OPG 2014/2015 Payment Amounts Application

EB-2013-0321

AMPCO Compendium

Panel 5

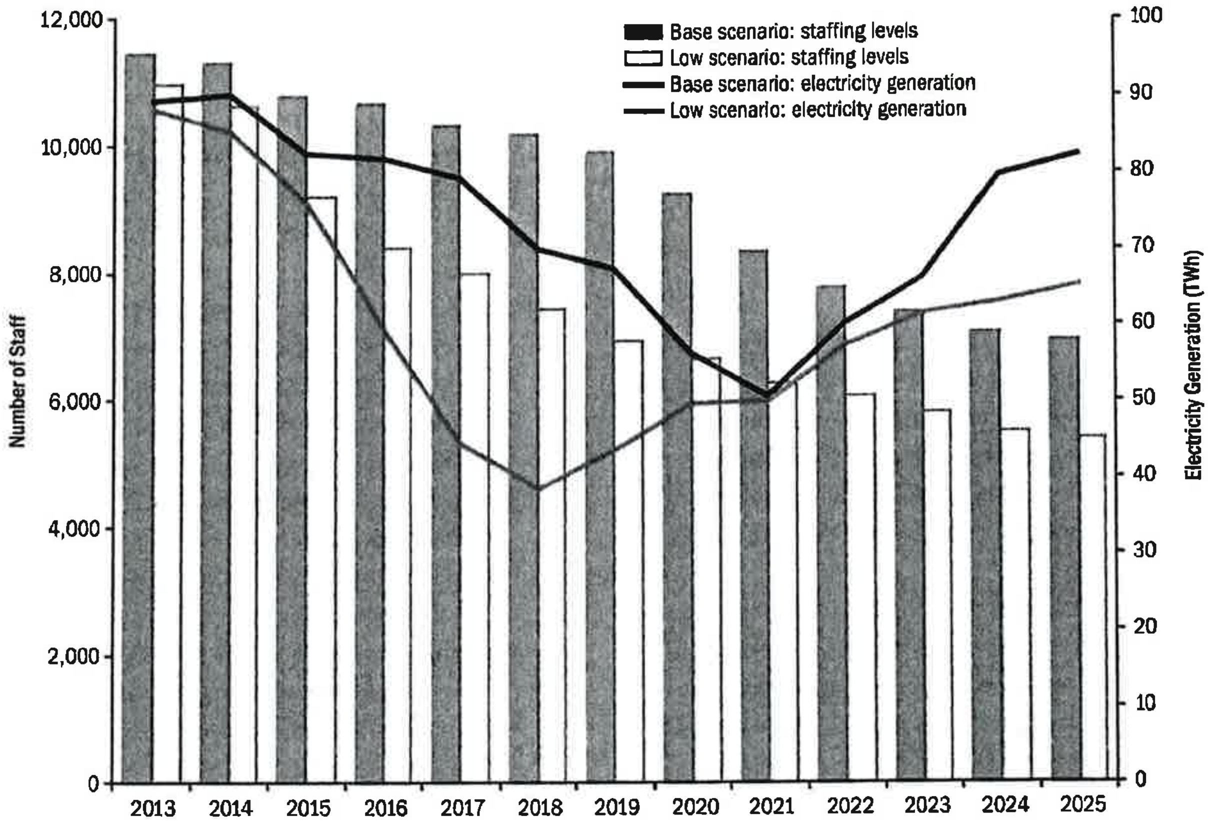
Corporate Groups

Compensation

June 26, 2014

Figure 3: Projected Electricity Generation* and OPG Staffing Levels, 2013–2025

Source of data: Ontario Power Generation



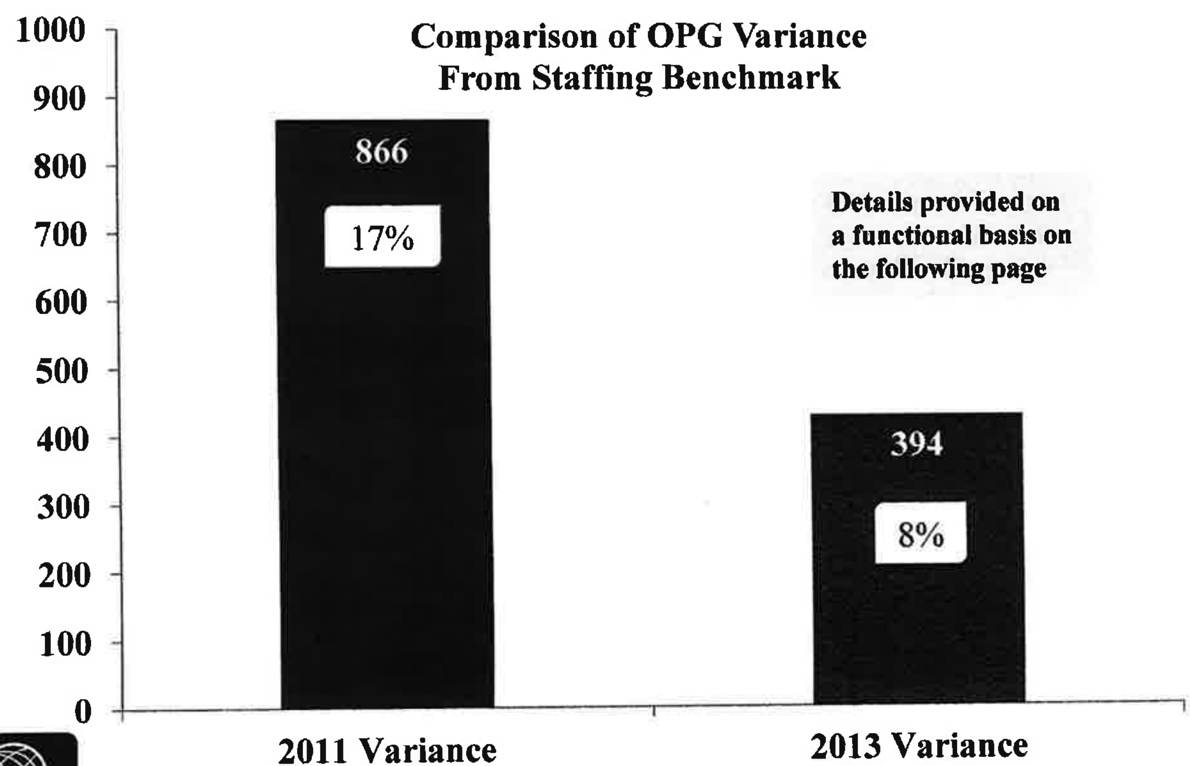
* Projections were prepared by OPG at the end of 2010. Both scenarios assume that all coal production will cease by 2014, that the Darlington refurbishment will begin in 2016 and that hydroelectric projects will proceed as planned. Variations between the scenarios relate to the timing of the nuclear new build, the length of time the Pickering nuclear facility will remain in operation, and the number of thermal units being converted to biomass or gas.

of base pay for unionized staff and three months of base pay for non-unionized staff) and severance pay, which employees negotiate with management along with input from the legal department. In addition, under the *Pension Benefits Act*, employees can choose to receive their pensions in one lump sum as long as they are eligible for early retirement or they resign before age 55. Our review noted that some employees who received lump-sum payouts were rehired by OPG shortly after they retired or resigned (see the section on Rehiring Former Employees as Temporary or Contract Staff).

Respondents to our employee engagement survey generally felt the intention of Business Transformation was valid but raised some concerns about its execution, for example:

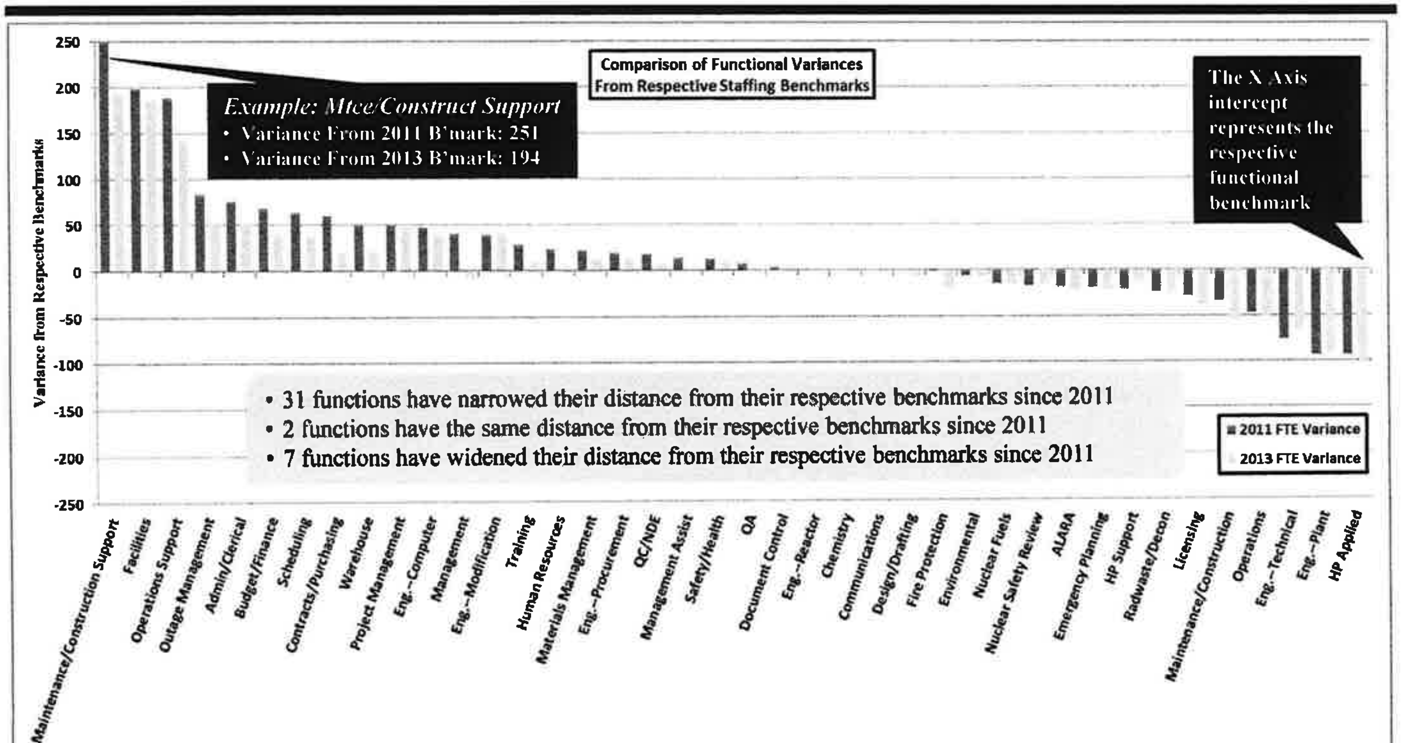
- Business Transformation came too late—it should have started much sooner for the financial health of OPG.
- It has been under way for two years but limited practical changes have been made.
- It has put too much focus on staff reduction and not paid enough attention to developing a succession plan, deploying the right people to the right places and reducing workloads.
- The collective agreements and the "culture of entitlement" among staff have restricted OPG from making many changes through Business Transformation.
- There was no consultation to obtain input from all staff before Business Transformation was rolled out, and there has been a lack of

The Gap Between OPG & The Benchmark Is 472 FTEs Smaller In 2013 Than It Was In 2011



2

OPG's Variance From The Applicable Benchmark Has Narrowed In 31 Functions Since 2011



GOODNIGHT CONSULTING

CLIENT CONFIDENTIAL INFORMATION

3

4.3.2.1 PWU

In general, the PWU collective agreement uses seniority to govern re-organization of the workforce. Seniority dictates that employees with the most service have a right to continued employment over employees with less service. Under a layoff, the collective agreement provides that an employee who is qualified and senior can displace another employee with less service anywhere in the province. The displacement of employees disrupts business operations, involves re-training and can involve relocation costs where employees are required to relocate more than specified distances. Employees who are laid off are entitled to severance, or can elect to be recalled to a vacant position within 3 years from their date of layoff.

Voluntary severance is an alternative to lay-offs. Under a voluntary severance arrangement OPG is required to make severance packages available to broad classes of employees and must select employees in order of seniority from those who volunteer for severance. Thus, OPG can control how many employees leave, but has limited control over which employees leave. Given the lack of ability to control which employees leave, workforce rebalancing often is required to match the remaining employees to the positions created by senior employees volunteering to leave. This process also disrupts business operations and requires re-training and relocating employees.

In lieu of layoff or severance, OPG can redistribute staff to balance staffing levels in circumstances where a demand for labour exists in one area and excess labour exists in another. Like layoffs and voluntary severance, staff redistribution is based on seniority. Thus, the actual employee whose position is in excess of OPG's needs may not be the employee who ends up transferring. Retraining may be required when an employee is displaced and if an employee is required to relocate over a specified distance, OPG incurs relocation cost.

Based on collective bargaining with the PWU, a no lay-off clause was included in the PWU contract. As a result, excess staff can only be addressed through staff redistribution or voluntary severance.

4

4.3.2.2 Society

The Society collective agreement contains an employment continuity clause which addresses layoff, voluntary severance and redistribution of employees. Many aspects of the Society agreement are the same as the PWU agreement discussed in the preceding section. The primary difference is how excess employees are identified for lay-off or redistribution. While seniority is a feature of the process, the dominant factor is the employee's skill set.

Under the agreement with the Society, the parties must jointly match employees' skills to positions in the organization and then identify which employees are excess. Determining which employees are excess involves examining the qualifications of each employee against the qualifications for each job identified in the organization. Where multiple employees are qualified for the same job, seniority applies. As a result, the person currently doing a job may not retain it if another qualified employee has seniority. Once this matching is completed, employees are either laid off or redistributed to other organizations.

Where an employee is displaced, re-training is offered. An employee who is laid off is entitled to a job search period of up to 60 weeks to secure employment in OPG. During the search period the employee remains on the payroll. An employee who has not found a new position during the search period is severed.

The entire exercise of lay-offs and redistribution is disruptive to business operations due to employee turnover, and the time required for retraining and relocating employees. Redistribution of excess employees may result in re-training and relocation costs.

4.4 The Labour Relations Context

OPG's compensation levels and the terms of the PWU and Society collective agreements exist within a labour relations context defined by legal requirements and a long history of collective agreements. This context bears directly on the amount of compensation paid by OPG and on the prospects of achieving significantly different labour costs.

5

Business Transformation

1.0 PURPOSE

This evidence discusses OPG's Business Transformation initiative ("BT"). Business Transformation supports the alignment of OPG's costs with its declining generation capacity and OPG's mission to be Ontario's low cost generator of choice.

In summary, under BT, OPG will use attrition to reduce its year-end 2015 staff level by 2,000 employees with the potential for further reductions in later years.[1] This decreased staff level is expected to reduce OPG's OM&A by $700M between 2011 and 2015[2].

To sustain these staff reductions, OPG has moved to a centre-led model to use resources more efficiently and avoid duplication of work. Each business unit has launched a number of initiatives to improve efficiencies and reduce work through process streamlining. These initiatives will drive sustainable change in the business, while ensuring that changes do not impact the safety, reliability and environmental sustainability of OPG's operations.

Attachment 1 to this evidence is a list of key BT Initiatives.

2.0 OVERVIEW

This evidence is organized as follows. Section 3 provides general information on BT, including background, objectives, and execution strategy. Section 4 describes how BT is integrated within OPG's Business Plan. Section 5 discusses, at a high level, the key organizational changes that result from executing BT. Section 6 covers BT costs.

[1] This figure represents projected total OPG staff level reductions, not including the impact of hiring for Darlington Refurbishment and New Build.
[2] Approximately 1,300 staff and $550M are attributable to regulated operations.

6

Attachment 1 outlines a list of key business unit initiatives that are helping to drive the BT change.

3.3.3 Manage reductions through attrition and strong vacancy management

OPG is using attrition to reduce staff levels. Reductions totalling approximately 1,000 employees were achieved by the end of 2012, with the 2013 - 2015 Business Plan targeting the remaining reduction of 1,000 employees.

To reduce staff levels through attrition, OPG needs the flexibility to change organization structures, realign work responsibilities and relocate staff to ensure that the employees required for ongoing work are available. Close to 90 per cent of OPG's workforce is unionized and organizational changes required as part of business transformation must be managed through specific processes in OPG's collective agreements. OPG has commenced a process of redeployment which will run into 2014 to get staff into the right jobs in the right business units without layoff or voluntary severance. This strategy allows OPG to continue implementing efficiency improvements over the next two years to ensure that the work is reduced or eliminated, making the attrition levels sustainable.

Starting in 2010, OPG started to add additional controls to its resourcing processes to require explanation and justification of positions being filled externally. As part of BT, OPG expanded this vacancy management process corporate-wide so that internal staff across the company were targeted first to fill vacancies prior to looking externally.

The chart below[3] shows hiring and staff levels for OPG as a whole from 2007 to August 2013 and illustrates the success the resourcing process has had on reducing the number of new hires in the company and the decline in the total OPG staff level.

[3] Includes Darlington Refurbishment and New Build.

7

AMPCO Interrogatory #006

Ref: Exhibit A4, Tab 1, Schedule 1, Business Transformation

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

Interrogatory

a) Page 1 – OPG will use attrition to reduce its year-end 2015 staff level by 1,300 employees which is expected to reduce OPG's OM&A by $550 M between 2011 and 2015 attributable to regulated operations.
   i) Please restate these employee reductions based on FTEs.
   iii) The Auditor General's Report released in December 2013 reviewed OPG's Human Resources and found no direct correlation between Business Transformation initiatives and positions eliminated through attrition. Please discuss.

b) Page 5 – Staff reductions of approximately 1,000 were achieved by the end of 2012, with the 20132015 Business Plan targeting the remaining reduction of 1,000 employees.
   i) Please provide the actual reductions for 2013 and forecast reductions for 2014 and 2015 and the corresponding savings broken down by regulated and non-regulated.
   ii) Please provide any changes in 2014 and 2015 reductions based on the 2014 to 2016 Business Plan.
   iii) Please provide the staff reductions planned for 2016.

e) Page 6 – Chart – Trending Hires and Staff Levels -Please provide the actual hires for 2013.

f) Please provide a table that shows FTE vacancies for 2010 to 2013 actuals and forecast for 2014 and 2015.

g) Page 6 – Please provide a description of the 5 new behaviours identified as culture shifts that OPG must accomplish in order to sustain change.

h) Page 6 – Please provide the original and updated OPG Values.

i) Page 8 – For 2013 to 2015 please provide details on the scope of work for external consulting assistance for business transformation and explain how the costs are allocated between regulated and non-regulated.

j) Page 8 – Please provide forecast business transformation costs for 2016 to 2020.

k) Page 8 – Please discuss if the internal staffing costs for business transformation for the years 2011 to 2015 include new hires.

l) Please summarize the savings resulting from Business Transformation activities from 2010-2015.

Response

a) i) Please refer to Ex L-6.8-1 Staff-100.

iii) OPG's Business Transformation ("BT") objective is to reduce staff levels by 2,000 employees by the end of 2015. Based on staffing levels in 2011, this represents close to a 20% reduction in OPG's headcount. The magnitude of these reductions required a significant focus on streamlining and transforming the way OPG does things in order to be able to operate sustainably at these lower staffing levels.

To achieve the work reductions required, each BU identified areas where work could be streamlined or eliminated and developed initiatives to achieve these changes. The initiatives were developed throughout OPG; they were not limited to areas where attrition was expected to take place.

For the 2013 - 2015 Business Plan, headcount targets were developed based on expected attrition over the period. Given OPG's workforce demographics, attrition is the most cost effective way to meet our headcount reduction targets.

However, attrition does not always take place in the areas in the company where work has been eliminated. To align the staff and the work, OPG plans to move resources from areas where the work was eliminated to areas where attrition may have outpaced work elimination. About 90% of OPG's workforce is unionized and organizational changes must be managed through specific processes in OPG's collective agreements. OPG has commenced this redeployment process to achieve the necessary alignment between staff levels and work requirements and to provide greater flexibility in staff deployment in the future.

For instance, placing employees in broader job documents allows OPG greater flexibility to assign staff new work. This helps OPG manage gaps between where work has been eliminated and attrition has occurred. For example, OPG is moving to place all of the section head positions in the CIO group under one job document. Currently there are 16 positions with 8 different job documents. By placing all 16 positions under one job document, OPG will gain flexibility to reassign work across the broader pool of 16 positions. Other examples of this include moving to common job documents for roles across hydro and thermal plants and standardizing environmental advisors into one job document to facilitate the adoption of a single OPG-wide Environmental Management System.

b)

i) The actual headcount reduction from ongoing operations for all of OPG in 2013 was 579 staff, of which approximately 450 staff is attributed to the regulated operations including newly regulated hydroelectric. The resulting additional savings in 2013, calculated using the

9

Attachment 1 outlines a list of key business unit initiatives that are helping to drive the BT change.

3.3.3 Manage reductions through attrition and strong vacancy management

OPG is using attrition to reduce staff levels. Reductions totalling approximately 1,000 employees were achieved by the end of 2012, with the 2013 - 2015 Business Plan targeting the remaining reduction of 1,000 employees.

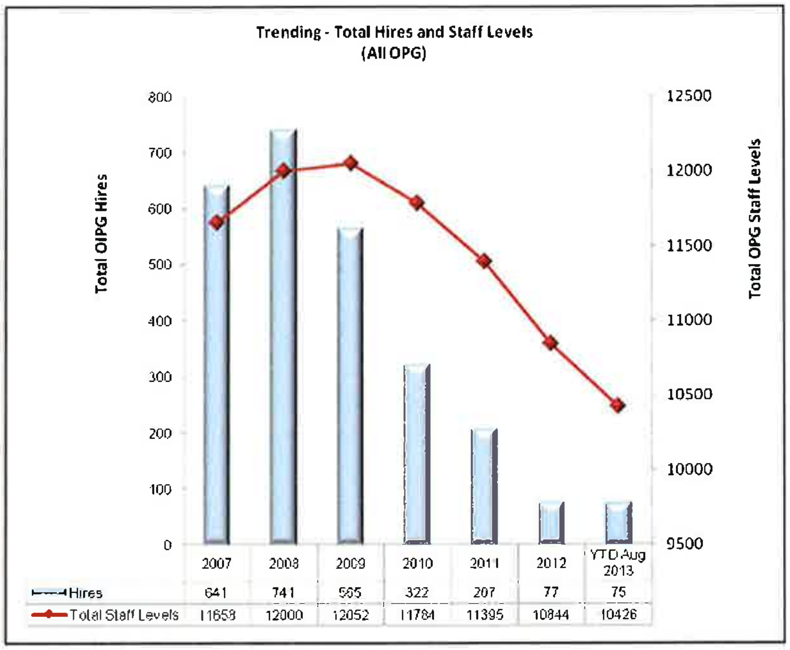
To reduce staff levels through attrition, OPG needs the flexibility to change organization structures, realign work responsibilities and relocate staff to ensure that the employees required for ongoing work are available. Close to 90 per cent of OPG's workforce is unionized and organizational changes required as part of business transformation must be managed through specific processes in OPG's collective agreements. OPG has commenced a process of redeployment which will run into 2014 to get staff into the right jobs in the right business units without layoff or voluntary severance. This strategy allows OPG to continue implementing efficiency improvements over the next two years to ensure that the work is reduced or eliminated, making the attrition levels sustainable.

Starting in 2010, OPG started to add additional controls to its resourcing processes to require explanation and justification of positions being filled externally. As part of BT, OPG expanded this vacancy management process corporate-wide so that internal staff across the company were targeted first to fill vacancies prior to looking externally.

The chart below[3] shows hiring and staff levels for OPG as a whole from 2007 to August 2013 and illustrates the success the resourcing process has had on reducing the number of new hires in the company and the decline in the total OPG staff level.

[3] Includes Darlington Refurbishment and New Build.

10



3.3.4 Align the culture to new behaviours to support change

OPG recognizes that sustainable change requires a culture shift. Based on this recognition, OPG has worked to define the culture required to meet the objectives of business transformation. Under the direction of the CEO and Executive Leadership Team, five new behaviours were defined as the culture shifts that OPG must accomplish in order to sustain change. In addition, the OPG Values were updated to reflect OPG's strengths, or the key differentiators, that must be preserved through the change. Both the values and behaviours were vetted across a broad leadership population, and detailed descriptions have been created to make them meaningful for all employees.

Recognizing that culture change requires focus and ongoing reinforcement, the values and behaviours are being incorporated into HR processes and OPG business practices. Examples include processes associated with selection criteria, performance assessment, and succession planning that all take better account of OPG's values and behaviours; leadership and employee forums that incorporate the values and behaviours; and business process and work program changes that reflect expectations outlined in the behaviours.

methodology described in Ex. L-6.8-4 CCC-022, are approximately $20M for the regulated operations, inclusive of the newly regulated hydroelectric facilities.

The 2014 and 2015 headcount reductions and corresponding savings per OPG's 2013 - 2015 Business Plan are found in Ex. L-6.8-4 CCC-022.

ii) As noted in Ex. N1-1-1, OPG has updated its Application for three material impacts arising from the 2014 - 2016 Business Plan. Plan-over-plan changes in forecast headcount reductions, if any, is not one of those impacts and would be reflected in the $26M of additional OM&A costs that OPG is not seeking to recover. As such, the requested information is not relevant.

iii) The information for 2016 is not provided as it is beyond the test period.

e) The actual hires for 2013 were 83.

f) OPG does not track FTE or headcount vacancies. Therefore, information on 2010 - 2013 actual and 2014 and 2015 forecast vacancies is unavailable.

g) Refer to Ex L-1.2-17 SEC-012 for a description of the 5 new behaviours.

h) OPG's original values:
- Integrity
- Respect
- Commitment
- Teamwork
- Safety

OPG's updated values:
- Safety
- Integrity
- Excellence
- People and Citizenship

OPG's updated values are outlined in the Code of Business Conduct which is provided with Ex L-1.2-17 SEC-012.

i) For 2013 - 2015, the scope of work for external consulting assistance is focused on change management and organizational design support.

The external consultants are providing expertise in the following areas:
- Change management to support the move to the centre-led organization and large, multi-phased complex transformational change initiatives
- Direct support to business units to manage business transformation

scoring and that it has been in favour of staff in senior positions. We also found in our review a number of cases with limited documentation to support the score achieved.

- OPG engaged a consultant to conduct a compensation benchmarking study in 2012, which found that base salary, cash compensation and pension benefits for a significant proportion of staff were excessive compared to market data. Our analysis showed that total earnings were significantly higher at OPG than total earnings for comparable positions in the Ontario Public Service (OPS), and many of OPG's senior executives earn more than most deputy ministers.
- OPG has contributed disproportionately more to its pension plan than its employees have. Since 2005, the employer–employee contribution ratio at OPG has been around 4:1 to 5:1, significantly higher than the 1:1 ratio at OPS. OPG is also solely responsible for financing its pension deficit, which was about $555 million in its latest actuarial valuation.
- OPG provides numerous employee benefits, such as relocation benefits and meal and travel allowances, some of which we found questionable. For example, an employee who transferred to another office received over $392,000 in housing and moving allowances and related reimbursements from OPG, on top of the proceeds of $354,000 from the sale of his old residence. Another employee who moved further away from his new work location received over $80,000 in 2011 and 2012.
- OPG incurred losses on 95 of the 98 purchase guarantees it offered to employees whose properties had not sold within a 90-day listing period, resulting in a total loss of about $2 million between January 2006 and April 2013.
- OPG has been outsourcing its IT services to the same private-sector vendor since 2001, when it conducted a competitive process and signed a 10-year, $1-billion contract with the vendor. Under this contract, OPG transferred about 700 IT staff to the vendor. In 2009, OPG decided to end the contract early and renew it with the same vendor without competition for a term of six years and four months at $635 million. In awarding a contract of this size on a single-source basis, OPG has not taken advantage of the benefits of open competition, which can help demonstrate fairness and accountability, ensure value for money, eliminate the risks associated with over-reliance on a single supplier, and minimize the perception of conflict of interest.
- OPG's total overtime costs were about $148 million in 2012. Although they have declined somewhat in recent years, the number of OPG employees earning more than $50,000 in overtime pay has doubled since 2003, from about 260 to 520 in 2012. Planned outages have resulted in high overtime pay, especially for inspection and maintenance (I&M) technicians. During outages, I&M technicians who are regular day-workers are placed on different schedules and their normal base hours are shown as unpaid leaves while the hours they work are considered overtime and paid at a rate of 1.5 or 2 times their base pay. In 2012, the average overtime pay earned by OPG's 180 I&M technicians was more than $66,000 each. The perception of many respondents to our survey was that poor planning and scheduling led to unnecessary overtime.
- OPG monitors its nuclear training on a regular basis, but it needs to act on previously identified ways to improve the quality of its training programs, and review the nature and timing of its mandatory training for staff in its hydro/thermal unit.

OVERALL ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation (OPG) is committed to continuous improvement. We regularly benchmark against the performance of our

13

workforce during periods of transition or peak work, resulting in substantial cost savings. As recommended by the Auditor General, OPG will review its practices related to rehiring retired employees.

OPG conducted a competitive process when we outsourced our information technology services in 2001. Through an assessment of alternatives initiated in 2007, and through third-party validation, we concluded that renewal under a significantly restructured contract would provide the most significant value to both OPG and ratepayers. We plan to assess all potential options before the current contract expires, including an open competitive process that is consistent with the recommendation of the Auditor General.

OPG concurs with the Auditor General on the importance of accurate contractor payments and will investigate alternatives to manage and monitor contractor hours. In 2012, we enhanced controls by implementing new contracting strategies and will be assessing further control opportunities with regard to time-tracking tools and the time-approval process.

OVERTIME

In its March 2011 decision, the OEB expressed concerns about the "extensive use of overtime, particularly in the nuclear division" at OPG and said that it expected "OPG to demonstrate that it has optimized the mix of potential staffing resources." In our review of staffing records, we found that management of overtime at OPG still required significant improvement.

Ten-year Overtime Trend

Prior to the OEB's decision, OPG's overtime costs rose steadily from $133 million in 2003 to $169 million in 2010, and then dropped to $148 million in 2012. About three-quarters of OPG staff claimed overtime in each of these years, earning on average about $15,000 each in overtime pay. The nuclear unit accounts for about 80% of OPG's annual overtime costs; about half of these were related to planned outages at nuclear facilities, particularly Pickering.

OPG's overtime cost percentage (overtime costs divided by base salary) dropped from 16.2% in 2008 to 13% in 2011, but was slightly higher than the averages (14.3% in 2008 and 12.1% in 2011) of large utility companies in the U.S. According to OPG, planned outages have been the main driver of its overtime costs because its outage periods are generally much longer than those of its U.S. counterparts due to technical differences and different inspection requirements.

Although OPG's overtime costs have been decreasing in recent years, its number of high overtime earners has increased significantly. Over the last 10 years, the number of OPG employees who earned more than $50,000 in overtime pay has doubled, from about 260 in 2003 to 520 in 2012. The number of staff who earned more than $100,000 in overtime pay has also grown considerably—in 2003 there was only one such employee, but by 2012 there were 33.

Management of Overtime

OPG informed us that all overtime must be pre-approved by a supervisor, who has the discretion to do so as long as his or her overtime budget has not been exceeded. We looked at a sample of employees with high overtime pay and noted that 20% of them had no supporting documents for overtime pre-approvals. We also noted that about one-third of the departments covered in our sample had exceeded their overtime budgets every year since 2009. In addition, each department used different methods of pre-approving overtime—some departments required paper overtime request forms to be submitted and approved before any overtime hours could be worked, but in most departments verbal approvals were sufficient.

14

We performed an analysis of overtime pay and noted that OPG could improve its deployment of staff, especially for inspection and maintenance (I&M) technicians, who conduct regular inspections and work on outages at nuclear stations. In our review of payroll data, we noted that I&M technicians consistently earned high overtime each year. For example, in 2012 the average overtime pay for OPG's 180 I&M technicians was more than $66,000 each, representing more than half of their annual base salaries.

OPG acknowledged that planned outages have resulted in high overtime pay, especially for I&M technicians who are regular daytime employees but who are placed on schedules different from their normal hours during outages. Every hour they work that is not one of their normal working hours is considered overtime—even if they work none of their normal hours. Their compensation for those hours is one-and-a-half to twice their basic pay, depending on the days and times they worked. For example, we noted that the highest overtime earner at OPG in 2012 received $211,000 in overtime pay, but his annual base salary had been reduced from $135,000 to $58,000 because when he was put on an outage schedule he no longer followed his normal schedule. His normal base hours therefore showed up as unpaid leaves and all the hours he worked outside his normal schedule were paid at the overtime rate.

The collective agreement stipulates that OPG is responsible for preparing and administering outage schedules. According to OPG, there were about four or five planned outages each year at Pickering and it developed outage plans two years in advance to calculate the number of months each year in which I&M technicians would be required to provide 24/7 coverage.

Many of the respondents to our survey felt that the most common contributor to inappropriate and inefficient uses of overtime was poor planning and scheduling. They also felt that outages could have been planned better by moving around shift schedules instead of using overtime, and that unionized staff sometimes treated overtime as an avenue to increase their pay.

RECOMMENDATION 4

To ensure that overtime hours and costs are minimized and monitored, Ontario Power Generation should:

- decrease overtime costs for outages by planning outages and arranging staff schedules in a more cost-beneficial way; and
- review other ways to minimize overtime.

ONTARIO POWER GENERATION RESPONSE

Nuclear outages are extremely complex projects that are planned and resourced two years in advance. The scope of work may be affected by emerging issues, unforeseen equipment conditions and changes in regulatory requirements. The majority of overtime costs are associated with activities relating to these outages. Ontario Power Generation (OPG) continuously balances the use of overtime versus contractors and considers the related amount of lost generation and revenue caused by extending the duration of the outage. Our overtime cost percentage is comparable to large utility companies in the United States.

OPG will conduct a cost-benefit analysis to explore various ways, including scheduling and hiring staff and/or contractors, to minimize overtime cost.

ABSENTEEISM

Sick Leave Trend

OPG's sick leave plans are relatively generous compared to those of the Ontario Public Service (see Figure 11). In particular, unionized staff who began working for OPG before 2001 are entitled not only to carry over unused sick days from one year to the

15

MR. MAZZA: Lately there aren't any, because we were focussing -- lately we haven't made any changes, but I do refer in the evidence, in our benchmarking section, of areas that we did look at with other utilities and we took some action.

And one of them is a simple topic of overtime. I know it's been an issue with the Board. And at one point in time in the 1990s, we had about a 10 percent overtime rate. And now it's gone down to 5. And we use overtime more strategically, and make sure there is a business case for it, whereas in the past maybe it may have been more ad hoc. I can't speak to it, but --

So that's where we sort of gained some experience from other utilities on how they do it, and how -- what they actually considered to be valuable from an overtime perspective.

And so that that is one example where we have used it. But it's more of a historical thing, going back ten years.

MS. DUFF: And again, referring to Board Staff's compendium -- and I am on page 6, so this is K3.7 -- we had a discussion about who is in the first quartile, the second and the fourth, those -- the stations that are in the first quartile -- sorry, you have got it now?

MR. MAZZA: Yes.

MS. DUFF: The stations that are in the first quartile again, that is ending at the base OM&A and project OM&A level?

MR. MAZZA: For EUCG, it includes projects. For the

AMPCO Interrogatory #058

Ref:
Exhibit F4, Tab 3, Schedule 1 Compensation

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

Interrogatory

a) Page 1 Table 1 - Please update Table 1 and Appendix 2-K to include 2013 Actuals. Please comment on 2014 and 2015 Plan levels compared to 2013 Actuals.

b) Page 3 - OPG expects to reduce its 2001 headcount by 2000 employees through attrition by year end 2015.
   i) Please restate this information based on FTEs.

c) Page 4 – OPG indicates it had 10,844 employees at the end of 2012. Of this approximately 9,582 employees work directly in or allocated to OPG's regulated activities. Appendix 2K (Exhibit 4, Tab 3, Schedule 1 Attachment #6) shows 10,005.5 total staff for OPG. Please reconcile.

d) Page 5 – Approximately 1,300 out of the 2,000 staff reduction are attributable to regulated operations.
   i) Please provide a breakdown of the 1,300 between nuclear, previously regulated hydroelectric and newly regulated hydroelectric.
   ii) Please provide a breakdown of the 1,300 between management, Society, and PWU.

e) Page 5 – Please provide a breakdown of total OPG regulated staff on the basis of regular staff, nonregular staff and temporary tradespersons.

f) Page 6 - Overtime – Please explain how OPG's overtime policies differ between the PWU, Society and management staff as well as regular, non-regular and temporary tradespersons.

g) Page 6 – Please provide overtime costs for the years 2010 to 2013 and forecast for 2014 and 2015 and discuss trends.

h) Please discuss the trend in purchased services for the 2010 to 2015 period.

i) Page 7 – Research & Consultation – Please provide examples of the broader public sector employers that OPG reviews to understand the external labour relations landscape.

j) Page 8 – Negotiations - Please explain why a typical round of negotiations takes longer with PWU (two to four months) than the Society of Energy Professionals (one month).

k) Page 10 – Please provide a summary of the cost and productivity offsets to the wage increases OPG negotiated in the PWU agreement.

l) Page 12 - Please discuss if OPG negotiated any cost and productivity offsets to the wage increases in the Society of Energy Professional agreement and provide details.

m) Page 15 – Contracting Out PWU - One unique aspect of the contracting out provision with the PWU is the use of thresholds to establish amounts or types of work that can be contracted. A new threshold was negotiated in 2012 with the PWU to provide that distinct work programs or packages of 250 hours or less are within the threshold.

i) Please provide the threshold prior to 2012.

ii) Please discuss how the change in the threshold impacts contracting out over the period 2012 to 2015.

n) Page 15 – With respect to the PWU agreement, please provide the cost of the actual work contracted for the years 2010 to 2013 and the amount forecasted for 2014 and 2015.

o) Page 16 – Society Contracting Out - For any contracting in excess of $165M per year, OPG makes a payment equal to 1% of the amount in excess of $165 M to the Society. Please provide the amount of actual payments made for the years 2010 to 2013 and the amount forecasted for 2014 and 2015.

p) Page 16 – Please provide the amount of severance paid in 2010 to 2013 and forecast for 2014 and 2015 and the number of FTEs affected in each year.

q) Page 16 – PWU No Layoff Clause – Please discuss if a no-lay off clause was included in past PWU Collective Agreements.

r) Page 20 – Management Compensation - OPG comments on its salary increases compared to major salary surveys. Please confirm the source of the major salary surveys.

s) Page 20 – OPG voluntarily rolled back all incentive payments by 5% in 2009 and 10% in 2010. Please discuss if OPG has considered rolling back incentive payments beyond 2010.

Response

a) The information requested cannot reasonably be assembled and submitted during the interrogatory period. See Ex. L-1.0-1 Staff-002.

b) OPG does not track Business Transformation staff reductions based on full-time equivalent "FTE", reductions are tracked using headcount. However, based on the 1,300 headcount reduction indicated in the footnote, a rough estimate of the FTE reduction would be about 980.

18

c) Headcount is incomparable to FTE. OPG defines headcount as the staffing level at the end of a year, whereas "FTEs" represent the number of hours worked converted to a full-time equivalent.

In addition, the 9,582 employees (headcount) who worked directly in or were allocated to the regulated business included staff from the Darlington Refurbishment and Nuclear New Build Projects, and excluded non-regular staff. Appendix 2K reflects FTEs, including those associated with the Darlington Refurbishment, Nuclear New Build projects and non-regular staff.

d) i) The breakdown of the approximately 1,300 regulated headcount reduction between nuclear, previously regulated hydroelectric and newly regulated hydroelectric is as follows:

Nuclear	1,284
Previously Regulated Hydro	5
Newly Regulated Hydro	3

ii) The breakdown of the approximately 1,300 regulated headcount reduction by representation is as follows:

Management	52
Society	511
PWU	729

e) A breakdown of total OPG regulated staff on the basis of regular staff and non regular staff including temporary tradespersons is provided in the following chart.

OPG Regulated Staff (FTE)	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
Regular Staff	9,693.6	9,575.8	9,370.5	9,405.2	9,142.4	8,920.2
Non-Regular Staff	787.2	698.6	635.0	485.9	423.8	475.4
Total	10,480.8	10,274.4	10,005.5	9,891.2	9,566.1	9,395.6

f) Management staff at OPG is not compensated for overtime. For PWU and Society staff overtime premiums are prescribed by the collective agreements. Overtime is paid when employees are required to work beyond their normally defined hours of work in a day or week. The hourly premiums for overtime range from one and half times an employee's hourly rate of pay to two times an employee's hourly rate depending on the time period when the overtime is required. There is no distinction on overtime payments between regular, non-regular, and temporary tradespersons.

g) The requested overtime costs are provided in the following chart.

19

Overtime ($M)	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
Total OPG Regulated	169.2	146.7	147.8	134.4	117.1	130.0

Overtime is primarily driven by Nuclear planned and forced outages described in h), below.

h) The purchased services costs for the 2010 to 2015 period are as follows:

	2010	2011	2012	2013		2014	2015
('$M)	Actual	Actual	Actual	Actual	Budget	Budget	Budget
Nuclear	300	221	250	274	355	329	364
Hydro	43	39	38	39	44	45	48
Corporate	118	106	117	124	138	134	127
Total	**460**	**366**	**405**	**437**	**538**	**508**	**538**

Cost increases from 2010 actual to 2015 budget are due to the following:

- Nuclear
    - The purchase service reflects resources requirements to meet the work programs. OM&A projects vary and the trending of external purchase services varies as projects utilize external resources. Outage campaign utilize external resources and in 2010 there was a Pickering Vacuum Building Outage ("VBO"), an additional Darlington outage in 2013, and the Darlington VBO in 2015;
    - For Base OM&A external purchase trending, refer to Ex. L-6.3-15 PWU-018. interrogatory response;
    - Increase in external purchased service costs are also due to timing of attrition versus the full implementation of Business Transformation initiatives. Temporary resources are required until the business re-engineering and streamlining processes have reduced work requirements.

- Hydro
    - OM&A external purchased services is trending upward in the test period due to increased resource requirements for the commencement of a number of major projects as described in Ex. F1-3-1.

- Corporate
    - Costs increase primarily due to the transfer of Business Unit staff to Support Services groups, as part of Business Transformation and various business development initiatives in Corporate Centre, partially offset by reduction of IT costs driven by Information Management Transformation Program.

UNDERTAKING JT2.31

Undertaking

To confirm whether 2013 actual overtime amounts can be quantified, and advise whether they can be provided.

Response

The 2013 actual overtime amount was $167.1M.

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 JT2.32

Undertaking

To advise whether it is possible to provide a table showing end-of-year number of ongoing regulated regular employees, non-regular employees, Darlington refurb employees, and new-build nuclear employees.

Response

OPG notes that this undertaking overlaps with the information requested by Board Staff in Undertaking JT2.33. Accordingly, OPG will provide its response to this undertaking as part of Undertaking JT2.33, which is to be provided in advance of the settlement conference.

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	Previously Reg Hydro Operations	359.7	369.4	343.8	346.8	321.5	343.1	340.9
16	Allocated Corp Support to Previously Reg Hydro	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 ($million)							
34	Nuclear Operations & Projects	1,274.6	1,281.5	1,135.7	1,166.1	1,202.3	1,143.6	1,163.9
35	DRP and New Nuclear	23.1	36.3	37.6	49.5	40.3	52.2	55.2
36	Allocated Corporate Support to Nuclear	122.4	129.1	268.2	297.8	291.7	290.1	280.5
37	Previously Reg Hydro Operations	50.4	54.5	51.8	57.1	53.7	58.4	59.0
38	Allocated Corp Support to Previously Reg Hydro	12.7	13.1	15.9	17.7	17.4	17.9	16.8
39	Newly Reg Hydro Operations	79.2	87.9	91.5	102.1	96.1	105.8	104.1
40	Allocated Corp Support to Newly Reg Hydro	18.6	18.7	23.0	23.6	22.5	26.4	25.3
41	Total	1,581.0	1,621.0	1,623.7	1,713.8	1,724.0	1,694.4	1,704.9
	Employee Costs ($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	568.4	556.7	551.5
44	PWU	820.9	837.9	847.6	897.6	911.1	893.0	912.8
45	EPSCA	14.4	11.3	11.9	7.6	11.3	6.6	7.1
46	Total	1,581.0	1,621.0	1,623.7	1,713.8	1,724.0	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 and 2013 actuals exclude New Nuclear since the proposed revenue requirement excludes New Nuclear costs as discussed in Ex F2-8-1.

Management Group Base Salary Structure

Band	Organization Structure	Minimum	Midpoint	Maximum
A	Senior Executive	$580,000	$720,000	$860,000
B		$315,000	$390,000	$465,000
C		$265,000	$330,000	$395,000
D	Executive	$195,000	$260,000	$325,000
E		$160,000	$200,000	$240,000
F	Management	$120,000	$150,000	$180,000
G		$95,000	$130,000	$160,000
H		$85,000	$110,000	$140,000
I	Professional	$65,000	$85,000	$105,000
J		$55,000	$70,000	$90,000
K	Administrative	$45,000	$55,000	$65,000
L		$40,000	$50,000	$60,000