

UNDERTAKING J2.4

Undertaking

Assess numbers in Exhibit K2.1

Response

Exhibit K2.1 is not correct for the following reasons:

- In Ex. F1-T1-S1 Table 1 for regulated hydroelectric and Ex. L-16-16 for nuclear, "Total Labour" lines refer only to Base OM&A costs, whereas the "Total Staff Levels" (FTEs) lines includes staff deployed on Capital and OM&A projects. Therefore, the labour costs presented in K2.1 are on a different basis than the FTE numbers. .
- Non-regular staff should be excluded due to their small but fluctuating numbers and pay rates.
- Only the "Burden Components" of Pension and OPEB costs in Ex. F3-T4-S1, Chart 6 should be included in the analysis. "Centrally Held Components" of Pension and OPEB costs are not included in either the standard labour rates nor the "Total Labour Costs".
- A portion of the OPEB and Pension "Burden Components" in Ex. F3-T4-S1, Chart 6 is related to corporate allocations and therefore should also not be included in either the standard labour rates nor the "Total Labour Costs" as these do not include allocated costs.

OPG has provided, in Tables 1 and 2 (attached), a reconciliation of its hydroelectric and nuclear labour costs that correctly shows the underlying trends that Ex. K2.1 was attempting to show (i.e. labour costs per FTE exclusive of pension and OPEB).

In undertaking this reconciliation, OPG has made the following assumptions:

- Included within base labour are certain non-pensionable bonuses, allowances, shift premiums, etc.
- The base labour figures exclude overtime and represent regular staff only.
- The only burden components that are removed are pension and OPEB (i.e. OPG has not excluded other non-statutory burdens such as health, dental, group life insurance, maternity supplements and statutory burdens such as CPP and EI are not removed)

L-16-15, provided a range of 3-4% for the annual escalation rate for the significant components of the standard labour rate (excluding pension and other post employment benefits). Tables 1 and 2 show an average increase in the 4% range.

REGULAR STAFF RECONCILIATION

NUCLEAR (\$M)							
Line No.	Exhibit/IR Reference	Description	2005	2006	2007	2008	2009
1	IR L-16-16 (revised)	Base Labour ¹	819.3	923.5	967.6	1,084.8	1,112.2
3	None	53rd Week Adjustment	-	(19.6)	-	-	-
4	Rates per Apprvd BP	Pension per Burden component (in line 1)	(95.8)	(130.1)	(152.8)	(158.2)	(166.2)
5	Rates per Apprvd BP	OPEB per Burden component (in line 1)	(37.5)	(47.6)	(56.0)	(57.8)	(61.2)
6		Total	686.0	726.1	758.8	868.8	884.8
7	Ex. F2-T1-S1, Table 1	Total Regular Staff (FTEs)	7,311.7	7,484.7	7,542.0	8,109.1	7,933.8
10		Labour (excl. Pension and OPEB) per Regular FTE (\$K)	93.8	97.0	100.6	107.1	111.5
11		% change from prior year	N/A	3.4%	3.7%	6.5%	4.1%

¹ Includes Base OM&A, Outage OM&A, Project OM&A, Capital, Provision labour

REGULAR STAFF RECONCILIATION

REGULATED HYDROELECTRIC (\$M)							
Line No.	Evidence/IR Reference	Description	2005	2006	2007	2008	2009
1	IR L-16-16 (revised)	Base Labour ¹	32.8	34.1	35.8	38.8	40.8
2	None	53rd Week Adjustment	-	(0.6)	-	-	-
3	Rates per Apprvd BP	Pension per Burden component (in line 1)	(3.8)	(4.8)	(5.7)	(5.7)	(6.1)
4	Rates per Apprvd BP	OPEB per Burden component (in line 1)	(1.5)	(1.8)	(2.1)	(2.1)	(2.2)
5		Total	27.5	26.9	28.1	31.1	32.5
6	L-1-40, part b, Chart 1	Total Regular Staff (FTEs)	294.2	283.5	279.8	297.7	298.8
7		Labour (excl. Pension and OPEB) per Regular FTE (\$K)	93.4	94.8	100.3	104.4	108.6
8		% change from prior year	N/A	1.6%	5.8%	4.0%	4.1%

¹ Includes Base OM&A, Outage OM&A, Project OM&A, Capital, Provision labour