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April 21st, 2017

RESS & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Application by Ontario Power Generation Inc. for 2017-2021 Payment Amounts (EB-2016-0152) – Confidential Treatment re Hearing Undertaking Responses

In accordance with Rule 10 of the Ontario Energy Board's ("OEB" or the "Board") *Rules of Practice and Procedure* and section 5.3 of the OEB's *Practice Direction on Confidential Filings* (the "Practice Direction"), OPG requests confidential treatment for 2 undertaking responses, JX17.10 and JX17.11, arising from the April 3, 2017 hearing day in EB-2016-0152.

In respect of the both responses JX17.10 and JX17.11, and in accordance with Procedural Order No. 4, OPG requests that the confidential portion of these undertaking responses not be provided to the consultants or counsel for the Society of Energy Professionals and Power Workers' Union who have not signed the affidavit referenced in Procedural Order No. 4.

All of the redacted information in the body of the responses to Undertakings JX17.10 and JX17.11 relate to OPG's collective bargaining strategies. If disclosed, this information has the potential to interfere with future collective bargaining negotiations between OPG and the unions that represent its employees.

OPG has organized the responses into the following attachments, which are included with the hard copy of this letter. For the electronic copy of this letter, filed through the RESS, only this letter and the non-confidential attachments are included. The attachments are as follows:

Attachment A: Non-Confidential, redacted versions of the responses and documents that are the subject of this request. These items are intended to be placed on the public record.

Attachment B: Confidential, unredacted versions of the responses and documents that are the subject of this request. These items are intended to be treated confidentially, and should only be provided to intervenors or their representatives who sign, or have already signed, a Declaration and

Undertaking in the prescribed form in this proceeding, and if applicable, the affidavit referenced in Procedural Order No. 4. The specific portions of these documents that constitute the confidential information are marked with red boxes.

In this request, OPG references prior Board decisions on the confidential treatment of OPG information. As copies of these referenced materials were included in OPG's May 27, 2016 request for confidential treatment of certain documents forming part of its pre-filed evidence, OPG determined that it is not necessary to file further copies of these materials with the present request.

OPG will provide each intervenor that signs or has already signed a Declaration and Undertaking in the prescribed form and files or has filed it with the Board a copy of the confidential materials that are included in Attachment B, subject to the affidavit requirement for the Society and PWU counsel and consultants.

On a final determination, should the OEB grant OPG's request for confidentiality, OPG proposes that the OEB order the confidential information to be disclosed, subject to any conditions the OEB may find appropriate, to only those persons that by then have signed, or that subsequently sign, a Declaration and Undertaking in the prescribed form in this proceeding.

In the event that the confidentiality request is refused, in whole or in part, and OPG in turn requests that some or all of the information that is the subject of this request be withdrawn in accordance with section 5.1.12 of the Practice Direction, all persons in possession of the said information will be required to promptly destroy or return the information to the OEB Secretary for destruction.

Respectfully submitted,

[Original signed by]

Saba Zadeh

Cc: John Beauchamp (OPG) via email
Charles Keizer (Torys LLP) via email
Crawford Smith (Torys LLP) via email

ATTACHMENT 'A'

Non-Confidential, Redacted Documents

1 **UNDERTAKING JX17.10**

2
3 **Undertaking**

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5 To provide calculations and assumptions provided to government for purposes of
6 meeting Net Zero.
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10 **Response**

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12 **Labour Relations Confidential**

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14 Provided below are the figures provided to the Government for the purposes of demonstrating
15 that the results of OPG's collective bargaining with the PWU and the Society met the mandate
16 of achieving a net neutral cost to electricity ratepayers. The figures are presented on the basis
17 of contract years, consistent with how information was provided to the Government. As noted in
18 Ex. L-6.6-15 SEC-072, the Government assessed these results on a total OPG basis. The
19 results were determined based on information available at the time of bargaining, generally
20 using conservative assumptions (see Tr. Vol. 17, p. 87, line 21 to p. 88, line 11 and Tr. Vol. 17,
21 p. 91, line 13 to p. 94, line 8).
22

23 As noted at Ex. F4-3-1, p. 15, lines 16-23, Ex. L-6.6-1 Staff 147, Attachment 1, and as explained
24 at Tr. Vol. 17, p. 84, line 27 to p. 85, line 21, the costs/savings related to pension reform were
25 not considered as part of achieving the "net neutral" mandate. As noted at Ex. F4-3-1, p. 15, line
26 23, Ex. L-6.6-1 Staff-147(c), and Tr. Vol. 17, p. 80, line 19 to p. 81, line 3, the Government was
27 satisfied that OPG had met the "net neutral" mandate.
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29 The estimated overall net savings over the term of each of the collective agreements identified
30 below are as provided in Ex. L-6.6-1 Staff-147(c).

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Chart 1
PWU Collective Agreement Impacts (Total OPG)

Item	Costs / (Savings) \$M			
	Apr 1, 2015 to Mar 31, 2016 (a)	Apr 1, 2016 to Mar 31, 2017 (b)	Apr 1, 2017 to Mar 31, 2018 (c)	Apr 1, 2015 to Mar 31, 2018 (a)+(b)+(c)
<i>Numbers may not add due to rounding</i>				
3-Year Wage Increases at 1%/year (excl. impact on pension contributions) ¹				
Higher OPG Pension Contributions Due to 1%/year Wage Increases ¹				
250-Hour Purchased Services Threshold ²				
Nuclear Outage Purchased Services Agreement ²				
Radiation Protection Technician (RPT) Appendix A Midterm ²				
Project Technician Purchased Services Agreement ²				
Targeted Severance Provision ³				
Term Employees (re: Pickering Closure) ⁴				
Temporary Work Headquarters Travel Time Provisions ²				
Out-of-Country Medical Coverage Improvement ⁵				
Paramedical Benefit Improvements ⁵				
Net Savings				



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Numbers may not add due to rounding

Notes:

1. The equivalent items were combined into a single line "3-Year Wage Increases at 1%/year" in Ex. L-6.6-15 SEC-072 Chart 1. In addition to being Total OPG amounts, these amounts differ from Ex. L-6.6-15 SEC-072 in that they are based on regular labour cost information used at the time of bargaining, whereas Ex. L-6.6-15 SEC-072 provided estimated impacts consistent with the planned regular labour costs and pension forecasts underpinning this Application.
2. Amounts in Ex. L-6.6-15 SEC-072 Chart 1 for these items represent the nuclear business' portion of the above Total OPG amounts.
3. Excluded from Ex. L-6.6-15 SEC-072 as explained at Tr. Vol. 17, p. 81, lines 4-20 and p. 83, line 13 to p. 84, line 8.

- 1
2 4. Excluded from Ex. L-6.6-15 SEC-072 as no Term Employees were assumed in OPG's 2016-
3 2018 Business Plan underpinning this Application, due to uncertainties related to the extent
4 of their future utilization, partly in light of the decision to pursue the extension of Pickering
5 commercial operations beyond 2020, as reflected in that plan. The primary savings during
6 the IR Term from the potential use of Term Employees, compared to regular employees,
7 would relate to the Term Employees not being entitled to pension or benefits. Any such
8 savings realized for pension or other post employment benefits during the IR Term would be
9 captured in the Pension & OPEB Cash to Accrual Differential Deferral Account, Pension &
10 OPEB Cash Payment Variance Account and/or Pension and OPEB Cost Variance Account,
11 as applicable. See Ex. L-6.6-2 AMPCO-132 for further information on Term Employees.
12
- 13 5. Due to their relatively small value, these items were combined into a single line "Minor
14 Benefit Improvements" in Ex. L-6.6-15 SEC-072 Chart 1. Amount in Ex. L-6.6-15 SEC-072
15 represents the nuclear business' portion of the above Total OPG amounts.

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Chart 2
Society Collective Agreement Impacts (Total OPG)

Item	Costs / (Savings) \$M			
	Jan 1 to Dec 31, 2016 (a)	Jan 1 to Dec 31, 2017 (b)	Jan 1 to Dec 31, 2018 (c)	Jan 1, 2016 to Dec 31, 2018 (a)+(b)+(c)
3-Year Wage Increases at 1%/year (excl. impact on pension contributions) ¹				
Higher OPG Pension Contributions Due to 1%/year Wage Increases ¹				
Purchased Services Agreement LOU #193 ²				
Overtime PWU Rate Equivalency ²				
Hours of Work Averaging Permit ²				
Time-Limited Out-of-Country Medical Coverage Improvement ³				
Time-Limited Prescription Dispensing Fee Coverage Improvement ³				
Temporary Work Headquarters Meal Allowance Provisions ⁴				
Shift Differential Increase ⁴				
Elimination of Band N Goal Sharing Equivalent Payment ²				
Medical Absent Report Fee Coverage Improvement ⁴				
Net Savings				



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Numbers may not add due to rounding

Notes:

1. The equivalent items were combined into a single line “3-Year Wage Increases at 1%/year” in Ex. L-6.6-15 SEC-072 Chart 2. In addition to being Total OPG amounts, these amounts differ from Ex. L-6.6-15 SEC-072 in that they are based on regular labour cost information used at the time of bargaining, whereas Ex. L-6.6-15 SEC-072 provided estimated impacts consistent with the planned regular labour costs and pension forecasts underpinning this Application.
2. Amounts in Ex. L-6.6-15 SEC-072 Chart 2 for these items represent the nuclear business’ portion of the above Total OPG amounts.

- 1 3. Due to their relatively small value, these items were combined into a single line “Minor
2 Benefit Improvements” in Ex. L-6.6-15 SEC-072 Chart 2. Amount in Ex. L-6.6-15 SEC-072
3 represents the nuclear business’ portion of the above Total OPG amounts.
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- 5 4. Due to their relatively small value, these items were combined into a single line “Other
6 Miscellaneous Items” in Ex. L-6.6-15 SEC-072 Chart 2. Amount in Ex. L-6.6-15 SEC-072
7 represents the nuclear business’ portion of the above Total OPG amounts.
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UNDERTAKING JX17.11

Undertaking

To provide pension contributions, lump sum payments, and share grant calculations beyond IR period, including assumptions, for both PWU and Society.

Response

Chart 1 below summarizes the total projected savings associated with increased employee contributions for PWU and Society represented employees and the total projected costs associated with the lump sum payments and the Share Performance Plan payments, as attributed to the nuclear facilities, for the 2017-2032 period. These payments apply to eligible employees contributing to the pension plan as of April 1, 2015 (PWU) and January 1, 2016 (Society). The last payment under the plan will be made at the beginning of 2032.

**Chart 1
 Pension Contribution Savings and Share Performance Plan Impacts
 (Attributed to Nuclear)**

<i>\$M</i>	IR Term 2017-2021 ¹	2022-2032	Total 2017-2032
Increased Employee Pension Contributions Savings	88		
Lump Sum Payments and Hydro One Share Performance Plan Costs	(92)		
Net (Cost) Savings	(4)		

This analysis demonstrates that the savings from higher employee contributions will significantly exceed the costs associated with the Share Performance Plan and lump sum payments over the 2017-2032 period, by approximately [REDACTED]. The benefits of higher employee contributions will further continue for the life of the pension plan, as the increased employee contributions do not have a specified end date and will apply to all existing and future employees. Also of note is that the cumulative savings from higher

¹ As per Ex. L-6.6-1 Staff-147 (d) and (g).

1 employee pension contributions are anticipated to exceed the cumulative costs of the
2 payments to employees by 2022.

3
4 The pension contribution savings figures attributed to the nuclear facilities post 2021
5 were based on total OPG values calculated by Aon Hewitt, OPG's actuary, using an
6 indicative longer-term headcount profile supplied by OPG and associated projected
7 payroll, assuming wage growth consistent with actuarial assumptions set out in Ex. F4-
8 3-2, Chart 5. The nuclear allocation for the period prior to the shutdown of the Pickering
9 station was based on the 2021 nuclear allocation factor for pension and OPEB amounts
10 reflected the pre-filed evidence. The allocation was directionally reduced to account for
11 the shutdown of the Pickering station in subsequent years.

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13 The post 2021 Share Performance Plan cost figures were calculated in the same
14 manner as those shown in Ex. L-6.6-15 SEC-078, based on an estimated number of
15 eligible employees (continuing the declining trend shown in Ex L-6.6-15 SEC-078 (a)).
16 The number of eligible employees was estimated taking into account forecast attrition,
17 based on the number of staff eligible to retire in a given year and considering both past
18 experience and future expectations regarding how long employees continue working
19 after becoming eligible to retire, on average.

ATTACHMENT 'B'

Confidential, Unredacted Documents