CME Compendium

Panel 4

OPG 2017-2021 Rates – EB-2016-0152

Demographics and OPG's Business Transformation: OPG has a mature and experienced workforce. By year-end 2016, approximately 20 per cent of active employees will be eligible to retire with an undiscounted pension, with an additional 4 per cent becoming eligible to retire each year thereafter.

OPG has been able to utilize this demographic profile to support its objectives of transforming the business to a more cost effective and sustainable model. As part of Business Transformation, OPG changed its structure to a centre-led matrix organization that required fewer staff to support the production of electricity. By managing staffing reductions through retirements and putting in place vacancy controls, OPG was able to reduce its regular headcount by nearly 2,700 positions between 2011 and 2015 while avoiding costly severance packages and minimizing disruptions associated with the redeployment of staff. While Business Transformation has ended as a discrete initiative, efforts to continually improve and manage OPG's resources are embedded in day-to-day operations and business plans.

4.0 COMPENSATION COSTS

Figure 3 summarizes the compensation costs for OPG's Nuclear facilities for 2013-2021 and reflects the impacts of wage escalation during the test period. The wage increases OPG negotiated in its collective agreements are moderate (i.e., increases below expected inflation), with increases arising as a result of the arbitrated progression catch up and items negotiated in exchange for pension reforms. As discussed further below, the number of FTEs grows between 2015 and 2017 before declining over the remainder of the rate period (2018-2021). This growth contributes significantly to the 2013 to 2021 trend in nuclear compensation costs.

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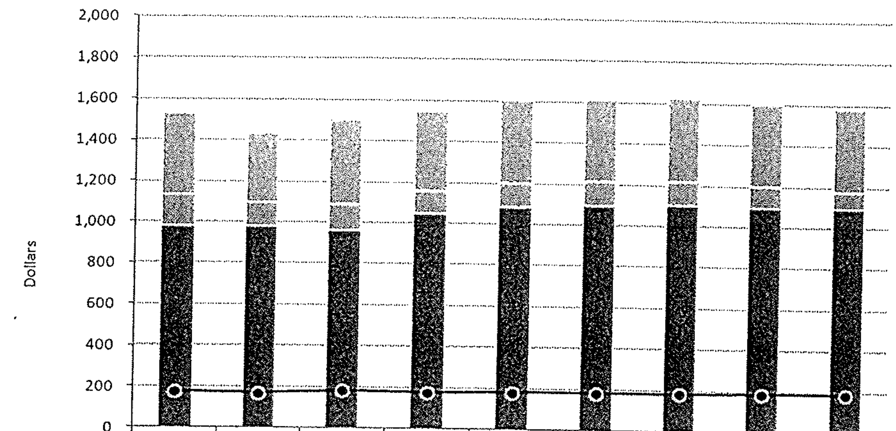
Figure 3 - Compensation Costs for Nuclear Facilities



	2013	2014	2015	2016	2017	2018	2019	2020	2021
Pensions & Benefits (M$)*	399	342	417	397	407	400	405	404	405
Overtime (M$)	159	118	132	112	117	116	119	102	81
Base Salaries & Incentives (M$)	976	978	956	1,046	1,082	1,095	1,099	1,097	1,096
Total Compensation (M$)	1,534	1,438	1,506	1,554	1,606	1,611	1,623	1,603	1,582
Growth Rate (Total Compensation)	6%	-6%	5%	3%	3%	0%	1%	-1%	-1%
Total Compensation (K$ / FTE)	179	171	186	178	182	184	187	190	191
Full Time Equivalents**	8594	8432	8114	8721	8801	8761	8665	8430	8293

*Pension and benefits include current service costs and are shown on an accrual basis.
** FTE includes both regular and non-regular FTEs. The actual 2013 FTEs shown are adjusted from those provided in EB-2013-0321, J7.3, Attachment 1. The adjustment increases the number of FTEs by excluding the impact of banked overtime (overtime taken as time off rather than pay) and shows the 2013 Actual FTEs on a consistent basis with the remaining years in the table.

Each component of compensation is described in more detail below, beginning with staffing levels. Additional details can also be found in Attachment 1 (FTE, Compensation and Benefit Information for OPG's Nuclear Facilities ["Appendix 2k"]).

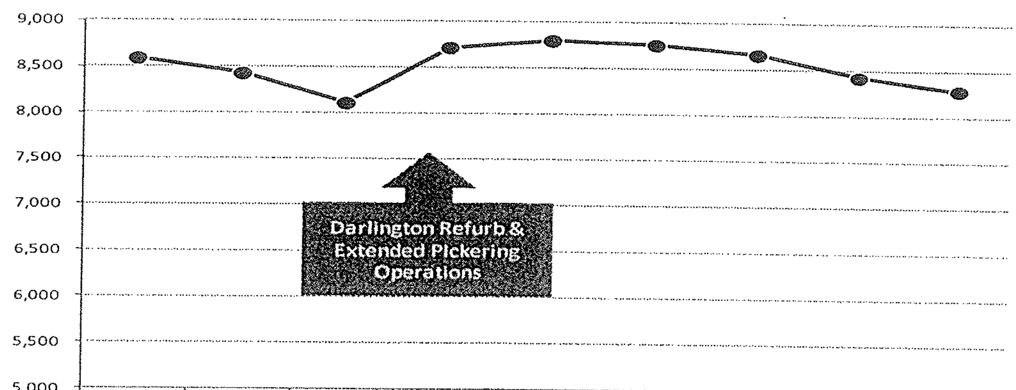
FTE Staffing levels

In 2016, staffing levels for OPG's Nuclear facilities are expected to increase by over 600 FTEs due largely to the Darlington Refurbishment Project ("DRP") and, to a lesser extent, the workforce renewal required to sustain Pickering operations. In 2015, Nuclear attrition was at its highest level in years, with over 300 retirements.[4] This represents a 20 per cent increase in the number of retirements in Nuclear compared to 2014. Over two thirds of the 2015

[4] These retirements include only those reporting to the Nuclear organization directly. Attrition associated with support staff attributed to the prescribed nuclear facilities is not reflected in this number.

retirements were in critical operations, maintenance, engineering and technical roles and will need to be replaced. As shown in Figure 4, staffing levels peak in 2017 and then decline by over 500 FTEs by 2021. Nuclear staffing levels are discussed further in Ex. F2-1-1.

Figure 4- Nuclear Full Time Equivalents (FTE)



	2013*	2014	2015	2016	2017	2018	2019	2020	2021
Temporary	634	734	843	808	833	853	816	731	694
Regular	7,960	7,698	7,271	7,912	7,968	7,909	7,848	7,699	7,599
Total	8,594	8,432	8,114	8,721	8,801	8,761	8,665	8,430	8,293

* The actual 2013 FTEs shown are adjusted from those provided in EB-2013-0321, J7.3, Attachment 1. The adjustment increases the number of FTEs by excluding the impact of banked overtime (overtime taken as time off rather than pay) and shows the 2013 Actual FTEs on a consistent basis with the remaining years in the table.

Workforce renewal leading up to the end of commercial operations at Pickering in 2022/2024 will be required to continue operating the station safely. To assist in mitigating the anticipated disruption and costs associated with deployment and involuntary terminations after Pickering is shut down, a new category of employees called "Term Employees" was negotiated with the PWU for the current collective agreement period. In general, term employees may be hired to avoid adding regular staff in circumstances where additional regular employees are likely to be laid off as a result of Pickering's end of commercial operations. Term employees are hired with the understanding that they have no expectation of ongoing employment once Pickering's operations cease.

Base Salaries and Incentives represent about 68 per cent of OPG's total compensation costs related to the Nuclear facilities over the test period. These costs are largely a function of staffing levels and the collective bargaining agreements that cover approximately 90 per cent of OPG's employees.

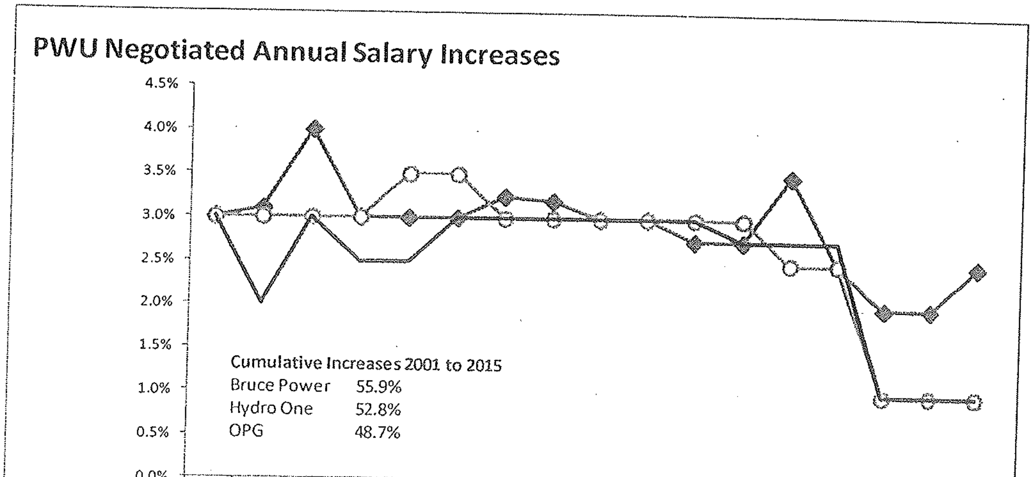
Unionized Salaries:

OPG is legally bound by its collective agreements. These agreements govern salary increases, cost of living adjustments, and progressions through established salary ranges.

OPG, with the direct involvement and support of the Government, negotiated agreements with both the PWU and Society in 2015 that will keep wage escalation below inflation. Both agreements provide for a one per cent escalation increase each year and cover a three year period, running from April 1, 2015 to March 31, 2017 for the PWU and from January 1, 2016 to December 31, 2018 for the Society.

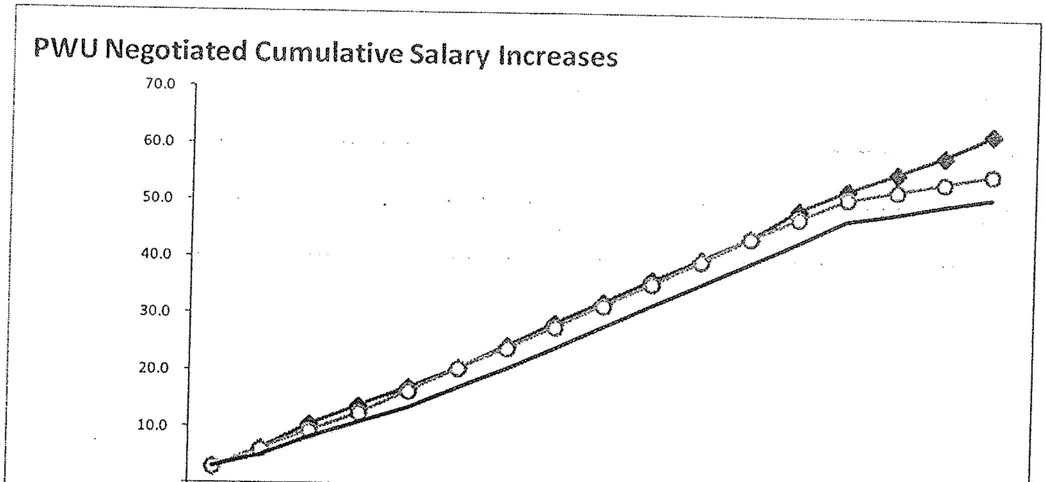
Until recently, typical union salary increases have tended to be between 2 per cent and 3 per cent per year for both OPG and other large companies within the electricity sector in Ontario, as shown in Figures 5 to 8.

Figure 5



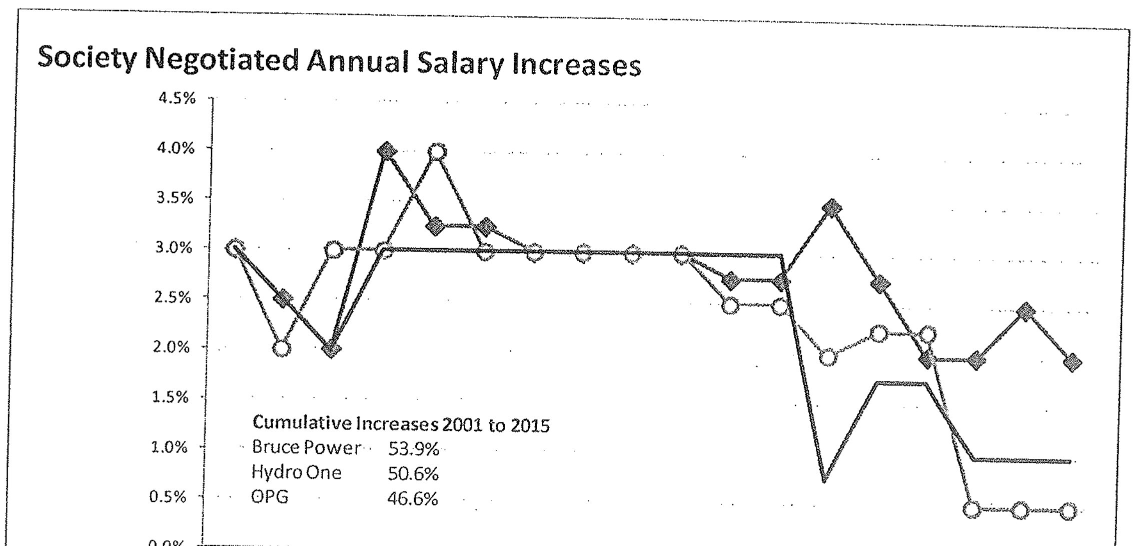
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bruce Power	3.0%	3.1%	4.0%	3.0%	3.0%	3.0%	3.25%	3.2%	3.0%	3.0%	2.75%	2.75%	3.5%	2.5%	2.0%	2.0%	2.5%
Hydro One	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.5%	1.0%	1.0%	1.0%
OPG	3.0%	2.0%	3.0%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.75%	2.75%	2.75%	1.0%	1.0%	1.0%

Figure 6



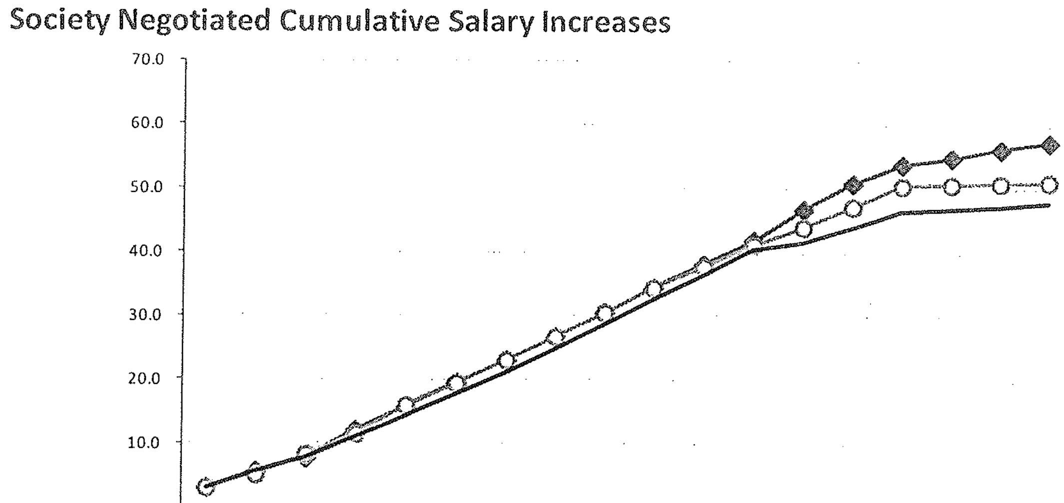
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bruce Power	3.0	6.2	10.4	13.8	17.2	20.7	24.6	28.6	32.4	36.4	40.2	44.0	49.1	52.8	55.9	59.0	62.9
Hydro One	3.0	6.1	9.3	12.6	16.5	20.6	24.2	27.9	31.7	35.7	39.8	44.0	47.6	51.3	52.8	54.3	55.8
OPG	3.0	5.1	8.2	10.9	13.7	17.1	20.6	24.2	28.0	31.8	35.8	39.5	43.3	47.3	48.7	50.2	51.7

Figure 7



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bruce Power	3.0%	2.5%	2.0%	4.0%	3.25%	3.25%	3.0%	3.0%	3.0%	3.0%	2.75%	2.75%	3.5%	2.75%	2.0%	2.0%	2.5%	2.0%
Hydro One	3.0%	2.0%	3.0%	3.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.5%	2.0%	2.25%	2.25%	0.5%	0.5%	0.5%
OPG	3.0%	2.5%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.75%	1.75%	1.75%	1.0%	1.0%	1.0%

Figure 8



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bruce Power	3.0	5.6	7.7	12.0	15.6	19.4	23.0	26.7	30.5	34.4	38.1	41.9	46.8	50.9	53.9	55.0	56.3	57.5
Hydro One	3.0	5.1	8.2	11.5	15.9	19.4	23.0	26.7	30.5	34.4	37.7	41.2	44.0	47.2	50.6	50.8	51.1	51.3
OPG	3.0	5.6	7.7	10.9	14.2	17.7	21.2	24.8	28.6	32.4	36.4	40.5	41.6	44.0	46.6	47.0	47.5	48.0

In addition to the one per cent annual escalation increase to wages, additional payments were negotiated in exchange for pension reforms that will be payable to a subset of employees for a limited time period. These are discussed in more detail below as part of the changes to pensions and benefits. Compensation costs presented in this application reflect escalation increases, pension reform savings and related payments negotiated with the PWU and the Society in 2015.

<u>Management Salaries:</u>

For the remaining ten per cent of employees who are not covered by collective agreements (Management Group or "Management"), base salary ranges and OPG's pay for performance programs are approved by the Board of Directors and subject to legislative restraints.

To control compensation costs for Management employees, OPG has taken the following actions:

a) Between 2011 and 2015, OPG's Management employees received no annual base salary increase. This has resulted in OPG's Management compensation benchmarking at or below the broader labour market for most positions, as shown in section 5.0.

b) OPG continues to comply with compensation restraints outlined in the *Broader Public Sector Accountability Act, 2010*, including amendments associated with Bill 55 (*The Strong Action for Ontario Act [Budget Measures], 2012*). These restraints prohibit compensation increases to Vice President level positions and above, and limit the amount of monies available for OPG's Stakeholder Return Program, a pay at risk program that compensates Management employees based on the achievement of corporate and individual performance objectives. These restraints are in place until such time as the Ontario Budget is balanced or a compensation framework is approved by the Lieutenant Governor of Ontario under the *Broader Public Sector Executive Compensation Act, 2014*. This act was introduced as part of Bill 8 (*Public Sector and MPP Accountability and Transparency Act, 2014*). As in OPG's previous proceedings, the costs of the Stakeholder Return Program are shown separately as a centrally held cost in Ex. F4-4-1 Table 1 and Table 3, and are included in Attachment 1.

While the salary restraint measures have helped to reduce Management compensation costs, they have created the following issues regarding internal equity and the ability to attract talent.

a) Salary compression exists across OPG with approximately 250 managers currently earning less than the staff they supervise, making it difficult to attract qualified represented staff into Management positions.

b) The prospect of a long term salary freeze for Management is a concern for represented staff when recruiting qualified internal personnel into Management positions. This has led to the use of temporary and acting assignments to fill some of the Management roles. This situation was cited in a recent World Association of

Nuclear Operators review of OPG Nuclear facility operations and noted as an area for improvement.

c) OPG's ability to attract and retain senior Management staff can be negatively impacted by our compensation relative to market.

To address these issues, OPG has re-instated its annual base pay increase program for Management staff below the Vice President level and obtained OPG Board approval of funding for 2016.[5] Under this program, salary increases are performance based, linked to external labour markets in line with the benchmarking results discussed in section 5.0, and enable some compression issues to be addressed where appropriate. The cost of this program is being off-set through savings associated with Management headcount reductions and movement towards market compensation for some Management positions.

In determining this course of action, OPG gave consideration to the business environment it operates in and the expectations of the shareholder (i.e., the Government of Ontario) and other stakeholders. The Government, which was experiencing similar issues, recently lifted restraints in place and has also provided salary increases to its Management employees.

Overtime provisions are established through collective bargaining, with actual overtime hours worked approved by OPG Management. Over the test period, overtime costs typically account for about 7 per cent of the total compensation costs for OPG's nuclear facilities. Overtime rates are usually paid on a premium basis, at either time and a half or double time, consistent with many unionized environments. Only unionized employees receive overtime payments; Management employees do not receive overtime payments for work outside of normal working hours. OPG uses overtime to meet peak demands and as a cost effective alternative to other work resourcing options. Overtime requirements fluctuate with outage work programs.

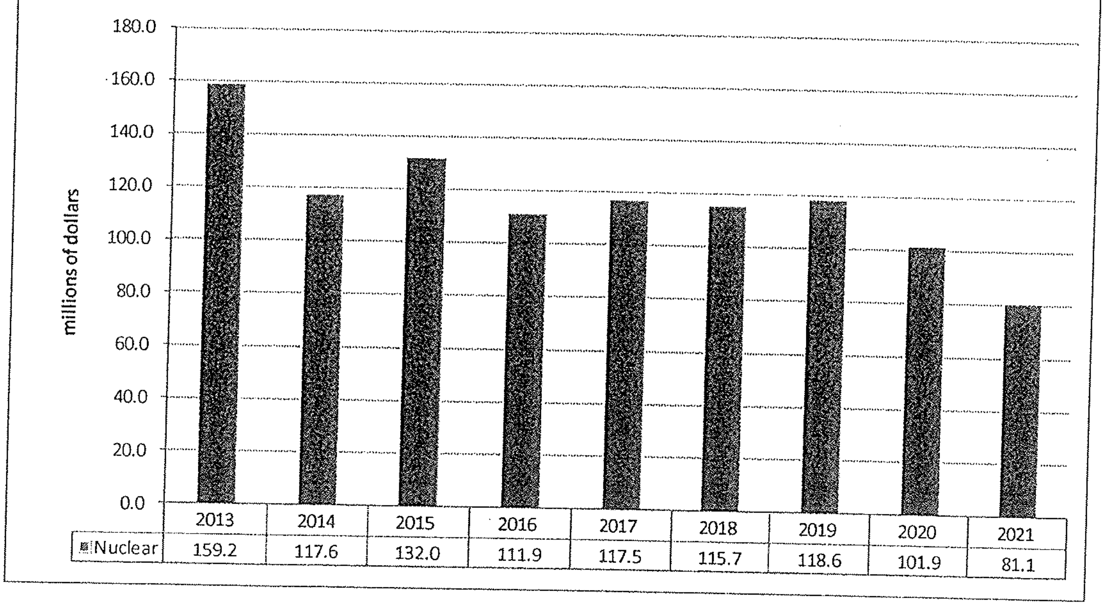
Overtime continues to be closely managed, with pre-approvals being required for non-emergency situations, and regular monitoring by executive staff and Finance. Periodic

[5] This pay for performance program excludes positions subject to Bill 55 compensation restraints (i.e., Vice President and above).

reviews are also conducted to assess overtime usage and alternative options to address work needs.

Overtime costs for OPG's Nuclear facilities are expected to decline significantly, by approximately 50 per cent, between 2013 and 2021, as shown in Figure 9 below. Over the test period, overtime costs range from 7 per cent to 5 per cent of the Total Compensation associated with OPG's Nuclear facilities. See Attachment 1 for additional details.

Fgure 9 - Overtime Costs for Nuclear



Pension and Benefits costs represent approximately 25 per cent of OPG's nuclear compensation costs over the test period and include current employee benefits and current service costs for pension and other post employment benefits ("OPEB"). In this Application, OPG is proposing to limit the recovery of pension and OPEB costs to cash amounts during the test period, subject to the outcome of the OEB's generic proceeding on pension and OPEB costs (EB-2015-0040). OPG is also proposing to record the difference between actual accrual and actual cash valuations for pension and OPEB costs in the Pension & OPEB Cash Versus Accrual Differential Deferral Account (see Ex. H1-1-1). In this exhibit and as in share). As such, ratepayers are protected from fluctuations in the market price of the shares. In this Application, OPG is not seeking recovery of expenses of the post-2021 period associated with the share awards.

Over the test period, the costs associated with the lump sum payments and the share performance plan largely equal the cost savings from the pension reforms, but the pension savings will continue to grow over time.

5.0 COMPENSATION BENCHMARKING STUDY

Benchmarking conducted by Towers indicates that OPG's Total Direct Compensation is at market. A copy of the report prepared by Towers is attached as Attachment 2, and an overview of the approach taken, comparator groups used, and summarized results are provided below.

In assessing OPG's compensation relative to external labour markets, OPG's positions were categorized into three segments: Utility, Nuclear Authorized, and General Industry. OPG's compensation in each of these segments was compared to other companies who employ similar positions.

This assessment included reviewing OPG's Base Salaries, Total Direct Compensation, as well as Pensions and Benefits. Total Direct Compensation reflects the cash compensation paid to employees, excluding overtime. It includes Base Salaries and pay at risk incentives.

Compensation benchmarking results are considered to be at market if they are within +/- 10 per cent of the target market positioning. OPG's target market positioning is the 50th percentile for positions in the Utility and General Industry segments, and 75th percentile for the Nuclear Authorized segment.

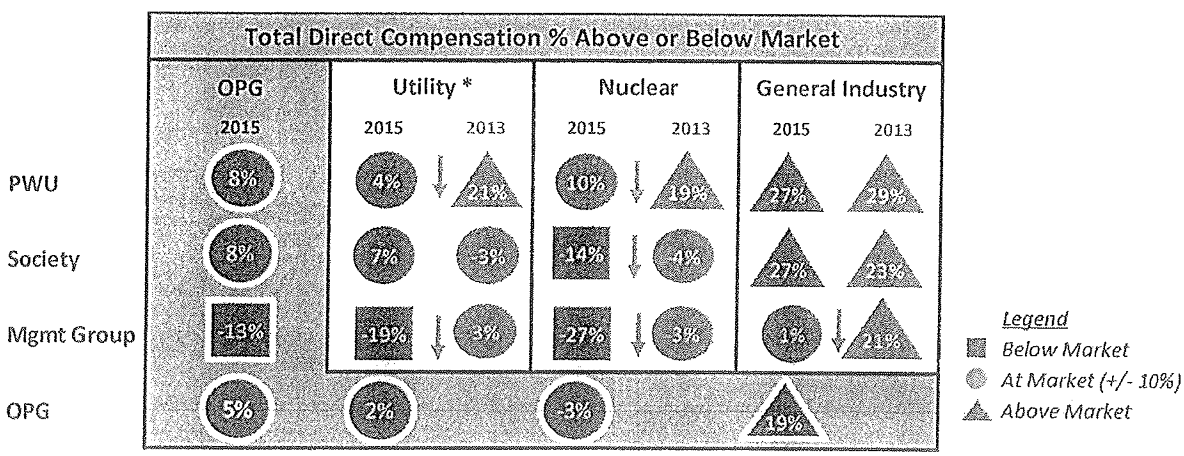
Most of OPG's positions (about 69 per cent) fall into the Utility segment, including many positions associated with the regulated facilities. The Nuclear Authorized segment captures only those positions that require the incumbent to be, or have been, licensed by federal regulators, and represents a very small portion of OPG's employee population (about 4 per cent). The General Industry segment positions (about 27 per cent) are those commonly found in many different types of industries, and that rely on expertise and knowledge from disciplines not specific to energy generation (i.e., administrative support staff, finance, law, human resources, etc.).

In determining the appropriate comparator group or companies, Towers focused on the following types of organizations:

a) organizations from which OPG recruits,
b) organizations to which OPG loses staff,
c) organizations which operate in the same or similar industry sectors, and
d) organizations that reflect the complexity and size of OPG.

Figure 11 depicts the results of the Towers study in 2015 compared to the compensation study conducted by AON Hewitt ("AON") that was filed with the OEB in EB-2013-0321. These results are shown by industry segment and union representation, capturing whether OPG's Total Direct Compensation is above, at, or under market. The downward arrows in this table indicate those areas where OPG's Total Direct Compensation dropped relative to the market since 2013.

Figure 11



** Largest portion of OPG employees are in the Utility segment (69%).*

Some variation in the benchmarking results has been noted between segments and by representation:

a) Within the Utility and Nuclear Authorized segments, PWU represented employee compensation is considered to be at market. Most PWU represented employees work in positions in the Utility segment, and receive compensation that is at market. PWU represented employee total direct compensation continues to be above market in the General Industry segment. A small percentage of PWU employees (about 5 per cent) work in the Nuclear Authorized segment and about a quarter of PWU employees work in general industry segment jobs.

b) Society represented employees in the Utility segment receive compensation that is considered to be at market, and is comparable to that provided in the comparator organizations. Society represented employees in the Nuclear Authorized segment receive compensation that is considered to be below market. 80 per cent of Society represented employees work in the Utility and Nuclear Authorized segments.

c) Management compensation, as measured by total direct compensation, has dropped significantly across all three segments since 2013 and is currently below market overall. This is partly due to on-going salary restraints, as well as the inclusion of long-term incentives in the market data. The incentives data were not included in the AON study because there was insufficient data available for a valid comparison. Long-term incentives are common in the market for Senior Management positions. OPG does not have a long-term incentive program.

Overall results by segment suggest that the compensation provided for positions in the Utility and Nuclear Authorized segments is appropriate. This is where the large majority of OPG's employees work.

Challenges continue to be faced for PWU and Society positions in the General Industry segment where OPG is above market, although the comparison would be closer to market if measured against similar positions at utility companies. Challenges are also faced in the Management Group in the Utility segment where compensation continues to be significantly below market.[7]

To address these challenges the following actions have been taken:

a) Benchmarking information was shared with the unions to inform and set context for the collective bargaining processes, along with a pension education session conducted by AON.

b) New Management salary ranges were established in 2015 to align the mid-point of the salary range with the target market position for each segment. OPG's target market for base salaries was set at the 50th percentile. Use of these new schedules will help to align Management salaries for all segments and levels with the market in the future.

Further changes to OPG's compensation program are anticipated as part of Bill 8. Bill 8 allows the Lieutenant Governor of Ontario to establish a compensation framework for senior leadership (e.g., Vice President and above) that OPG would be required to comply with.

6.0 WAGES AND THE GENERATION OF ELECTRICITY IN ONTARIO

Bruce Power is OPG's closest competitor for attracting and retaining talent. Both Bruce Power and OPG generate electricity in the same energy market, operate similar technology, have a workforce comprised of similar roles, and have staff represented by the same unions.

Towers undertook a comparison of OPG's wages to those provided by Bruce Power. The results of this comparison are captured in Attachment 3 and a summary is provided below in Figure 12. Bruce Power's unionized wages are 16 per cent higher for PWU positions and 2 per cent higher for Society positions.

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[7] The Nuclear Authorized segment results are being affected by volatile exchange rates. Under more "typical" economic conditions, the gap to market presented above is expected to be smaller than that shown here. These results do however reflect the current situation in the US market.

Numbers may not add due to rounding

Line No.	NUCLEAR FACILITIES	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	**Staff** (Regular and Non-Regular)	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
2										
3	**Nuclear - Direct**									
4	Management	578.6	553.1	521.7	573.3	605.8	602.9	606.2	596.0	583.2
5	Society	2,008.5	1,922.2	1,893.7	2,089.7	2,119.0	2,117.1	2,065.9	1,994.4	1,955.1
6	PWU	4,026.9	4,002.4	3,975.2	4,164.9	4,162.8	4,165.6	4,173.2	4,015.4	3,885.7
7	EPSCA	60.2	69.6	94.2	119.6	170.7	172.1	139.6	165.1	213.1
8	Subtotal	6,674.2	6,547.3	6,484.8	6,947.4	7,058.4	7,057.7	6,984.9	6,770.9	6,637.0
9										
10	**Nuclear - Allocated**									
11	Management	382.2	376.0	368.6	353.6	352.7	347.3	339.6	337.6	337.4
12	Society	607.1	625.6	590.3	664.2	665.5	652.8	642.2	638.9	636.9
13	PWU	930.2	882.8	658.0	739.5	708.7	687.6	682.0	666.6	665.9
14	EPSCA	0.0	0.0	12.0	16.0	16.0	16.0	16.0	16.0	16.0
15	Subtotal	1,919.5	1,884.4	1,628.9	1,773.3	1,742.8	1,703.7	1,679.8	1,659.0	1,656.2
16										
17	**NUCLEAR FACILITIES**									
18	Management	960.8	929.1	890.3	926.9	958.5	950.2	945.7	933.6	920.6
19	Society	2,615.5	2,547.8	2,484.0	2,753.9	2,784.5	2,769.9	2,708.1	2,633.3	2,592.0
20	PWU	4,957.1	4,885.2	4,633.2	4,904.3	4,871.4	4,853.2	4,855.3	4,681.9	4,551.5
21	EPSCA	60.2	69.6	106.2	135.6	186.7	188.1	155.6	181.1	229.1
22	Total	8,593.7	8,431.8	8,113.7	8,720.7	8,801.2	8,761.4	8,664.7	8,429.9	8,293.2
23										
24	**Salary & Incentive Pay** (including Fiscal Adjustment)	$M	$M	$M	$M	$M	$M	$M	$M	$M
25	Management	145.8	147.8	144.1	147.2	152.9	153.5	155.0	154.8	153.7
26	Society	318.9	312.9	310.8	348.9	361.0	367.3	363.0	362.1	363.5
27	PWU	502.1	507.0	487.3	535.8	549.1	555.2	565.2	560.4	553.9
28	EPSCA	8.9	10.6	14.3	13.6	19.1	19.3	16.3	19.3	25.0
29	Total	975.7	978.4	956.5	1,045.6	1,082.1	1,095.3	1,099.5	1,096.7	1,096.1
30	**Overtime**	$M	$M	$M	$M	$M	$M	$M	$M	$M
31	Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Society	46.8	32.2	36.8	33.1	36.0	35.7	36.8	30.4	24.0
33	PWU	110.5	83.4	89.4	77.5	79.6	78.4	80.3	69.9	54.6
34	EPSCA	1.8	1.9	5.7	1.3	1.8	1.7	1.5	1.6	2.5
35	Total	159.2	117.6	132.0	111.9	117.5	115.7	118.6	101.9	81.1
36	**Benefits** (Current Benefits and Pension & OPEB)	$M	$M	$M	$M	$M	$M	$M	$M	$M
37	Management	57.8	48.7	51.3	50.2	52.6	51.4	51.8	51.6	51.0
38	Society	147.1	117.7	136.3	141.0	145.0	141.7	142.8	142.5	143.1
39	PWU	194.0	174.8	228.6	200.2	201.8	200.0	204.6	203.1	201.4
40	EPSCA	0.5	0.6	1.0	5.1	7.2	7.2	6.1	7.2	9.4
41	Total	399.5	341.9	417.2	396.5	406.5	400.3	405.2	404.4	404.9
42										
43	Current Benefits (Statutory)	56.5	55.6	58.7	56.1	58.2	57.2	57.4	57.5	57.7
44	Current Benefits (Non-Statutory)	48.3	47.5	47.2	63.2	65.1	64.5	64.2	64.0	65.1
45	Pension & OPEB (Current Service)*	294.7	238.8	311.3	277.2	283.2	278.7	283.6	283.0	282.1
46	**TOTAL COMPENSATION**	$M	$M	$M	$M	$M	$M	$M	$M	$M
47	Management	203.6	196.6	195.4	197.5	205.5	204.8	206.8	206.4	204.8
48	Society	512.8	462.9	483.9	523.0	542.0	544.7	542.6	535.0	530.7
49	PWU	806.6	765.3	805.4	813.5	830.5	833.7	850.0	833.5	809.9
50	EPSCA	11.3	13.1	21.0	20.0	28.2	28.2	23.8	28.2	36.9
51	Total	1,534.4	1,437.8	1,505.7	1,554.0	1,606.1	1,611.4	1,623.3	1,603.0	1,582.2
52										
53	*presented on an accrual basis									

Compensation Elements and Market Statistics

- Market statistics reported reflect the 50th percentile and 75th percentile of the benchmark samples for the data elements summarized below:
  - 50th percentile represents the mid-point of the sample, 50% of the data points are positioned below and above this level.
  - 75th percentile represents the level where 75% of the data points are positioned below and 25% are positioned above this level.
    - For survey confidentiality purposes, the 75th percentile can only be shown if there are a minimum of 5 data points in the sample.
- Market data for the US nuclear peer group used for the Nuclear Authorized segment were converted to CAD, consistent with Willis Towers Watson's practice, using an average annual exchange rate to February 2016 of $1 USD - $1.29676 CAD to moderate fluctuations.

Compensation Element	Market	OPG
Salary	2015 actual reported comparator organization salaries of incumbents in benchmark roles	Average salary (as of April 2015) of incumbents in benchmark roles
Total direct compensation (TDC)	2015 actual reported comparator organization salary + target bonus + nuclear allowances + perquisites (if applicable) + long-term incentives (if applicable) of incumbents in benchmark roles	Average salary (as of April 2015) + target bonus (if applicable) + nuclear and/or and other applicable allowances of incumbents in benchmark roles

Compensation Benchmark Results Presentation

- The benchmark results are separated by segment and OPG Group and are summarized by job family.
  - All OPG roles have been aligned to one of the following job families based on the underlying skill set and benchmarked function:
    - Administration
    - Corporate Services
    - Engineering
    - Environment, Health & Safety
    - Finance
    - Human Resources
    - Information Technology
    - Maintenance
    - Operations
    - Supply Chain
- OPG and market findings reflect the average pay and market statistics for all incumbents benchmarked.
  - The % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results (i.e. 50th percentile or 75th percentile) for all incumbents benchmarked within the respective job family, OPG Group and segment for the data element reported where market data is available.

Overview: Compensation Analysis Results

- Willis Towers Watson considers compensation for benchmark jobs to be aligned with the competitive market when it falls within +/- 10% of the target market position. OPG's compensation philosophy defines a target market position at the 50th percentile for Utility and General Industry segments and the 75th percentile for the Nuclear Authorized Segment (based on role complexity).
- Overall, OPG's Total Direct Compensation is positioned within 5% of the target market. The Utility segment, which includes approximately three quarters of the incumbents, is positioned within 2% of the target market.

OPG Group and Segment	# OPG Matched Incumbents	% +/- Target Market Base Salary	% +/- Target Market TDC
PWU	**4,475**	**13%**	**8%**
Utility	3,169	10%	4%
Nuclear Authorized	255	7%	10%
General Industry	1,051	31%	27%
Society	**2,151**	**18%**	**8%**
Utility	1,808	17%	7%
Nuclear Authorized	53	-7%	-14%
General Industry	290	38%	27%
Management Group	**754**	**-7%**	**-13%**
Utility	355	-12%	-19%
Nuclear Authorized	37	-18%	-27%
General Industry	362	3%	1%
Overall	**7,380**	**12%**	**5%**

OPG Segment	% +/- Target Market Base Salary	% +/- Target Market TDC
Utility	10%	2%
Nuclear Authorized	1%	-3%
General Industry	25%	19%

Note: Target positioning for roles in the Nuclear Authorized segment is the 75th percentile, except for Senior Executive roles which target the 50th percentile.

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Utility Segment Results by Job Family
PWU

Segment: Utility
OPG Group: PWU

		Base Salary					Total Direct Compensation				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services											
Engineering											
Environment, Health & Safety	16	$119	$123	-3%	$128	-7%	$119	$138	-14%	$145	-18%
Finance											
Human Resources											
Information Technology											
Maintenance	1,966	$108	$93	17%	$109	-1%	$108	$99	9%	$116	-6%
Operations	1,187	$104	$102	1%	$116	-11%	$104	$107	-3%	$121	-14%
Supply Chain											
Average (weighted average)				10%		-5%			4%		-9%

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

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Utility Segment Results by Job Family
Society

Segment: Utility
OPG Group: Society

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services	143	$129	$108	19%	$118	9%	$129	$119	8%	$130	-1%
Engineering	1,157	$111	$94	19%	$106	5%	$111	$101	10%	$114	-2%
Environment, Health & Safety	138	$123	$107	15%	$117	5%	$123	$119	4%	$129	-4%
Finance											
Human Resources											
Information Technology											
Maintenance	215	$139	$123	13%	$139	0%	$139	$138	0%	$160	-13%
Operations	155	$129	$119	9%	$133	-2%	$129	$131	-1%	$143	-10%
Supply Chain											
Average (weighted average)				**17%**		**4%**			**7%**		**-5%**

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

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Utility Segment Results by Job Family
Management

Segment: Utility
OPG Group: Management

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services	100	$139	$157	-12%	$186	-26%	$162	$198	-18%	$240	-32%
Engineering	126	$129	$154	-16%	$172	-25%	$150	$184	-18%	$230	-35%
Environment, Health & Safety	23	$136	$144	-6%	$158	-14%	$157	$172	-9%	$199	-21%
Finance											
Human Resources											
Information Technology											
Maintenance	75	$139	$146	-5%	$158	-12%	$161	$172	-7%	$202	-20%
Operations	30	$176	$202	-13%	$228	-23%	$237	$395	-40%	$624	-62%
Supply Chain	1	---	---	20%	---	-14%	---	---	1%	---	-29%
Average (weighted average)				***-12%***		***-22%***			***-19%***		***-37%***

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

Due to small sample size (less than 4 incumbents), average compensation results for the Supply Chain Job Family can not be disclosed.

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Results by Job Family
Nuclear Authorized Segment

Job Family Distribution

- The Operations Job Family represents 100% of benchmarked roles within the PWU and Society Groups and 97% of the Management Group benchmarked roles.

Market Positioning

- Total Direct Compensation positioning within the Nuclear Authorized segment relative to the target market position (75th percentile) varies by OPG Group.
  - The PWU Group is positioned within the competitive range while the Society and Management Groups are positioned below the competitive range, respectively.

Nuclear Authorized Segment Results by Job Family
PWU

Segment: Nuclear Authorized
OPG Group: PWU

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services											
Engineering											
Environment, Health & Safety											
Finance											
Human Resources											
Information Technology											
Maintenance											
Operations	255	$148	$134	11%	$138	7%	$167	$137	22%	$152	10%
Supply Chain											
Average (weighted average)				**11%**		**7%**			**22%**		**10%**

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

Nuclear Authorized Segment Results by Job Family
Society

Segment: Nuclear Authorized
OPG Group: Society

		Base Salary					Total Direct Compensation				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services											
Engineering											
Environment, Health & Safety											
Finance											
Human Resources											
Information Technology											
Maintenance											
Operations	53	$172	$178	-3%	$185	-7%	$213	$229	-7%	$249	-14%
Supply Chain											
Average (weighted average)				*-3%*		*-7%*			*-7%*		*-14%*

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

Nuclear Authorized Segment Results by Job Family
Management

Segment: Nuclear Authorized
OPG Group: Management

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration											
Corporate Services											
Engineering	1	—	—	-11%	—	-28%	—	—	-38%	—	-55%
Environment, Health & Safety											
Finance											
Human Resources											
Information Technology											
Maintenance											
Operations	36	$183	$216	-15%	$234	-22%	$287	$365	-21%	$418	-31%
Supply Chain											
Average (weighted average)				*-15%*		*-22%*			*-22%*		*-33%*

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.
Due to small sample size (less than 4 incumbents), average compensation results for the Engineering Job Family can not be disclosed.
Target positioning for roles in the Nuclear Authorized segment is the 75th percentile, except for Senior Executive roles which target the 50th percentile. The Total Direct Compensation positioning to target market for the Management Group is -27%.

Results by Job Family
General Industry

Job Family Distribution

- Benchmarked incumbents within PWU are primarily within Administration (39%) and Maintenance (52%).
- Benchmarked incumbents also span seven job families within the Society Group with the majority within Finance (49%) and Information Technology (27%).
- Benchmarked incumbents span seven job families within the Management Group, with the majority in Administration (37%) and Human Resources (25%).

Market Positioning

- Total Direct Compensation positioning within the General Industry segment varies by OPG Group and Job Family:
  - The PWU and Society Groups are generally aligned above the competitive market range.
  - The Management Group is aligned overall with the competitive market range.

General Industry Segment Results by Job Family
PWU

Segment: General Industry
OPG Group: PWU

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration	408	$71	$49	45%	$54	33%	$71	$51	40%	$57	25%
Corporate Services											
Engineering											
Environment, Health & Safety											
Finance	78	$79	$53	48%	$60	32%	$79	$55	44%	$62	27%
Human Resources											
Information Technology											
Maintenance	551	$84	$69	21%	$78	9%	$84	$72	18%	$84	0%
Operations											
Supply Chain	14	$84	$52	62%	$60	40%	$84	$53	57%	$64	31%
Average (weighted average)				*31%*		*19%*			*27%*		*11%*

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

General Industry Segment Results by Job Family
Society

Segment: General Industry
OPG Group: Society

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration	14	$105	$85	23%	$100	5%	$105	$93	13%	$114	-8%
Corporate Services	20	$114	$82	39%	$95	20%	$114	$90	27%	$106	8%
Engineering											
Environment, Health & Safety											
Finance	142	$123	$88	40%	$101	22%	$123	$96	29%	$112	10%
Human Resources	7	$104	$68	54%	$79	33%	$104	$72	46%	$87	20%
Information Technology	79	$124	$93	34%	$103	21%	$124	$100	24%	$114	10%
Maintenance											
Operations											
Supply Chain	28	$118	$85	39%	$96	23%	$118	$91	30%	$105	12%
Average (weighted average)				*38%*		*21%*			*27%*		*9%*

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

General Industry Segment Results by Job Family
Management

Segment: General Industry
OPG Group: Management

Job Family	# OPG Matched Incumbents	Base Salary					Total Direct Compensation				
		Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75
Administration	133	$56	$53	7%	$57	-2%	$61	$55	10%	$61	0%
Corporate Services	40	$151	$144	5%	$167	-9%	$184	$185	0%	$229	-19%
Engineering											
Environment, Health & Safety	11	$93	$79	18%	$126	-26%	$104	$90	16%	$155	-33%
Finance	68	$137	$131	5%	$143	-4%	$162	$164	-2%	$183	-12%
Human Resources	91	$108	$111	-3%	$126	-14%	$128	$131	-2%	$152	-16%
Information Technology	4	---	---	2%	---	-13%	---	---	-3%	---	-23%
Maintenance											
Operations											
Supply Chain	15	$139	$129	8%	$148	-6%	$162	$147	10%	$172	-6%
Average (weighted average)				*3%*		*-7%*			*1%*		*-12%*

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.
Due to small sample size (less than 4 incumbents), average compensation results for the Information Technology Job Family can not be disclosed.

Ontario Power Generation

Ontario Power Generation Human Resources

Follow-up to VFM Section 3.05, *2013 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	3	2	1		
Recommendation 2	2		2		
Recommendation 3	3	2	1		
Recommendation 4	2	2			
Recommendation 5	2		2		
Recommendation 6	2	2			
Total	**14**	**8**	**6**	**0**	**0**
%	**100**	**57**	**43**	**0**	**0**

Background

Ontario Power Generation (OPG), a corporation owned by the province, is one of the largest power generators in North America. However, the amount of power OPG produces has decreased by 24% over the last decade because the demand for electricity has decreased, coal-fired plants have closed and there is more private-sector involvement in new power generation.

Despite the declining electricity demand, electricity prices have been rising in Ontario. Given that OPG generates about 60% of Ontario's electricity, its operating costs have a significant impact on the cost of electricity, particularly with respect to labour costs. In 2014, labour costs were about $1.6 billion (compared to $1.7 billion in 2012), or 63% (64% in 2012) of its total costs for operations, maintenance and administration.

OPG initiated its Business Transformation Project in 2010, with a target of reducing staffing levels by 2,000 employees through attrition by 2015. While OPG had made some progress in reducing its overall staffing levels at the time of our 2013 audit, we found several areas where its human resource management and compensation and benefit practices needed improvement. Many of our concerns were echoed by respondents to our anonymous survey of more than 800 OPG staff.

Some of the key observations in our 2013 audit were as follows:

- While OPG's overall staffing levels had gone down about 8.5% (to 11,100 in 2012 from 12,100 in 2005), the size of its executive and senior management group had increased by 58% (to 238 in 2012 from 152 in 2005).
- OPG had rehired some former employees, almost all of them shortly after they had left OPG, indicating ineffective knowledge transfer and succession planning. Some continued to receive significant allowances and Annual Incentive Plan (AIP) awards, and some had already drawn their pensions in lump sums after they initially left.
- Even after staff reductions at nuclear facilities starting in 2011, the area of maintenance, janitorial and custodial services was still staffed at a level 170% above the industry benchmark in 2013. Meanwhile, some operational functions were significantly understaffed, including nuclear plant operations, while their associated support functions were overstaffed.
- We found areas of non-compliance in OPG's recruitment and security clearance processes. About 700 pairs or groups of employees lived at the same address and appeared likely to be related. However, OPG had no documentation to show whether family members of staff had been hired through the normal recruitment process. As well, more than 50% of OPG staff in our sample, including senior staff with access to confidential nuclear information, had never obtained the required security clearances or had expired clearances.
- OPG gave Annual Incentive Plan awards to all non-unionized staff, ranging from $1,600 to $1.3 million, depending on the job level, base salary and Annual Incentive Plan score on a scale of 0 to 4. However, high scores were given much more frequently to staff in senior positions and there were a number of cases with limited documentation to support the score achieved.
- Earnings were significantly more generous at OPG than for comparable positions in the Ontario Public Service (OPS), and many of OPG's senior executives earned more than most deputy ministers. As well, since 2005, OPG's employer-employee pension contribution ratio has been around 4:1 to 5:1, significantly higher than the 1:1 ratio for the OPS. According to the actuarial valuation, OPG's pension deficit was about $555 million as of January 1, 2011.
- Some of OPG's employees received generous benefits that seemed questionable. For example, an employee received over $392,000 in relocation benefits 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 housing and moving allowances.
- The number of OPG staff earning more than $50,000 in overtime pay per year had doubled since 2003. Planned nuclear outages had resulted in high overtime pay, especially for inspection and maintenance technicians.

We made a number of recommendations for improvements and received commitments from OPG that it would take action to address our recommendations.

Standing Committee On Public Accounts

In November 2014, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2013 OPG Human Resources audit. In May 2015, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made eight additional recommendations and asked the OPG to report back by the end of August 2015. The Committee's recommendations and follow-up on their recommendations are found in Chapter 7.

Status of Actions Taken on Recommendations

OPG provided us with information in the spring and summer of 2015 on the current status of our recommendations. According to this information, almost 60% of the recommendations we made in our *2013 Annual Report* have already been fully implemented. These recommendations relate to overtime, staff training and the outsourcing of information technology services. For example, OPG has implemented new policies to strengthen its overtime pre-approval process, ensure overtime approvals are carried out as per the approval authority and facilitate the monitoring and tracking of overtime worked so as to minimize overtime costs. To reduce overall staff training costs, OPG has eliminated redundant training, compacted its overly long nuclear qualification training programs to conform to industry standards, realigned training contents to job requirements, deactivated or converted some courses to computer-based training, and instituted management review of training attendance reports. OPG has followed an open and competitive process for its information technology services agreements to ensure fairness, accountability and value for money.

OPG has also made significant progress on all the remaining recommendations, concerning staffing, compensation, performance management, succession planning and recruitment practices. In particular, OPG has implemented a monthly reporting of key human resources metrics to closely monitor all staffing levels. New policies and systems were also implemented to document performance objectives, improve the linkage between performance and awards, align the ratio for pension contribution and employee relocation benefits with the Ontario Public Service, monitor compliance with security clearance and recruitment processes, and improve knowledge retention and transfer at OPG. Some work is still needed to address our recommendations in areas that affect unionized staff and are therefore subject to collective bargaining.

Subsequent to our *2013 Annual Report*, the Ministry of Energy requested the Ontario Internal Audit Division (OIAD) to monitor OPG's progress in implementing our recommendations. We have reviewed OIAD's report as part of our follow-up review. The OIAD concluded that, overall, OPG had made reasonable progress in implementing most of the recommendations, and this is in line with our assessment of OPG's progress to date.

The status of each of our recommendations is as follows.

Staffing Levels and Recruitment

Recommendation 1

To ensure that staffing levels are reasonable and that it has the right people in the right positions to meet its business needs, Ontario Power Generation should:

- *evaluate and align the size of its executive and senior management group with its overall staffing levels;*

  Status: Fully implemented.

Details

The OPG Business Transformation Project was initiated in 2010 to reduce staffing levels by 2,000 employees through attrition by 2015. In our 2013 audit, we found that OPG's overall staffing levels had decreased by 8.5% from 2005 to 2012, but that the size of its executive and senior management group had increased by 58%.

During our follow-up, we found that OPG reduced the number of its employees by 2,424, as of March, 2015. The size of its executive and senior management group also decreased by 8.7% from 2013 to 2015. In 2013, OPG implemented a monthly reporting of key human resources metrics to enable senior management and the board of directors to closely monitor all staffing levels. In December 2014, OPG and a consulting firm jointly conducted a staffing assessment and concluded that OPG compares well with industry benchmarks and that its senior management staffing level is appropriate for an organization of its scope and complexity. However, the report also raised a number of opportunities for improvements, such as consolidating the number of direct reports to the CEO, conducting an organizational review of the finance function and reducing the number of human resource vice presidents. A majority of these opportunities has already been addressed.

- *address the imbalances between overstaffed and understaffed areas in its nuclear operations; and*

  Status: In process of being implemented by December 2017.

Details

In our 2013 audit, we reported that OPG's nuclear staffing levels were 8% above the benchmark, with 23 overstaffed areas and 16 understaffed areas.

In 2014, a benchmarking study conducted by a consultant engaged by OPG indicated that nuclear staffing levels were now only 4% above the benchmark, rather than 8% above it. OPG has incorporated into its business plan targets to further adjust the staffing imbalances and it expects to eliminate the benchmark gap by 2017.

- *review and monitor compliance with its recruitment and security clearance processes.*

  Status: Fully implemented.

Details

In our 2013 audit, we identified about 10% of OPG employees who resided at the same address, indicating that they were most likely members of the same family. However, when we examined their files, OPG had no documentation to show whether they were hired through the normal recruitment process. We also found that more than 50% of OPG staff in our sample, including senior staff with access to confidential nuclear information, either had never obtained security clearances or were working with expired clearances.

Since our audit, OPG has centralized its recruiting function to improve process efficiency, and it has implemented new quarterly compliance reviews to monitor the compliance with hiring procedures. OPG has also made a number of changes to its hiring policies, including requiring a hiring panel of two or more people to conduct interviews, amending the code of conduct to include conflict of interest in hiring practices, and requiring that before a candidate is offered a job, the hiring is reviewed to make sure proper procedures were followed. In order to train managers about these new hiring policies and procedures, OPG has developed education and support materials, including a compliance checklist.

With respect to security clearance processes, in 2014, OPG implemented a new tiered risk-based security clearance structure to streamline security clearance requirements and processing times. OPG also developed and implemented a new security system in 2014 and it has many features that can enhance the compliance monitoring process. For example, the system can warn management if an employee's security status is something other than what is required. The system can also identify expired clearances so that security and emergency services staff can send notifications to employees and their respective managers.

In audit reports issued in the fall of 2015, OPG's internal audit assessed as generally effective the design and operational effectiveness of improvements made to recruitment, and to employee security processes and controls.

Compensation

Recommendation 2

To ensure that employees receive appropriate and reasonable compensation in a fair and transparent manner, Ontario Power Generation should:

- *make its Annual Incentive Plan (AIP) more effective by creating a stronger link between awards and staff performance based on documented annual evaluations;*

  Status: In process of being implemented by April 2016.

Details

In 2013, we found that OPG gave AIP awards up to $1.3 million to all non-unionized employees based on job level, base salary level and performance score achieved. However, we found that a number of cases had limited documentation to support the score achieved. We also noted that distribution of performance scores had been skewed toward executives and senior management staff. On average, 67% of executive and senior management staff received high AIP scores from 2010 to 2012. However, only 24% of staff in lower job bands received high scores during the same period.

Since then, OPG has implemented several new policies and procedures to create a stronger link between awards and staff performance. According to these new policies, staff are required to document their performance objectives annually by March 31 of each year. Performance objectives are required to include both quantitative and qualitative metrics and be more specific, measurable, achievable, realistic and time-bound (SMART) so staff performance can be adequately assessed. With respect to staff evaluations, OPG has replaced the old four-point rating scale with a more detailed seven-point rating scale for better differentiation of performance levels. OPG has implemented a new calibration process for performance scores, which requires the executive leadership team to review and adjust performance scores of management employees to ensure ratings are relative to job performance across the organization and that scores are broadly distributed. OPG has also made improvements to its performance reports so that achievements can be more closely linked to performance metrics. All OPG employees have already completed and documented their performance objectives for 2015 in the Performance Planning and Review system. OPG informed us that its internal audit will conduct an assessment of performance objectives in April 2016 to determine if they adequately meet the SMART criteria.

- *review salary levels and employee benefits, including pensions, to ensure that they are reasonable in comparison to other similar and broader-public-sector organizations and that they are paid out in accordance with policy, adequately justified and clearly documented.*

  Status: In process of being implemented by December 2015.

Details

In 2013, we reported that total earnings of employees at OPG were significantly higher than those of comparable positions in the Ontario Public Service. We also found a number of cases where the annual base salaries of non-unionized staff exceeded the maximum set out in the OPG's base salary schedule by more than $100,000.

Subsequent to our 2013 audit, OPG engaged an independent consulting firm to review its compensation philosophy for the management group. The consultant concluded that while OPG's overall compensation principals are sound, its compensation structure is not tailored to each of the company's business segments. In response, OPG has implemented changes in 2015 so that compensation within business segment peer groups reflects their unique roles and responsibilities. The consulting firm also reviewed the effectiveness of the AIP and concluded that the range is generally in line with market practices. However, it asked OPG to consider reviewing the complexity of the balanced report card. In response, OPG implemented changes in 2014 to sharpen the focus on key performance metrics.

With respect to pensions, our 2013 audit reported that the employer-employee pension contribution ratio at OPG has been around 4:1 to 5:1, significantly higher than the 1:1 ratio for the Ontario Public Service.

At the time of our follow-up, OPG had reformed its pension plan for the management group to align with that of the Ontario Public Service. Under the new plan, management staff members have to contribute more to their pension and wait longer to retire with unreduced pension benefits. Management staff's pension contributions will increase starting in 2016, but a 1% increase has been phased in for new management staff as of 2014. OPG informed us that any pension changes affecting unionized staff are subject to collective bargaining. About 90% of OPG employees are represented by two unions: the Power Workers' Union (PWU) and the Society of Energy Professionals (Society).

At the time of our follow-up, OPG had completed negotiations with the PWU. As per the new collective agreement, employee contributions increased by 1% in 2015, and will reach 2.75% by 2017. PWU members will also have to wait longer to retire with unreduced pensions. As part of the negotiation, PWU members will also receive Hydro One shares.

Pension changes for employees represented by the Society were to be discussed in the collective bargaining process expected to begin in the fourth quarter of 2015.

With respect to employee benefits, our 2013 audit reported that OPG spent on average about $1.4 million each year on housing and moving allowances from 2009 to 2012.

Since then, OPG has revised its relocation policy for the management group to align with Ontario Public Service policy. As a result of the changes made to the management group's relocation policy, OPG was able to reduce the housing and moving allowance to $1.1 million in 2014 from $1.5 million in 2012. Relocation policy changes for members of the Society are to be discussed in the upcoming collective bargaining.

Use Of Non-Regular Staff And Contract Resources

Recommendation 3

To ensure that its non-regular and contract resources are used cost-efficiently, Ontario Power Generation should:

- *improve its succession planning, knowledge retention and knowledge transfer processes to minimize the need to rehire retired employees for extended periods;*

  Status: Fully implemented.

Details

In our 2013 audit, we found that OPG had rehired some of its former employees as temporary or contract staff mainly for the purpose of identifying, grooming and training successors. Some of them continued to receive significant amounts in allowances and AIP awards, and some had already drawn their pensions in single lump-sum payments upon leaving.

At the time of our follow-up, OPG had expanded succession plan programs for its management positions to improve its succession planning. OPG also introduced a formal process to identify critical at-risk roles so management can develop appropriate mitigation strategies and knowledge transfer plans. OPG also implemented a new procedure for rehiring of retirees that requires a minimum waiting period of one year between the time an employee retires and when that employee can be rehired, and then only with a maximum contract length of one year. Any such hire must also receive senior management approval. Exceptions may be made to accommodate employees in the nuclear field because of the limited availability of highly skilled workers. As a result of the revised policies and new controls, the number of retirees rehired has decreased since 2013. OPG's internal audit conducted an examination to determine the operating effectiveness of improvements made to the recruitment process, including adherence to the new policies on rehiring retired employees, and it concluded in its October 2015 audit report that the controls were generally effective.

- *conduct an open competitive process for outsourcing its information technology services before the current contract expires;*
  Status: Fully implemented.

Details

Our 2013 audit reported that OPG had signed a 10-year $1 billion contract with a private-sector vendor in 2001 to outsource its IT services. In 2009, OPG ended the contract early and renewed it for an additional six years at $635 million without going through an open competitive process.

Subsequent to our audit, OPG followed an open and competitive process for outsourcing its information technology services agreement. OPG put out a request for proposal in May 2014. Based on its evaluation, OPG selected the incumbent vendor to manage its IT services as of January 2016.

- *manage and monitor closely the hours reported by the contractors to avoid the risk of overpayment.*
  Status: In process of being implemented by December 2015.

Details

In 2013, we noted that the system that recorded contractor hours had not always been reconciled with supporting documents, something that could lead to inaccurate time inputs and overpayment to vendors. In response to our recommendation, OPG hired independent contract auditors in 2015 to review contractor hours and rates, and compliance with other contractual terms and conditions. The audit findings indentified potential overpayments to its vendors totalling $9.2 million. In response to these two reviews, OPG informed us that it will negotiate with its vendors for recoveries by fall 2015 and implement enhanced contractor payment controls in the fourth quarter of 2015.

Overtime

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*
  Status: Fully implemented.

Details

Our 2013 audit reported that planned outages had resulted in high overtime pay, especially for inspection and maintenance (I&M) technicians, who are regular daytime employees that get overtime pay for being placed on schedules different from their normal working hours during outages.

Subsequent to our audit, OPG performed an economic assessment to determine whether overtime costs could be minimized by scheduling staff in a more cost-beneficial manner, including regular work shifts that cover 24 hours. OPG concluded that the overall overtime cost could be reduced by creating shift schedules for I&M technicians to be used specifically during outages, and it started implementing such shift schedules in mid 2014. OPG has also imposed overtime limits for the I&M work group. As a result, 265 of 280 unionized staff in the I&M work group were placed on shift schedules that reduced the overtime cost of the group to $11.1 million in 2014 from $21.6 million in 2013.

- *review other ways to minimize overtime.*
  Status: Fully implemented.

Details

Our 2013 audit reported that total overtime costs were about $148 million in 2012, and the number of employees earning more than $50,000 in overtime pay had doubled since 2003. We also found that each department used different methods for pre-approving overtime, and in most departments verbal approvals were sufficient.

OPG has implemented a number of additional controls to minimize the overtime cost and the risk that overtime pay would be abused. To strengthen the pre–approval process, OPG now requires documented pre-approval prior to overtime being worked, and line managers are required to keep records of these pre-approvals. The Finance Department is required to provide weekly reports of employees' overtime to department managers so they can track the hours employees work and take action to limit excessive overtime. The Finance Department is also responsible for reviewing overtime to ensure approvals are given only by those authorized. As well, senior managers receive reports that show variances from approved overtime budgets. As a result of these enhanced controls, including improvements in scheduling staff for planned outage maintenance, OPG's total overtime costs decreased to $127.5 million in 2014 from $148 million in 2012. The number of employees who earn more than $50,000 in overtime pay decreased to 230 in 2014 from 520 in 2012.

Absenteeism

Recommendation 5

To minimize the cost of sick leaves and avoid potential misuses or abuses of sick leave entitlements, Ontario Power Generation should:

- *review its sick leave plan for staff who joined prior to 2001;*

  Status: In the process of being implemented by December 2015.

Details

In our *2013 Annual Report*, we reported that OPG's sick leave plans were relatively generous compared to those of the Ontario Public Service. In particular, unionized staff that began working for OPG prior to 2001 were entitled to not only carry over unused sick days from one year to the next but also to restore their used sick days every five years. For example, an employee who took four sick days in Year 1 will receive these four sick day credits back after five years of service in addition to the normal number of sick leave credits he or she is entitled to for the year. As of December 31, 2012, almost half of OPG's staff were still under the old plan and each of them had, on average, restored and accumulated about 162 sick leave credits with full pay and 191 sick leave credits with 75% pay.

During our follow-up, OPG indicated that it did review and assess the sick leave plans for staff who joined prior to 2001 in the context of overall benefits and compensation. However, OPG was unable to make any changes to the sick leave provisions in the current round of collective bargaining with the PWU, which represents a majority of OPG's workforce. OPG is expected to begin the negotiation process with the Society in the fourth quarter of 2015.

- *monitor the results of sick leave management programs to identify and manage unusual sick leave patterns.*

  Status: In process of being implemented by December 2015.

Details

In 2013, we noted that some of OPG's key sick leave management programs were not being used as effectively as they could be. While we noted no abuses of sick leave credits in our sample testing, there was a risk of significant accumulation and abuse of sick leave credits.

Since then, OPG has designed an enhanced sick leave management program that requires supervisors to speak to employees who do not meet attendance expectations to correct attendance concerns. This new program was to be implemented in December 2015. As part of the sick leave management program, OPG will also have an automated email notification tool to identify and manage unusual sick leave patterns. This tool was implemented for management staff in 2014, and OPG is planning to implement it for unionized staff in the fourth quarter of 2015.

With respect to long-term disability, OPG has contracted a third-party service provider to manage the disability management program to ensure that a centralized, standardized and rigorous process is followed to ensure employees' timely return to work when possible.

Staff Training

Recommendation 6

To ensure that its employees are adequately trained for their jobs, Ontario Power Generation should:

- *continue to review and monitor the adequacy, quality and completion rates of its nuclear training programs in order to identify areas for improvement, and address the areas that have already been identified;*
  Status: Fully implemented.

Details

In our 2013 audit report, we noted that the completion rate for the authorized nuclear operator training program at OPG had been around 56%, which was below both its own workforce planning goal (70%) and the completion rate (75%) of the U.S. organization OPG chose to use as a benchmark for itself.

Subsequent to our audit, OPG implemented a number of changes to its nuclear training programs to increase completion rates and reduce overall program cost. These changes include streamlining training programs and eliminating redundant training courses to optimize the qualification process for nuclear operators and authorized nuclear operators. As a result of these initiatives, the completion rates for these programs have increased to 65% in 2014 from 56% in 2011. OPG has also saved $2.8 million annually by eliminating redundant refresher training.

- *review the nature and timing of its mandatory training requirements as well as its delivery methods for hydro/thermal staff to ensure they are meeting business needs cost-effectively.*
  Status: Fully implemented.

Details

At the time of our audit, we found that 30% of the courses that OPG required had not been completed by employees in 2012. As well, 4,500 (21%) of the 21,000 scheduled courses for trainees were cancelled, 1,400 (31%) of which without any reason.

In response to our recommendations, mandatory training requirements have been streamlined and attendance monitoring is in place. OPG has also reviewed its training program to realign the contents to job requirements. One hundred and sixty courses were either deactivated or converted to computer-based training. Reports on training attendance are now reviewed by the senior vice president of Hydro Thermal Operations with his management team. As a result, the number of cancellations has decreased to 919 (10%) of the 9,133 total scheduled courses. Of the 919 cancelled courses, the number cancelled without any justification decreased to 104 (11%) since 2012.

Board Staff Interrogatory #140

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:

Ref: Exh F4-3-1 Attachment 1
Ref: 2015 Annual Report of the Office of the Auditor General of Ontario (Dec. 2, 2015)
Nuclear facility FTE increase in 2016 and for the period 2017-2021 are higher than 2015, when Business Transformation concluded.

a) Are any of the FTE added after 2015 former OPG employees?

b) If yes to (a), how many?

c) If yes to (a), was the process described at page 630 of the 2015 Auditor General of Ontario Report (below) followed?

OPG also implemented a new procedure for rehiring of retirees that requires a minimum waiting period of one year between the time an employee retires and when that employee can be rehired, and then only with a maximum contract length of one year. Any such hire must also receive senior management approval. Exceptions may be made to accommodate employees in the nuclear field because of the limited availability of highly skilled workers.

Response

a) The FTEs captured in Ex. F4-3-1, Attachment 1 from 2016-2021 reflect forecast values from OPG's business plan. OPG did not plan for the rehiring of former employees as part of its business planning process. Therefore, the extent to which former OPG employees may form a part of these numbers when the actual hiring takes place over the period is not known.

b) OPG has rehired 85 former employees to date in 2016 (as of Sept 20, 2016). 64 of these former employees report directly to the nuclear organization.

c) The process described in the 2015 Auditor General's report is no longer followed by OPG as of June 2016, when OPG revised its rehiring procedure. The main changes to the rehiring procedure include a reduction to the waiting period and an extension to the working period, both by six months. Please find below a chart summarizing the June 2016 changes to OPG's rehiring procedure.

Chart 1: Summary of Changes to OPG Rehiring Procedure

Provision	Past Re-hire Policy	June 2016 Re-hire Policy
Eligibility Criteria	Individuals who receive a regular pension payment form OPG, were retirement eligible at time of departure from OPG or received a severance package and are returning to work directly.	No Change.
Waiting Period	Must not be employed by OPG directly or indirectly. • **12 months** continuous waiting period; or • **6 months** continuous waiting period for Darlington Refurbishment or Authorized in Learning & Development; or • **6 months** continuous waiting period for Managed Task contracts.	Must not be employed by OPG directly or indirectly. • **6 months** uninterrupted waiting period for all of OPG; and • **No waiting period** for previously certified individuals who are returning to a role where a certification or license is required.
Working Period	Maximum cumulative time working directly for OPG: • **12 months** maximum continuous working period; or • **3 years** for Darlington Refurbishment or Authorized in Learning & Development.	Maximum continuous time working directly for OPG: 1. For retirees: • who took any commuted value pension: **18 months** maximum uninterrupted working period; or • who are collecting a pension: **3 years** maximum uninterrupted working period. 2. For former employees: • who received a severance package: 18 months maximum uninterrupted working period; or • who resigned: working period is defined as per employment contract and provisions of respective collective agreement.
Approvals	Manager Recruitment Hiring Manager Line OAR VP Human Resources ELT	Hiring Manager VP Human Resources Business Partners R2 or Line VP
Exceptions	President/CEO	ELT, SVP PC&C and CEO

Board Staff Interrogatory #142

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: Exh F4-3-1 page 6, Figure 3
Figure 3 has a line showing total compensation per FTE.

a) Does the total compensation per FTE include the value of the lump sum payment and share performance plan discussed at Exh F4-3-1 page 17? If it does not, please update the table to include this remuneration.
b) Further to question (a), does the total compensation per FTE include all compensation in any form provided to OPG employees? If not, please elaborate.
c) In its Total Compensation Benchmarking Study, Towers compares OPG's "Total Direct Compensation" (which is average salary + target bonus + nuclear and other allowances) with several comparator groups. How does Total Direct Compensation map to Figure 3? Is it the "base salaries and incentives" line?
d) Please prepare a chart showing the average total compensation per employee from 2010-2021 for the management, PWU and Society groups. Please include all compensation, including the lump sum payments and the share performance plan. OEB staff suggests that OPG use the format of EB-2013-0321 Undertaking J9.7 to present this data.

Response

a) Yes, the total compensation per FTE shown in Ex. F4-3-1, Figure 3 does include the value of the lump sum payment and share performance plan.

b) The total compensation per FTE shown in Ex. F4-3-1, Figure 3 includes all the compensation elements captured in Ex. F4-3-1, Attachment 1. This includes base salaries and incentives, overtime, current employee benefits and all current service costs (on an accrual basis) for pension and other post-employment benefits (OPEB). Base salaries and incentives include all wages and salaries, costs associated with OPG's Stakeholder Return Program, as well as allowances such as bonuses paid to Nuclear Authorized staff and shift premiums paid to unionized workers. For clarity, amounts paid to employees to reimburse them for expenses incurred, such as relocation, are not included in Ex. F4-3-1, Attachment 1. Also excluded are the non-current service cost components of centrally-held pension and OPEB costs (Ex. F4-4-1

Table 3, line 1) and the offsetting adjustment that converts pension and OPEB costs from an accrual to a cash basis (Ex. F4-4-1 Table 3, line 2).

c) No, Total Direct Compensation in the Towers' benchmarking study do not map to "base salaries and incentives" line in Ex. F4-3-1, Figure 3. The information in Ex. F4-3-1, Figure 3 is derived from "Appendix 2k" found at Ex. F4-3-1, Attachment 1. Figure 1 below shows the relationship between "Base Salaries & Incentives" line shown in Ex. F4-3-1, Figure 3 and the "Total Direct Compensation" captured in the Towers' benchmarking study at Ex. F4-3-1, Attachment 2.

Figure 1

<table>
<tr><th colspan="2">"Appendix 2k"
Exhibit F4-3-1 Attachment 1</th><th colspan="2">Compensation Benchmarking
Exhibit F4-3-1 Attachment 2</th></tr>
<tr><td colspan="2">Acutal & planned compensation costs associated with <u>Nuclear Facilities</u> presented over multiple years</td><td colspan="2">Compensation elements associated with matched positions across <u>all of OPG</u> as of April 2015</td></tr>
<tr><td rowspan="4">Base Salary & Incentives</td><td>Annual salaries paid or planned during the year</td><td rowspan="3">Total Direct Compensation</td><td>Annual salaries as of a point in time</td></tr>
<tr><td>Actual Stakeholder Return Program Costs</td><td>Target Stakeholder Return Program Costs</td></tr>
<tr><td>Actual Nuclear Authorization Allowances</td><td>Actual Nuclear Authorization Allowances for the <u>prior year</u></td></tr>
<tr><td>Other Allowances
(i.e. shift premiums, on call)</td><td colspan="2">Not Benchmarked</td></tr>
</table>

d) Please see Attachment 1 for a depiction of the average total compensation per employee from 2010 -2021 for Management, PWU and Society. The lump sum payments and share performance plan have been included in the compensation amounts shown.

Board Staff Interrogatory #145

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:

Ref: Exh F4-3-1 pages 12-13
The evidence states that overtime expenses are expected to fall by approximately 50% from 2013 to 2021.

a) Given the relatively stable FTE numbers over this period, how will OPG manage to reduce overtime expenses by 50%?

b) Figure 9 shows that the projected overtime costs are essentially stable from 2014 through 2019, and then fall significantly in 2020 and 2021. Why is there a significant drop-off in 2020 and 2021?

Response

a) As noted in the evidence reference provided, OPG plans to continue its efforts to control overtime expenditures over the IR period by requiring pre-approvals of overtime use in non-emergency situations, regular monitoring of overtime by executives and finance staff and conducting periodic reviews to assess overtime usage. OPG also plans to manage overtime costs by increased reliance on external resources, where cost-effective and consistent with outage requirements and its collective agreements.

   The number of nuclear FTEs does not drive changes in overtime over the period 2013 to 2021. Rather, changes in overtime are driven primarily by the mix of resources used to address OPG's outage work programs, the number of outages, the duration of outages, the scope and complexity of outage activity. For example, overtime costs were relatively high in 2013 because Darlington executed two outages in that year based on its three-year outage cycle. However, Darlington is expected to have one large outage per year during the rate-setting period while one unit is in refurbishment, which results in reduced overtime costs during the rate-setting period.

b) The reasons for overtime costs being variable are outlined in part a). In addition, there is no scheduled planned outage in Darlington in 2021, as explained at Ex. F2-4-2, pp. 2-3.

Board Staff Interrogatory #146

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: Exh F4-3-1 page 12

In prior periods, OPG has complied with compensation restraints for management staff. To address issues related to salary compression and management retention, "OPG has re-instated its annual base pay increase program for Management staff below the Vice President level and obtained OPG Board approval of funding for 2016. Under this program, salary increases are performance based, linked to external labour markets in line with the benchmarking results discussed in section 5.0, and enable some compression issues to be addressed where appropriate. The cost of this program is being off-set through savings associated with Management headcount reductions and movement towards market compensation for some Management positions.

a) What is the cost of the program?

b) What were the savings associated with management headcount reductions?

Response

a) The cost of the base pay increase program for all of OPG was $2.3M.

b) Savings associated with management headcount reductions were $5.7M, based on headcount reductions made during 2014, and sustained into 2015, for Management group positions below the Vice President level. Positions at or above the Vice President level did not participate in this program in 2016.

Board Staff Interrogatory #148

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: Exh F4-3-1 p. 18
The evidence states that "OPG's Total Direct Compensation" is at market. Total Direct Compensation reflects cash compensation paid to employees, excluding overtime. It also does not include pensions and benefits.

a) Why is overtime excluded from Total Direct Compensation? Was the decision to exclude overtime made by Willis Towers Watson (Towers), or by OPG?

b) Did Towers conduct any analysis with respect to overtime costs or practices at OPG?

c) Does Total Direct Compensation include the lump sum payment and Share Performance Plan? If not, why not?

d) Has OPG assessed whether it's total compensation (i.e. all salary, bonuses, overtime, pensions, benefits, OPEBs, etc.) is at market?

Response

a) The recommendation to exclude overtime from the compensation benchmarking study was made by Willis Towers Watson (Towers). This is a common industry practice. Overtime is highly variable by organization and linked to each company's unique operating model. Towers does not gather overtime information in their annual survey database, and as such, overtime information was not available for use in this benchmarking study. This approach is consistent with the approach taken in the 2013 benchmarking study conducted by AON Hewitt (see EB-2013-0321, Ex. F5-4-1).

b) No, Towers did not conduct any analysis with respect to overtime costs or practices at OPG.

c) No, the Total Direct Compensation captured in the Towers' benchmarking study does not include the lump sum payment or the Share Performance Plan. Program costs that are not available to new hires are not typically included in this type of compensation benchmarking study as these programs do not reflect the ongoing compensation offering. In addition, neither the lump sum payment nor share award had been made at the time of the Towers' benchmarking study.

d) No, OPG has not assessed whether its total compensation, including salary, bonuses, overtime, pensions and benefits, is at market.

The Towers' benchmarking study at Ex. 4-3-1, Attachment 2 assessed Total Direct Compensation (Base Salaries & Incentives) and provided an analysis of OPG's pension and benefits plan provisions.

OPG has not assessed its overtime costs relative to market. Overtime costs have not been included in OPG's compensation benchmarking in accordance with industry practice, as mentioned in part (a) above.

Board Staff Interrogatory #150

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: 2013 Annual Report of the Office of the Auditor General of Ontario (Dec. 10, 2013) The Auditor General's 2013 report noted that OPG payroll data indicated that a large number of employees received salaries that exceed the maximum set out in the base salary schedule.

a) Is receipt of salary above base salary schedule still occurring?

b) If yes, how many staff are affected?

c) If yes, was Towers' analysis based on salary schedules or actual salaries?

Response

a) Yes, OPG continues to have individuals who are paid above current salary schedule maximums. These circumstances arose from the introduction of new salary structures dating back to 2002 for PWU represented employees and 2006 for Society represented employees.

b) Currently, there are just over 700 (8%) employees affected across OPG. The number of staff affected has been steadily declining since the new salary structures were put in place. This declining trend is expected to continue.

c) The Towers' analysis was based on actual salaries and included individuals who were paid above current salary schedule maximums.

Board Staff Interrogatory #153

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: Exh F4-3-1 Attachment 2

The Towers Total Compensation Benchmarking Study provides a compensation analysis and a pension and benefits analysis.

a) Nine of the ten comparators in the "nuclear authorized" group are based in the United States; accordingly Towers converted their compensation figures into CAD. Please confirm that the results of the nuclear authorized comparison can be heavily influenced by fluctuating exchange rates.

b) At page 11, the report states: "OPG's compensation philosophy defines a target market position at the ... 75th percentile for the Nuclear Authorized Segment (based on role complexity)." Does Towers agree that the 75th percentile is the most appropriate comparison point for the Nuclear Authorized Segment? Please elaborate.

Response

a) As referenced in Ex. F4-3-1, p.21, footnote 7, "the Nuclear Authorized segment results are being affected by volatile exchange rates." It is also important to note that due to the small percentage of staff in this segment, the overall impact of exchange rates on OPG's benchmarking results is not significant.

b) Willis Towers Watson ("Towers") agrees that the 75th percentile is an appropriate comparison point for the Nuclear Authorized segment.

The purpose of benchmarking compensation at the job role level is to ensure a comparison to market for comparable skills and accountabilities. Management, Society and PWU roles in the Nuclear Authorized Segment at OPG are subject to greater complexity due to how the nuclear units are structured with responsibility for 4 units at OPG compared to 1-2 in the market. This makes the scope of the management, society and PWU roles broader and more complex. As such in reviewing the range of market data, the 75th percentile data was determined to be the best proxy to address this relative level of complexity. It should be noted that use of the 75th percentile data is not used for top executive jobs where accountability for overall nuclear operations is consistent across roles in the comparator group.

AMPCO Interrogatory #123

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: F4-3-1 Page 3

a) For the years 2017 to 2021, please provide the percentage of nuclear revenue requirement that is attributable to compensation costs including overtime.

Response

On average, approximately 40% of the proposed 2017-2021 nuclear revenue requirements is attributable to total compensation costs including overtime. This estimate was determined on the basis of compensation costs reflected in OM&A expenses, as OPG does not track the portion of rate base specifically attributable to capitalized compensation costs.

AMPCO Interrogatory #124

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: F4-3-1 Page 3

Preamble: The evidence indicates at the end of 2015, OPG had 9,247 regular employees. Of this approximately 7,294 employees worked directly in or supported nuclear facilities.

a) Please provide the total number of OPG employees including regular and non-regular employees at the end of 2015.

Response

a) The total number of OPG employees including regular and non-regular employees at the end of 2015 was 10,223.

AMPCO Interrogatory #133

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: F4-3-1 Page 11

Preamble: The evidence indicates that salary compression exists across OPG with approximately 250 managers currently earning less than the staff they supervise, making it difficult to attract qualified represented staff into Management positions.

a) Please provide the reasons why staff are making more than their supervisors?

b) Please provide the total number of OPG staff in the years 2013 to 2016 earning more than $50,000 a year in overtime.

Response

a) As noted in Ex. F4-3-1, p. 11, "Between 2011 and 2015, OPG's Management employees received no annual base salary increase. This has resulted in OPG's Management compensation benchmarking at or below the broader labour market for most positions, as shown in section 5.0." At the same time, salaries of represented employees have increased according to the terms of their collective agreements. Ex. F4-3-1, Figure 5 (PWU) and Figure 7 (Society) show the negotiated wage increases for each group. In addition, represented employees progress along the steps of the applicable salary grid pursuant to the terms of the collective agreements. This divergence in salary increases between the two groups since 2010 has led to the situation where some employees are making more than their supervisors. OPG notes that in determining the approximately 250 managers making less than the employees that they supervise, the compression analysis compared base salaries only; variable payments to employees such as overtime for represented staff, performance incentives for represented and management staff, and other compensation were not considered.

b) The total number of employees making more than $50,000 per year in overtime is shown below in Table 1.

Table 1: Total Number of Employees Earning more than $50,000/year in Overtime

Year	2013	2014	2015	2016
Employees earning more than $50,000/year	805	230	222	91[1]

1. Total number of employees through September 2016, which represents over ¾ of the year.

AMPCO Interrogatory #135

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: F4-3-1 Page 13

a) Please provide the range of premiums paid for overtime.

b) Please explain the reasons for the higher overtime amounts in 2013 and 2015.

c) Please provide the budgeted overtime for the years 2013 to 2016 in terms of $ and hours.

d) Please explain any variances greater than 10%, comparing overtime budget to actuals for the years 2013 to 2016.

e) Please provide the forecast of overtime hours for the years 2017 to 2021.

f) Please provide the percentage of overtime paid at double time for the years 2013 to 2015 and the assumptions for 2016 to 2021.

g) Please provide the percentage of overtime paid at more than double time for the years 2013 to 2015 and the assumptions for 2016 to 2021.

h) Please provide the budget and actual overtime amounts for the DRP to date.

i) Please provide the forecast overtime budget for the DRP for the years 2017 to 2021.

j) For the PWU skilled trades, please discuss the types of work shifts, the hours in a work week and the number of hours worked before an employee is eligible for overtime. Please discuss when and how different overtime rates are applied.

k) For the PWU clerical, semi-skilled trades and general trades, please discuss the type of work shifts, the hours in a work week and number of hours worked before an employee is eligible for overtime. Please discuss when and how different overtime rates are applied.

l) Please provide contractor overtime amounts (budgeted and actual) for the years 2010 to 2016 and forecast for 2017 to 2021.

Witness Panel: Corporate Groups, Compensation
Darlington Refurbishment Program
Nuclear Operations and Projects

m) Please provide any recent changes to OPG's work shifts, overtime policies and management of overtime in order to minimize overtime of its employees and contractors.

<u>Response</u>

a) Payments for overtime range from 1.5 times normal pay to 2.5 times normal pay with most overtime being paid 2.0 times normal pay.

b) Please see L-06.6-1 Staff-145.

c) & d):

Total Nuclear	Acutal ($M) (a)	Budget ($M) (b)	Variance ($M) (c) = (a)-(b)	Variance (d) = (c)/(b)
2013	159.2	127.0	32.2	25.3%
2014	117.6	109.3	8.2	7.5%
2015	132.1	122.3	9.7	7.9%
2016 YTD Sept (Actual and Budget)	102.3	86.6	15.7	18.2%

Overtime is budgeted on dollar basis only.

The following are the major variance drivers in years where overtime variance is greater than 10% of budget:

i. In 2013 the overtime variance of 25.3% from budget was largely due to:
   - Use of overtime to complete work programs due to regular labour resources being under complement.
   - Completing outage work primarily due to forced extension to Darlington's two planned outages.

ii. As of September 2016, year-to-date overtime variance of 18.2% is largely due to use of overtime to complete work programs due to regular labour resources being under complement.

e) Overtime is not forecasted on an hourly basis.

Witness Panel: Corporate Groups, Compensation
Darlington Refurbishment Program
Nuclear Operations and Projects

f) The percentages of overtime paid for OPG at 2.0 times normal pay were approximately: 71% in 2015, 70% in 2014, and 74% in 2013. As OPG does not project overtime cost based on the pay differential, the yearly information requested for 2016-2021 is not available, but OPG does not expect the percentage to be materially different over the IR period given its relative stability over the last three years.

g) In 2015, there were 9 hours of overtime paid at 2.5 times, which is a negligible percentage of overtime paid. There was no overtime paid at more than 2.0 times normal pay in 2013 and 2014. As OPG does not project overtime cost based on the pay differential, the yearly information requested is not available, but OPG expects the percentage to continue to be negligible for 2016-2021 given the figures for 2013-2015.

h) The total life to date actual overtime costs for the DRP is $13.6M as at September, 2016. This cost represents 5 years and 9 months of data. DRP planning assumptions allow for 2% planned overtime. Furthermore, Project and Functional Managers are expected to manage their total labour costs (labour and overtime) within the total labour budget. To date, labour has been managed within total labour budgets.

i) The forecast overtime budget for the DRP for the years 2017 to 2021 is provided in the following table in millions.

	2017	2018	2019	2020	2021
Overtime $	4.8	4.8	5.0	5.0	5.7

j) The majority of PWU skilled trades employees work 40 hours per week consisting of either 8, 10, or 12 hour balanced shifts. There are others who work 37.5 hours per week consisting of 8 hours per day Monday to Thursday and 5.5 hours on Friday. Until such time that an employee works more than their normal daily or weekly scheduled hours of work, overtime provisions are not triggered.

Overtime provisions are contained in Part G, Item 4 of the PWU collective agreement (See L-06.6-1 Staff-144, Attachment 1).

k) PWU clerical generally work 35 hours per week consisting of 7 hour days Monday to Friday. There are a small number of PWU clerical who work 40 hours per week. Semi-skilled trades and general trades employees generally work 40 hours per week. Until such time that an employee works more than their normal daily or weekly scheduled hours of work, overtime provisions are not triggered.

Overtime provisions are contained in Part D, Item 4 of the PWU collective agreement (See L-06.6-1 Staff-144).

l) Contractor overtime information is not available. OPG does not plan for nor track contractor overtime.

Witness Panel: Corporate Groups, Compensation
Darlington Refurbishment Program
Nuclear Operations and Projects

m) OPG has progressively implemented changes with respect to the management of overtime as outlined in the 2015 follow up to the Auditor General's Report of 2013. In January, 2015, OPG put in place enhanced process controls with regards to managing overtime and discretionary labour costs. These enhanced controls detail overtime limits, approval authority levels for overtime hours for employees on a quarterly and annual basis and implements weekly reports for managers outlining overtime levels for their staff.

AMPCO Interrogatory #140

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: F2-1-1 Table 3

a) Please provide Table 3 on the basis of Executive, Senior Management, Management, Union, Non-Union and show the allocation between Regular and Non-Regular staff including a complete breakdown of the categories of non-regular staff.

b) Please provide an electronic version of Table 3.

Response

a) The categories requested in the interrogatory are not used or otherwise defined within OPG. However, similar categories are presented in Ex. F4-3-1 Attachment 1 ("Appendix 2K") and Table 3 has been provided on a consistent basis with Appendix 2K:
   i. Management includes Executive, Senior Management and Management and is equivalent to Non-Union FTEs
   ii. Society, PWU and EPSCA are all Union staff

Table 3
Nuclear Staff Summary - Regular and Non-Regular (FTEs)

Group	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
NUCLEAR OPERATIONS:									
Regular Staff									
Management	481.8	443.8	415.7	459.6	459.5	458.3	459.9	456.3	446.4
Society	1,810.6	1,712.9	1,665.1	1,827.3	1,789.3	1,773.2	1,738.6	1,695.5	1,675.3
PWU	3,578.4	3,470.1	3,349.5	3,501.6	3,462.0	3,434.7	3,403.5	3,352.3	3,272.9
Regular Staff	5,870.7	5,626.7	5,430.4	5,788.6	5,710.8	5,666.2	5,602.1	5,504.1	5,394.7
Non-Regular Staff									
Management	15.7	15.0	11.9	3.0	2.0	1.9	1.6	3.0	0.8
Society	21.4	36.5	55.4	55.8	50.8	57.6	44.1	33.2	17.5
PWU	404.2	468.5	534.9	520.8	492.4	517.1	519.9	427.5	339.0
EPSCA	55.7	58.1	67.7	87.1	69.2	70.1	66.6	63.1	63.1
Non-Regular Staff	496.9	578.1	670.0	666.7	614.4	646.6	632.2	526.8	420.4
Subtotal Nuclear Operations	6,367.6	6,204.8	6,100.4	6,455.3	6,325.2	6,312.8	6,234.3	6,030.9	5,815.1
DARLINGTON REFURBISHMENT:									
Regular Staff									
Management	77.4	90.8	92.5	113.4	147.4	145.8	147.8	139.9	139.1
Society	172.4	169.5	167.3	204.1	275.9	278.3	275.2	257.7	252.1
PWU	32.2	46.9	69.9	110.1	163.8	175.8	197.6	192.0	206.6
Regular Staff	282.0	307.2	329.7	427.6	587.2	599.9	620.5	589.5	597.8
Non-Regular Staff									
Management	3.4	3.5	4.8	0.0	0.0	0.0	0.0	0.0	0.0
Society	3.4	3.4	6.0	4.1	4.0	9.0	9.0	9.0	11.0
PWU	13.2	16.8	23.2	36.9	47.7	41.2	55.4	46.7	69.1
EPSCA	4.5	11.6	26.8	32.5	101.5	102.0	73.0	102.0	150.0
Non-Regular Staff	24.6	35.3	60.7	73.5	153.2	152.2	137.4	157.7	230.1
Subtotal Darlington Refurbishment	306.6	342.5	390.4	501.1	740.4	752.1	757.9	747.2	827.9
Total Nuclear	6,674.2	6,547.3	6,490.8	6,956.4	7,065.6	7,064.9	6,992.2	6,778.1	6,643.0

b) Refer to Attachment 1 for an electronic version of Table 3

AMPCO Interrogatory #143

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref: 2015 Annual Report of the Office of the Auditor General of Ontario

a) Chapter 4, Page 630: Please provide the outcome of any relocation policy changes incorporated in the SEP collective agreement.

b) Chapter 4, Page 631: Please provide an update on OPG's enhanced contractor payment controls to avoid the risk of overpayment.

c) Chapter 4, Page 631: Please explain how shift schedules are structured to minimize overtime.

d) Chapter 4, Page 631: Please confirm that employees who are regular daytime employees are no longer getting overtime as a result of being placed on schedules different from their normal working hours.

e) Chapter 4, Page 631: Please discuss if OPG has imposed overtime limits on any additional staff in 2015 and 2016 and provide the corresponding overtime reductions.

f) Chapter 4, Page 631: Are the imposed overtime limits for I&M technicians still in place?

g) Chapter 4, Page 632: Please provide the outcome of any changes to sick leave provisions incorporated into the SEP collective agreement.

h) Chapter 7, Page 725): The Standing Committee on Public Accounts made eight additional recommendations to the Auditor General's 2013 OPG Human Resources Audit. Please provide the status of all outstanding recommendation.

Response

a) No changes were made to the relocation provisions contained in the SEP collective agreement. However, OPG has established a Relocation Benefits Steering Committee to ensure that relocation benefits are consistently administered in accordance with the PWU and SEP collective agreements, as well as policies regarding unrepresented staff.

b) As of August, 2015, OPG has implemented the following initiatives to support the design of an enhanced contractor payment control framework:

- A program of vendor audits of ESMSA and OSS vendors;
- Reasonableness checks of time reported (in Oncore system) to attendance (in (Mitrefitch system), for certain time and materials contract;
- A benchmark study by KPMG to assess the design of contractor time payment controls which found controls to be designed in line with industry practices.

In mid-2016, OPG fully implemented a Contractor Time and Payment Control Framework that provides reasonable assurance that Vendor costs are in line with work completed as defined in the Vendor contracts. The framework contains both payment system controls and payment monitoring.

c) Shift schedules are built and set in advance on an annual cycle. This helps to plan work and assign resources. Collective agreement provisions exist to allow for employees to be moved between various schedules to assign resources where workload requires, without incurring overtime costs. Overtime provisions are not triggered until such time that an employee has worked more than his/her normal daily or weekly scheduled hours of work on a regular shift schedule.

d) Confirmed. Please see Ex. L-6.6-1 Staff-145.

e) Please see Ex. L-6.6-2 AMPCO-135, part (m).

f) Yes, imposed overtime limits are still in place for I&M Technicians.

g) Please refer to Ex. L-6.6-1 Staff-144, Attachment 3, p. 7-9 for changes to the sick leave provisions in the recent SEP collective agreement. There are no changes in benefit entitlement, rather the changes to the sick leave plan are administrative and intended to provide clarity on: (i) the process for the restoration of sick leave credits for old sick leave plan members; and (ii) dates for the accumulation of sick leave credit for new sick leave plan members.

h) The Standing Committee on Public Accounts made eight additional recommendations to the Auditor General's 2013 OPG Human Resources Audit, of which 2 remain outstanding: recommendation #3 and #5 (See 2015 Annual Report of the Office of the Auditor General of Ontario, Chapter 7, pp. 732-735).

For the status of recommendation #3, please refer to Ex. L-06.6-1 Staff-156, which presents an updated actuarial valuation of OPG's pension plan filed with the Financial Services Commission of Ontario on September 30, 2016.

With respect to recommendation #5, a new five-year agreement (with options to extend for 3 additional 1 year terms) was executed between OPG and New Horizon System Solutions in October, 2015. The agreement came into effect on February 1, 2016. Negotiations achieved targeted cost savings and other additional benefits, including guaranteed price reductions over the contract term.

SEC Interrogatory #76

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
[F4/3/1, p.12]
With respect to any management employee's incentive plan:

a. Is OPG still using the Annual Incentive Plan (AIP) for management incentive pay? If so, please provide details of the plan. If not, please explain the new program.

b. Has the plan changed since 2012? If so, please explain how.

c. Please provide a similar chart to that of Figure 10 on p.168 of the 2013 Annual Report of Office of Auditor General of Ontario, showing the distribution of AIP scores for Executive and Senior Management (Bands A–F) and Below Executive and Senior Management (Bands G–L), for each year between 2013 and 2015.

d. For each year between 2016 and 2021, what assumptions is OPG making regarding the distribution of its AIP scores for the purposes of its setting its budget.

Response

a. No, OPG is no longer using the Annual Incentive Plan (AIP) for management incentive pay. OPG has replaced the AIP with a rebranded program: the Stakeholder Return Program (SRP). Details of the revised SRP program are provided in the Program brochure attached to this response as Attachment 1.

b. Yes, the AIP program has changed. Key changes included:
   - Rebranding AIP as the "Stakeholder Return Program" (SRP).
   - Reducing the number of metrics on the Corporate Balanced scorecard to increase the focus on key metrics and increase score variability by reducing diversification.
   - Eliminating Fleet scorecards for purposes of calculating incentive awards; Fleet metrics were incorporated into individual ELT and SLT scorecards.
   - Changing the scale (and descriptors) for individual performance ratings to provide increased granularity and drive more differentiation in individual results.

   In 2015, the 5-point rating scale was replaced with a 7-point rating scale. This new scale incorporated employees' demonstration of OPG behaviours. This change made it easier for managers to differentiate performance, strengthening the link between employees' actual performance and their incentive payments.

c. OPG has prepared a similar chart to that of Figure 10 on p.168 of the 2013 Annual Report of Office of Auditor General of Ontario, showing the distribution of AIP scores for Executive and Senior Management (Bands A–F) and Below Executive and Senior Management (Bands G–L), for each year between 2013 and 2015. This chart is filed as Attachment 2 to this response. The assumptions for SRP budget setting are that both Corporate and individuals receive a score at target.

Stakeholder Return Program

SRP

Effective January 1, 2015

ONTARIO POWER GENERATION

Stakeholder Return Pro

Plan Overview

In 2015, Ontario Power Generation's Board of Directors approved revisions to the Stakeholder Return Program for Management Group employees. The program revisions help to reinforce OPG's performance driven culture.

The intent of the program is to deliver a portion of total compensation paid to Management Group employees on a "pay-at-risk" or performance-linked basis. Under the program, eligible employees can earn annual payments if OPG's key financial and operational objectives and individual performance targets are met during the program year.

The corporate scorecard identifies OPG's performance priorities for the year to support its short and long-term business strategies and value creation.

Individuals will also have a personal scorecard that identifies their performance priorities for the year. Individual performance assessments will be based on the manager's appraisal of the individual's performance against scorecard deliverables, including the individual's demonstration of OPG behaviours. Individual performance will also be assessed relative to peers to ensure consistent application of performance ratings. Staff will receive one of seven performance ratings.

Individual scorecards will consist of approximately five performance objectives. The performance objectives should follow the SMART principles (Specific, Measurable, Achievable, Realistic, Time-bound) and should be aligned with higher level scorecards whenever possible. Corporate goals will drive individual goals.

An overall score below threshold on the corporate scorecard means no one would receive a payment. If an individual's rating is 1, that individual would not receive an SRP payment.

This brochure provides an overview of the program, a table outlining incentive opportunities and weightings for each performance rating, and sample SRP calculations. Further information is available from the HR Service Centre and on the Human Resources website.

Effective Date

This program is effective January 1, 2015, and covers the assessment of performance and determination of payments for a calendar year (i.e. January 1 to December 31).

Amendment and Termination

OPG reserves the right to amend the program in whole, or in part, or to terminate the program at any time. On termination of the program, all rights under the program will cease, except with respect to any incentive payments authorized by the Board for payment prior to the date of program termination.

Annual Incentive Opportunity

The individual incentive opportunity for each performance rating varies by Management Group band and is expressed as a percentage of annual base salary. An individual's incentive payment will depend on OPG's performance and the manager's assessment of the individual's performance.

Corporate performance impacts incentive payments by establishing the funding (corporate SRP pot) that is available for payments.

- The size of the corporate SRP pot fluctuates directly with the corporate score and the corporate pot sets an upper limit on how much can be distributed as payments.

Stakeholder Return Program

Eligibility

All Regular employees in Management Group positions during the calendar year are eligible to participate in the program. However, excluding retirement, death, or disability, only those who are active employees of OPG on December 31 of the program year are eligible to receive an incentive payment.

If an employee changes base positions during the year, eligibility for the SRP and SRP percentages are pro-rated accordingly (i.e. moves into or out of Management Group, or changes MG band).

Scorecards

The program has two key components: corporate and individual performance.

1. Corporate – The corporate scorecard includes measures that the President and Board agree are key OPG objectives for the program year. The Board assesses the overall annual corporate performance to provide a corporate score.

2. Individual – Individual goals are set out in performance contracts during the first quarter of each program year. Managers work with their employees to establish individual goals aligned with the initiatives and objectives established for their business unit and OPG. OPG behaviors expected of management group employees will be incorporated into assessments and may impact performance ratings. How goals are achieved is as important as what is achieved. At year-end, managers assess results and determine the performance rating.

Before the individual performance ratings are communicated to employees and payments are finalized, a calibration process will occur to ensure consistent evaluation of employees' performance across the organization and relative to peers.

Performance Measures and Weightings

To determine the individual incentive, the manager assesses individual performance against scorecard deliverables, considers demonstration of OPG behaviours and reviews overall performance relative to peers to place employees into one of the following seven performance categories:

1 = does not meet expectations
2 = meets minimal expectations
3 = developing/moderately meets expectations
4 = fully meets expectations
5 = exceeds some expectations
6 = exceeds most expectations
7 = exceeds all expectations

Figure 1 indicates the available incentive opportunity as a percentage of base salary for each band level based on the individual performance rating. This table assumes OPG achieved target performance.

Performance Rating	SRP Percentage By Band					
	A	B/C	D/E	F	G/H1/H2	I	J/K/L
1	0	0	0	0	0	0	0
2	20	9	5	4	3	2	1.6
3	70	31.5	17.5	14.0	10.5	7	5.6
4	100	45	25	20	15	10	8
5	110	49.5	27.5	22	16.5	11	8.8
6	125	56.3	31.3	25	18.8	12.5	10
7	150	67.5	37.5	30.0	22.5	15.0	12.0

Determination of SRP Budget

The SRP budget is determined through the following process:

Step 1: Establish Corporate SRP Pot

- Initial corporate SRP budget is established by assuming the corporate results are at target and all individual results are rated at 4 (fully meets expectations).
- The corporate score is used to adjust the SRP budget up or down to reflect corporate performance. The result is the current year corporate SRP pot.
- The corporate SRP pot sets an upper limit on how much we can spend on SRP payments.

Step 2: Determine Individual Payment

Once the corporate pot is set, the individual's performance rating is used to determine their preliminary SRP payment using the table presented in Figure 1.

The total amount to be paid under the SRP program must stay within the SRP pot.

If the sum of all preliminary individual amounts exceeds the SRP pot, every individual SRP amount is reduced proportionately to keep the total program cost within the SRP pot.

The process used to calculate individual SRP amounts is described on the next page, and is followed by two examples.

Example 1: A Band G Manager whose base salary is $100,000 per year has been in this role for the entire performance year, and has not had any change in their base salary during this period. The employee's performance rating was initially rated as a 4 (fully meets expectations). Through the calibration process, the performance rating as a 4 was confirmed.

Based on their band and performance rating the employee's SRP is 15 per cent (see Figure 1). The preliminary SRP amount is 15 per cent of their base salary. This calculation is shown below:

Example 1	Total
Annual base salary	$100,000
Days in position	365
Band	G
Performance rating	4
SRP percentage	15%
Final SRP amount	$15,000

Example 2: A Band J Associate was promoted to a Band I Advisor position on May 1. Prior to the promotion, their base salary was $75,000 per year. They are now earning $80,000 per year. Their performance rating was initially rated as a 4 (fully meets expectations). Through the calibration process, the performance rating as a 4 was confirmed.

Example 2	Position 1	Position 2	Total
Annual base salary	$75,000	$80,000	
Days in position	120	245	365
Proration of days in position	0.32877%	0.67123%	100%
Band	J	I	
Performance rating	4	4	
SRP percentage	8%	10%	
Final SRP amount	$1,973	$5,370	$7,343

Payment of incentive amounts

- Incentive payments will be made following approval by the Board and generally paid early in the year following the program year.

- Applicable taxes will be withheld from the incentive payment.

- For all Management Group employees, a portion of the SRP payment is pensionable. The pension contributions are withheld at source.

    - For employees who participate in the Supplementary Payment Schedule (original supplementary pension plan), a portion of your SRP payment (up to five per cent of your annual base salary at the time SRP is paid) is included in your pensionable earnings.

    - For employees who participate in the Executive Supplementary Payment Schedule (plan introduced in 2000), your pensionable earnings will include the lesser of the SRP paid, or three-year average target SRP amount based on your annual base salary, averaged over your best three consecutive years.

Administration

The President and CEO is responsible for establishing the policies and procedures for operating and administering the program. The day-to-day administration of the program is delegated to the SVP of People & Culture.

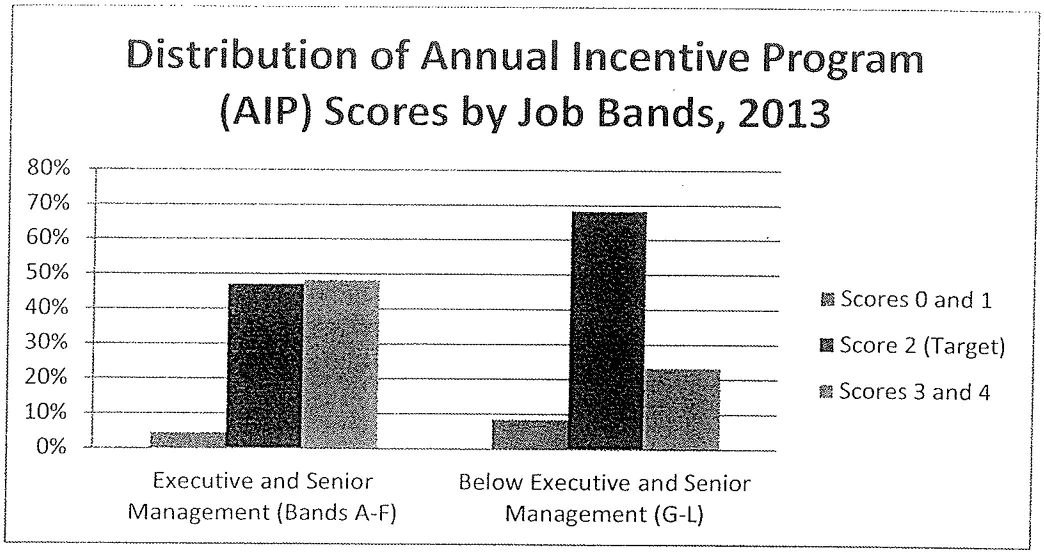
For questions regarding the SRP, please contact the HR Service Centre:

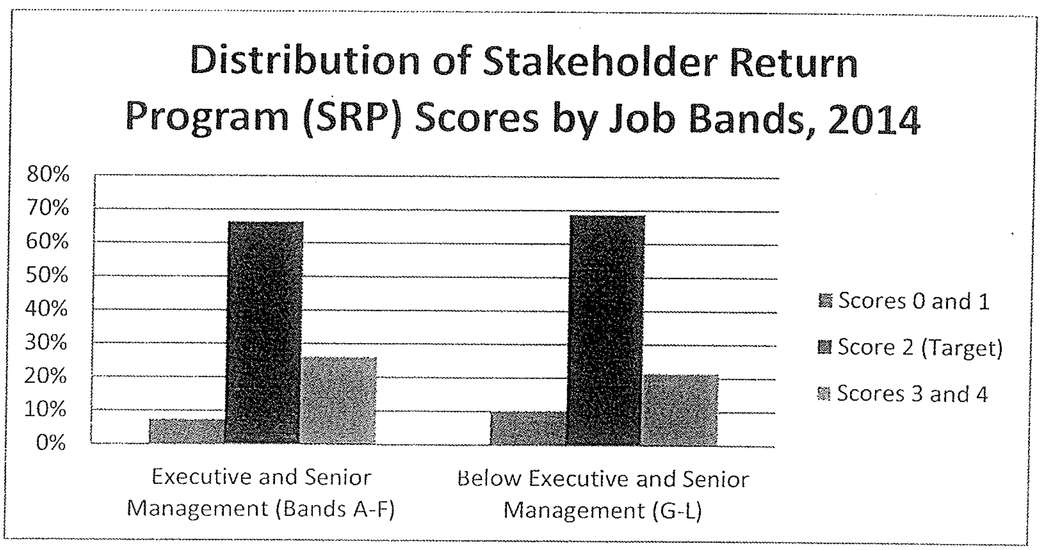
Online help:

Access HR Self Serve Tool (Workspace through PowerNet).

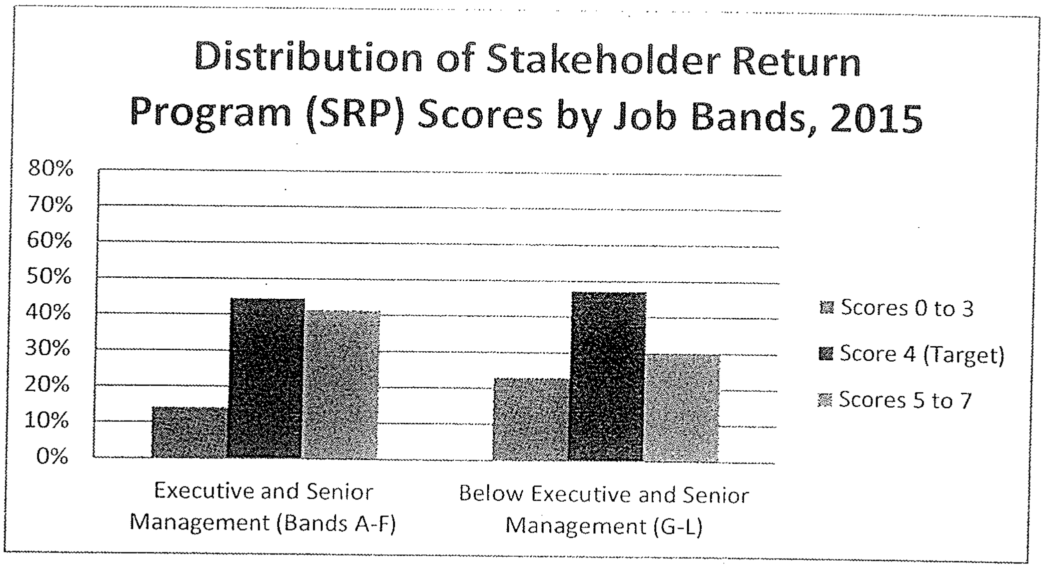
Contact help:

HR Service Centre at extension 3700 from any OPG work site, 7:30 am to 4:30 pm, Monday to Friday. For employees at an OPG location without network acess or who are calling from home, the HR Service Centre can be reached toll free at 855-592-3700 or 416-592-3700.





The 2014 program was rebranded Stakeholder Return Program (SRP).



In 2015 the 5 point rating scale (target 2) was replaced with the 7 point rating scale (target 4).

SEC Interrogatory #82

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
[F4/3/1, Attach 2]

With respect to the Willis Towers Watson study:

a. Please provide a chart showing the difference between the comparators used for each category (utility, nuclear, and general industry) in the Aon Hewitt study filed in EB-2013-0321, and the Willis Towers Watson study filed in evidence in this proceeding. Please explain any changes made.

b. Please detail a methodological difference between the Willis Towers Watson study and the Aon Hewitt study filed in EB-2013-0321.

Response

a. Attachment 1 provides the comparator organizations used for each segment (utility, nuclear, and general industry) in the Aon Hewitt study filed in EB-2013-0321, and the Willis Towers Watson study filed in Ex. F4-3-1, Attachment 2.

   Agreement of external organizations to participate in the surveys used to prepare the benchmarking study is a primary driver for changes in specific companies selected.

   Other factors contributing to individual organization changes included:
   - expansion into the United States for the Nuclear Authorized segment to improve the level of matches available for authorized positions (there are very few nuclear power generators in Canada)
   - restricting general industry comparators to Ontario based organizations (rather than Canada wide), reflecting a mix of 50% public and 50% private.

   OPG notes that the specific organizations utilized in the AON study for the General Industry is not available.

b. Please refer to L-06.6-1 Staff 149 for an explanation of key differences.

SEC Interrogatory #83

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
[F4/3/1, Attach 2]

With respect to the Willis Towers Watson study:

a. What percentage of OPG's employees, that are either directly assigned or allocated (at least in part) to the nuclear facilities, are in each of the Utility, Nuclear, or General Industry comparator category?

b. For each employee category (PWU, Society, Mgmt Group, and Total), please provide the cost impact, for each year of the test period, if OPG was at the 50% median, for each comparator category (Utility, Nuclear, General Industry, Total). Please only include the cost impact as they relate to costs that are either directly attributable to or allocated to the nuclear facilities. Please provide all assumptions used in the calculation.

Response

a. OPG estimates that approximately 68% of employees associated with OPG's Nuclear Regulated Facilities are in the Utility segment, 5% in the Nuclear Authorized segment, and 27% in the General Industry segment.

b. The compensation benchmarking results captured in Ex. F4-3-1, Attachment 2, provide directional information to understand how OPG's compensation compares with the market place as of April, 2015. In Willis Towers Watson's experience, most organizations use this information by considering a range of pay around their desired reference point given the variability within the market data. Typical practice is to consider actual compensation that falls within +/- 10% of the organization's targeted market positioning to be "at market". For OPG, this is the +/- 10% to the 50th percentile or, in the case of a small portion of the population in the nuclear authorized segment +/- 10% of the 75th percentile targeted due to scope and complexity. OPG's overall positioning for total direct compensation currently falls within that market range.

   Cost impacts associated with OPG's total direct compensation being above or below the specific targeted market positioning as of April, 2015 can be estimated for the data included in the study, and have been estimated by Willis Towers Watson for total OPG.

OPG attributed the total OPG cost impact estimates of above target total direct compensation determined by Willis Towers Watson to the nuclear facilities based on the proportion of total OPG FTEs associated with the nuclear facilities. This yielded a cost impact of approximately $30M for the nuclear facilities of being 5% above the targeted marketed positioning. This is comprised of approximately $29M for PWU represented employees and approximately $15M for Society represented employees, and is offset by Management Group employees where OPG's costs are approximately $14M below the 50th percentile. OPG notes that the applicability of these point-in-time benchmarking results to a future period is speculative, as wage increases and compensation changes in the market place are not known.

Cost impacts associated with OPG pension and benefits benchmarking above market are not available because the benchmarking is based on the value of these forms of compensation to the employee, not the cost to the employer. Willis Towers Watson describes this at Ex. F4-3-1, Attachment 2, p. 35:

> *The methodology used determines the value to employees of each organization's benefits program by plan. The purpose is to quantify the provisions offered by each organization. The pension and benefit plan values are determined by applying a common set of actuarial methods and assumptions to employee profiles (these values are not intended to represent actual plan/program costs).*

The approach followed by Willis Towers Watson in conducting the pension and benefits benchmarking analysis is consistent with the prevalent industry practice for the competitive benchmarking of employee pension and benefits, and is similar in this regard to the previous benchmarking study prepared by AON Hewitt (see EB-2013-0321, Ex. F5-4-1, p. 65).

SEP Interrogatory #14

Issue Number: 6.6
Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:
Ref Exh F4-3-1, Attachment 1 "FTE, Compensation and Benefit Information for OPG's Nuclear Facilities ("Appendix 2k") "

a) Please provide versions of this table for Regular staff only and Non-Regular staff only.

Response

Attachment 1 to this response depicts FTE, Compensation and Benefit Information for OPG's Nuclear Facilities, for each of regular staff and non-regular staff. OPG notes that overtime and benefit information was not available for the period prior to 2015, as reflected in Attachment 1 to this response.

Appendix 2K - Regular FTE

Numbers may not add due to rounding

Line No.	NUCLEAR FACILITIES	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Staff (Regular)	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
2										
3	Nuclear - Direct									
4	Management	559.4	534.6	505.0	570.3	603.8	601.0	604.6	593.0	582.4
5	Society	1,983.0	1,882.3	1,832.5	2,029.8	2,064.3	2,050.6	2,012.8	1,952.2	1,926.6
6	PWU	3,610.2	3,517.0	3,419.1	3,608.1	3,622.7	3,607.3	3,597.9	3,541.1	3,477.5
7	EPSCA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Subtotal	6,152.7	5,933.9	5,756.6	6,208.2	6,290.8	6,258.9	6,215.4	6,086.3	5,986.5
9										
10	Nuclear - Allocated									
11	Management	362.1	364.1	356.7	343.8	343.3	341.1	335.8	333.8	334.3
12	Society	596.6	596.6	575.1	647.8	649.4	640.3	634.1	630.8	631.0
13	PWU	848.6	803.2	582.3	712.5	685.0	668.3	663.2	647.7	647.3
14	EPSCA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Subtotal	1,807.3	1,763.8	1,514.0	1,704.2	1,677.7	1,649.7	1,633.1	1,612.3	1,612.6
16										
17	NUCLEAR FACILITIES									
18	Management	921.5	898.7	861.7	914.2	947.1	942.1	940.4	926.8	916.7
19	Society	2,579.6	2,478.9	2,407.6	2,677.6	2,713.7	2,690.9	2,646.9	2,583.0	2,557.6
20	PWU	4,458.8	4,320.2	4,001.3	4,320.6	4,307.7	4,275.5	4,261.1	4,188.8	4,124.8
21	EPSCA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Total	7,959.9	7,697.8	7,270.6	7,912.4	7,968.5	7,908.5	7,848.4	7,698.6	7,599.1
23										
24	Salary & Incentive Pay (including Fiscal Adjustment)	$M	$M	$M	$M	$M	$M	$M	$M	$M
25	Management	142.7	144.7	139.9	146.0	151.8	152.6	154.4	154.1	153.4
26	Society	314.4	306.3	302.1	340.0	352.1	357.7	355.0	355.4	359.2
27	PWU	456.6	457.0	429.8	488.1	502.2	507.2	514.2	518.0	516.9
28	EPSCA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Total	913.7	908.1	871.8	974.2	1,006.1	1,017.5	1,023.6	1,027.5	1,029.5
30	Overtime	$M	$M	$M	$M	$M	$M	$M	$M	$M
31	Management			0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Society	Not available prior to 2015		35.5	32.3	35.6	35.2	36.3	30.0	23.7
33	PWU			77.2	68.6	73.8	72.1	73.0	65.1	50.6
34	EPSCA			0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Total			112.7	100.9	109.3	107.3	109.3	95.1	74.3
36	Benefits (Current Benefits and Pension &	$M	$M	$M	$M	$M	$M	$M	$M	$M
37	Management			51.0	50.1	52.5	51.2	51.7	51.5	51.0
38	Society			135.6	140.0	144.0	140.6	141.8	141.8	142.6
39	PWU			223.8	186.3	189.0	186.6	190.7	191.7	191.2
40	EPSCA			0.0	0.0	0.0	0.0	0.0	0.0	0.0
41	Total	Not available prior to 2015		410.4	376.4	385.5	378.5	384.3	384.9	384.8
42										
43	Current Benefits (Statutory)			51.9	50.1	52.0	50.7	51.2	51.8	52.2
44	Current Benefits (Non-Statutory)			47.2	49.1	50.3	49.1	49.5	50.1	50.5
45	Pension & OPEB (Current Service)*			311.3	277.2	283.2	278.7	283.6	283.0	282.1
46	TOTAL COMPENSATION	$M	$M	$M	$M	$M	$M	$M	$M	$M
47	Management			190.9	196.1	204.3	203.8	206.2	205.6	204.4
48	Society			473.2	512.4	531.7	533.5	533.1	527.2	525.6
49	PWU			730.9	742.9	765.0	765.9	777.9	774.7	758.6
50	EPSCA	Not available prior to 2015		0.0	0.0	0.0	0.0	0.0	0.0	0.0
51	Total			1,394.9	1,451.4	1,500.9	1,503.3	1,517.2	1,507.5	1,488.6
52										
53	*presented on an accural basis									

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SEP Interrogators #14

Appendix 2K - Non-Regular FTE

Numbers may not add due to rounding

Line No.	NUCLEAR FACILITIES	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Staff (Non-Regular)	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
2										
3	Nuclear - Direct									
4	Management	19.2	18.5	16.6	3.0	2.0	1.9	1.6	3.0	0.8
5	Society	25.4	39.9	61.2	59.9	54.8	66.6	53.1	42.2	28.5
6	PWU	416.7	485.4	556.2	556.7	540.1	558.3	575.3	474.3	408.2
7	EPSCA	60.2	69.6	94.2	119.6	170.7	172.1	139.6	165.1	213.1
8	Subtotal	521.5	613.4	728.2	739.2	767.6	798.8	769.6	684.6	650.5
9										
10	Nuclear - Allocated									
11	Management	20.1	11.9	12.0	9.7	9.5	6.2	3.8	3.8	3.1
12	Society	10.5	29.1	15.2	16.4	16.0	12.5	8.1	8.1	6.0
13	PWU	81.6	79.6	75.7	27.0	23.6	19.3	18.8	18.8	18.5
14	EPSCA	0.0	0.0	12.0	16.0	16.0	16.0	16.0	16.0	16.0
15	Subtotal	112.2	120.6	114.9	69.1	65.1	54.0	46.7	46.8	43.6
16										
17	NUCLEAR FACILITIES									
18	Management	39.3	30.4	28.6	12.7	11.5	8.0	5.4	6.8	3.9
19	Society	35.9	69.0	76.4	76.4	70.8	79.0	61.2	50.3	34.4
20	PWU	498.4	565.0	631.9	583.7	563.7	577.7	594.1	493.1	426.7
21	EPSCA	60.2	69.6	106.2	135.6	186.7	188.1	155.6	181.1	229.1
22	Total	633.7	734.0	843.1	808.3	832.7	852.9	816.3	731.3	694.1
23										
24	Salary & Incentive Pay (including Fiscal Adjustment)	$M	$M	$M	$M	$M	$M	$M	$M	$M
25	Management	3.1	3.1	4.2	1.2	1.1	0.9	0.6	0.7	0.3
26	Society	4.5	6.6	8.7	8.8	8.9	9.6	8.0	6.7	4.3
27	PWU	45.5	50.0	57.5	47.8	46.9	48.1	50.9	42.4	37.0
28	EPSCA	8.9	10.6	14.3	13.6	19.1	19.3	16.3	19.3	25.0
29	Total	62.0	70.3	84.7	71.4	76.0	77.9	75.8	69.2	66.6
30	Overtime	$M	$M	$M	$M	$M	$M	$M	$M	$M
31	Management	Not available prior to 2015		0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	Society			1.3	0.8	0.4	0.5	0.5	0.4	0.3
33	PWU			12.2	8.9	5.9	6.3	7.3	4.9	4.1
34	EPSCA			5.7	1.3	1.8	1.7	1.5	1.6	2.5
35	Total			19.3	11.0	8.1	8.5	9.3	6.8	6.9
36	Benefits (Current Benefits and Pension &	$M	$M	$M	$M	$M	$M	$M	$M	$M
37	Management	Not available prior to 2015		0.4	0.1	0.1	0.1	0.1	0.1	0.0
38	Society			0.7	1.0	1.0	1.1	0.9	0.8	0.5
39	PWU			4.7	13.9	12.8	13.4	13.9	11.4	10.2
40	EPSCA			1.0	5.1	7.2	7.2	6.1	7.2	9.4
41	Total			6.8	20.1	21.1	21.8	20.9	19.5	20.1
42										
43	Current Benefits (Statutory)			6.8	6.0	6.3	6.4	6.3	5.7	5.5
44	Current Benefits (Non-Statutory)			0.0	14.1	14.8	15.4	14.7	13.8	14.6
45	Pension & OPEB (Current Service)*			0.0	0.0	0.0	0.0	0.0	0.0	0.0
46	TOTAL COMPENSATION	$M	$M	$M	$M	$M	$M	$M	$M	$M
47	Management	Not available prior to 2015		4.5	1.4	1.2	1.0	0.7	0.8	0.3
48	Society			10.8	10.7	10.3	11.2	9.5	7.8	5.1
49	PWU			74.5	70.6	65.5	67.8	72.1	58.7	51.2
50	EPSCA			21.0	20.0	28.2	28.2	23.8	28.2	36.9
51	Total			110.8	102.6	105.2	108.2	106.1	95.5	93.6
52										
53	*presented on an accural basis									