

**EB-2007-0905**

**Energy Probe Cross-examination**

**Document Brief**

**OPG Panel #9: Corporate and Other Operating  
Costs**

**June 9, 2008**

Ontario Energy Board	
FILE No.	EB 2007-0905
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1 **Energy Probe Interrogatory #10**  
2

3 Ref: Ex. F3-T4-S1  
4

5 **Issue Number: 5.3**

6 **Issue:** Are the 2008 and 2009 human resource related costs (wages, salaries, benefits,  
7 incentive payments, FTEs and pension costs) appropriate?  
8

9 **Interrogatory**

10  
11 Page 12 of Schedule 1 discusses Management Group compensation. The following  
12 statement appears at line 8:  
13

14 "In 2005, OPG continued with the freeze in salary structure and the  
15 salaries of Senior Vice Presidents and above."  
16

17 a) How many employees are covered by the category of Senior Vice President and  
18 above?  
19

20 b) How long does OPG expect it to take before executive salaries return to the target  
21 level?  
22

23  
24 **Response**  
25

26 a) As of December 31, 2007 there were 12 people in the category of Senior Vice  
27 President and above at OPG.  
28

29 b) The executive salaries were frozen in 2005 as a cost-cutting measure, not because  
30 they were off target. In 2006, OPG allowed for performance based salary changes for  
31 senior executives. In late 2007, salaries of senior executives at OPG were compared to  
32 the public and private comparator groups at the 50<sup>th</sup> percentile level in accordance with  
33 OPG's executive compensation review process described in Ex. F3-T4-S1 (pages 12 -  
34 13) and were found to be within an acceptable market range. 7

1 **Energy Probe Interrogatory #13**  
2

3 **Ref:** Ex. F3-T4-S1  
4

5 **Issue Number:** 5.3

6 **Issue:** Are the 2008 and 2009 human resource related costs (wages, salaries, benefits,  
7 incentive payments, FTEs and pension costs) appropriate?  
8

9 **Interrogatory**

10  
11 Page 17 of Schedule 1 discusses payments made to specified staff such as nuclear  
12 control room operators and shift supervisors. Starting at line 10 the following statement  
13 appears:  
14

15 "The staff licensing process is set out by the Canadian Nuclear Safety Commission  
16 and represents a challenging and time-consuming task. Not every employee is  
17 prepared to devote personal time and effort necessary to obtain and maintain a  
18 license."  
19

20 a) Please explain why bonuses are necessary for licensed employees to maintain their  
21 licenses if that is a condition of employment for these positions?  
22

23 b) Why does OPG think it needs to offer these bonuses to "attract and retain staff" as  
24 noted on line 8 if its assets are "unique" and therefore the only places that require  
25 nuclear operators?  
26

27 c) Why are these payments pensionable?  
28

29 d) What percentage of authorized employees required to have and maintain a license  
30 from the CNSC allow those licenses to lapse?  
31

32 e) What happens to those employees who do not obtain and/or maintain a license?  
33

34 f) Does OPG provide similar incentives to other professionals such as engineers,  
35 lawyers, accountants etc. who must also be licensed by their respective regulatory  
36 bodies?  
37

38  
39 **Response**  
40

41 a) License retention bonuses are common in the nuclear industry. OPG provides these  
42 bonuses in order to attract and retain qualified candidates for positions where it is  
43 necessary to undertake extensive training and testing. While being licensed is a  
44 requirement for the positions at which this incentive is aimed, it is not a general condition  
45 of employment within OPG's nuclear operations. This is the case because OPG's  
46 nuclear operations are large and diverse and allow multiple opportunities for staff to

1 remain employed in unlicensed positions. Therefore, attraction and retention of  
2 candidates for licensed positions is not dependent on OPG's nuclear assets being  
3 "unique" but rather on OPG's ability to persuade nuclear employees who possess the  
4 required skills for licensed positions to work in licensed positions instead of in unlicensed  
5 positions.

6  
7 b) While each nuclear facility has licensing requirement some of the skills and training  
8 would make a candidate more attractive to other nuclear operators. Please refer to the  
9 response to part a).

10  
11 c) License retention bonuses are pensionable based on the terms of negotiated  
12 collective agreements.

13  
14 d) Approximately 1 percent of authorized employees who require a license allowed their  
15 licenses to lapse each year over the period from 2005 to 2007. (A "lapsed license" is  
16 defined as a license given up for reasons other than retirement or job re-  
17 assignment/promotion to an unlicensed role.)

18  
19 e) Specific provisions have been negotiated in the collective agreements regarding  
20 consequences for employees who do not obtain or renew their licenses. Generally,  
21 these employees continue to work in positions at OPG that do not require a license.

22  
23 f) Authorized Shift Managers and Authorization Training Supervisors in the nuclear  
24 business also receive license retention bonuses, but no other professionals at OPG  
25 receive similar incentives.

1 **Energy Probe Interrogatory #14**

2  
3 **Ref:** Ex. F3-T4-S1

4  
5 **Issue Number:** 5.3

6 **Issue:** Are the 2008 and 2009 human resource related costs (wages, salaries, benefits,  
7 incentive payments, FTEs and pension costs) appropriate?

8  
9 **Interrogatory**

10  
11 Page 17 of Schedule 1 also discusses Pensions and Other Post Employment Benefits  
12 (OPEBs).

13  
14 a) Are OPEBs provided to all OPG pensioners on a cost free basis? If not, please  
15 explain how much is paid by the pensioner and how much by OPG.

16  
17 b) Are OPEBs to pensioners time limited? If yes, at what age do the benefits stop? If  
18 the benefits are life time, how does this practice compare with retirement benefits  
19 provided by other comparable utilities and private sector comparators used by OPG to  
20 benchmark its compensation policies?

21  
22  
23 **Response**

24  
25 a) Post employment benefits are provided to eligible pensioners at no cost to them.

26  
27 b) Post employment benefits for eligible pensioners are not time limited with the  
28 exception of group life insurance, which drops by 50 percent of base pay immediately  
29 upon retirement and to 25 percent of base pay after 10 years following retirement. OPG  
30 participates in a Watson Wyatt benchmarking survey of pension and benefits. The 2006  
31 report on the survey indicates that the majority of comparators in the Energy, Resources  
32 and Utilities sector do provide post-retirement benefits and that most of those who do  
33 provide them do not require contributions. While the question of the time limitations of  
34 benefits was not addressed by the survey, it is OPG's understanding, based on  
35 knowledge of other pension and benefit plans, that its practices in this area are similar to  
36 those of other comparable companies.

1 costs of these groups. Corporate support groups' OM&A costs are assigned or allocated to  
 2 the regulated business units in accordance with OPG's cost allocation methodology, as  
 3 described in Ex. F3-T1-S1.

4  
 5 The centrally-held costs for pension and OPEB are allocated to the regulated business units  
 6 in proportion to the pension and OPEB costs that are charged to the regulated business units  
 7 based on direct charges via payroll burden plus the costs assigned and allocated from the  
 8 corporate support groups. This methodology was reviewed as part of OPG's external cost  
 9 allocation study presented in Ex. F2 and discussed in Ex. F3-T1-S1. The centrally-held costs  
 10 for pension and OPEB allocated to the regulated businesses are recorded as OM&A costs.

11  
 12 7.3.4 Comparison of Pension and OPEB Costs

13 The following chart presents pension and OPEB costs attributed to regulated operations for  
 14 the period 2005 - 2009:

15  
 16 **Chart 6**  
 17 **Pension and OPEB Costs<sup>1,2</sup> (\$M)**  
 18

	Nuclear					Regulated Hydro				
	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 Plan	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 Plan
Pension – Burden Component	109.2	145.6	170.4	165.4	170.8	4.8	7.1	7.8	7.7	7.9
Pension – Centrally Held Component	(20.7)	18.8	13.3	(10.7)	(35.7)	(1.0)	0.9	0.6	(0.5)	(1.6)
<b>Total Pension Cost</b>	<b>88.5</b>	<b>164.4</b>	<b>183.7</b>	<b>154.7</b>	<b>135.1</b>	<b>3.8</b>	<b>8.0</b>	<b>8.4</b>	<b>7.2</b>	<b>6.3</b>
OPEB –	42.7	53.3	62.2	60.3	62.8	1.9	2.6	2.8	2.7	2.9

1  
 2  
 3  
 4  
 5

**Chart 9**

**Findings – OPG Salary Variance from the 75<sup>th</sup> Percentile of Market Data  
 Based on Analysis by Towers Perrin**

<b>Salary % Variance from the 75<sup>th</sup> Percentile</b>	
<b>Position</b>	<b>Total Sample</b>
Operating Technician – Senior	1%
Operating Technician – Junior	9%
Operating Technician – Entry	-13%
Senior Business Developer	-7%
Project Financial Analyst – Fully Qualified	5%
Project Engineer – Fully Qualified	13%
Engineer – Specialist	13%
Engineer – Fully Qualified	19%
Engineer – Developmental	22%
Engineer – Entry	13%
Technologist – Advanced Specialist	15%
Technologist – Fully Qualified	17%
Technologist – Developmental	-12%
Technologist – Entry	5%
Senior Daily Trader/Power Trader	26%
Environment – Advanced Specialist	5%
Environment – Fully Qualified	28%
Industrial Nurse	10%
Safety – Advanced Specialist	5%
Safety – Specialist	11%
Purchasing Supervisor	14%
Senior Buyer	8%
Buyer	11%
Junior Buyer	5%
Fleet Manager	-7%
Vehicle Tradesperson	18%
Regulatory Analyst – Specialist	20%
Regulatory Analyst – Fully Qualified	0%
Warehouse Supervisor	21%
Maintenance Supervisor	14%
Maintenance Technician – Senior	-9%
Maintenance Technician – Journeyman	15%
Maintenance Planner	15%
Labourer	24%

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P. 7