangement and related agreements with Bruce Power related to the Bruce Nuclear generating stations. This revenue includes lease revenue and revenue from services such as heavy water sales and detritiation. Revenue is also earned from isotope sales and ancillary services. Ancillary revenues are earned through voltage control and reactive support. Revenues under the agreements with Bruce Power and from isotope sales and ancillary services are included by the OEB in the determination of the regulated prices for OPG's nuclear facilities.

Regulated – Nuclear Waste Management Segment

OPG's Regulated – Nuclear Waste Management segment engages in the management of nuclear used fuel and L&ILW, the decommissioning of OPG's nuclear generating stations (including the stations on lease to Bruce Power),

AMPCO Interrogatory #063

Ref: Auditor General's (AG) Report – Review of OPG's Human Resources December 2013

Issue Number: 6.8
Issue: Are the 2014 and 2015 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

Interrogatory

a) Page 154 – The AG Report indicates that OPG's staffing levels have gone down by 8.5% (from about 12,100 in 2005 and to 11,100 in 2012), but the size of its executive and senior management group (directors, vice-presidents and above) has increased by 58% (from 152 in 2005 to 238 in 2012).

Please discuss how OPG is addressing the size of its executive and senior management group in this application.

b) Page 155 – Please discuss why the number of OPG employees earning more than $50,000 in overtime pay has doubled since 2003, from 260 to 520 in 2012.

Response

a) OPG has taken steps to address this. Any new or replacement position at the director level or higher must be approved by the President and CEO. Further, when any director, vice president or above position is vacated, OPG evaluates opportunities to not fill that position.

b) The majority of overtime is incurred in Nuclear and is attributed to planned and forced outages. In the last 10 years the rise in overtime earners can be attributed to:
   - The return to service of Pickering Units 1 and 4 brought two additional nuclear units on line resulting in new outages for Pickering since 2003.
   - The Inter Station Transfer Bus event at Pickering in 2007, that had Pickering A off line for 6 months, and the sustained outage P871 recovery in 2008 that resulted in Unit 7 being down for 6 months. Events such as these have required dedicated recovery crews that utilize overtime in order to bring the units back into service.
   - Pickering Continued Operations has created additional outages for Pickering Units 5 - 8 over the 2010 - 2014 period.
   - OPG bargained a new work schedule (the XYZ schedule) in the mid 2000's which guaranteed higher fixed overtime for a commitment to work overtime during peak periods during outages. The XYZ schedule consists of 12 hours of worked time per day paid as 8 hours of straight time and 4 hours of overtime.
   - The Nuclear Vacuum Building Outages happen every 12 years (DN in 2009 and PN in 2010). These outages take all units of a station off line at once, creating many planned outage days and an urgent need to work overtime to meet the schedule for bringing the station back on line.

Regular staff resources are utilized to the greatest extent possible in order to execute complex work assignments while maintaining the outage schedule. This inevitably requires overtime. OPG resources are used because they have the qualifications and experience to execute the work as efficiently as possible with the right quality.

Work conditions can also complicate the execution of work where high radioactive fields limit the time that workers can be exposed, requiring rotating shifts to enter fields for short durations at a time. In addition, even with the best planning, unforeseen equipment conditions can arise during an outage that can result in overtime. Planning and executing outages requires OPG to balance the use of the various resources types (regular, temp, contractor, overtime). Foregone production resulting in lost revenue at approximately $0.8M/day for Pickering and $1.2M/day for Darlington needs to be weighed against the cost of overtime.

UNDERTAKING J3.12

Undertaking

TO PROVIDE BREAKDOWN FOR 2010-2015 OF ACTUAL NUMBERS AND ACTUAL REDUCTION OF NON-UNIONIZED EMPLOYEES.

Response

The table below identifies the percentage of non-unionized FTEs in the Management Group Bands A-H, which includes staff down to the "*Manager*" job title, and the percentage of non-unionized FTEs categorized as Management Group Bands I-L, which are mostly administrative staff, as outlined in Exhibit L, Tab 6.8, Schedule 17 SEC-108, Attachment 2.

The percentages are based on historical headcount information. While this this level of detail is not available for the test period, OPG expects that the historic percentages will continue at essentially the same levels into 2014-2015.

The relatively consistent ratio indicates that reductions have been fairly evenly distributed between the two groups.

	2010 actual	2011 actual	2012 actual	2013 actual	2014 plan	2015 plan
Total Mgt FTE (from JT2.33)	1101.7	1099.2	1095.5	1091.0	1101.0	1076.3
% MGT FTE bands A-H	80.5%	81.2%	80.7%	81.5%	---	---
% MGT FTE bands I-L	19.5%	18.8%	19.3%	18.5%	---	---

UNDERTAKING J3.7

Undertaking

TO PROVIDE THE COMPARISONS OVER THE YEARS FOR TOTAL AND OVER $200,000 AMOUNTS.

Response

The total numbers of OPG Employees on the Public Sector Salary Disclosure List for 2010, 2011 and 2012 are set out in the table below.

	2010	2011	2012
Over $100k	7,786	7,849	7,960
Over $200k	395	413	448

UNDERTAKING JT2.18

Undertaking

To advise what percentage of the 10,375 headcount appears on the sunshine list.

Response

There were 7,958 OPG employees reported in the 2013 Public Sector Salary Disclosure list.

7,958 / 10,375 = 77%

Note that 10,375 is OPG's headcount target at year end 2016 and relates only to regular employees from ongoing operations, while 7,958 is a historical number as of year-end 2013 and relates to all employees of OPG.

Survey Design - Comparator Organizations

Organization	Group 1 - Power Generation, Electrical Utilities, and Nuclear Research, Development and Engineering (NRDE)	Group 2 - Nuclear Power Generation and Electric Utilities	Group 3 - General Industry	Group 4 - Pension & Benefits Analysis
AltaLink	√			
Atomic Energy of Canada Limited (NRDE)	√	√		√
BC Hydro and Transmission	√			√
Bruce Power	√	√		
Candu Energy Inc. (NRDE)	√	√		
Enmax Corporation	√			√
FortisAlberta	√			
Hydro Quebec	√	√		√
Independent Electric System Operator	√			
Manitoba Hydro	√			
Nalco Energy	√			√
New Brunswick Power	√	√		
New Brunswick System Operator	√			
Nova Scotia Power	√			
SaskPower	√			
Toronto Hydro	√			
Transalta	√			√
TransCanada	√			√
Yukon Energy Corporation	√			
Aon Hewitt's TCM Survey			√	
Mercer Benchmark Database			√	
Aon Hewitt Benefit SpecSelect (additional 9 companies)				√

Survey Results – Target Total Cash

Findings and Observations – Group 1

PWU

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

			Market Data	
Job Family	#OPG Incumbents	# Market Incumbents	Differential to P50	Differential to P75
Administration	498	686	36%	***33%***
Engineering	34	26	21%	***10%***
Environment, Health & Safety	75	162	-8%	***-17%***
Finance	98	49	35%	***22%***
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	2,636	4,051	23%	***7%***
Operations	1,043	1,059	5%	***-2%***
Supply Chain, Materials Mgmt & Purchasing	65	163	33%	***13%***
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG (incumbent matches)			**20.5%**	**8.1%**

Survey Results – Target Total Cash

Findings and Observations – Group 1

Society

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

Job Family	#OPG Incumbents	# Market Incumbents	Market Data: Differential to P50	Market Data: Differential to P75
Administration	1	4	-	-
Engineering	1,139	2,641	-1%	*-10%*
Environment, Health & Safety	11	30	10%	*0%*
Finance	40	143	-12%	*-20%*
Human Resources	-	-	-	-
Information Technology	30	106	-1%	*-9%*
Maintenance	226	57	-15%	*-23%*
Operations	27	35	4%	*-5%*
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	9	19	22%	*11%*
Average: Society (Weighted by OPG incumbent matches)			**-2.9%**	**-12.0%**

Survey Results – Target Total Cash

Findings and Observations – Group 1

Management

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	127	200	7%	***-2%***
Engineering	32	245	2%	***-11%***
Environment, Health & Safety	3	29	13%	***0%***
Finance	27	70	-6%	***-16%***
Human Resources	48	70	3%	***-7%***
Information Technology	-	-	-	-
Maintenance	16	29	-8%	***-17%***
Operations	24	51	8%	***1%***
Supply Chain, Materials Mgmt & Purchasing	1	3	-	-
Corporate Services	11	57	-10%	***-20%***
Average: Management (Weighted by OPG incumbent matches)			**3.0%**	**-6.5%**

Survey Results – Target Total Cash

Findings and Observations – Group 2

PWU

Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	498	508	35%	***22%***
Engineering	-	-	-	-
Environment, Health & Safety	75	162	-8%	***-17%***
Finance	-	-	-	-
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	2,353	2,566	22%	***5%***
Operations	550	346	-3%	***-13%***
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG incumbent matches)			**19.1%**	**4.3%**

Survey Results – Target Total Cash

Findings and Observations – Group 2

Society

Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	-	-	-	-
Engineering	1,094	1,408	-1%	***-10%***
Environment, Health & Safety	-	-	-	-
Finance	-	-	-	-
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	208	29	-18%	***-26%***
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	-	-	-	-
Average: Society (Weighted by OPG incumbent matches)			**-3.8%**	**-12.9%**

Survey Results – Target Total Cash

Findings and Observations – Group 2

Management

Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	#OPG Incumbents	# Market Incumbents	Differential to P50	Differential to P75
Administration	-	-	-	-
Engineering	24	119	0%	***-9%***
Environment, Health & Safety	2	7	20%	***9%***
Finance	3	8	-24%	***-31%***
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	16	29	-8%	***-17%***
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	-	-	-	-
Average: Management (Weighted by OPG incumbent matches)			**-3.4%**	**-12.6%**

Survey Results – Target Total Cash

Findings and Observations – Group 3

PWU

Group 3: General Industry

			Market Data	
Job Family	#OPG Incumbents	# Market Incumbents	Differential to P50	Differential to P75
Administration	498	13,990	25%	***12%***
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	98	1,374	53%	***32%***
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	3	925	56%	***33%***
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG incumbent matches)			**29.4%**	**15.7%**

Survey Results – Target Total Cash

Findings and Observations – Group 3

Society

Group 3: General Industry

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	1	6	15%	***-31%***
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	40	4,034	20%	***6%***
Human Resources	-	-	-	-
Information Technology	30	1,818	29%	***17%***
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	3	173	6%	***-12%***
Average: Society (Weighted by OPG incumbent matches)			**23.3%**	**9.4%**

Survey Results – Target Total Cash

Findings and Observations – Group 3

Management

Group 3: General Industry

			Market Data	
Job Family	#OPG Incumbents	# Market Incumbents	Differential to P50	Differential to P75
Administration	91	13,990	11%	*1%*
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	18	1,749	26%	*8%*
Human Resources	51	2,429	39%	*26%*
Information Technology	-	-	-	-
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	4	87	-24%	*-34%*
Average: Management (Weighted by OPG incumbent matches)			**20.9%**	**8.4%**

Survey Results – Base Salary

Findings and Observations – Group 1

PWU

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	498	686	40%	***37%***
Engineering	34	26	21%	***10%***
Environment, Health & Safety	75	162	-8%	***-17%***
Finance	98	49	35%	***22%***
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	2,636	4,051	26%	***7%***
Operations	1,043	1,059	7%	***0%***
Supply Chain, Materials Mgmt & Purchasing	65	163	35%	***17%***
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG incumbent matches)			**23.2%**	**9.0%**

Survey Results – Base Salary

Findings and Observations – Group 1

Society

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

Job Family	#OPG Incumbents	# Market Incumbents	Market Data: Differential to P50	Market Data: Differential to P75
Administration	1	4	-	-
Engineering	1,139	2,641	0%	***-10%***
Environment, Health & Safety	11	30	21%	***10%***
Finance	40	143	-10%	***-18%***
Human Resources	-	-	-	-
Information Technology	30	106	6%	***-4%***
Maintenance	226	57	0%	***-9%***
Operations	27	35	10%	***3%***
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	9	19	26%	***13%***
Average: Society (Weighted by OPG incumbent matches)			**0.0%**	**-9.3%**

Survey Results – Base Salary

Findings and Observations – Group 1

Management

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

Job Family	#OPG Incumbents	# Market Incumbents	Market Data: Differential to P50	Market Data: Differential to P75
Administration	127	200	5%	*-4%*
Engineering	32	245	-6%	*-15%*
Environment, Health & Safety	3	29	8%	*0%*
Finance	27	70	-6%	*-14%*
Human Resources	48	70	4%	*-5%*
Information Technology	-	-	-	-
Maintenance	16	29	-5%	*-14%*
Operations	24	51	4%	*-1%*
Supply Chain, Materials Mgmt & Purchasing	1	3	-	-
Corporate Services	11	57	-13%	*-23%*
Average: Management (Weighted by OPG incumbent matches)			**1.1%**	**-7.2%**

Survey Results – Base Salary
Findings and Observations – Group 2

PWU
Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	498	508	38%	***25%***
Engineering	-	-	-	-
Environment, Health & Safety	75	162	-8%	***-17%***
Finance	-	-	-	-
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	2,353	2,566	26%	***7%***
Operations	550	346	-3%	***-13%***
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG incumbent matches)			**22.4%**	**5.8%**

Survey Results – Base Salary

Findings and Observations – Group 2

Society

Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	-	-	-	-
Engineering	1,094	1,408	-1%	***-10%***
Environment, Health & Safety	-	-	-	-
Finance	-	-	-	-
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	208	29	-2%	***-11%***
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	-	-	-	-
Average: Society (Weighted by OPG incumbent matches)			**-1.1%**	**-10.5%**

Survey Results – Base Salary
Findings and Observations – Group 2

Management
Group 2: Nuclear Power Generation and Electric Utilities

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	-	-	-	**-**
Engineering	24	119	-8%	***-17%***
Environment, Health & Safety	2	7	16%	***5%***
Finance	3	8	-11%	***-19%***
Human Resources	-	-	-	**-**
Information Technology	-	-	-	**-**
Maintenance	16	29	-5%	***-14%***
Operations	-	-	-	**-**
Supply Chain, Materials Mgmt & Purchasing	-	-	-	**-**
Corporate Services	-	-	-	**-**
Average: Management (Weighted by OPG incumbent matches)			**-5.9%**	**-14.8%**

Survey Results – Base Salary
Findings and Observations – Group 3

PWU
Group 3: General Industry

			Market Data	
Job Family	**#OPG Incumbents**	**# Market Incumbents**	**Differential to P50**	**Differential to P75**
Administration	498	13,990	27%	***15%***
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	98	1,374	57%	***36%***
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	3	925	60%	***36%***
Corporate Services	-	-	-	-
Average: PWU (Weighted by OPG incumbent matches)			**32.4%**	**18.3%**

Survey Results – Base Salary

Findings and Observations – Group 3

Base Salary - Society

Group 3: General Industry

Job Family	#OPG Incumbents	# Market Incumbents	Market Data	
			Differential to P50	Differential to P75
Administration	1	6	27%	*-17%*
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	40	4,034	28%	*14%*
Human Resources	-	-	-	-
Information Technology	30	1,818	38%	*26%*
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	3	173	15%	*0%*
Average: Society (Weighted by OPG incumbent matches)			**31.2%**	**17.8%**

Survey Results – Base Salary

Findings and Observations – Group 3

Base Salary - Management

Group 3: General Industry

Job Family	#OPG Incumbents	# Market Incumbents	Market Data Differential to P50	Market Data Differential to P75
Administration	91	13,990	5%	***-5%***
Engineering	-	-	-	-
Environment, Health & Safety	-	-	-	-
Finance	18	1,749	24%	***8%***
Human Resources	51	2,429	32%	***20%***
Information Technology	-	-	-	-
Maintenance	-	-	-	-
Operations	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-
Corporate Services	4	87	-26%	***-34%***
Average: Management (Weighted by OPG incumbent matches)			**15.0%**	**3.4%**

Survey Results – Base Salary

Findings and Observations – Group 1

All Representations

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	39%	40%	***37%***	22%	-	***-***	2%	5%	***-4%***
Engineering	20%	21%	***10%***	-1%	0%	***-10%***	-8%	-6%	***-15%***
Environment, Health & Safety	-6%	-8%	***-17%***	20%	21%	***10%***	9%	8%	***0%***
Finance	27%	35%	***22%***	-9%	-10%	***-18%***	-7%	-6%	***-14%***
Human Resources	-	-	***-***	-	-	***-***	8%	4%	***-5%***
Information Technology	-	-	***-***	7%	6%	***-4%***	-	-	***-***
Maintenance	24%	26%	***7%***	1%	0%	***-9%***	-4%	-5%	***-14%***
Operations	7%	7%	***0%***	11%	10%	***3%***	2%	4%	***-1%***
Supply Chain, Materials Mgmt & Purchasing	27%	35%	***17%***	-	-	***-***	-18%	-	***-***
Corporate Services	-	-	***-***	20%	26%	***13%***	-15%	-13%	***-23%***
Weighted Average:	**21.0%**	**23.2%**	**9.0%**	**-0.1%**	**0.0%**	**-9.3%**	**0.3%**	**1.1%**	**-7.2%**

Survey Results – Base Salary

Findings and Observations – Group 2

All Representations

Group 2: Nuclear Power Generation and Electric Utilities

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	40%	38%	***25%***	-	-	-	-	-	-
Engineering	-	-	-	-1%	-1%	***-10%***	-9%	-8%	***-17%***
Environment, Health & Safety	-6%	-8%	***-17%***	-	-	-	17%	16%	***5%***
Finance	-	-	-	-	-	-	-8%	-11%	***-19%***
Human Resources	-	-	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-
Maintenance	27%	26%	***7%***	-1%	-2%	***-11%***	-4%	-5%	***-14%***
Operations	-2%	-3%	***-13%***	-	-	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	-	-	-	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-
Weighted Average:	**23.4%**	**22.4%**	**5.8%**	**-1.3%**	**-1.1%**	**-10.5%**	**-5.8%**	**-5.9%**	**-14.8%**

Survey Results – Base Salary
Findings and Observations – Group 3

All Representations
Group 3: General Industry

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	28%	27%	***15%***	7%	27%	***-17%***	6%	5%	***-5%***
Engineering	-	-	-	-	-	-	-	-	-
Environment, Health & Safety	-	-	-	-	-	-	-	-	-
Finance	54%	57%	***36%***	24%	28%	***14%***	21%	24%	***8%***
Human Resources	-	-	-	-	-	-	29%	32%	***20%***
Information Technology	-	-	-	38%	38%	***26%***	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	47%	60%	***36%***	-	-	-	-	-	-
Corporate Services	-	-	-	13%	15%	***0%***	-27%	-26%	***-34%***
Weighted Average:	**32.5%**	**32.4%**	**18.3%**	**29.2%**	**31.2%**	**17.8%**	**14.1%**	**15.0%**	**3.4%**

Survey Results – Target Total Cash

Summary – Group 1

All Representations

Group 1: Power Generation, Electric Utilities, and Nuclear, Research, Development and Engineering (NRDE)

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	35%	36%	***33%***	16%	-	***-***	5%	7%	***-2%***
Engineering	18%	21%	***10%***	-1%	-1%	***-10%***	-2%	2%	***-11%***
Environment, Health & Safety	-6%	-8%	***-17%***	8%	10%	***0%***	12%	13%	***0%***
Finance	23%	35%	***22%***	-10%	-12%	***-20%***	-6%	-6%	***-16%***
Human Resources	-	-	***-***	-	-	***-***	0%	3%	***-7%***
Information Technology	-	-	***-***	1%	-1%	***-9%***	-	-	***-***
Maintenance	22%	23%	***7%***	-14%	-15%	***-23%***	-8%	-8%	***-17%***
Operations	5%	5%	***-2%***	3%	4%	***-5%***	7%	8%	***1%***
Supply Chain, Materials Mgmt & Purchasing	23%	33%	***13%***	-	-	***-***	-25%	-	***-***
Corporate Services	-	-	***-***	9%	22%	***11%***	-16%	-10%	***-20%***
Weighted Average:	**19.1%**	**20.5%**	**8.1%**	**-3.2%**	**-2.9%**	**-12.0%**	**0.8%**	**3.0%**	**-6.5%**

Survey Results – Target Total Cash

Findings and Observations – Group 2

All Representations

Group 2: Nuclear Power Generation and Electric Utilities

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	40%	35%	***22%***	-	-	**-**	-	-	**-**
Engineering	-	-	**-**	-1%	-1%	***-10%***	-2%	0%	***-9%***
Environment, Health & Safety	-6%	-8%	***-17%***	-	-	**-**	22%	20%	***9%***
Finance	-	-	**-**	-	-	**-**	-12%	-24%	***-31%***
Human Resources	-	-	**-**	-	-	**-**	-	-	**-**
Information Technology	-	-	**-**	-	-	**-**	-	-	**-**
Maintenance	25%	22%	***5%***	-17%	-18%	***-26%***	-8%	-8%	***-17%***
Operations	-2%	-3%	***-13%***	-	-	**-**	-	-	**-**
Supply Chain, Materials Mgmt & Purchasing	-	-	**-**	-	-	**-**	-	-	**-**
Corporate Services	-	-	**-**	-	-	**-**	-	-	**-**
Weighted Average:	**22.1%**	**19.1%**	**4.3%**	**-3.9%**	**-3.8%**	**-12.9%**	**-3.4%**	**-3.4%**	**-12.6%**

Survey Results – Target Total Cash
Findings and Observations – Group 3

All Representations
Group 3: General Industry

	Differential to Market								
	PWU			Society			Management		
Job Family	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**	**Avg.**	**P50**	**P75**
Administration	24%	25%	***12%***	-5%	15%	***-31%***	11%	11%	***1%***
Engineering	-	-	-	-	-	-	-	-	-
Environment, Health & Safety	-	-	-	-	-	-	-	-	-
Finance	49%	53%	***32%***	16%	20%	***6%***	23%	26%	***8%***
Human Resources	-	-	-	-	-	-	35%	39%	***26%***
Information Technology	-	-	-	30%	29%	***17%***	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-	-	-
Supply Chain, Materials Mgmt & Purchasing	40%	56%	***33%***	-	-	-	-	-	-
Corporate Services	-	-	-	1%	6%	***-12%***	-28%	-24%	***-34%***
Weighted Average:	**28.0%**	**29.4%**	**15.7%**	**20.8%**	**23.3%**	**9.4%**	**18.8%**	**20.9%**	**8.4%**

Board Staff Interrogatory #102

Ref: Exh F4-3-1, Decision of the Court of Appeal for Ontario Docket C55602, C55641, C55633

Issue Number: 6.8
Issue: Are the 2014 and 2015 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

Interrogatory

With respect to the collective agreements that are currently in place, please provide all of the information that OPG relied on when OPG committed to that expense, including all benchmarking materials that were prepared by OPG or relied on by OPG.

Response

Each negotiation of a new collective agreement takes place against the background of prior negotiations and the existing agreement. The parties also consider the general compensation environment, particularly as reflected in agreements and arbitrations involving the Ontario Hydro successor companies and the broader public service. OPG assesses a wide range of information from internal and external sources when negotiating collective agreement revisions.

Attached please find examples of such information:

1. Public Sector Compensation Restraint, Remarks to Broader Public Sector Partners on Compensation by Dwight Duncan, Minister of Finance, July 20, 2010

2. Letter to Tom Mitchell, President & CEO OPG from David L. Lindsay, Deputy Minister dated July 14, 2010 Re: Public Sector Compensation Restraint

3. Letter to Jake Epp, Chair OPG from Dwight Duncan, Minister of Finance and Brad Duguid, Minister of Energy dated January 2011 re: OPG Business Plan

4. IESO Release: 18-month outlook dated February 24, 2012

5. Letter to Tom Mitchell, President & CEO OPG from Serge Imbrogno, Deputy Minister, Ministry of Energy, Re: Broader Public Sector Compensation, dated: July 16, 2012

6. Letter to Jake Epp, Chair, OPG from Chris Bentley, Minister of Energy and Dwight Duncan, Deputy Premier and Minister of Finance, Re: Business Plan Expectations, dated September 26, 2012

7. Canada Labour and Employee Relations Network Collective Bargaining Wage Increases – August 2012

8. TD Economics - Provincial Economic Update, October 2012

9. OPG Credit Rating as a November 27, 2012

10. Statistics Canada, Consumer Price Index, by province (monthly), dated December 21, 2012

11. RBC Economics - Provincial Economic Update, October 2012

12. Excerpt of Collective Agreement Management Board of Cabinet and Association of Management, Administrative and Professional Crown Employees of Ontario April 1, 2012 – March 31, 2014

13. Labour Arbitration Cases re Ability to Pay and Wage Restraint as economic factors

    a. Halifax Regional Municipality and Halifax Regional Professional Firefighters Association

    b. University of Toronto and University of Toronto Faculty Association

Also attached are the Management Agendas from both the Power Workers' Union negotiations and The Society of Energy Professionals negotiations.

14 a. Management Agenda – PWU

14 b. Management Agenda - Society

Ministry of Energy
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Toronto, ON M7A 2E1
Tél: 416-327-6758
Télec.: 416-327-6755

Ontario

July 14, 2010

Mr. Tom Mitchell, President and CEO
Ontario Power Generation
700 University Avenue, Suite H19A24
Toronto, Ontario
M5G 1X6

Dear ~~Mr. Mitchell~~: Tom

Subject: Public Sector Compensation Restraint

I am writing with further information regarding the government's public sector compensation restraint measures announced in the 2010 Budget and the impact of these measures on broader public sector employers and employees.

As you know, Ontario has felt the effects of the global recession and is running a deficit in order to create jobs and protect public services. While the contributions of those who deliver public services are valued and appreciated, the public also expects all of us to do our part to help sustain those public services.

For non-bargaining employees, the government has passed the *Public Sector Compensation Restraint to Protect Public Services Act, 2010*. It covers all public sector employers as defined in the Act who have employees that do not collectively bargain compensation. The Act prohibits increases to compensation, including rates of pay, pay ranges, benefits, perquisites and other payments, before the beginning of April 2012, except in specified circumstances.

.../2

For employees who bargain collectively, the 2010 Ontario Budget policy statement makes the government's direction clear. The government will respect all current collective agreements. However, when these agreements expire and new contracts are negotiated, the government expects its transfer payment partners, agencies and bargaining agents to seek agreements of at least two years' duration that provide no net increase in compensation. The fiscal plan provides no funding for compensation increases for any future collective agreements. It doesn't matter whether contracts expire next month, next year or the year after that – all employers and employee groups will still be expected to do their part.

Any increase in your organization's spending should be for the purpose of providing and protecting public services and is not to be diverted to fund increases in employee compensation.

In order to support the common understanding of all parties about the compensation restraint measures, further Qs and As have now been posted on the Ministry of Finance website at www.ontario.ca/compensation.

These Qs and As provide additional information about the fiscal necessity to restrain public sector compensation and answer questions about the application of the policy statement.

The government expects its transfer payment partners and agencies to comply with the government's direction on public sector compensation. To ensure your organization and any bargaining agents are fully informed, I ask you to share this letter as appropriate so that its contents are communicated to all concerned parties.

The government is continuously assessing how best to support transfer payment partners, agencies and bargaining agents in complying with the Policy Statement and will be communicating additional information as appropriate.

Sincerely,

David L. Lindsay
Deputy Minister

c: Craig MacLennan, Chief of Staff
Rick Jennings, Assistant Deputy Minister
John Whitehead, Assistant Deputy Minister/Interim CAO

Ministry of Energy

Office of the Minister

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Ontario

JAN 1 3 2011

The Honourable Jake Epp
Chair
Ontario Power Generation
1900–700 University Avenue
Toronto ON M5G 1X6

Dear ~~Mr. Epp~~ JAKE

Thank you for providing a copy of Ontario Power Generation's (OPG's) 2011-2015 Business Plan.

We have reviewed the plan and are pleased to see it is in line with the McGuinty government's energy policy objectives. We acknowledge that OPG's plan includes investing over $6 billion in capital projects over the planning period to develop a wide range of projects, including government-directed projects and activities.

We also acknowledge that OPG has decided to defer its proposed plan to begin borrowing in public capital markets for general corporate purposes, originally targeting for an initial debt public offering in the second quarter of 2011. We concur with OPG's decision to not move forward with this proposal in 2011. In the meantime, we urge OPG to continue to work with the Ontario Financing Authority (OFA) to ensure that terms and conditions of any debt offerings, and its timing, are compatible with and acceptable to the government's requirements.

We also see that in keeping with the government's ongoing commitment to public sector expenditure restraint, the Business Plan 2011-2015 incorporates headcount reduction and controlled OM&A spending. We appreciate the efforts OPG is demonstrating in exercising care with its expenditures. We encourage OPG to continue to pursue opportunities for operational efficiency and implement measures that minimize the impacts of its activities on electricity consumers while continuing to enhance the reliability of generating assets.

The government holds its agencies to the highest standards of integrity, accountability and transparency. For that reason, the government implemented new rules for competitive procurement of consulting services, and the *Public Sector Expense Review Act, 2009* to strengthen the accountability of government agency expense claims. Recently, the government introduced the *Public Sector Compensation Restraint to Protect Public Services Act, 2010* which calls for a freeze in the compensation structure for public and designated organizations including the OPG. We expect that OPG has already formalized all necessary policies and guidelines to comply with these new rules.

.../cont'd

We emphasize that OPG must be mindful of managing its labour costs and, in particular, of the obligations and expectations established through the *Public Sector Compensation Restraint to Protect Public Services Act, 2010* and the government policy statement with regard to these expectations. For employees who bargain collectively, the 2010 Ontario budget policy statement makes the government's direction clear. The government will respect all current collective agreements. However, when these agreements expire and new contracts are negotiated, the government expects its transfer partners, agencies and bargaining agents to seek agreement of at least two years duration that provide no net increase in compensation. For absolute clarity, OPG as an agency of the Province, is subject to these obligations and expectations.

The government recently released the Long-Term Energy Plan (LTEP) for the province. We expect OPG's ongoing business planning to be fully integrated with the LTEP to ensure system adequacy and reliability. This will require cooperation with the government and other related parties in the sector to work towards increasing renewable generation, expanding hydro assets, re-powering thermal units as directed, and refurbishing and building clean, reliable nuclear power. The government will continue to look to OPG to play a key role in advancing its priorities in the electricity sector over the planning period and beyond. In particular, the government will be looking for OPG to continue with its work seeking federal Environmental Assessment approval and site licensing approval for new build nuclear at the Darlington site.

This letter constitutes our concurrence with the Business Plan 2011-2015, along with the subsequent decision by OPG to defer its proposed plan to issue debt on public capital markets for general corporate purposes in 2011, and with the expectation that OPG will review and update its business plan in the future to reflect projects and new work programs under the LTEP. We look forward to working closely with OPG as we endeavour to implement our government's new LTEP.

Sincerely,

Brad Duguid
Minister of Energy

Dwight Duncan
Minister of Finance

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Ontario

July 16, 2012

MEMORANDUM TO: **Tom Mitchell, President and CEO, Ontario Power Generation**

FROM: **Serge Imbrogno, Deputy Minister, Ministry of Energy**

RE: **Broader Public Sector Compensation**

Attached is a letter from Minister of Finance Dwight Duncan that is being sent to broader public sector employers in Ontario. This letter provides additional and important information on the Provincial Compensation Framework which was announced in the 2012 Ontario Budget.

This letter is being sent to all non-municipal employers, but does include municipal long-term care and public health units.

Specifically, the attached letter communicates the government's clear expectations around the management of compensation in the broader public sector in Ontario.

This is consistent with the approach the government is taking with its teachers and doctors.

More information on the direction in this letter is available on the Ministry of Finance's website: www.fin.gov.on.ca.

Serge Imbrogno

Serge Imbrogno
Deputy Minister

c: The Honourable Jake Epp, Chair, Ontario Power Generation

Enclosure

Ministry of Finance
Deputy Premier
Office of the Minister

Ministère des Finances
Vice-premier ministre
Bureau du ministre

Ontario

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To: BPS Employers

RE: Provincial Compensation Framework

In March, when I tabled the 2012 Budget, Strong Action for Ontario, I laid out a plan to keep Ontario on track to balance the budget by 2017-18. I indicated then that eliminating the deficit was the single most important step the government could take to grow our economy, and protect and create jobs. I said the government was committed to getting its fiscal house in order while protecting the services that matter most to Ontarians: health care and education.

That strong action includes a plan to transform the broader public sector (BPS).

Our partners in the BPS play critical roles in providing services to Ontarians and the McGuinty government has always valued, and will continue to value that work. Compensation for the BPS accounts for more than 50 per cent of all Ontario government spending.

The government is asking all Ontarians to do their part in returning the budget to balance.

As you know, we have asked teachers and doctors to hit the pause button for two years. And now we are asking others in the BPS to do the same.

To meet the government's fiscal targets, the fiscal plan provides no funding for incremental compensation increases for new collective agreements.

The government respects the collective bargaining process and will leave existing agreements intact. The government will also insist that its partners continue providing high-quality health care, education and other key public services to Ontario families.

.../cont'd

Ontario is expecting its bargaining partners to meet the following criteria:

- For two years, collective agreements should not allow for increases in compensation. This includes wages, performance pay and benefits. Any movement through an established grid must be fully offset from within the total compensation package. Should parties wish to enter contracts of more than two years, those contracts should contain no increases in compensation during the additional period.
- The *Broader Public Sector Accountability Act, 2010*, implements compensation restraint measures for designated executives at hospitals, universities, colleges, school boards and designated organizations. The restraint measures are effective March 31, 2012, and are in place until the province ceases to have a deficit.
- Decisions related to compensation for non-executives who are not governed by collective agreements should live within fiscal targets.

These criteria are consistent with the approach the government is taking with teachers' compensation and doctors' fee for service arrangements.

In addition, there should be no agreement to terms that impose longer-term costs or restrictions on service delivery.

You, as an employer, are expected to share these parameters with your bargaining agents. The McGuinty government believes being transparent about our expectations will support the collective bargaining process and good-faith bargaining.

As the 2012 Budget states, where agreements cannot be reached that are consistent with the government's plan to eliminate the deficit, the government is prepared to propose necessary administrative and legislative measures.

In addition, the 2012 Ontario Budget announced a number of initiatives intended to improve the sustainability, affordability and efficiency of pension plans in the Broader Public Sector. The government is currently conducting consultations on the affordability and sustainability of public sector pension plans.

Ontario is facing some challenges. Strong action is required to eliminate the deficit, protect jobs and encourage the creation of new jobs as well as economic growth.
I know I speak for my Cabinet colleagues when I say that we appreciate everything that all parties are doing to help move Ontario forward.

Sincerely,

Dwight Duncan
Deputy Premier
Minister of Finance

Ministry of Energy

Office of the Minister

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RECEIVED
SEP 28 2012
OFFICE OF THE CHAIR

Ontario

SEP 26 2012

MC-2012-1692

Mr. Jake Epp
Chair
Ontario Power Generation
1900–700 University Avenue
Toronto ON M5G 1X6

CC: C.King
D. Hartwick
J. Mossop

Dear Mr. Epp:

Thank you for submitting Ontario Power Generation's (OPG) proposed 2012-2014 Business Plan. We have reviewed your submission, including OPG's rate strategy, and our expectations going forward are detailed below.

We appreciate that OPG's proposed 2012-2014 Business Plan recognizes today's economic realities by showing consideration for budget restraint, and minimizing rate impacts for consumers without compromising the safe, and reliable supply of clean electricity to Ontarians. In addition, OPG's commitment to finding cost savings through its recently announced Business Transformation Initiative is a step in the right direction. In particular, we appreciate OPG's commitment to reducing the total number of full-time staff by 1,000 employees and finding savings of at least $200 million between 2012-2014.

However, more needs to be done. It is our expectation that OPG will build on this initiative by submitting an aggressive business plan for 2013-2015 that identifies additional cost saving measures, including further headcount reductions. These efficiencies are expected as OPG continues to modernize while at the same time meeting financial targets, mitigating rate impacts for consumers, maintaining the reliability of its generating assets, and providing value to the Province.

As you know, the government has asked all agencies to actively pursue cost savings and find efficiencies with a focus on compensation restraint. As previously stated the government respects the collective bargaining process and will leave existing agreements intact. However, when those agreements expire, the government expects its transfer partners, agencies and bargaining agents to seek agreements that provide for no increases in compensation for two years. This direction is consistent with the approach the government is taking with its teachers and doctors.

Additional guidance is provided in the amendments to the *Broader Public Sector Accountability Act, 2010* announced in the 2012 Ontario Budget. OPG should make compensation decisions that are consistent with the government's policy direction as outlined in the July 16, 2012 letter to the Broader Public Sector.

.../cont'd

The 2012 Ontario Budget also announced a review of Ontario's electricity sector and expectations around its pension plans. The electricity sector review includes a Compensation and Productivity Benchmarking Review of OPG and Hydro One. This initiative is currently underway and we look forward to working with OPG to implement the results of the review to improve efficiency and productivity in its operations and find value for ratepayers. Finally, the government expects OPG to pursue all best efforts on pension reform, including moving to a jointly-sponsored pension plan, identifying a plan to move to 50:50 contributions while reducing benefits.

We recognize OPG's accomplishments during 2011, including its timely and effective response to the Canadian Nuclear Safety Commission's direction in relation to the Fukushima incident, the safe completion of the Niagara Tunnel mining, and the initial construction on the Darlington Energy Complex to help support Darlington's refurbishment.

We would ask that OPG continue to keep the government informed about the company's key ongoing and emerging initiatives. In particular, we look forward to reviewing OPG's progress in achieving its financial and operational performance commitments contained in the proposed 2012-2014 Business Plan. Given that OPG's net income and payments-in-lieu of taxes directly impact Ontario's fiscal plan, we note the importance of hitting or exceeding OPG's net income commitments and payments-in-lieu of taxes for the 2012-13 and subsequent fiscal years. We expect that any evaluation of management performance will give due consideration to meeting or exceeding these fiscal commitments.

This letter constitutes our concurrence with the proposed 2012-2014 Business Plan provided by OPG, as required by the Memorandum of Agreement between OPG and the shareholder dated August 17, 2005.

Sincerely,

Chris Bentley
Minister of Energy

Dwight Duncan
Deputy Premier
Minister of Finance

c: Tom Mitchell, President and Chief Executive Officer, OPG
Serge Imbrogno, Deputy Minister, Ministry of Energy
Steve Orsini, Deputy Minister, Ministry of Finance
Michael Reid, A/Assistant Deputy Minister, Ministry of Energy
Ronald Kwan, A/Assistant Deputy Minister, Ontario Financing Authority

Ontario

ONTARIO ENERGY BOARD

FILE NO.: EB-2010-0008

VOLUME:	9	
DATE:	October 22, 2010	
BEFORE:	Cynthia Chaplin	Presiding Member and Vice-Chair
	Cathy Spoel	Member
	Marika Hare	Member

PWU are in 20 occupations, maybe?

MS. IRVINE: Oh, much more than that.

MR. SHEPHERD: Fifty?

MS. IRVINE: I would say, yeah, between 50 and 60.

MR. SHEPHERD: Okay. So the reason I'm -- 60 percent of your people? Okay, yeah.

MS. IRVINE: Yes. But the Society has far more occupation codes.

MR. SHEPHERD: What I am trying to understand is why you wouldn't want this information. Even if it costs a half-a-million dollars, a million dollars, if you are going into a negotiation that you are going to pay hundreds of millions of dollars a year in salaries, isn't having this information useful?

MS. IRVINE: It may be useful, but I don't think it is useful to the tune of half-a-million or a million dollars.

I don't spend anywhere near that kind of money on salary surveys for all conditions. And you have to also think about its effectiveness in the bargaining process. Because you have a piece of paper or several pieces of paper that suggest this is where you sit in the market according to Mercer, I am not sure that that is influential with the union bargaining team or with the potential arbitrator.

MR. SHEPHERD: Well, in fact, you talked about -- with Mr. Millar about how you could use it as a tool, and you said basically you didn't know how you could use it as a tool. But surely in negotiations, just as Mr. Stephenson said arbitration awards are used in negotiation, isn't it true that you use things like external surveys and you say across the table, Look, this survey is here. It is going to come in our next rate case. It is going to be disclosed. The Board is going to see what we should be paying. We can't give you more.

Isn't that what happens in fact at the bargaining table?

MS. IRVINE: That has not happened, in fact. It's been my experience that with market data, that it is accepted by the union bargaining team and sort of put to one side. They don't believe it is germane. They're more concerned about internal relativity than external.

MR. SHEPHERD: And my last question is a sort of a clean-up thing. You have said somewhere that 15 to 28 percent of the base salary of certain occupations is paid as a licence retention bonus, and you talked about this yesterday; right?

MS. IRVINE: Yes, we did.

MR. SHEPHERD: I think you said yesterday it is 220 employees?

MS. IRVINE: 221.

MR. SHEPHERD: That is about $6 million a year you pay in that bonus? Am I right in the right range, 6 million? It is probably in the evidence somewhere, but, again, it is one of those things I couldn't find.

MS. IRVINE: Yes, I am trying to refer you to something concrete.

required of Hydro One.[37] Board staff noted that, given total compensation costs of almost $2.8 billion over the test period, the cost of such a study would be reasonable.

OPG argued that an external study of compensation was not required because the study would be expensive, at a cost of about $0.5 million to $1 million, there are a limited number of nuclear operators in Canada, and OPG is bound by its collective agreements. OPG stated that if it was directed to complete a study, it would do so provided funding was allocated.

Board Findings

Compensation makes up a very significant component of OPG's total operating costs. The Board is concerned with both the number of staff and the level of compensation paid in light of the overall performance of the nuclear business. Each of these issues will be addressed separately.

The lack of comparable data (use of headcount for the historical period and FTEs for the future) make comparison and trending of staffing levels difficult. The Board must be able to see proposed staffing levels and compare those to previous period actuals. The Board therefore will direct OPG to file on a FTE basis in its next application and to restate historical years on that basis.

One of the reasons for the discontinuity between headcount and FTEs may be the extensive use of overtime, particularly in the nuclear division. The Board expects to examine the issue of overtime more closely in the next proceeding. The Board expects OPG to demonstrate that it has optimized the mix of potential staffing resources.

Despite this difficulty in comparing proposed staffing levels with past periods, the Board is of the view that OPG has opportunities to reduce the overall number of employees further as a means of controlling total costs and enhancing productivity. This was demonstrated by OPG's own evidence, as explained by OPG's witness and by Mr. Sequeira from ScottMadden, with respect to the Radiation Protection Function.[38]

The ScottMadden Phase 2 report observed that OPG's staffing levels per unit exceed both the industry median and Bruce Power, and that OPG staff levels are generally higher than the comparison panels (while noting that this may be influenced by OPG's

[37] Decision with Reasons, EB-2006-0501, August 16, 2007, p. 33.
[38] Tr. Vol. 3, p. 24.

practice of contracting out relatively few project based outage functions).[39] For this reason, the Board has also directed OPG to conduct a staff level analysis as part of its benchmarking studies for the next proceeding. (This issue is discussed more fully in Section 4.2, Benchmarking.) ScottMadden also conducted a pilot top-down staffing analysis for a single OPG function: the Radiation Protection Function. ScottMadden concluded that there was room for a potential reduction of 48 FTEs (28%) in the Radiation Protection Function, of which 13 FTEs could be eliminated altogether. Despite these findings, OPG failed to act on an opportunity to eliminate 13 FTEs, and instead eliminated only one.[40] This is only a single example concerning relatively few positions, but the Board is concerned that OPG has not acted more aggressively in a case where it has clear information that a particular function is overstaffed. Although collective agreements may make it difficult to eliminate positions quickly, it is not reasonable for ratepayers to bear these additional costs in the face of strong evidence that the positions are in excess of reasonable requirements. With 20 to 25% of staff expected to retire between 2010 and 2014, the Board concludes that OPG has a timely opportunity to review its organizational structure, taking actions to reassign functions and eliminate positions. The Board is not suggesting that a specific percentage of the retiring staff will not need to be replaced, but this may provide an opportunity for reducing the overall staffing complement without disrupting negotiated commitments with the unions.

As to the compensation, the Board finds that the compensation benchmark should generally be set at the 50th percentile. OPG suggests there is no evidence to support this conclusion, but the Board disagrees. This target level is consistent with the recommendations of the Agency Review Panel for executive employees, and indeed for management employees, OPG uses the 50th percentile as the benchmark. In the Board's view, there would need to be strong evidence to conclude that a higher percentile is warranted for non-management staff. OPG provided no such compelling evidence, but merely asserted that positions in the nuclear business required greater skills overall than the comparators. There was no documentation or analysis to support these assertions.

The evidence provided does not substantiate the assertion that the positions selected by OPG are sufficiently different to warrant the use of the 75th percentile. Although OPG stressed that its work requirements (particularly on the nuclear side) are highly

[39] Exh. F5-1-2, p. 26.
[40] Tr. Vol. 3, p. 27.

technical, the Board observes that many of the comparators in the Towers Perrin study would also require highly technical skills, and some of the comparators also operate nuclear facilities. Indeed the job classifications used in the Towers Perrin report are compared against each other on the basis that they are at least broadly speaking comparable. A number of the positions selected by OPG, such as labourer, also do not appear to be specifically related to highly technical nuclear plant work. In addition, most of the comparators were similarly large and unionized, and perform highly technical, though not necessarily nuclear plant, work. The Board recognizes that the analysis conducted by OPG to produce the chart is not comprehensive, and indeed was not likely intended to be comprehensive. Well over half of OPG's employees are not covered by the 30 positions listed in the chart. The data was not specifically prepared for the purpose of conducting a comprehensive comparison, and the data used in preparing the chart references base salary only.[41] Despite these limitations, the analysis provides sufficient evidence to conclude that for a significant proportion of OPG's staff the compensation is excessive based on market comparisons.

PWU argued that the comparative analysis, which uses non-nuclear entities, is not evidence of imprudence by OPG, and therefore there is no evidence to rebut the presumption that the expenses arising from the collective agreements are prudent. The Board does not agree.

The ratepayers should only be required to bear reasonable costs – and in determining reasonable costs the Board can be guided by market comparisons. It is the responsibility of the Board to send a clear signal that OPG must take responsibility for improving its performance. In order to achieve this, the Board will reduce the allowance for nuclear compensation costs by $55 million in 2011. This amount is derived by considering a number of factors:

- Reducing the compensation for the 30 positions from the Towers Perrin data would require a reduction of $37.7 million.
- Given the breadth of positions in the analysis and the prevailing pattern that wages are well in excess of the 50th percentile, it is reasonable to conclude that the same pattern exists for the vast majority of all staff positions in the company. There was certainly no evidence to suggest otherwise. Therefore, the total

[41] The Towers Perrin survey was filed confidentially with the Board as undertaking J8.5. The Towers Perrin Survey includes data both for base salary and total cash compensation. However, OPG appears to have used only the base salary information in preparing the chart. See Tr. Vol. 8, pp. 175-176.

adjustment to move all regulated staff to the 50th percentile is substantially in excess of $37.7 million.

- In determining the appropriate adjustment, the Board recognizes that it will be difficult for OPG to make significant savings through compensation levels alone in the short to medium-term given the collective agreements with its unions.
- OPG has already indicated that there will be no increase in management salaries through April 1, 2012, and this reduction was not incorporated into the original filing.
- The ScottMadden benchmarking analysis supports the conclusion that there is excess staff overall and that this is one component of OPG's relatively poor performance (in comparison to its peers). A further reduction in the allowance for compensation is warranted for this factor.
- The ScottMadden benchmarking analysis also demonstrates that OPG's overall performance is poor on certain key benchmarks, for example non-fuel operating costs. Compensation is a significant cost driver for this metric, and OPG's poor ranking supports the Board's decision to make reductions on account of compensation costs

The same reduction will apply in 2012, but there will also be an additional reduction of $35 million to represent further progress toward the 50th percentile, further progress in reducing excess headcount, and further progress toward achieving a reasonable level of cost performance. The total reduction for 2012 is $90 million.

While a more aggressive reduction was argued by some intervenors, the Board recognizes that changes to union contracts, to staffing levels and movement to the 50th percentile benchmark will take time. Indeed, the Board recognizes that OPG may not be able to achieve $145 million in savings in the test period through compensation reductions alone. The Board is making these adjustments so that payment amounts are based on a reasonable level of performance. If costs are in excess of a reasonable level of performance, then those excess costs are appropriately borne by the shareholder.

The Board is allocating this adjustment solely to the nuclear business for the purposes of setting the payment amounts. The Board is not ordering any reductions for the hydroelectric business because the benchmarking evidence for that business supports the conclusion that it is operated reasonably efficiently from an overall perspective, and therefore the Board is less concerned with the specific compensation levels for that part of the company. For the nuclear business the evidence is clear that overall performance is poor in comparison to its peers and the staffing levels and compensation exceed the comparators. On this basis an adjustment is necessary to ensure the payment amounts are just and reasonable.

Lastly, the Board directs OPG to conduct an independent compensation study to be filed with the next application. As noted above, OPG's compensation benchmarking analysis to date has not been comprehensive. The Board remains concerned about compensation costs, in light of the company's overall poor nuclear performance, and would be assisted by a comprehensive benchmarking study comparing OPG's total compensation with broadly comparable organizations. The study should cover a significant proportion of its positions. Compensation costs are a signification proportion of the total revenue requirement; OPG's position that such a study would be too expensive and of little value is therefore not reasonable. Consultation with Board staff and stakeholders concerning the scope of the study, in advance of issuing a Terms of Reference, is advised. The costs of the study are to be absorbed within the overall revenue requirement allowed for in this Decision. This has been already accounted for in the Regulatory Affairs budget, which anticipates studies in support of the company's next application.

6.2 Pension and Other Post Employment Benefits

Costs related to Pension and Other Post Employment Benefits ("OPEB") for the test period were forecast based on discount rates and assumptions in OPG's 2010-2014 business plan. The total amount requested for the test period is approximately $633 million. On September 30, 2010, OPG filed an Impact Statement in which it identified a significant decline in discount rates causing an increase in forecast pension and OPEB costs for the test period. Rather than revising the proposed revenue requirement, OPG requested approval for a variance account, "to record the revenue requirement impact of differences between forecast and actual pension and OPEB costs." The total forecast increase as a result of the update is $264.2 million, as summarized in the following table.

1178/K

IN THE MATTER OF AN ARBITRATION

BETWEEN

ONTARIO POWER GENERATION

(“the company” / “OPG” / “the employer”)

- AND -

THE SOCIETY OF ENERGY PROFESSIONALS

(“the Society” / “the union”)

CONCERNING AN INTEREST ARBITRATION FOR THE RENEWAL OF A COLLECTIVE AGREEMENT

BOARD OF ARBITRATION

Christopher Albertyn – Mediator / Arbitrator

APPEARANCES

For the Society:

Joseph Fierro	Local Vice-President
Victor Chetcuti	Unit 2 Director
Peter Tien	Unit 8 Director
Tony Kokus	Unit 9 Director
Joel Barton	Unit 10 Director
Alex Saba	Unit 16 Director
Shirley Kung	Unit 43 Director
Andre Kolompar	Staff Officer
Sonia Pylyshyn	Staff Officer
Andrew Todd	Staff Officer
Mary Byberg	Staff Officer

For OPG:

Richard Charney	Legal Counsel, Norton Rose
Brian Gottheil	Legal Counsel, Norton Rose
Jason Fitzsimmons	VP Safety, Wellness, Employee & Labour Relations
Glenn Zavitz	Director, Labour Relations
Connie Hergert	Director, Employee Relations
Matt Dowdle	Manager (Acting), Labour Relations
Carissa Nowak	Senior Labour Relations Consultant
Scott Martin	SVP Business & Admin Services
Mike Peckham	VP Projects & Modifications
Melanie Braaten	VP Business Partners- People and Culture
Jeff Hansen	Plant Manager - Nanticoke
Gerry Foote	Production/Project Manager – Chenaux GS
Brandon Bondy	Senior Human Resources Officer - Pickering
Joanne Kranyak	Human Resources Advisor – Hydroelectric Northwest

Mediation-arbitration held in TORONTO on January 29, 30, 31 and February 23, 24 and 28, 2013.

Award issued on April 8, 2013.

AWARD

Jurisdiction

1. This is an interest arbitration pursuant to the parties' collective agreement in order to effect a renewal collective agreement, following the expiry of the parties' collective agreement on December 31, 2012. The principles agreed by the parties that govern the arbitrator's jurisdiction read as follows under Article 15 of the parties' collective agreement:

> **15 Collective Agreement Negotiation Disputes**
>
> Future contract negotiations disputes shall be resolved by binding arbitration.
>
> The dispute resolution process shall be mediation-arbitration using the same individual as both the mediator and arbitrator. The negotiating process is set out in full in Appendix VII.
>
> The mediator-arbitrator shall consider the following issues as relevant to the determination of the award on monetary issues:
>
> a) a balanced assessment of internal relativities, general economic conditions, external relativities;
>
> b) OPG need to retain, motivate and recruit qualified staff;
>
> c) the cost of changes and their impact on total compensation;
>
> d) the financial soundness of OPG and its ability to pay.

> A mediator-arbitrator shall have the power to settle or decide such matters as are referred to mediation-arbitration in any way he/she deems fair and reasonable based on the evidence presented by representatives of OPG or The Society in light of the criteria in items (a) to (d) and his/her decision shall be final and binding.

2. The determination of monetary items is to be done on the basis of categories a) to d) above. The determination of other issues is to be done on the basis of what the arbitrator considers fair and reasonable based on the evidence presented, having regard to the considerations in categories a) to d) above.

3. The general arbitral principle that an arbitrator's award should replicate the results the parties would have reached had they freely negotiated a collective agreement also applies and informs this award: *Re Board of School Trustees, School District 1 (Fernie)* (1982), 8 L.A.C. (3d) 157 (Dorsey), at p. 159; *Re Bruce Power LP and Society of Energy Professionals* (2004), 126 LAC (4^{th}) 144 (Burkett), p.152.

<u>Background</u>

4. The parties have a long established collective bargaining relationship.

5. Ontario Power Generation ("OPG") is a corporation wholly owned by the Province of Ontario. Since 1999 it has operated the majority of the electricity generating assets of the former Ontario Hydro. OPG operates three nuclear stations (Pickering A, Pickering B and Darlington); five fossil-fuel stations (Nanticoke, Lambton, Lennox, Thunder Bay and Atikokan); and 65 hydroelectric stations, the principal two of which are regulated by the province, under the Ontario Energy Board (OEB), which sets electricity rates for the regulated portion of OPG's business.

6. Although OPG is wholly owned by the province of Ontario, it is a non-transfer payment partner of the Government, i.e., it is an entity that does not receive any funding from the provincial government, but rather funds its operations through its own revenue generation.

7. OPG employs approximately 10,910 regular employees (as of October 31, 2012) widely distributed throughout Ontario. Approximately 90% of OPG's employees are covered by collective bargaining agreements respectively with the Society and the Power Workers Union (PWU). Approximately 3,453 of OPG's employees are members of the bargaining unit represented by the Society, and 6,308 by the PWU.

8. OPG and the Society have a single collective agreement covering OPG's nuclear and non-nuclear generating operations.

9. The Society membership is comprised of engineers, scientists, and other highly skilled professional staff who provide supervisory, administrative and technical services at OPG. Certain nuclear plant employees are licensed by the Canadian Nuclear Safety Commission (CNSC). They supervise and train licensed employees. OPG employees require particular knowledge and skill to work in nuclear power generation.

10. The previous round of collective bargaining did not result in agreement between the parties. As in the present case, the parties referred their interest dispute to mediation-arbitration. The award, *Ontario Power Generation and The Society of Energy Professionals*, [2011] O.L.A.A. No. 117 (Burkett), resulted in a collective agreement for the period January 1, 2011 to December 31, 2012. In that award, Society-represented employees were awarded wage increases of 3% on January 1, 2011, 2% on January 1, 2012, and a further 1% on April 1, 2012.

11. In the current round of collective bargaining the parties did not reach an

agreement. Their disagreement was referred to mediation-arbitration. The mediation phase did not produce an agreement. The dispute was then dealt with by arbitration. This award determines the terms of the renewal collective agreement.

12. The bargaining pattern of the parties, as reflected in the internal comparison criterion described above for the conduct of this arbitration, has, on monetary issues, substantially followed that agreed between OPG and the PWU. The two units have historically engaged in pattern bargaining and have received very similar, if not identical, increases.

13. OPG and the PWU do not have an agreement to refer their interest disputes to arbitration. Strikes or lockouts potentially result from impasse. Although they draw somewhat different conclusions, both the Society and OPG treat the OPG-PWU three-year agreement as an important guide for the replication of collective bargaining.

Relevant facts

14. In the most recent bargaining round between the PWU and OPG, they

negotiated wage increases of 2.75% on April 1 in each of the three years of the collective agreement (for the period April 1, 2012 to March 31, 2015) ("the PWU agreement" concluded on March 20, 2012). So the increases of 2.75% were, or are to be paid, on April 1, 2012, April 1, 2013 and April 1, 2014. There were other improvements for workers represented by the PWU. The Society relies upon those increases and improvements for advancing its wage increment and other proposals in this arbitration. OPG responds that, despite the improvement in wage rates for the PWU agreement, closer analysis of the agreement reveals that the agreement resulted, calculated without compounding, in a net zero cost for OPG over the term of the agreement. This contention was vigorously challenged by the Society.

15. As a result of the factual dispute between the parties, and unusually for an interest arbitration, OPG presented the oral evidence of its Vice-President of Business Planning & Reporting, John Mauti. His evidence was subject to a comprehensive confidentiality undertakings, signed by all who attended the hearing. I will respect that confidentiality in this award, so I address the financial issues of which Mr. Mauti testified with circumspection and with much greater generality than I was privy to. Mr. Mauti's evidence followed a ruling made during the arbitration on the scope of production and evidence by OPG:

The dispute between the parties is as to the scope of evidence to be produced by the employer to support submissions on two issues: the company's claims regarding its financial projection and that it achieved a net zero collective agreement with the PWU, the Society's principal internal comparator.

The employer argues that providing some additional written material is sufficient to support the submissions it makes in its written brief. The Society argues it is necessary to go beyond the written material to the source documents that inform the additional submissions.

As the employer argues, interest arbitration is an extension of bargaining. The disclosure requirements within an interest arbitration are akin to those in bargaining. A party presents a position and supports it to the extent it considers prudent and persuasive, given considerations of confidentiality and proprietary concern.

The procedure of an interest arbitration, particularly in the context of a mediation-arbitration such as this, under Article 15 of the collective agreement, is designed to expedite the resolution of the disputes and to avoid a long and detailed hearing. Speed and informality are traded for the precise investigative characteristics of court trials. There is a robustness to the conduct of interest arbitration. Each party provides the evidence it considers relevant in its brief, very occasionally supplemented by oral evidence, and disputes of fact are left to the arbitrator to determine on a balance of probability. The evidence referred to in Article 15 is the evidence the parties consider relevant to present for consideration by the arbitrator. Not every document any party wishes to have forms part of an interest arbitration, and nor does natural justice require that. The arbitrator must be placed in the position, as here, where the parties provide the information they consider relevant, supplemented by oral argument on what they and the other party have submitted. The arbitrator makes an assessment of the relevant agreed facts, the relevant disputed facts and the arguments in the context of all of the information provided by the parties, some of which may be inconsistent. The arbitrator assesses all of the information provided to determine the reasonable probabilities and to draw appropriate conclusions.

In light of these principles and the contest that has arisen over the company's projections and its net zero claim, I will admit the additional information the employer wishes to introduce to supplement its submissions. I will permit the employer to have its Vice-President

Finance explain its financial projections and the structure of savings in the PWU agreement, with the Society being able to question him, though subject to the employer's proprietary interest in the scope of the financial information it will provide, and also subject to the rules of confidentiality to be stipulated.

It is important to bear in mind that the parties have made submissions and provided information on areas other than the two that have been focused on in this ruling. The company's Vice-President Finance is to testify. This is in itself unusual. It entails the provision of more tested information than is customary in an interest arbitration. The Society will have an opportunity to question the witness on the several financial questions Ms. Pylyshyn raises. The Society will have the opportunity to inquire into the apparent financial anomalies she mentions and to question the apparent contradictions. From the additional information provided by the witness, the Society can make its own assessments and draw its own conclusions on the two matters on which the witness will testify. Thereafter, it will have the opportunity to make submissions to me on those assessments and conclusions. If, after hearing the evidence and all of the submissions, I am left in such significant doubt as to the likelihood of any evidence, such that I am not able to render a decision on the information and submissions the parties have made, I will address that situation with the parties at the time and the issue raised now might be revisited.

However, at this stage, I will not require the employer to produce the source documents that inform its witness's evidence and the documents it wishes to add to its brief. To do so would, as the employer argues, fundamentally alter this interest arbitration process, converting it from being an extension of bargaining into a much more formal proceeding with the attendant consequences in delay and cost.

The case of each party will be evaluated on the submissions made, including any submissions they make on the additional documents and evidence I am permitting the employer to present. This evaluation will be done in the context of all of the submissions made by the parties in their briefs and subject to the usual process of assessing factual disputes that arise in an interest arbitration made on written briefs, supplemented by oral submissions.

16. Mr. Mauti's evidence sought to establish two propositions that the Society

disputed. Firstly, that OPG's financial prospects for the foreseeable three years are grim; markedly more gloomy than prevailed at the time the PWU agreement was concluded. Secondly, that, despite the relatively large increases each year of the three year term, the PWU agreement resulted in a net zero cost (costed without compounding) as a result of concessions OPG was able to obtain. The cost savings were in eight different categories, of varying percentages, the details of which were presented confidentially in evidence.

17. Closer analysis of the actual cost of the PWU deal, compounded, showed, on OPG's calculation, a net cost of 0.73% annualized, in each of the three years of the PWU agreement. The cost savings achieved by OPG included concessions within the collective agreement, as well as the value of ending certain practices that OPG told the PWU it would not extend beyond the term of the previous collective agreement. The Society suggested that OPG's cost savings assumptions inflated the actual cost saving. The Society focused particularly on two items of cost saving (of the eight categories): those from changes in the rules governing nuclear radiation protective clothing, and the efficiency gains in staggering the start and stop times of operations and maintenance crews. The Society pointed out that these changes regarding protective clothing and shift times occurred later than the start of the three year period, so arguably have been marginally inflated.

There is no evidence as to whether the original cost saving calculations took account of the later start of the changes, though they might have. I give the Society the benefit of the doubt that in this respect the cost calculation might be slightly inflated. Moreover Society members were also affected by the protective clothing change. The Society should receive some monetary acknowledgement in cost saving as a result. I treat the impact of these minor adjustments to the net annualized increase to the PWU (after taking account of the cost savings, including base rate, overtime and benefits impact, compounded over the three period) as amounting to 0.75%. In other words, the total compensation adjustment for the PWU amounted to a yearly increase of 0.75%.

18. The principal dispute between the parties concerns compensation increases for the period of the renewal agreement. OPG takes the position that there should be no compensation increase whatsoever. This position follows the expectations and directives of its shareholder, the government of Ontario, in line with the *Public Sector Compensation Restraint to Protect Public Services Act, 2010*, SO 2010, c 1, Sch 24, which froze compensation adjustments in the public sector until March 31, 2012, and *The Broader Public Sector Accountability Act, 2010*, SO 2010, c 25, which extended the freeze indefinitely from March 31, 2012 forward. The Society takes the position that it should see improvements in certain

conditions of employment, as well as a 2.75% wage increase in each of the three years of the collective agreement it proposes, following the increases agreed between OPG and the PWU.

19. As a relevant internal comparator, besides the PWU, the Society relies on increases given to managerial employees. OPG management has been subject since 2010 to the provincial government's compensation freeze applicable to the broader public sector. There have been some salary adjustments, though. The first category of adjustments is performance bonuses that are exempt from the compensation freeze legislation. The Society points out that the top 50 income earners within OPG had their income increase by an average of 10.7% in 2011 over 2010, the result of incentive pay improvements. The second category of adjustments is for increased responsibilities. The Society says that in the first 10 months of 2012 there was significant upgrading of managerial positions into highest bands – an increase of over 8%. OPG explains this was the result of restructuring, on the recommendation of a third party. Over 100 Society-represented employees were also promoted as a result of the exercise. OPG also points out that the net overall saving in 2012 over 2011 in management compensation was 8%, in spite of the promotions. The third category is of adjustments made to prevent wage compression as a result of increases to Society

members in the 2011-2012 collective agreement. In 2012, 680 Society-represented employees earned greater salaries than their management supervisors. To temporarily mitigate the impacts of this compression, a one-time salary adjustment was made for 220 management supervisors (about 20% of management) to place them at 3% above their highest paid reporting employee.

20. One of the proposals made by OPG is that there be a freeze on automatic step progression by Society-represented employees. The cost savings of such a freeze within the Society wage grid in any year would be equivalent to approximately 1% of the Society wage cost.

Internal relativities

21. PWU-represented employees typically report to Society-represented supervisors, who in turn report to management group employees. Therefore, an important measure of internal relativity is salary differentials between these groups. Salary compression between supervisors and their direct reports is of concern.

22. The Society points out that if no increase were given to the Society, with

the PWU members receiving their 2.75% per year under the PWU three-year agreement, and taking account of the higher pension premiums paid by Society members as compared to PWU members, some PWU wages would eclipse the salaries of their supervisors in the Society. OPG responds by showing that only 10 would earn more than their Society-represented supervisors in 2013 and 2014 if no salary adjustment occurred for the Society.

23. The wage compression between Society-represented employees and management was a more severe problem until the one-time salary adjustments described above. Increases of the amounts sought by the Society would result in a repeat of that problem.

24. I conclude from this that, although there would be some limited wage compression between the PWU and the Society if no increase were given to the Society, any increase to the Society will necessarily have a greater wage compression impact in relation to management, who are subject to the public sector provincial wage freeze. Any increase will necessarily distort internal relativity between those two groups. The extent of the distortion will depend on the extent of any increase to Society-represented employees. This is a relevant consideration because management group employees are chiefly drawn from the

ranks of Society-represented employees.

25. I conclude from the evidence presented in the arbitration, as explained above, that internal relativity with the PWU will be maintained if the Society-represented employees receive increases of 0.75% in each of the three years of the collective agreement. Any other increases must be off-set by savings to the company, as occurred in the PWU deal.

General economic conditions

26. The parties have rival extrapolations on the future of the Ontario economy, and on its recovery from the recession. The Society has a more optimistic projection than does OPG.

27. Part of this consideration is the Ontario government's direction to OPG, as part of its wage restraint policy, that OPG, among the broader public sector, is to give no compensation increases during the term of the collective agreement. This reality is a factor to be considered as part of the resolution of the dispute between the parties concerning compensation adjustments: *The Participating Nursing Homes and Service Employees International Union Local 1 Canada* (September

27, 2012) (Teplitsky).

28. General economic conditions continue to be weak as Ontario makes a slow recovery from the recent major recession. Overall economic growth in Ontario was less than 2% in 2012. Projected growth for 2013 is under 2% (TD Canada Trust).

29. Weak general economic conditions directly affect OPG's revenues and its ability to fund compensation increases. OPG draws attention to the OEB's considerations when setting OPG's electricity rates. The OEB considers the public interest in low-cost electricity. This is particularly pertinent when economic conditions are poor.

External relativities

30. The relevant external comparators are those in the energy sector, particularly the Society-represented employees in other energy sector companies.

31. Society-represented employees have received the following comparative increases, at:

a. Bruce Power a 3.5% increase on January 1, 2013 with a 2.75% increase effective from January 1, 2014.

b. Brookfield Power (a one-person bargaining unit) increases of 4.75% in 2013, 4.50% in 2014 and 4.50% in 2015.

c. The OEB, 3% increase on January 1, 2013 and 3% on January 1, 2014.

d. Kinectrics, spun off from OPG, providing technical services to OPG and to other energy related companies in the province, 3% on January 1, 2013.

e. New Horizons System Solutions (NHSS), spun off from OPG, providing information technology services for OPG, 3% on January 1, 2013.

f. The Independent Electricity System Operator (IESO), pursuant to an interest arbitration award, 2% increase in each of 2013 and 2014.

g. The Electrical Safety Authority (ESA), in a recently concluded a collective agreement, wage increases of 2.5% in 2012, 2.5% in 2013 and 2.75% in 2014, though with substantial increases in employee contributions to the ESA's pension plan.

32. From the above, the normative increase over the relevant period in the energy sector is in the region of 3% p.a.

33. In the nuclear industry, in an interest arbitration award released on December 10, 2012, the federal Public Service Labour Relations Board awarded salary increases in the Canadian Nuclear Safety Commission (CNSC) of 1.75% in 2011, 1.5% in 2012 and 2.0% in 2013.

34. OPG refers to more distant external comparators, outside of the electricity sector, such as nursing homes, particularly *The Participating Nursing Homes v. Service Employees' International Union Local 1 Canada* (unreported, September 27, 2012) (Teplitsky), in which 0% wage increases with lump sum payments were ordered for a significant portion of the nursing home sector. OPG relies also on the 0% increases in the public sector: between the provincial government and AMAPCEO, and with OPSEU, between the Ministry of Education and OECTA, and between the Ontario Provincial Police and the police association. The average compensation increase in public sector collective agreements during 2012 was 1.7% (Mercer Report).

35. Of all of these, the most relevant external comparators are those in the

energy sector.

OPG's need to retain, motivate and recruit qualified staff

36. The Society compares the Society members' compensation at OPG with the compensation paid to engineers of the Ontario Society of Professional Engineers (OSPE), given that about 38% of Society represented employees of OPG have an engineering background. The relative salary variance of Society-represented OPG employees is 8.8% above the OSPE median, as a weighted average.

37. The Society points out that OPG's current workforce demographic is aging rapidly. Half the current workforce is 47 years of age or older. 20-25% (25%-50% of engineering staff) will need to be replaced due to retirement by 2014. The Society projects that employers in Ontario will have difficulty recruiting qualified engineering staff in the local and regional labour market in the years ahead. The Society suggests the compensation increases it is requesting will assist OPG to retain and recruit qualified staff.

38. OPG responds that Society-represented engineers at OPG are paid above

the 50th percentile of the engineering market on base salary and incentive pay. They also receive numerous other benefits which increase the value of their compensation relative to their private sector counterparts.

39. OPG is going through significant downsizing. Almost 2,000 positions are to be reduced, by attrition, by December 2015. Consequently the retention and recruitment of staff will not be a priority for OPG's business for the foreseeable future. Also, OPG experiences no difficulty recruiting qualified staff.

40. Similarly, OPG appears to experience no difficulty in retaining qualified staff. Except for employees who retired, the termination rate for Society employees in 2011 was only 1.1%.

The cost of changes and their impact on total compensation

41. As a result of attrition and headcount reductions, OPG's staffing costs for Society-represented employees was lower in 2011 than in 2010, despite the 3% increase given in 2011. Further staffing reductions in 2012 have had a similar impact: lower staffing costs than in the previous year, despite the 3% salary increase.

42. The changes sought by the Society would have an impact on total compensation. The purpose of the staffing reductions is to reduce overall staffing costs. So while some cushion is created through the reductions, that does not warrant that OPG has the ability to pay for the proposed changes. The net income calculations from OPG's forecasts were based on zero increases to Society-represented employees. Those calculations took account of staff reductions and cost savings. They also took account of further projected staff reductions in 2013, 2014 and 2015, estimated to be a further 2,000 positions. Consequently, little credit can be given to the cost savings from staff attrition because that credit has already been taken into account in the cost projections for the forthcoming years. The Society correctly notes, though, that existing staff have maintained the efficient operation of the company and will continue to be expected to do so, despite the overall staff reductions.

43. Any increase to Society-represented employees will result in an increased projected loss for 2013. Increases in subsequent years will compound the compensation costs.

<u>The financial soundness of OPG and its ability to pay</u>

44. The business of OPG is diminishing. One of its nuclear generating stations (Pickering) will be at the end of its life by 2020, and all coal-fired thermal generating stations will be closed by 2014. In recent years, demand for electricity in Ontario has dropped, largely on account of declining manufacturing, while OPG has experienced substantially more competition, resulting in a shrinking market share within a smaller market. OPG's market share is expected to decline significantly even compared to January 2011, when these parties last engaged in interest arbitration. At that time, OPG generated approximately 70% of all electricity consumed in Ontario. Market share has continuously declined since then and by 2015 OPG's market share is expected to be approximately 55%.

45. OPG's operations, maintenance and administration (OM&A) costs are projected to increase. The most significant factor underlying the increase is the higher pension and other post-employment benefits (OPEB) costs expected in the coming years. There are almost 10,000 former employees, survivors and dependants receiving pensions from OPG, including 3,052 pensioners (including survivors and dependents) represented by the Society. OPG has nearly as many pensioners as active employees and the ratio of pensioners to active employees is expected to increase, as OPG has recently announced its need to significantly

reduce its employee headcount by December 2015.

46. OPG must retain nuclear funds. These are segregated funds which OPG is obligated to maintain to cover the cost of decommissioning its nuclear generation facilities at the end of their lives and for the long term management of nuclear waste. The money in the nuclear funds is not available to OPG to cover operational expenses or reinvestment. OPG expects to contribute an additional $800-million to the funds over the 2012-2015 period. These contributions will have to be paid out of OPG's operating revenues.

47. For the first time in its history, OPG has budgeted for a sizeable financial loss in the 2013 fiscal year, and will face continued net income financial challenges for the period covered by the collective agreement. As described more fully below, OPG faces significant regulatory constraints on its ability to increase the rates it charges for its regulated assets, enter new lines of business, or take other large-scale measures to improve its financial performance, while facing increasing pension, benefit, operational and capital costs. Furthermore, in November of 2012 the rating agency Standard and Poor (S&P) revised OPG's ratings outlook to "negative" from "stable," reflecting OPG's weaker cash flow and funds from operations (FFO) interest coverage.

48. To address these financial challenges, OPG has in part focused on reducing operations, maintenance and administration (OM&A) costs. To that end it has reduced its staff complement or headcount by attrition.

49. The regulated portion of OPG's business accounts for approximately 80% of its electricity production. The proportion of OPG's revenues from its regulated production will increase in the future as the government plans to eliminate coal-fired generation, which is unregulated, by 2014. OPG's business will therefore be even more extensively regulated by the OEB and the government than at present.

50. In OPG's most recent rate application to the OEB it sought an increase of approximately 6.2%. At the end of the two-stage process of hearing, the OEB actually reduced the rate OPG is entitled to charge, by approximately 1%. (This decision was made, in part, because the OEB was persuaded that OPG compensation levels should be lowered, benchmarked to the 50th percentile of North American comparators, rather than to the 75th percentile as OPG had done.) This means that OPG's electricity is being charged at rates frozen at approximately 2008 levels. As a consequence, with declining demand and declining market share, at fixed rates, OPG's revenue is projected to drop.

51. OPG is the low cost electricity producer in Ontario. For electricity generated from its regulated hydroelectric plants, under the OEB, OPG receives a rate of $37/MW. For its unregulated hydroelectric plants it received on average $25/MW during 2012. These rates are considerably below those of its competitors. New hydroelectric generators under the *Green Energy Act, 2009*, SO 2009, c 12, Sch A receive $110/MW. The only other major producer of hydroelectric power in the province, Brookfield, gets $68/MW. OPG's nuclear plants are also highly regulated. Under the OEB's direction, OPG receives $54/MW for the electricity generated from those plants. Bruce Power, the only other operator of a nuclear plant in the province, receives $68/MW from Bruce A. OPG is the residual cheap electricity producer, an implicit subsidizer of ratepayers.

52. Restrictions on OPG's capacity to enter the new, more lucrative markets prevent it from taking advantage of the higher rates for generating electricity. The mandate the government has set for OPG precludes OPG from investing in renewable electricity generation. Consequently, OPG is unable to pursue investment in non-hydro-electric renewable generation projects.

53. The approximately 20% unregulated energy production by OPG is sold at the Ontario electricity spot market price, which is subject to volatile fluctuations. The current spot market price is approximately half of what it was in 2008, with equivalent loss of revenue for OPG.

54. Prices are not expected to recover during the next few years. Factors including low electricity demand, low natural gas prices, a dramatic ramp-up of wind and solar capacity driven by the *Green Energy Act, 2009* (over 8,400MW between 2003 and 2010) and abundant supply from competitors are likely to continue in the coming years and keep spot market prices at historic lows. All of this will have an adverse impact on OPG's profitability.

55. OPG's future projection depends in large measure on the rate increase the OEB will give to OPG when it makes an application for a rate increase in 2014. The OEB will either force OPG into the gloomy net income forecast presented in Mr. Mauti's evidence, or, if it allows collection of the full cost of the service and the payment of receivables from ratepayers that have accumulated in OPG variance accounts, it will enable OPG to proceed on a firmer financial footing.

56. As OPG argues, in summary, OPG's financial outlook reflects declining

market share, lower electricity production, lower electricity spot market prices, currently little appetite from the OEB and the province for regulated rate increases, increased pension and OPEB costs, high annual contributions to its pension and nuclear funds, and challenges to reduce its costs. These factors result in adverse financial performance and prospects, including a substantial expected net loss for the 2013 fiscal year.

57. As a consequence of the above, despite OPG's efforts to lower OM&A costs as it improves efficiencies and reduces headcount, OPG's capacity to function profitably is significantly constrained. The effect is that OPG's ability to pay compensation increases to its Society employees is severely restricted.

Conclusions on proposals

58. The Society requests that the collective agreement be effective for a period of three years. Although OPG prefers a two-year agreement, it is not strongly opposed to a three-year agreement. Having regard to the pattern of bargaining between OPG, the Society and the PWU, with the Society agreement generally following the pattern of the PWU agreement, a three-year agreement is preferable. Such extended agreement also brings stability to the relationship between the

parties.

59. The most important comparator for the OPG-Society collective agreement is the agreement between OPG and the PWU. From the evidence presented I am persuaded that the PWU agreement resulted in a net cost to the employer of 0.75% per year over the three-year agreement. External comparators recommend a substantially greater increase than the 0.75% p.a., but OPG's financial circumstances discount that factor. I must consider, though, whether the greater awareness of a downturn in OPG's fortunes since the conclusion of the PWU agreement in March 2012 should affect Society-represented employees relative to their PWU counterparts. In my view, that awareness should not affect the financial outcome for Society-represented employees. The historical pattern of maintaining parity with the PWU settlement should be conserved.

60. Taking account of the factors referred to in Article 15 and replication, I have determined that the net increase to the Society-represented employees should be 0.75% for each of the three years of the collective agreement. Taking account also of the additional items awarded, and having regard to their impact on total compensation, those awarded to the Society slightly increase the cost to the company, but the items awarded to the company mean cost savings that offset the

slight increase.

61. OPG has asked for a freeze on grid movement for the period of the collective agreement. Pursuant to the Ontario Government, its shareholder's, direction, it asks that any movement through the wage grid be fully offset by cost savings within the total compensation package. As I have said, a grid freeze is worth about 1% p.a. of the Society-represented employees' payroll. With a grid freeze the bargaining unit can be credited with the saving. 1% can be added to the salary increase in the two years, 2014 and 2015, when the grid freeze will apply, so as to make the compensation deal between the parties as commensurate as possible with that between OPG and the PWU. The increases to be paid to the Society-represented employees will therefore be 0.75% in 2013, 1.75% in 2014 and 1.75% in 2015. At the end of 2015 the employees affected by the escalator clause freeze (Article 24) will be restored to where they would have been on the grid had there been no freeze, on their normal progression date.

62. The parties currently have a cost of living adjustment (COLA) provision. The Society would like to amend it, to make it more favourable to employees by lowering the inflation rate at which it will become effective and by making any adjustment payment part of the base wage and no longer a lump sum. OPG would

like to suspend it for the operation of the collective agreement. Given the length of the collective agreement being awarded, there ought to be some protection against unanticipated inflation, permitting an appropriate offsetting adjustment. In my view, the COLA provision should apply as does the escalator clause at Part A, Item 29.0 of the PWU agreement, with the necessary changes. So, COLA will apply in the third year of the collective agreement, January 1 to December 31, 2015 if the increase in the Ontario All Items index in November 2014 (published in December 2014) over the index in November 2013 (published in December 2013) is more than 2.75%.

63. The Society proposes an amendment to the payment method for the overtime worked provision. The Society complains that its members are increasingly unable to take time off for overtime worked. It seeks an amendment that gives the election to the Society member concerned to decide between overtime payment and time off. Currently the employee's supervisor has the discretion to determine the method of payment. I recognize the employer's concern that operational needs should prevent payment as time off. Subject to operational needs, I am persuaded that a reasonable limit should be placed on the supervisor's discretion.

64. My reason for declining the Society proposals on eyeglasses and travel time compensation is that they are cost items that would increase the financial burden on OPG. Taking account of total compensation, save for one exception, I have placed the compensation adjustments into wages, rather than benefits.

65. The exception concerns the parental leave provision. Unlike the OPG-PWU agreement, which treats the waiting period for EI parental benefits the same as the waiting period for pregnancy benefits, the OPG-Society agreement has no equivalent provision. Article 41.3 currently guarantees continuation of 93% of an employee's base pay for the first two weeks of pregnancy leave, but not for the first two weeks of parental leave.

66. The Society tables a proposal for two changes to the Supplementary Unemployment Benefits (SUB) Plan in Article 41.3. The first change is that mentioned in the paragraph above. It would amend the language that currently disadvantages fathers, parents of adopted children and same sex partners relative to biological mothers. The second proposed change would improve top up for parental leave from 3 to 5 weeks. Both of these changes are warranted. The first brings the Society agreement in line with the PWU agreement, which has the benefit, and it addresses an inequity that is not justified. The second brings the

benefit closer to the parental top up provided by the external comparators (OEB 35 weeks, IESO 8 weeks, ESA 6 weeks, Bruce Power 5 weeks).

67. The Society would like to reduce some of the pension contribution rates its members pay (currently 7% for all, including for those below the year's maximum pensionable earnings (YMPE)) to the lower rate paid by some PWU members (5% for those below the YMPE). OPG would like to increase the current contribution rates. The pension contributions made by OPG have been considerably higher than the amounts contributed by employees, heightened by additional payments to address fund deficits. OPG would like to move to the position recommended by the provincial government, that single-employer public sector plan members steadily increase their contributions to the point where they share the ongoing cost of pension benefits equally with the employer. OPG proposes that the Society be directed to meet to negotiate a more affordable pension plan. In addition OPG would like an order of more equal premium contributions by OPG and members. These important issues require much fuller consideration and discussion by both parties, including with the PWU. I am not persuaded to order such discussion and to remain seized. Furthermore, I am not persuaded that the Society's proposal of a contribution reduction should be awarded. I leave over to a future collective agreement any discussions for reforms

to the current pension plan contributions structure.

68. OPG proposes a provision for the appointment of a chief arbitrator to expedite the resolution of rights disputes between the parties, with powers to schedule hearing dates, appoint arbitrators, issue standing orders and orders for particulars, and otherwise promote efficiencies. This is the same proposal it put forward for inclusion in the current collective agreement, before the last mediation-arbitration. Arbitrator Burkett thought the proposal required further deliberation by the parties and did not grant it. While I think the proposal would serve the parties' best interests, it is a material departure from what obtains at present and it requires further deliberation by both parties. I think the parties should have further discussion on the issue and I refer it back to them, with the requirement that, within the next 3 months, they meet to discuss the proposal. I do not remain seized.

69. The purpose of Article 64B is to provide for the redeployment of Society-represented employees to different work locations or to lower-rated positions, instead of declaring them surplus. It is designed to protect employees in the event of reorganizations by maximizing the number of employees who are able to "follow their work." Given the prospect of substantial headcount reductions in the

forthcoming period, OPG would like the process to be as expeditious as possible.

70. Currently, the redeployment process in Article 64B takes place within certain units of application which broadly reflect OPG's existing business units: nuclear, corporate, hydroelectric, and fossil. However, the existing units of application may no longer accurately reflect the structure of OPG's business. OPG proposes that the redeployment process mirror OPG's actual business structure. To this end, it proposes that Article 64A of the Collective Agreement, which deals with "surplus" redeployment, also apply to redeployments governed by Article 64B. Specifically, OPG proposes to move Articles 64.9.9 and 64.9.10 of the Collective Agreement (currently in Article 64A) to the general section of Article 64, and to clarify that they apply to both Article 64A and Article 64B. This will make available to the parties the expedited process of resolution that currently applies to surplus redeployments. In my view this proposed change will be of benefit to the parties in resolving issues concerning the units of application for non-surplus redeployment.

71. The Society proposes that the units of application in Article 64A (as amended by Letter of Understanding 191) be amended. Article 64A describes the staff redeployment process to be followed when reorganization may result in

employees being declared surplus. Article 64.9 describes how the size of a unit of application is to be determined. The Society's concern is with the units of application to be used for employees in the Corporate area in an Article 64A (surplus) redeployment. The four units of application, regardless of the scope of the redeployment, are: Finance (approximately 150 employees); People and Culture (approximately 100 employees); Business and Administrative Services (BAS) (approximately 150 employees); and the balance of Corporate groups (approximately 125 employees). The Society's proposal is that, where a redeployment impacts more than 10% of Society-represented employees in any of the four Corporate Divisions, the 4 small units of application will be treated as a single unit of application, consisting of approximately 525 employees.

72. I am not persuaded that this change is warranted because Letter of Understanding 191 was negotiated very recently and the units of application described were determined on the basis of communities of interest between the employees in each unit. Furthermore, as OPG points out, if a refinement of the Letter of Understanding 191 units of application were appropriate, there is a mechanism in Articles 64.9 and 64.10 to amend units of application for Article 64A redeployments.

73. OPG proposes a variation in the contracting out provisions of Article 67 read with Letter of Understanding 188. The effect of the proposal is to alter the status quo pending determination of a dispute over contracting out. Currently the OPG may not effect the contracting out until agreement with the Society is achieved or an arbitrator rules it is permissible. The proposed change is that OPG could contract out work, pending the determination of a grievance challenging the contracting out. This proposal has very significant financial implications for the Society and its members. It also significantly affects the integrity of the Society's bargaining unit. I am not persuaded it should be granted.

74. Pursuant to OPG's employee pension plan, employees are eligible to retire with a reduced pension at age 55. OPG's Extended Health Benefits Brochure, which is incorporated by reference into the Collective Agreement, states that any employee who retires with a pension will receive other post-employment benefits (OPEBs) for life. The impact of this provision is that, if an employee hired by OPG at age 55 leaves OPG's employ, say, the next year at age 56, they receive lifetime OPEBs. To address this, OPG proposes requiring employees to have at least 10 years of service with OPG in order to qualify for OPEBs.

75. This proposal will be awarded, save that it will not apply to any Society-

represented employee who reached the age of 55 prior to the date of this award or who is declared surplus as part of the headcount reductions during the period of the collective agreement.

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76. In light of the above considerations, I make the award set out below.

77. The renewal agreement will consist of the unchanged items from the collective agreement which expired on December 31, 2012, the item agreed by the parties themselves, described below, which are incorporated into this award, and the items described below on which the parties made submissions.

78. Unless directly dealt with in this award, all outstanding employer and union proposals are dismissed. All items awarded are effective from the date of the award, save for the wage increases that are retroactive to the dates specified.

79. The agreed item is under Article 30.5, concerning boots. It will read as follows:

Article 80.5 – Boots

80.5 Staff will be reimbursed for the cost of up to two pairs of protective footwear per year where such footwear is required by OPG as follows**:**

- Safety boots/shoes – 50% of actual cost to a maximum of $75 per pair;
- Electric Shock Resistant footwear – 75% of actual cost for one or two pairs per calendar year to a total annual maximum of $250.

80. The items awarded are as follows.

81. The term of the collective agreement will be for the period January 1, 2013 to December 31, 2015, under the following Article 9.1:

> This collective agreement shall remain in effect from January 1, 2013 to December 31, 2015 inclusive and, thereafter, shall be renewed automatically from year to year, subject to Section 4.0 of the Voluntary Recognition Agreement (VRA) as amended in the Collective Agreement, unless either Party notifies the other, in writing, not less than 90 days prior to the expiration of the Collective Agreement that it desires to amend the Collective Agreement. As long as Sections 4.0, as amended, and 5.0 of the VRA remain in effect, where notice to amend the Collective Agreement is given, the provisions of this Collective Agreement shall continue in force until a new Collective Agreement is signed.

82. The wages are adjusted as follows:

   a. Effective January 1, 2013: 0.75%

   b. Effective January 1, 2014: 1.75%

c. Effective January 1, 2015: 1.75%

83. Progression on the salary grid will be frozen for the two-year period from the end of 2013 until the end of 2015.

84. A COLA provision will apply, as the PWU – OPG Part A, Item 39.0 escalator clause, with the necessary date changes, as described above.

85. As to the method of payment of overtime worked, Article 57.1 is amended to read:

> The method of compensation, for authorized overtime, may be money or time off at the appropriate premium rate. If the employee elects for time off, the time for such time off will be subject to their supervisor's approval, which will be granted unless OPG's operational needs are such as to make the time off unreasonably difficult. If approval is not granted, the method of compensation will be money.

86. The parental leave provisions will be amended as follows:

a. Article 41.3 b) i) will read:

> for the first 2 weeks, payments equivalent to 93% of the employee's base pay (pregnancy and parental leaves); and

b. Article 41.3 b) ii) will read:

when receiving EI benefits, the employee is eligible to receive payments equivalent to the difference between the EI benefits and 93% of the employee's base pay for up to 15 weeks while on pregnancy leave and for up to 5 weeks while on parental leave. Where the employee's base salary exceeds 1.5 times the Years Maximum Insurable Earnings, the employee will receive an additional $300 as a lump sum as full compensation if a clawback is required by Canada Customs and Revenue Agency or any other government agency.

87. OPG's chief arbitrator proposal is referred back to the parties for further discussion and consideration within the next 3 months. I do not remain seized if they are unable to resolve the issue.

88. Articles 64.9.9 and 64.9.10 of the Collective Agreement (currently in Article 64A) are to be moved to the general section of Article 64, so that they apply to both Article 64A and Article 64B. The provision will therefore read as follows:

- There are three separate and distinct parts to Article 64:

1. Part A Redeployment Surplus
2. Part B Non-Surplus Redeployment of Society Staff
3. Part C Decontrol/Change of Employer

- In accordance with Article 64.32 Article 64 Part B is applicable in non-surplus situations that necessitate the redeployment of Society represented employees, except as follows:
- In the Nuclear Unit of Application, where employees who are in an over complement situation at their work headquarters and can be

accommodated at another work headquarters that is under complement on the basis of same job classification (i.e. like to like) Article 105.5 will apply;

- In the Fossil Unit of Application, where there is a "closure" of a Fossil location announced by the government LOU #166 "Coal Plant Closure" will apply.

  Clarity Note: The term "closure" applies to both full and partial station closures (e.g. unit closure or fuel conversion).

- For Surplus redeployment as outlined in Article 64.34 Article 64 Part A is applicable.
- Notwithstanding the above, in the event where there is decontrol or change of employer the parties agree Article 64 Part C will apply.

Unit of Application

- Where OPG establishes organizational units which do not clearly fit the definitions contained in the unit of application default provisions **under Article 64A and/or Article 64B**, the matter of the appropriate unit of application will be reviewed by the JSMC. The JSMC will make a decision which ensures that employment continuity rights are fairly applied.

Unit of Application Dispute Resolution Process

- In the event of a change during the term of the Agreement, with respect to a default units of application issue **under Article 64A and/or Article 64B,** that cannot be resolved by the parties, **the dispute** shall be resolved as follows:
- Where no decision of the JSMC is reached on a proposed change to default units of applications, within 10 working days of the JSMC's consideration of the matter, the parties shall exchange written briefs**.**

- The matter will be determined prior to the mix and match by a designated, mutually agreed arbitrator within 10 working days after the briefs have been exchanged.

- The arbitrator shall hear the matter in the most expeditious manner possible, and shall only hear oral evidence where he/she determines that it cannot be determined on the basis of the written briefs and oral submissions. The arbitration decision shall be based on an updated equivalent balance of the Units of Application of this Article as of January 1, 2006.

- The arbitrator shall issue an award within 5 working days of the hearing, setting out the default unit of application.

- The arbitrator has all the powers under the applicable Labour Relations Act.
- The JRPT shall continue to function and develop other elements of its first report pending determination of the default unit of application through this process, and the outcome of this process does not preclude the JRPT from achieving consensus on a unit of application notwithstanding the arbitrator's award.

  This process does not prejudice or waive any grievance rights under Article 64.3 but the arbitrator's award on the default unit of application cannot be grieved.

89. As explained above, employees who take early retirement shall have at least 10 years of service with OPG in order to qualify for OPEBs, provided that this limitation will not apply to any Society-represented employee who reached the age of 55 prior to the date of this award or who is declared surplus as part of the headcount reductions during the period of the collective agreement. The Extended Health Benefits brochure is to be amended accordingly, as follows:

- Employees who go from employee to pensioner **and are ≥ age 55 with at least 10 years of pensionable service or have reached rule of 82** WITHOUT a break in service having had subsidized Health and Dental coverage will continue to receive benefits during their retirement equivalent to the current benefits available to active employees. This includes former employees who are otherwise eligible to retire under the OPG Pension Plan on their last day of employment and who instead elect a commuted value pension.

90. I remain seized of the implementation of this award until a collective

agreement is in effect between the parties. I further remain seized to deal with any errors or omissions.

DATED at TORONTO on April 8, 2013.

Christopher J. Albertyn

Sole Arbitrator

UNDERTAKING JT2.34

Undertaking

To provide the bottom-line number associated with the table in response to Board Staff interrogatory 101.

Response

The cost of the 2.75% increase was calculated to be approximately $21.0M year over year including base rates, overtime and benefits.

The offsets in the PWU Agreement included:

- Elimination of the Goalsharing bonus
- Elimination of Radiation Protection Clothing
- Net savings in health and dental
- Efficiency Gains- MAR and Shift Turnover
- Adding "Radiation Protection Technicians" to the hiring hall
- Hard threshold PSA
- Ability to "claw back" family time taken but not repaid
- Extension of targeted severance provisions.

The aggregate value of these offsets was calculated to be approximately $22.0M per year.

The calculations associated with the net costs and savings were presented to the Government to satisfy its expectation regarding "net zero" in the form attached as Attachment 1, (Confidential Advice to Government), and was accepted. Attachment 1 contains information that may be used by OPG during the next round of collective bargaining. Therefore the attachment has been provided on a confidential basis, to be withheld from PWU and SEP, since its public production would prejudice OPG's negotiating position.

In its Advice to Government, OPG also included savings associated with staff reductions that amounted to a large overall net savings, and a smaller saving associated with the cost associated with collective bargaining by adding a third year to the collective agreement. These amounts produced savings beyond the "net zero" amount.

In Ex. L-6.8-17 SEC-106, the 2013 interest arbitration between the Society of Energy Professionals ("SEP") and OPG, Arbitrator Albertyn, found that the PWU agreement resulted in economic increases of 0.73% per year attributable to the compounding of wages (cumulative effective year over year). The Albertyn arbitration did not consider additional savings related to staff reductions and bargaining referred to in OPG's net zero calculation contained in the Advice to Government document. For strategic labour relations reasons these were not put before the arbitrator by OPG. The information is also not included in Ex L-6.8-1 Staff-101.

SEC Interrogatory #015

Ref: A4-1-1/Attach 1

Issue Number: 1.2
Issue: Are OPG's economic and business planning assumptions for 2014-2015 appropriate?

Interrogatory

With respect to the individual initiatives:

(a) Please explain more fully "The deliverable of this initiative is to optimize and expand the Administrative support ratio from 2:1 to 3/4:1."

(b) Please explain why the Applicant has 1100 "Apparent Cause Evaluators". Please confirm that those individuals do not have that role as their sole or full-time role in the Company. Please provide more context to help understand why there were so many, and why the dramatic reduction in their numbers is appropriate while maintaining safety and reliability.

(c) Please confirm that only support and planning related to training is being consolidated, and the individual business units will retain their own training functions.

Response

a) The Nuclear Benchmark for the Administrative Support Services function indicates that the ratio of managers supported by administrative clerks could be as high as 4:1 (or 4 managers supported by 1 clerk). This initiative will reduce Administrative Support staff to get to a 3:1 to a 4:1 range.

b) Historically OPG had multiple qualified evaluators in nuclear line organizations for redundancy and flexibility reasons. By reducing the number of qualified individuals, a smaller group of employees are performing a greater number of evaluations. The smaller group of qualified evaluators has allowed OPG to more efficiently focus its training and the quality of the evaluations has been improving as a result. The reduction in the number of qualified evaluators has been facilitated by a reduction in the total number of reports and evaluations since 2011. Individuals do not have the Apparent Cause Evaluator role as their sole/full-time role.

c) Not confirmed. Support and planning related to training is being consolidated along with the design and delivery of all training required across all businesses. Business units will not retain their own training functions, but rather access the centre-led training function.

numbers.

MR. SHEPHERD: Well, hydrothermal is partly regulated and partly not regulated, right?

MR. BARRETT: Yes.

MR. SHEPHERD: Okay. You're saying that that total, whatever is in there, would be -- would match up to that 1,241?

I don't want to go in-camera, so I want to get the information without going in-camera.

[Witness panel confers]

MR. BARRETT: Our concern is if we respond to the question you are asking, we will inadvertently disclose confidential information. Again, my advice would just be to have a look at the confidential document.

MR. SHEPHERD: All right. Next is 1.2, SEC 15. I am looking particularly at (b) in this. This is this apparent cause of valuators, and it looked like you had 1,100 of them, which is more than 10 percent of your entire work force. That seems like a lot of people.

But I take it that, from the explanation -- tell me whether this is right. I am going to ask you to explain it some more. That what this really is that people who have other jobs are trained to be -- to qualify for this task?

MR. BARRETT: Correct.

MR. SHEPHERD: So you are saying: Well, we don't need as many people trained for this task. We can have a smaller number who each do more of them?

MR. BARRETT: That's correct. One of the things we're doing in business transformation is looking at the level and amount of training we're doing in the organization, and seeing if we can find places where we no longer need to do that training.

MR. SHEPHERD: What was the reason why 1,100 people were trained in this in the first place?

MR. BARRETT: I can't really add to the reason given in the first line, which is for reasons of redundancy and flexibility. I have no further information.

MR. SHEPHERD: Okay. I guess what I am trying to drive at is: Did you train people in this because they would be less likely to make mistakes in their normal jobs if they're familiar with how to analyze the cause of problems?

MR. BARRETT: I don't know the answer to that question.

MR. SHEPHERD: Okay. So my last question relates to your 2013 balance scorecard, and this is in 1.2, SEC 17.

You will see on page 2 of 6, this is your 2013 balance scorecard. Can you provide -- and also it goes through pages 3 and 4 and 5, I guess.

And I wonder if you could provide, by way of undertaking, what your final performance was on each of these metrics.

The balance scorecard produces a calculation at the end, right? Can you provide the calculation?

MR. MAUTI: We definitely have evaluations for these metrics and measures that we can review, just to ensure