COMPENSATION AND BENEFITS

1.0 PURPOSE

The purpose of this exhibit is to:

- Describe the nature of OPG's workforce and the transformational changes to this workforce as a result of the planned shutdown of the Pickering Nuclear Generation Station ("Pickering");
- Provide 2016-2026 compensation information for employees working at and supporting nuclear facilities; and
- Introduce the results of the independent compensation studies prepared by Willis Towers Watson ("WTW").

2.0 OVERVIEW

Compensation costs for Nuclear for the period 2022-2026 are $7,687M and equivalent to approximately 46% of OPG's forecast 2022-2026 Nuclear revenue requirement, reflecting the significant role OPG employees play in producing electricity for Ontario.

OPG has a wide variety of employees, executives who lead the organization, management who direct work functions, professional staff who provide expertise related to OPG's prescribed generation facilities, and the skilled trades who operate and maintain these facilities. OPG employees work in generating stations and facilities across the province and are predominantly unionized. Additional details on OPG's workforce, including the extent of unionization, work locations, and demographics are presented in Section 3.0.

Over the IR term, OPG will undergo a transformational change to prepare for and execute the planned shutdown of Pickering. As part of this effort, OPG is currently planning to reduce its workforce by over 3,000 positions, or approximately 30%, comprised of regular employees,[1] Power Workers' Union ("PWU") represented term employees ("Terms"), and Society of Energy

[1] Regular employees are those employees for which there is an expectation of ongoing employment.

Professionals ("Society") represented extended temporary employees ("ETEs"). Pickering is OPG's single largest generating facility producing approximately 30% of OPG's total generation and 14% of Ontario's total grid supplied electricity.

To prepare the organization for the planned workforce reductions and for the future, OPG is undertaking several initiatives (see Ex. F2-1-1, Section 3.4 and Ex. A2-2-1, Attachment 1, Appendix 6). These initiatives will implement process improvements, enhance available tools and training, and reinforce a unified and innovative culture across OPG to drive performance leading up to and after the planned Pickering shutdown.

Given the extent of unionization, collective bargaining plays a dominant role in determining both ongoing compensation costs and the manner in which the workforce will be downsized as a result of the planned Pickering shutdown. Collective agreements prescribe wages and incentives provided to, as well as the pensions and benefits earned by, unionized employees. Collective agreements also have an indirect impact on the compensation provided to non-unionized positions because internal equity, career development, and ability to attract experienced represented employees into non-represented management positions are important factors in workforce planning and development.

Since EB-2016-0152, OPG engaged in one round of collective bargaining with the PWU and two rounds with the Society. The negotiations with both unions focused on securing ability to hire Terms and ETEs in support of mitigating the organizational and cost impacts of the planned reductions in the workforce as a result of the Pickering shutdown. The resulting collective agreements were ultimately established by an arbitrator's award, which granted OPG ability to hire employees in these categories for the duration of the collective agreements. These developments are discussed in Section 4.0. Additionally, OPG was able to maintain the previously negotiated changes to its pension plan provisions that reduced the company's pension contributions, modified eligibility rules, and pension benefits provided to OPG's represented employees in the future.

Section 5.0 provides an overview of OPG's compensation elements for both unionized and non-unionized positions, and includes discussion of OPG's actions to manage compensation costs, including a summary of the above noted negotiated pension changes and the commensurate pension reforms implemented for management employees and steps taken to reduce benefits costs. This section also includes a summary of compensation costs for employees operating and supporting OPG's Nuclear facilities, with additional details available at Attachment 1 (Full Time Equivalents ("FTE"), Compensation and Benefit Information for OPG's Nuclear Facilities ("Appendix 2k")).

Compensation benchmarking is undertaken to ensure compensation costs are competitive, affordable and aligned with OPG's business strategy and the environment in which OPG operates. This work demonstrates that overall, OPG's Total Remuneration provided is reasonable and at market.[2] Section 6.0 provides an overview of the compensation benchmarking (the "Report") performed by WTW and the full Report is included in Attachment 2. This study meets the compensation benchmarking requirement set out by the OEB in EB-2016-0152.[3]

WTW also undertook a comparison of OPG's wages to those provided by Bruce Power. Bruce Power is OPG's closest comparator, operating in the same energy market, with a workforce represented by the same unions as OPG. Bruce Power unionized wages are higher than those of OPG. See Section 6.0 and Attachment 3 for additional details on OPG's compensation relative to Bruce Power.

3.0 OPG's WORKFORCE

At the end of 2019, OPG employed 9,050 regular and Term employees.[4,5]

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[2] Total Remuneration reflects the total direct compensation, pension and benefits, and paid time off for eligible employees as a percentage of base salary (Attachment 2, p. 7).
[3] EB-2016-0152, Decision and Order, p. 84.
[4] Terms are a PWU-represented classification of employees. Terms may be hired in place of regular employees to to positions likely to be eliminated as a result of planned Pickering shutdown, in order to mitigate the organizational and cost impacts associated with the redeployment and downsizing when Pickering ends commercial operations. There were no Society-represented ETEs at the end of 2019.
[5] All total OPG employee statistics provided exclude operating subsidiaries.

Unionization: OPG's employees work in a predominantly unionized environment, with approximately 88% of employees represented by the PWU or the Society. The PWU represents nearly two thirds of OPG's unionized employees and the Society represents the remainder. The extent of unionization and the mix of PWU, Society and non-unionized staff (management) has generally remained stable over the past several years. The current collective agreement with the PWU is for a three-year term, April 1, 2018 to March 31, 2021. The current collective agreement with the Society is for a two-year term, January 1, 2020 to December 31, 2021.

Work Locations and Employees: OPG's Nuclear and Enterprise Projects employees work in generating stations and other facilities across the province as shown in Figure 1.

OPG employs individuals from a variety of disciplines, many of which are specialized technical roles. This includes engineers, and operations and maintenance staff that operate and maintain OPG's Nuclear facilities in a safe and responsible manner.

Figure 1 – OPG Nuclear and Enterprise Projects Work Locations

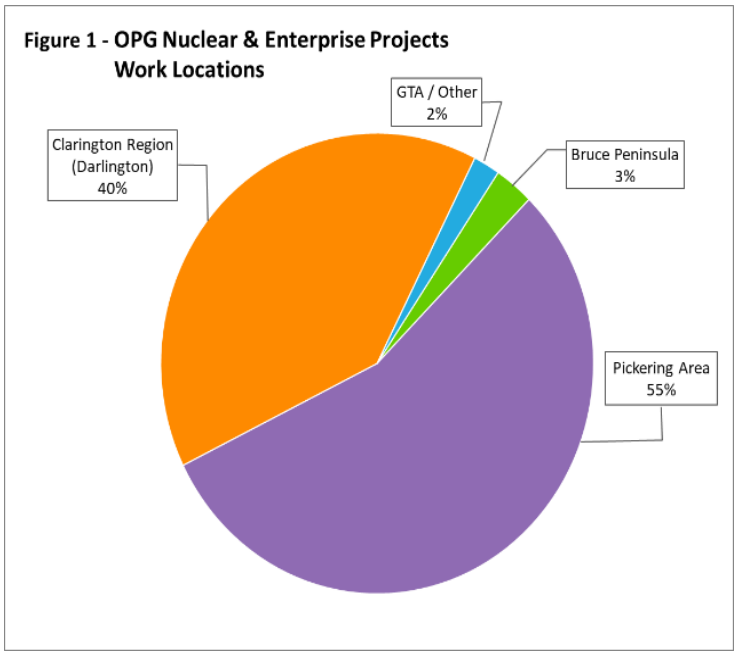
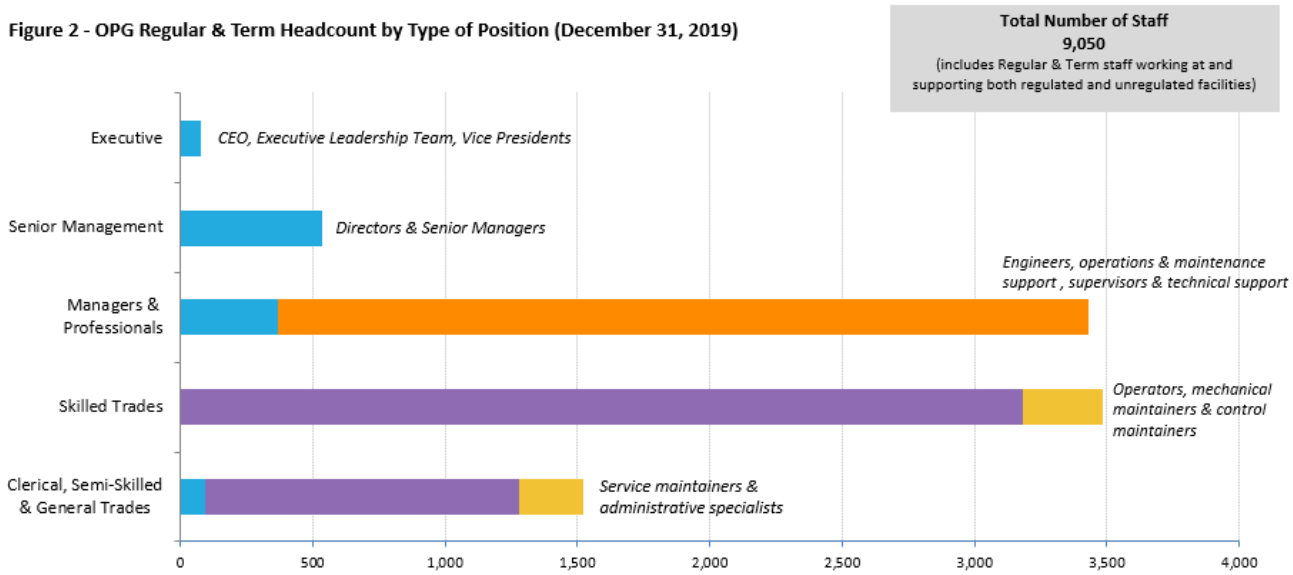


Figure 2 shows an overview of total OPG employee headcount (regular and Term[6]) as of December 31, 2019 by type of position. This information includes staff supporting both OPG's regulated and unregulated facilities.

Figure 2 – OPG Regular and Term Headcount by Type of Position (December 31, 2019)



	Clerical, Semi-Skilled & General Trades	Skilled Trades	Managers & Professionals	Senior Management	Executive
Management	91	-	367	536	76
Society	-	-	3,061	-	-
PWU	1,187	3,184	-	-	-
Term	246	302	-	-	-

In addition to Terms and ETEs, OPG also employs other forms of non-regular labour, where employees are hired for a fixed period of time with a start and end date.

Demographics: OPG has a mature and experienced workforce. By year-end 2021, approximately 21% of active regular employees will be eligible to retire with an undiscounted pension, with an additional 14% becoming eligible to retire between 2022 and 2026.

[6] The ETEs category of employees came into effect in 2020.

4.0 PICKERING SHUTDOWN

As discussed in Ex. A2-2-1, preparing for the end of Pickering commercial operations and transition to subsequent four-unit nuclear operations is a crucial focus area for OPG and a significant driver of its workforce strategies. This includes preparing the workforce for a large-scale reduction. In addition to mitigating the cost impacts of the downsizing, OPG is focused on ensuring continued availability of a skilled, committed and diverse workforce through this period of significant change. This includes leadership development and management of talent retention and attraction risks to ensure the organization's ongoing success.

OPG presently expects that the planned Pickering shutdown will eliminate over 3,000 positions across the organization, including direct station operations, Operations and Project Support functions and corporate Support Services. Affecting approximately 1 out of every 3 positions, this will be a profound event for OPG, its employees and the communities where they live and work. As discussed in Ex. A2-2-1, this will also trigger the need for a transformational change in OPG's cost structure, in addition to resulting in significant one-time costs. The one-time costs will include severance obligations for exiting management and unionized employees, as well as post-station shutdown transition costs necessary for the effective redeployment and training of affected employees.

The need for redeployment and training will arise as certain unionized regular employees transition from former Pickering positions to similar positions at Darlington or other affected parts of the organization under the downsizing provisions in the collective agreements. This transition will be a complex process. While such redeployment provisions are typical of collective agreements, they give rise to training needs and other incremental transition costs. OPG is developing a detailed plan aimed at executing the redeployment in a manner that maintains high safety and operational standards, ensures effective post-refurbishment operations at Darlington, and where possible, mitigates organizational impacts. Providing necessary training to redeployed employees will be an integral element of this plan given inherent differences in equipment, technology and operations at the Pickering and Darlington stations. Key strategies to mitigate organizational impacts include hiring PWU Terms and Society ETEs, facilitating the transfer of regular employees from Pickering to Darlington ahead

of the Pickering closure within operational constraints, and leveraging attrition-based headcount reductions.

The planning work for this downsizing process to be executed over the IR term will be inherently uncertain. Sources of uncertainty include: employee attrition patterns, implementation of previously untested provisions of collective agreements, seniority and skillset of transitioning employees, future collective bargaining outcomes, and the risk of failing to retain critical staff. Planning and preparation activities will advance over the coming years. For this reason, OPG is not seeking recovery of transition and downsizing costs in this application. All such costs incurred during the IR term will be recorded in the Pickering Closure Costs Deferral Account. During the IR term, OPG will continue to work with the unions and seek ways to reduce the organizational risks and cost implications of the Pickering shutdown.

PWU Term Employees

To assist in mitigating the anticipated organizational and cost impacts associated with the downsizing resulting from the planned Pickering shutdown, the category of “Term” employees was first negotiated with the PWU in the 2015-2018 collective agreement.

In general, Terms may be hired to avoid adding regular staff in circumstances where such additional regular employees are likely to be laid off as a result of the planned shutdown of Pickering. Terms are hired with the understanding that there is no expectation of ongoing employment once Pickering’s operations cease and they receive less severance than PWU regular employees on lay off. Moreover, Terms cannot join OPG’s pension plan.

When the 2015-2018 PWU collective agreement expired, OPG attempted to renew its ability to hire Terms. OPG and the PWU reached a tentative agreement on June 4, 2018 that included the extension of the Term classification for the period of the new collective agreement (April 1, 2018 to March 31, 2021). The PWU membership rejected the tentative agreement twice through votes communicated on August 9, 2018 and then on December 14, 2018. After the second unsuccessful vote, PWU members voted in favour of a strike mandate and the PWU

obtained a "no board" report from the Ontario Labour Relations Board.[7] In the course of this process, PWU members took labour actions, such as refusal of overtime.

On December 20, 2018, the Government of Ontario passed legislation that amended the *Labour Relations Act, 1995* to prohibit and stop any strikes or lockouts between OPG and the PWU for the 2018 round of negotiations, and referred the bargaining to interest arbitration. On April 3, 2019, an arbitration decision was issued awarding the tentative agreement reached by the parties in June 2018 – including the renewal of Terms. As of July 2020, approximately 700 Terms have been hired since inception of this employee classification.

Society Extended Temporary Employees

During both the 2018 and 2019 rounds of collective bargaining with the Society, OPG attempted to negotiate a classification of employees similar to PWU Terms. Despite these repeated efforts, parties could not reach an agreement. The arbitrator also did not award OPG's requested classification in the 2018 interest arbitration, which resulted in a one-year collective agreement with the Society (January 1, 2019 to December 31, 2019).

When bargaining with the Society was referred to interest arbitration in 2019, OPG was successful in arguing for the new classification of Society represented employees, called "Extended Temporary Employees" or "ETEs". The award was issued on November 5, 2019 and covers a two-year term (January 1, 2020 to December 31, 2021).

Like PWU represented Terms, Society ETEs may be hired to avoid adding regular staff in circumstances where additional regular employees are likely to be laid off as a result of the planned shutdown of Pickering. Society ETEs also receive less severance than regular Society represented employees upon lay off. Similar to Terms, Society ETEs cannot join OPG's pension plan.

[7] A "no-board" report indicates that the Ontario Labour Relations Board will not appoint a board of conciliation and begins the 17-day countdown period to the date on which either the employer or the union could begin a legal work stoppage.

OPG's 2020-2026 Business Plan and therefore this application assume continued ability to hire Terms and ETEs.

Management

OPG has taken steps to reduce management positions where possible. In 2020, OPG underwent a corporate realignment, consolidating a number of functions within the company. As discussed in Ex. A2-2-1, the reorganization merged operating and project groups across business units to facilitate cross-functional synergies and, where possible, drive efficiencies to reduce management positions in preparation for the planned shutdown of Pickering. The realignment has allowed OPG to eliminate over 10% of management positions, the cost savings from which will be carried through the IR term. The early implementation of these structural changes allows OPG to mitigate operational impacts from a large volume of reductions post Pickering shutdown.

5.0 COMPENSATION COSTS

Compensation costs for OPG's Nuclear facilities for 2022-2026 are comprised of the following elements:

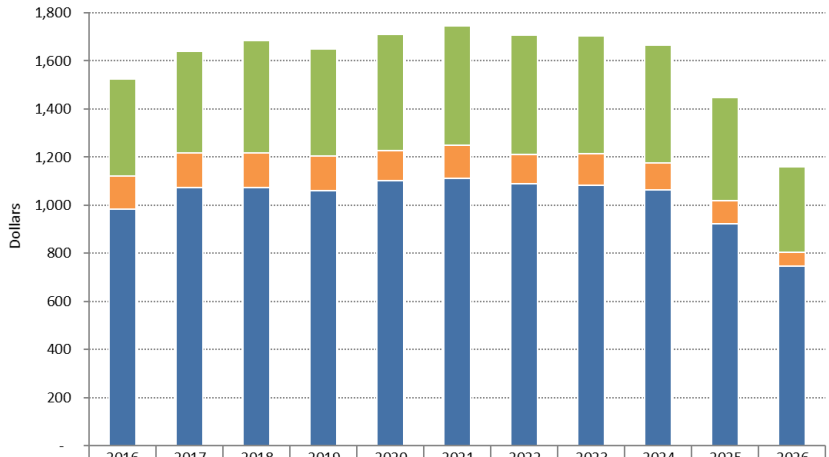
- Base Salaries and Incentives
- Pension and Benefits
- Overtime

Each of these elements is discussed below, as are Nuclear FTEs.

Figure 3 summarizes the compensation costs for OPG's nuclear facilities for 2016-2026 and reflects the impacts of wage escalation during the IR term. OPG's total compensation costs for its nuclear facilities decrease over the 2022-2026 rate period primarily based on two factors: the substantial completion of Darlington Refurbishment Program, and the planned shutdown of Pickering.

Figure 3 – Compensation Costs for Nuclear

Figure 3 - Compensation Costs for Nuclear

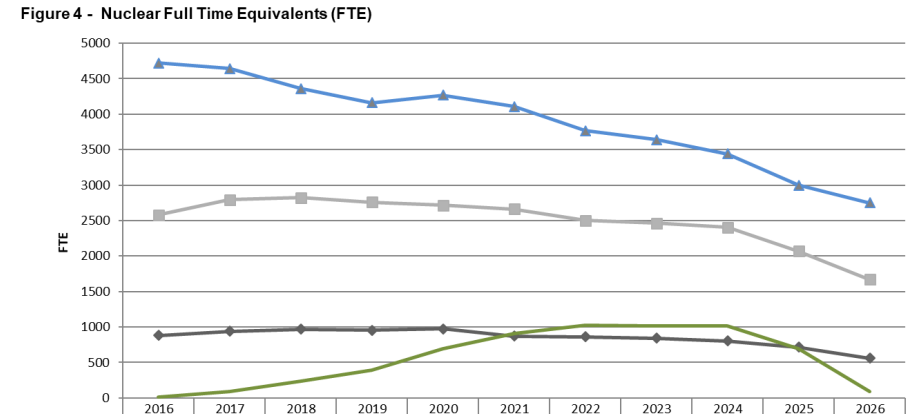


	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Pensions & Benefits (M$)*	404	422	467	445	481	494	498	490	490	430	356
Overtime (M$)	136	145	145	145	126	140	121	134	114	96	56
Base Salaries & Incentives (M$)	983	1,073	1,074	1,059	1,103	1,110	1,090	1,081	1,062	922	748
Total Compensation (M$)	1,524	1,640	1,686	1,649	1,709	1,745	1,708	1,705	1,666	1,448	1,160
Growth Rate (Total Compensation)	1%	8%	3%	-2%	4%	2%	-2%	0%	-2%	-13%	-20%

*Pension and benefits include current service costs only and are shown on an accrual basis.

Figure 4 shows the FTE breakdown by management, Society, and PWU represented regular employees and non-regular employees, including Terms and ETEs, for Nuclear facilities (including allocation of corporate Support Services).

Figure 4 – Nuclear Full Time Equivalents



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Management	883	942	967	952	973	870	861	845	806	717	560
Society	2581	2795	2825	2758	2717	2661	2504	2462	2405	2067	1670
PWU	4721	4641	4363	4160	4268	4109	3769	3640	3440	2997	2752
Term/ETE	12	92	240	395	693	911	1023	1014	1011	696	92

* Excludes EPSCA

Base Salaries and Incentives

Base salaries and incentives represent about 64% of OPG's total compensation costs related to the nuclear facilities over the IR Term. These costs are largely a function of the collective bargaining agreements that cover approximately 88% of OPG's employees. The details of these salaries and incentives are discussed below.

<u>Unionized Salaries</u>

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

Typical union salary increases have tended to be between 2% and 3% per year for both OPG and other large companies within the electricity sector in Ontario, as shown in Figures 5 to 8.[8,9]

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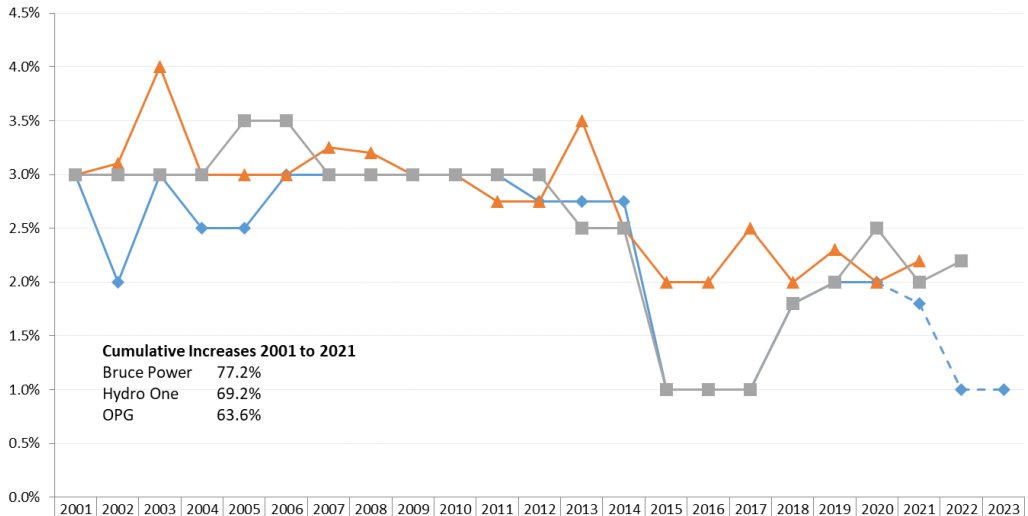
[8] Figures reflect annual increases per negotiated agreements. Any absence of data is the result of the collective agreement expiration at a future date. OPG projections are based on known requirement per Bill 124.

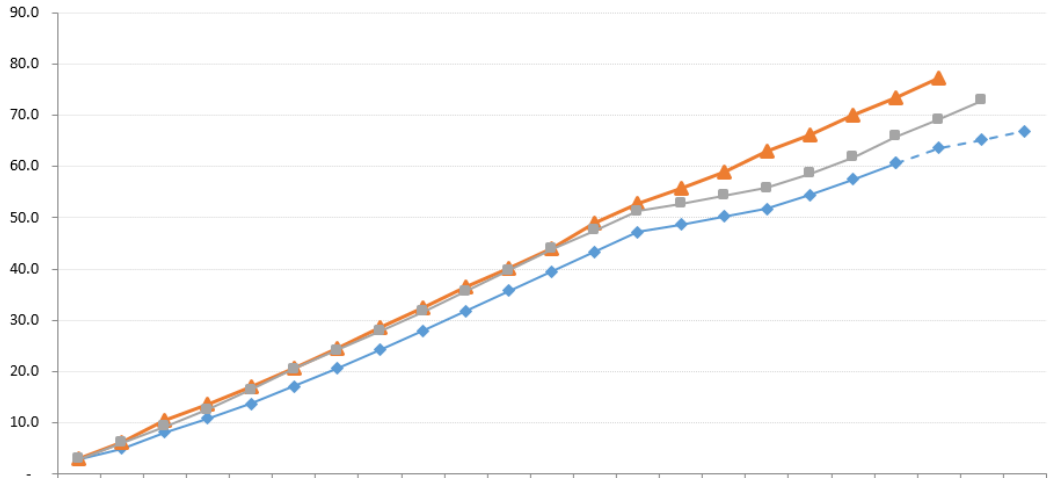
[9] Where there are two economic increases in one calendar year, they have been added to provide an overall total for the year.

Figure 5 - PWU Negotiated Annual Salary Increases



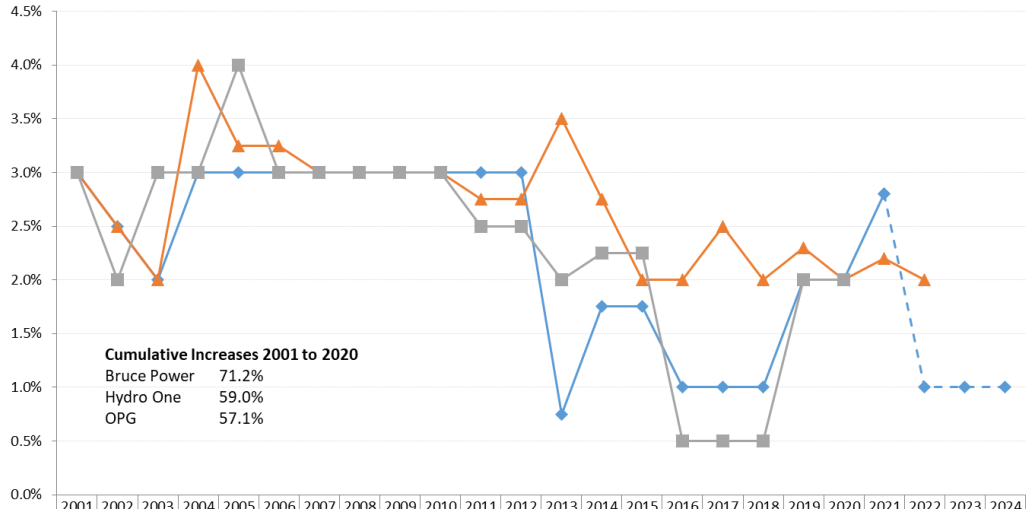
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OPG	3.0%	2.0%	3.0%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.75%	2.75%	2.75%	1.0%	1.0%	1.0%	1.8%	2.0%	2.0%			
OPG Projected																				2.0%	1.8%	1.0%	1.0%
Bruce Power	3.0%	3.1%	4.0%	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%	2.0%	2.3%	2.0%	2.2%		
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%	1.8%	2.0%	2.5%	2.0%	2.2%	

Figure 6 - PWU Negotiated Cumulative Salary Increases



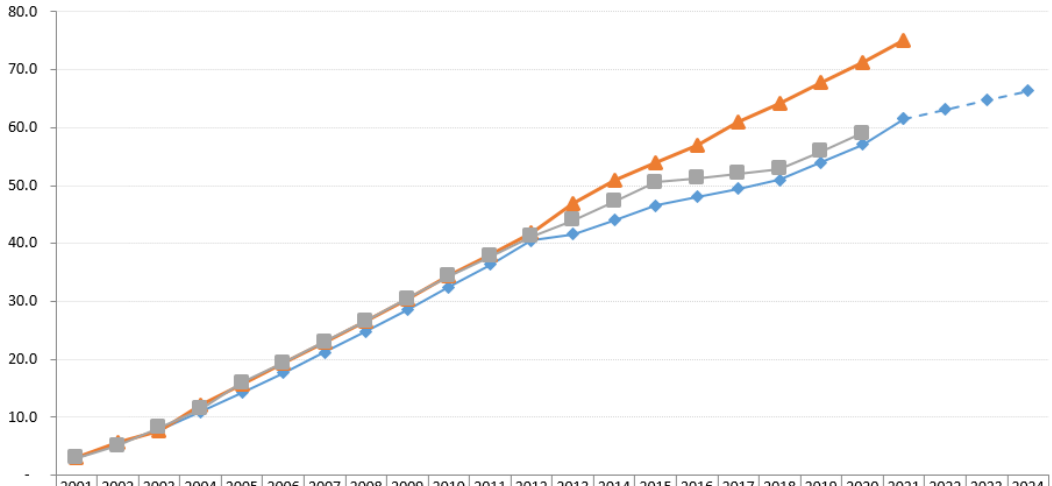
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OPG	3.0	5.1	8.2	10.9	13.7	17.1	20.6	24.2	28.0	31.8	35.8	39.5	43.3	47.3	48.7	50.2	51.7	54.5	57.5	60.7			
OPG Projected																					63.6	65.2	66.9
Bruce Power	3.0	6.2	10.4	13.8	17.2	20.7	24.6	28.6	32.4	36.4	40.2	44.0	49.1	52.8	55.9	59.0	62.9	66.2	70.0	73.4	77.2		
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	58.6	61.8	65.9	69.2	72.9	

Figure 7 - Society Negotiated Annual Salary Increases



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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%	2.0%	2.0%	2.8%			
OPG Projected																					2.8%	1.0%	1.0%	1.0%
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%	2.3%	2.0%	2.2%	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%	2.0%	2.0%				

Figure 8 - Society Negotiated Cumulative Salary Increases



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	48.0	49.5	51.0	54.0	57.1	61.5			
OPG Projected																					61.5	63.1	64.7	66.4
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	57.0	60.9	64.1	67.9	71.2	75.0			
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	51.3	52.1	52.8	55.9	59.0				

OPG's recently negotiated and awarded salary increases are generally at or below comparator salary increase ranges. In particular, with respect to the PWU, the negotiated yearly salary increases for the 2018-2021 collective agreement period are 1.8% (2018), 2% (2019), 2% (2020), and 0.8% (2021).[10] As noted earlier, with respect to the Society, there have been two recent collective agreements awarded through interest arbitration, the first in effect for 2019 and the second in effect for 2020-2021. The Society yearly salary increases for the 2019-2021 period are 2% (January 1, 2019 and January 1, 2021) and 0.8% (November 1, 2021).

The introduction of Bill 124: *Protecting a Sustainable Public Sector for Future Generations Act, 2019* ("Bill 124"), which came into force on November 8, 2019, will impact future wage negotiations with bargaining units at OPG. Bill 124 sets limits on compensation increases for unionized and non-unionized employees in the Ontario public sector, which includes OPG. Bill 124 limits the maximum annual increase in both wages and total compensation to 1% for a three year period, referred to as the "moderation period". The moderation period is tied to the expiration dates of the collective agreements and, accordingly, these wage restrictions will be in effect for any PWU collective agreement renewal period within April 1, 2021 to March 31, 2024. Similarly, the wage restrictions will apply to any Society collective agreement renewal period within January 1, 2022 and December 31, 2024.

<u>Management Salaries</u>

The remaining 12% of employees are management, whose salaries are not prescribed by collective agreements, and whose base salary ranges and OPG's pay for performance programs are approved by the Board of Directors.

Management compensation continues to be impacted by certain legislative and regulatory constraints. Prior to and during the IR term, the following legislative and regulatory restrictions apply to OPG management compensation:

[10] Increases are effective April 1 of each year shown, with the exception of 2021 when the increase is effective February 1.

a) Between 2011 and 2015, OPG implemented a legislated freeze on base salary for management employees.

b) On August 13, 2018, the Ontario government implemented the Compensation Framework Regulation (O. Reg. 406/18) issued under the *Broader Public Sector Executive Compensation Act, 2014*, which imposed a cap on base salaries and pay at risk envelopes, at the prior pay year. As a result of this regulation, OPG has not provided base salary increases to its executive management employees (being Vice-President level and above) since 2019, and pay for performance amounts have been maintained at 2017 amounts.

c) Bill 124 will further limit management salary and pay for performance envelope increases to a maximum of 1% annually for the duration of the applicable moderation period. Consistent with the timing set out in Bill 124, OPG plans to implement the moderation period for management employees not then subject to O. Reg 406/18 starting on January 1, 2022.

Limits on OPG's management compensation have resulted in compensation benchmarking at or below the broader labour market for most positions, as shown in Section 6.0. The limits on salary increases, while reducing the growth of management compensation costs, have created internal equity issues and impact OPG's ability to attract and retain talent:

a) Salary compression exists across OPG with approximately 220 managers currently earning less than the staff they supervise, making it difficult to attract qualified represented staff into management positions. The future salary cap is expected to exacerbate this situation.

b) The talent market for skilled management has become highly competitive. OPG's ability to retain and attract into management positions continues to be at risk.

<u>Management Stakeholder Return Program</u>

The Stakeholder Return Program ("SRP") is a short-term (i.e. single year) pay for performance incentive plan for eligible management employees, intended to deliver a portion of total

compensation on a pay for performance basis. Assessment of performance is based on individual and corporate objectives set for the applicable program year. As in OPG's previous proceedings, the costs of the SRP are shown separately as a centrally held cost in Ex. F4-4-1 Table 1 and Table 3, and are included in Attachment 1.

Pension and Benefits

Pension and benefits represent approximately 29% of OPG's nuclear compensation costs over the IR term and include current employee benefits and current service costs for pension and other post employment benefits ("OPEB"). Pension and benefit plan provisions for represented employees are established in collective bargaining, while the pension and benefits offered to management employees are determined by OPG's Board of Directors.

Current Benefits

Current benefits include the cost of OPG's health, dental and group life insurance benefits for employees while on payroll, as well as statutory requirements such as the Employer Health Tax, Employment Insurance and Workers Compensation. Health, dental and life insurance benefits for PWU and Society employees are negotiated during collective bargaining, whereas OPG's Board of Directors approves the management benefit programs.

OPG outsources claims administration to Sun Life Financial and has plan management and adjudication mechanisms in place to control benefit costs. These include a frequency limit on prescription drug refills, mandatory substitution of lowest cost equivalent drugs, maximizing coordination of benefit opportunities, and a requirement for prior approval for certain drug and treatment therapies.

Pension and Other Post Employment Benefits Costs

Pension and OPEB costs include the employer paid costs of providing a pension along with OPEB such as life insurance, and health and dental care for pensioners and their dependants, as well as long-term disability ("LTD") benefits for current employees.

As discussed in Ex. F4-3-2, pension and OPEB amounts are included in the proposed revenue requirements on an accrual accounting basis, consistent with the OEB's policy on pension and OPEB cost recovery set out in the OEB's Report: *Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs* in EB-2015-0040. The amount and calculation of forecast pension and OPEB accrual costs for the IR term are described in Ex. F4-3-2.

As also discussed in Ex. F4-3-2, pension and OPEB accrual costs are actuarially determined to reflect the present value of the benefits earned by today's employees for service they have rendered in support of the company's operations. These costs are sensitive to changing economic conditions (e.g., changes to interest rates that drive the discount rates used in the actuarial calculations) as well as demographic and other actuarial assumptions. Increases in the pension and OPEB current service component of total compensation in certain years of the 2016-2026 period are driven mainly by changes in discount rates; they are not driven by pension or OPEB plan changes. Additionally, the impact of lower regular headcount reducing current service costs in earlier years of the IR term is offset by increases in the costs due to the passage of time in their present value calculation. Ex. F4-3-2 discusses the major drivers of year-over-year trends in the current service costs components of pension and OPEB costs.

<u>Changes to Pension and Benefits</u>

Changes to employee contribution rates and pension plan design were negotiated with both the PWU and the Society in 2015, as described below. As discussed in EB-2016-0152, a broader approach to collective bargaining was taken in 2015, involving both Hydro One and the Government of Ontario, in recognition of the impact that unionization has on sector-wide compensation. The resulting changes to contribution rates became effective during the 2015-2017 period, and a number of pension reform measures aimed at reducing pension costs over the long term will start in 2025. In 2018, OPG negotiated additional limitations for its health and dental plan to contain costs, while maintaining pension changes achieved in 2015.

a) <u>Employee Contributions Increases</u>

Through negotiations in 2015, OPG was able to increase employee pension contributions beginning April 1, 2015 for PWU employees, and January 1, 2016 for Society employees.

Comparable changes were made to contributions for management employees beginning January 1, 2016. Figure 9 provides an overview of the increases in employee contributions.

Figure 9 – Overview of Employee Contributions

Employee Pension Contributions*	% of Pensionable Earnings Contributed by Employees (% below / above YMPE / above Earnings Limit)			Contribution Ratio (Employee/Employer)
	MG	PWU	Society	
2014	7 / 7	5 / 7	7	24% / 76%
2015	7 / 7	6 / 8	7	
2016	7.3 / 8.25 / 2	7 / 9	8	29% / 71%
2017	7.6 / 9.5 / 4.5	7.5 / 10	9	32% / 68%
2018	7.6 / 9.5 / 4.5	7.5 / 10	9	33% / 67%
2019	7.6 / 9.5 / 4.5	7.5 / 10	9	34% / 66%
2020	7.6 / 9.5 / 4.5	7.5 / 10	9	32% / 68%

*Employee pension contributions are tiered for PWU and Management employees based on Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE), with Management group employees having an additional tier at the prescribed earnings limit as defined in the OPG Pension Plan. Society employees are not subject to tiered contributions.

In the EB-2016-0152 Decision and Order, the OEB directed OPG to "file pension and OPEB evidence that clearly sets out the elements included and excluded in its determination of employer:employee contribution ratios."[11] The discussion below responds to this direction.

As in EB-2016-0152, OPG confirms that the contribution ratio shown above is calculated as the ratio between: (i) the current service cost (also known as normal cost) funding contributions made by OPG to its registered pension plan pursuant to actuarial valuations filed with the Financial Services Regulatory Authority in accordance with the *Pension Benefits Act* (Ontario),[12] and (ii) the total amount of contributions made by OPG's employees to the plan. Funding for special payments toward a plan deficit, if any, is excluded from this calculation.[13] OPEB payments are also excluded. OPG has confirmed with Aon, an independent actuary, that this is the appropriate approach to

[11] EB-2016-0152 Decision and Order, p. 84.
[12] See Ex. F4-3-2 for further details.
[13] As discussed in Ex. F4-3-2, OPG has not made any such payments toward a deficit since 2017.

measure the employee percentage cost-sharing in a single employer pension plan, and is typical of how Aon actuaries would calculate the cost-sharing ratio for a single employer pension plan. This is also consistent with the approach used in the *Report on the Sustainability of Electricity Sector Pension Plans* (the "Leech Report").[14]

Aon has also confirmed that it is appropriate to exclude OPEB costs from this calculation where the plans are pay-as-you-go unfunded arrangements, as is the case for OPG.

b) Earnings Basis for Pension

OPG negotiated changes in 2015 to the basis for determining pension benefits. Previously, the calculation basis was an employee's highest three consecutive years. This was increased to the highest five consecutive years for future service beginning March 31, 2025 for both the PWU and Society. This change applies to both current employees and new hires.

c) Retirement Eligibility for an Undiscounted Pension

In 2015, OPG successfully negotiated a change in the retirement eligibility formula. Currently, PWU and Society employees can retire with an undiscounted pension when their age plus service equals 82; this is referred to as the Rule of 82. For service after March 31, 2025, the eligibility for an undiscounted pension will be changed to the Rule of 85. The retirement eligibility formula of age plus service was also changed for management employees from 84 to 90 years, effective July 1, 2014 for new management employees, and effective for future service beginning January 1, 2025 for existing employees.

In exchange for the pension reforms negotiation in 2015, PWU and Society represented employees who were contributing to the pension plan on April 1, 2015 (PWU) and January 1, 2016 (Society) and had less than 35 years of pensionable service as of those dates were granted Hydro One Limited shares awards at the start of the third year of the applicable

[14] Leech Report, p. 2 (the term used is "ongoing contributions").

contract term (April 1, 2017 for PWU and January 1, 2018 for Society). Eligible employees continue to receive shares annually for up to 15 years subject to certain conditions.[15] Based on projections, the number of employees entitled to shares, as compared to the number at the commencement of the program, will decrease by approximately 30% in 2026. Over the IR term, the cost associated with the share performance plan is less than the cost savings from the pension reforms that apply to all employees (existing and new), and the pension savings will continue to grow over time.[16]

Health Benefit coverage

OPG negotiated an overall improvement in 2018 to the health benefit plan, with both the PWU and the Society that are expected to reduce benefit costs. Changes with the PWU were effective April 1, 2018 and for the Society they were effective January 1, 2019.

a) PWU and Society Benefit Changes

OPG successfully negotiated with both the PWU and Society for limitations in two benefits areas to help control future costs. The changes implement a cap on the frequency of dispensing fees for maintenance level drugs and mandate use of the lowest price equivalent drug (generic or brand name). These changes are significant because prescription drugs account for approximately 60% of OPG's health spending. In exchange, OPG provided for modest benefit improvements to both the PWU and Society.

b) Management Benefit Changes

For management employees, OPG applied both the prescription drug cost control measures that were implemented for the PWU and Society. The modest benefit improvements implemented for PWU and Society employees were not extended to management employees.

[15] EB-2016-0152, Ex. F4-3-2, pp. 17-18.
[16] The cost impact of the Hydro One share performance plan is included in total compensation cost presented in Attachment 1.

The Canada Pension Plan ("CPP") also implemented changes to the program effective January 1, 2019 that will see a gradual increase in employee and employer contributions over seven years. For OPG, the increase in employer contributions is largely offset by projected headcount reductions.

Overtime

Overtime is available to represented employees for work performed outside their normal working hours. Management employees are not eligible to receive overtime payments.

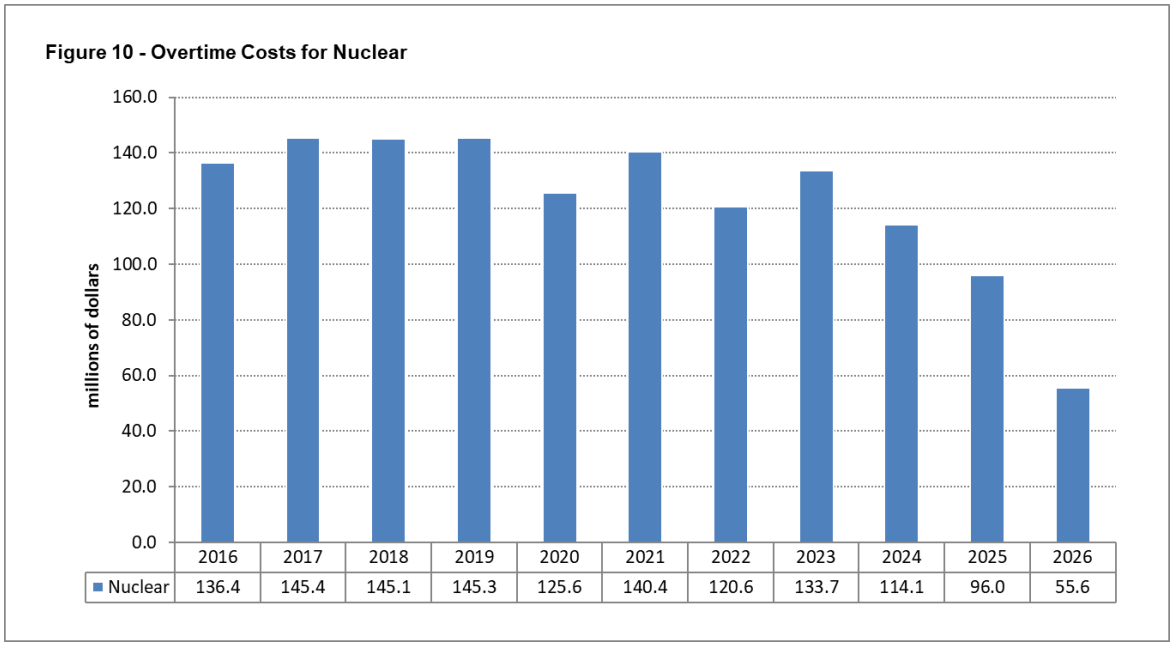
Provisions relating to the payment of overtime are established through collective bargaining. The control and approval of overtime hours worked rests with OPG.

Over the IR term, overtime costs typically account for about 7% on average 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, with double time applicable in most circumstances, which is consistent with many unionized environments. As set out in Attachment 2, OPG's overtime elements are also generally aligned with energy sector market practice.[17]

OPG uses overtime to meet peak work demands and as a cost effective alternative to other options for accomplishing work. Overtime requirements fluctuate with key work programs and is primarily driven by outages and work to maintain unit reliability. OPG's use of incremental short-term labour resources for the Nuclear facilities, including overtime and non-regular labour, is discussed in Ex. F2-2-1.

Overtime costs for OPG's Nuclear facilities display an overall downward trend between 2022 and 2026 with the exception of increases forecast in 2023 as shown in Figure 10 below. The 2023 increase is due to there being more regular planned outages in 2023 versus 2022 and 2024. No regular planned outages are forecast at Pickering after 2024. See Attachment 1 for additional details.

[17] Attachment 2, p. 17.



FTE Staffing Levels

The number of FTEs employed in support of OPG's nuclear facilities is forecast to decline by approximately 6% cumulatively from 2020-2023 and approximately 40% cumulatively from 2020-2026. The reductions reflect the substantial completion of the Darlington Refurbishment Program, and, in the later years, the planned Pickering shutdown. In line with its goal of preparing the workforce for the Pickering shutdown, OPG's regular FTEs are forecast to decline steadily leading up and through the IR term over the period. The decline in management FTEs in 2021 over 2020 reflects the elimination of positions through the organizational realignment implemented in the second half of 2020. As discussed, the classifications of Terms and ETEs are currently in place to allow OPG to avoid adding regular staff in circumstances where additional regular employees are likely to be laid off as a result of the planned shutdown of Pickering.

6.0 COMPENSATION BENCHMARKING STUDY

Introduction

OPG seeks to manage its labour costs while ensuring its total compensation is positioned competitively relative to the external labour markets in which it competes to attract and retain employees.

Benchmarking conducted by WTW[18] indicates that OPG's Total Direct Compensation and Total Remuneration are at market: 5.2% and 7.7% above the midpoint of market peers, respectively.

A copy of the Report prepared by WTW is included as Attachment 2, and an overview of the approach taken, comparator groups used, and summarized results are provided below. The assessment by WTW included reviewing OPG's Base Salaries, Total Direct Compensation, Total Remuneration, as well as Pension and Benefits.

WTW considers compensation benchmarking results to be at market if they are within +/- 10% of the target market positioning. OPG's target market positioning for purposes of talent attraction and retention continues to be the mid-point (50th percentile) for positions in the Standard segments, and 75th percentile for the Nuclear Authorized segment.[19] Based on the Decision and Order in EB-2016-0152,[20] the Report also shows all Nuclear Authorized positions benchmarked to the 50th percentile.

Segmentation

For benchmarking purposes, OPG previously divided its compensation structure into three segments: Nuclear Authorized, Utility, and General Industry, each with a unique peer comparator group. In 2020, OPG reviewed its approach to segmentation to ensure alignment with business objectives during a period of significant transformation for the company. The previous approach to segmentation created certain barriers for OPG's broader talent strategy

[18] As of April 2019.
[19] For Nuclear Authorized non-executive positions (below Band E); Nuclear Authorized positions in bands A-E continue to be benchmarked at the 50th percentile.
[20] EB-2016-0152, Decision and Order, p. 80.

with respect to management positions, including limiting management's ability to implement development and succession strategies for existing talent, and encourage movement across positions and business units.

The company's difficulty in implementing its broader talent strategy for management positions indicated some tension between its business strategy and its approach to compensation benchmarking. To address this tension, OPG modified its compensation structure to employ two segments: Nuclear Authorized and Non-Nuclear Authorized ("Standard") with each segment having its own comparator group. The revised segmentation approach better aligns OPG internally within its management positions, and, as between management and represented positions, allows for greater development, retention of top talent, and lateral movement. In employing this new segmentation, OPG continues to maintain its competitive positioning relative to the 50th percentile of external labour markets comprised of appropriate peer comparators.

Benchmarking

As set out above, OPG retained WTW to undertake compensation benchmarking. The remainder of this section provides an overview of WTW's approach and results. The Report benchmarks over 80% of OPG positions, and indicates that OPG's Total Direct Compensation and Total Remuneration are at market.

In assessing OPG's compensation relative to external labour markets, OPG's positions were categorized into the revised segments: Nuclear Authorized and Standard. OPG's compensation in each of these segments was compared to other companies that employ similar positions. This assessment included reviewing OPG's Base Salaries, Total Direct Compensation, Pensions and Benefits, as well as Total Remuneration. "Total Direct Compensation" reflects the cash compensation paid to employees, excluding overtime. It includes base salary and pay at risk incentives. "Total Remuneration" reflects Total Direct Compensation paid to employees, and for eligible employees, Pension & Benefits and paid time off. Total Remuneration benchmarking reflects the competitive position of the value of the

programs relative to market, as opposed to Total Direct Compensation benchmarking that reflects the costs of the underlying programs relative to market.

The benchmarking analysis also includes Terms as part of the PWU incumbents. As discussed above, Terms may be hired for an extended period of time, to perform work of regular employees in view of the planned Pickering shutdown, and as such are comparable to regular employees. Terms do not participate in OPG's pension and benefit from plans. The number of Terms increased from 390 employees as of April 2019 reflected in the benchmarking, to approximately 700 incumbents in July 2020, further improving OPG's overall positioning against market comparators (see p. 15 of Report).

As noted earlier, a Hydro One share performance plan was negotiated as part of the 2015 collective bargaining process, in exchange for changes to pension plan provisions. In its Decision and Order in EB-2016-0152, the OEB indicated that share performance plan should be included in the compensation benchmarked by WTW as the plan forms part of the compensation received by employees. [21]

In response to this finding, the Report separately presents OPG incumbent information including the impact of the share performance plan. However, OPG continues to believe that the results excluding the impact of share performance plan are more representative of its positioning against market. As discussed in Section 5, the share performance plan is only available for a defined group of eligible employees, and all new employees are not eligible. The number of eligible employees will continue to decline over time.

In addition, as noted on page 14 of the Report, annual share grants, while relatively uncommon, are included in Total Direct Compensation, but other types of lump sum payments are not, as WTW does not routinely include this information in its compensation data base. Without directly inquiring with each comparator company, it is not possible to determine which companies have provided similar lump sum payments (whether cash or shares) or the quantum of such payments. As such, including the share performance plan grant for OPG, without

[21] See EB-2016-0152, Decision and Order, p. 81.

information on lump sum payments by comparators, potentially overstates OPG's Total Direct Compensation relative to the market. On this basis, the analysis below refers to the benchmark results excluding the share performance plan grants.

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%). All other positions fall under the Standard segment.

In determining the appropriate comparator group or companies, WTW 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,
d) organizations that reflect the complexity and size of OPG,
e) organizations with similar geographic scope, and
f) organizations with both public and private ownership structure.

Figure 11 depicts the results of the WTW studies conducted in 2019. These results are shown for Total Direct Compensation and Total Remuneration by applicable segment and representation.

Figure 11: Total Direct Compensation

	OPG	Standard	Nuclear Authorized
	2019	2019	2019
PWU	10.4%	11.1%	5.1%
Society	8.6%	9.9%	-14.3%
MG	-13.1%	-12.8%	-15.5%
OPG	5.2%		

Legend
Below Market
At Market (+/- 10%)
Above Market

Figure 12: Total Remuneration

	OPG	Standard	Nuclear Authorized
	2019	2019	2019
PWU	11.0%	11.4%	7.2%
Society	14.1%	15.4%	-11.0%
MG	-11.8%	-11.3%	-15.4%
OPG	7.7%		

Legend
Below Market
At Market (+/- 10%)
Above Market

The benchmarking results vary as follows by representation and between segments for each of Total Direct Compensation and Total Remuneration:

a) PWU represented employee Total Direct Compensation and Total Remuneration, in the Standard segment, benchmark slightly above market. PWU represented employee Total Direct Compensation and Total Remuneration, in the Nuclear Authorized segment, benchmark at market.

b) Society represented employee Total Direct Compensation benchmarks at market and Total Remuneration above market for the Standard segment. Society represented employee Total Direct Compensation and Total Remuneration benchmark below market for the Nuclear Authorized segment.

c) Management's Total Direct Compensation and Total Remuneration for both Standard and Nuclear Authorized segment continue to benchmark below market.

In line with the results of the benchmarking, the following actions are being been taken:

a) Compensation Benchmarking and Pension and Benefit information continues to be shared with union representatives to inform and set context for the collective bargaining processes.

b) Management salary ranges were established in 2020 to align the mid-point of the salary range with the target market position for the Standard segment. OPG's target market for base salaries was set at the 50th percentile and remains in place.

c) Senior Leaders received education on OPG's compensation philosophy, including achieving affordability through targeting market 50th percentile and remaining competitive to attract and retain required talent. Also, in order to mitigate retention risk, significant effort has been placed on advancing a culture shift that encourages staff retention and further enables leader development.

7.0 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 comprising similar roles, and have staff represented by the same unions.

WTW 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 13. Bruce Power's unionized wages are 19% higher for PWU positions and 6% higher for Society positions.

Figure 13

Comparison of OPG and Bruce Power PWU and Society Base Salary

Annual Base Salary Comparison	OPG k$	Bruce Power k$	Difference (OPG-Bruce Power) k$	Difference (OPG-Bruce Power) %
PWU	113.9	134.7	(20.8)	(19)
Society	134.1	142.4	(8.3)	(6.0)

8.0 CONCLUSION

OPG employs a highly skilled workforce across the Province. Its regulated facilities constitute critical infrastructure for the Province's electricity supply. OPG's compensation and benefits are largely the product of its collective agreements. Notwithstanding this, OPG's overall Total Remuneration and Total Direct Compensation are positioned at market compared to industry peers. During the IR term, OPG will be subject to further caps on wage increases at 1% annually for applicable three year periods, for both management and unionized employees, pursuant to Bill 124. When compared to EB-2016-0152, important progress has been made in both the recent PWU and Society collective agreements. Leading up to the shutdown of Pickering, OPG has be able to achieve additional resource flexibility through extending use of PWU Terms, and introduction of Society ETEs, who receive less severance than regular

employees and are unable to participate in OPG's pension plan. The availability of these categories of employees will reduce the ultimate cost of the significant workforce reduction exercise that will take place as a result of the planned Pickering shutdown.

ATTACHMENTS

Attachment 1 - FTE, Compensation and Benefit Information for OPG's Nuclear Facilities ("Appendix 2k")

Attachment 2 - Total Compensation Benchmarking Study prepared by Willis Towers Watson

Attachment 3 - Comparison of Salary Schedules for Society and PWU Roles prepared by Willis Towers Watson – "Confidential"

Numbers may not add due to rounding

3/5/2021

Line No.	NUCLEAR FACILITIES	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
1	**Staff** (Regular and Non-Regular)	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**	**FTEs**
2												
3	**Nuclear - Direct**											
4	Management	578.2	645.2	684.0	692.5	696.7	610.8	611.4	596.4	571.8	504.2	386.7
5	Society	2,166.0	2,329.8	2,359.0	2,316.1	2,260.3	2,208.7	2,074.1	2,040.2	1,999.5	1,699.4	1,378.1
6	PWU	4,142.5	4,083.4	3,868.5	3,659.0	3,792.8	3,635.9	3,340.3	3,255.0	3,075.6	2,695.9	2,507.8
7	Term/ETE	12.2	92.2	228.4	384.3	617.5	807.5	908.3	898.7	903.5	620.8	92.0
8	EPSCA	144.6	289.5	364.7	314.9	279.4	359.2	377.8	408.2	320.8	229.9	128.1
9	Subtotal	7,043.5	7,440.2	7,504.6	7,366.8	7,646.7	7,621.9	7,312.0	7,198.4	6,871.3	5,750.2	4,492.6
10												
11	**Nuclear - Allocated**											
12	Management	305.2	296.8	283.5	259.8	276.4	258.8	249.7	248.6	233.8	213.3	172.9
13	Society	415.5	464.9	465.7	441.6	456.3	452.6	429.4	421.8	405.0	368.0	292.1
14	PWU	578.0	554.0	483.7	482.3	475.5	473.5	429.0	385.3	364.3	300.9	244.0
15	Term/ETE	0.0	5.6	31.3	44.9	75.6	103.5	114.6	115.8	107.7	75.1	0.0
16	EPSCA	29.8	32.3	31.5	48.5	34.8	45.2	43.2	34.2	34.1	31.1	19.4
17	Subtotal	1,328.4	1,353.6	1,295.7	1,277.1	1,318.6	1,333.6	1,265.9	1,205.8	1,145.0	988.3	728.4
18												
19	**NUCLEAR FACILITIES**											
20	Management	883.4	942.1	967.5	952.3	973.0	869.6	861.1	845.0	805.6	717.5	559.6
21	Society	2,581.5	2,794.7	2,824.7	2,757.7	2,716.6	2,661.3	2,503.6	2,462.0	2,404.6	2,067.4	1,670.2
22	PWU	4,720.5	4,637.3	4,352.2	4,141.3	4,268.4	4,109.3	3,769.2	3,640.3	3,439.8	2,996.8	2,751.8
23	Term/ETE	12.2	97.8	259.7	429.2	693.2	910.9	1,023.0	1,014.4	1,011.2	695.9	92.0
24	EPSCA	174.4	321.8	396.2	363.3	314.1	404.4	421.0	442.4	354.9	260.9	147.5
25	Total	8,371.9	8,793.8	8,800.3	8,643.9	8,965.3	8,955.5	8,577.9	8,404.1	8,016.2	6,738.5	5,221.1
26												
27	**Salary & Incentive Pay** (including Fiscal Adjustment)	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
28	Management	151.3	173.6	181.3	188.6	169.4	156.4	157.9	157.1	154.2	138.6	112.5
29	Society	333.3	378.9	369.5	350.5	353.1	353.2	342.5	340.3	339.9	298.5	246.9
30	PWU	483.0	485.2	461.6	442.6	483.6	476.2	451.9	442.3	432.6	389.4	362.7
31	Term/ETE	1.3	7.9	18.2	32.0	58.0	78.5	89.9	90.6	93.2	64.5	7.8
32	EPSCA	14.6	27.6	43.2	45.5	38.5	46.1	48.0	51.0	42.2	31.0	17.8
33	Total	983.5	1,073.2	1,073.8	1,059.2	1,102.6	1,110.4	1,090.2	1,081.3	1,062.2	922.0	747.8
34	**Overtime**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
35	Management											
36	Society	40.7	42.3	43.9	45.3	37.2	41.0	35.0	39.0	33.5	30.0	17.0
37	PWU	86.7	89.0	84.0	82.2	79.7	92.9	78.7	87.3	74.8	64.8	37.3
38	Term/ETE	0.1	1.3	2.9	5.3	2.7	5.0	4.9	6.1	4.4	0.0	0.0
39	EPSCA	8.9	12.8	14.3	12.5	6.0	1.6	1.9	1.3	1.4	1.2	1.2
40	Total	136.4	145.4	145.1	145.3	125.6	140.4	120.6	133.7	114.1	96.0	55.6
41	**Benefits** (Current Benefits and Pension & OPEB)	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
42	Management	51.7	63.3	66.7	66.5	71.1	67.0	70.2	69.2	68.6	62.0	49.5
43	Society	128.6	132.9	156.6	147.0	167.1	175.2	176.0	173.2	175.6	154.1	127.1
44	PWU	213.9	204.8	220.0	204.3	211.8	214.6	211.7	206.3	206.5	186.5	171.1
45	Term/ETE	0.2	2.7	6.6	11.4	17.2	20.6	22.8	22.9	23.9	16.7	2.2
46	EPSCA	9.9	18.1	17.1	15.5	13.6	16.4	17.1	18.2	15.1	11.0	6.3
47	Total	404.3	421.7	467.0	444.7	480.7	493.8	497.7	489.9	489.6	430.3	356.2
48												
49	Current Benefits (Statutory)	61.4	63.6	64.2	63.1	60.8	62.1	60.3	59.9	58.9	49.4	38.6
50	Current Benefits (Non-Statutory)	66.8	80.1	73.8	75.6	80.9	84.2	81.6	81.3	78.4	62.2	42.5
51	Pension & OPEB (Current Service)*	276.2	278.1	329.1	305.9	339.0	347.5	355.8	348.8	352.3	318.8	275.1
52	**TOTAL COMPENSATION**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
53	Management	203.0	236.8	248.0	255.1	240.4	223.4	228.1	226.4	222.7	200.6	162.0
54	Society	502.6	554.0	570.1	542.8	557.4	569.3	553.5	552.5	549.0	482.6	391.1
55	PWU	783.6	779.1	765.6	729.1	775.1	783.7	742.3	735.9	713.9	640.7	571.2
56	Term/ETE	1.6	11.9	27.7	48.7	77.9	104.1	117.6	119.6	121.5	81.2	10.0
57	EPSCA	33.4	58.5	74.6	73.5	58.1	64.1	67.0	70.5	58.7	43.2	25.3
58	Total	1,524.1	1,640.3	1,685.8	1,649.2	1,709.0	1,744.6	1,708.5	1,705.0	1,665.8	1,448.3	1,159.6
59												
60	*presented on an accural basis											

Ontario Power Generation

Total Compensation Benchmarking Study

December 8, 2020

Prepared by Willis Towers Watson
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Introduction

- Willis Towers Watson has provided market total remuneration benchmark results for roles across Ontario Power Generation's (OPG) Management, PWU and Society employee groups
- Roles have been matched to survey benchmarks and comparator groups based on the underlying skills and responsibilities
  - The majority of roles are compared to a broad comparator group of utility and general industry organizations ("Total Excluding Nuclear Authorized")
  - A small percentage of roles are compared to a select comparator group reflecting large Nuclear organizations across North America ("Nuclear Authorized")

# of incumbents benchmarked

	Total OPG Count	Total Benchmarked	Total Excluding Nuclear Authorized	Nuclear Authorized	*% of OPG Population*
PWU	4998	4236	3992	244	*53%*
Society	3115	2659	2593	66	*35%*
Mgmt Group	1069	857	808	49	*12%*
OPG Total	9182	7752	7393	359	
% of OPG Population			*96%*	*4%*	

% of incumbents benchmarked

	Total OPG Count	Total Excluding Nuclear Authorized	Nuclear Authorized	*% of OPG Population*
PWU	85%	84%	100%	*53%*
Society	85%	86%	69%	*35%*
Mgmt Group	80%	79%	98%	*12%*
OPG Total	84%	84%	92%	
% of OPG Population		*96%*	*4%*	

Willis Towers Watson generally considers benchmarking samples of 60% to be highly representative in the utility industry. 84% of OPG incumbents are in roles covered by this benchmark review

Note: OPG incumbent information as of April 2019

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Methodology

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Comparator Groups

- Compensation data have been sourced from Willis Towers Watson's 2019 Compensation Databases for the following comparator groups:
  - ***Total Excluding Nuclear Authorized*** – 96% of OPG's population
    - Comparator group reflects a sample of approximately 75% utility and 25% general industry organizations requiring a large range of skill sets and with an emphasis on large Ontario employers. In addition, the data have been weighted 50% public sector and 50% private sector among the companies in the comparator group
  - ***Nuclear Authorized*** – 4% of OPG's population
    - Comparator group reflects a sample of 10 large nuclear organizations of a comparable size to OPG, including Bruce Power (Canada) and nine U.S.-based nuclear organizations
    - These roles require federal licensing, specific education and in-depth knowledge in a unique discipline related to the theories, principles and methods associated with nuclear energy including generation, regulation or training. The requirement to apply this professional body of knowledge represents a significant portion of the job and comparable roles are not readily found in Canada
- Pension and benefits data have been sourced from Willis Towers Watson's Benefits Data Source (Canada) for a sample of 14 companies reflecting 75% utility and 25% general industry organizations, and 50% public sector and 50% private sector organizations
  - A single comparator group has been used as organizations typically offer common pension and benefit plans across all roles and skill sets
- Companies included in each comparator group are listed in Appendix I
- Further details regarding the pension and benefits benchmarking approach are included in Appendix III

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Benchmark Selection

- Based on job information and profiles from OPG, each OPG role has been matched to a benchmark with a similar level of functional specialty and accountability within Willis Towers Watson's 2019 Compensation Databases where a suitable match was available
  - For nuclear operations roles that are non-authorized (do not have the same federal licensing requirements), no direct matches were available in the Canadian market. However, it is recognized that comparable skill sets reside within energy, utility and other general industry organizations. As such, these jobs were matched to Total Excluding Nuclear Authorized comparators based on similar skills and level of accountability. Based on a supplemental US analysis (details in Appendix II), a +10% adjustment was made to the Canadian market statistics for these select roles, reflecting the premium observed in the US market where a critical mass of these skills reside

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Total Remuneration Elements

- Market statistics are reported for the following elements of Total Remuneration (TR):

TR Element	OPG Definition	Market Data Definition
Base Salary	Actual annual salary (annualized for wage-based employees) as of April 2019	Actual annual salary (annualized for wage-based employees) as of April 2019
Total Direct Compensation (TDC)	Salary (as of April 2019) + target bonus (if applicable) + nuclear and/or other applicable allowances of incumbents in benchmark roles + long-term incentives at target for eligible executive roles	2019 actual reported comparator organization salary + target bonus + nuclear allowances + long-term incentives (if applicable) of incumbents in benchmark roles
Total Remuneration (TR)	Total direct compensation + pension & benefits for eligible employees + paid time off for eligible employees as a % of base salary ▪ Pension & benefits values reflect employer paid values of pension and benefits as a % of base salary, and are also provided separately ▪ Paid time off consists of vacation days and all regular employer-scheduled holidays and employee-scheduled days	Total direct compensation + pension & benefits for eligible employees + paid time off for eligible employees as a % of base salary ▪ Pension & benefits values reflect employer paid values of pension and benefits as a % of base salary, and are also provided separately ▪ Paid time off consists of vacation days and all regular employer-scheduled holidays and employee scheduled days

- WTW's standard approach is to exclude paid time off (PTO) values from Total Remuneration (defined in this report as Total Remuneration Excluding PTO). To illustrate the impact of PTO on OPG's market positioning given the impact on employee experience and as part of the overall offering to employees, Total Remuneration including PTO is the primary reference of total remuneration in this report (defined in this report as Total Remuneration)

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Market Statistics

- Market statistics reported reflect the 50th and 75th percentiles of the benchmark sample for the data elements included in Total Remuneration:
  - 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 five data points in the sample
- For internal compensation management purposes, OPG compares most roles against the 50th percentile of the market
  - However, given the size and complexity of OPG's site operations relative to the comparator group, OPG compares Nuclear Authorized roles against the 75th percentile, except for senior executive roles which target the 50th percentile
- In its decision in EB-2016-0152, the Ontario Energy Board (OEB) found that "the appropriate comparator for the nuclear authorized group should be the 50th percentile"
  - While OPG continues to believe that the 75th percentile is the appropriate market reference for Nuclear Authorized roles below the executive level, the tables included in this report summarize OPG's positioning using the 50th percentile for all roles
- US market data for the Nuclear Authorized comparator group were converted to CAD, consistent with Willis Towers Watson's practice, using an average annual exchange rate to March 2019 of $1 USD - $1.3082 CAD to moderate fluctuations

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Competitive Total Remuneration Benchmarking

- Total remuneration benchmarking focuses on assessing the competitive positioning and not the costs of the programs relative to the market. The cost and value of different elements of remuneration can vary significantly
- Compensation decisions are incumbent / role specific and can be adjusted to take account of the competitive market, whereas benefit programs are designed to cover broad groups of employees rather than individual specific incumbents / roles
  - Total direct compensation (salary + target incentives) values are based on the roles and responsibilities of the employee and represent the cost of the employer of providing the target compensation
  - For pension and benefit values, the individual role is not the primary driver. The design of the benefit programs is company rather than incumbent specific, and both the design and the employer costs will reflect the characteristics and demographics of the particular organization's workforce
    - For example, defined benefit pension values are determined at a plan level and depend on factors such as age, service, actual retirement ages, etc., of the plan members as a whole
    - Unlike annual base salary or a target incentive opportunity, benefit programs cannot be readily adjusted year-over-year
- Given the potential differences between the value provided by programs relative to the cost, the total remuneration values in this report should be interpreted with care and to establish OPG's relative competitiveness against its comparator groups rather than to assess the competitiveness of OPG's costs. It is also important to consider the costs of OPG's total direct compensation and the relative value of its pension & benefit programs separately

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Total Remuneration Benchmark Results Presentation

- The benchmark results are reported by market sample and OPG employee group and are summarized by job family
- All benchmarked OPG roles have been aligned to one of the following job families based on the underlying skill set and benchmarked function:

Job Families	
1. Administration	6. Human Resources
2. Corporate Services	7. Information Technology
3. Engineering	8. Maintenance
4. Enviroment, Health & Safety	9. Operations
5. Finance	10. 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 comparator group for the data element reported where market data are available

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Overview

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Observations

- OPG's total remuneration is 7.7% above market and total remuneration excluding PTO is 10.2% above market
  - Including OPG's Hydro One share grants, OPG's total remuneration is 9.0% above market and total remuneration excluding PTO is 11.6% above market
  - By evolving its approach to talent and increasing the proportion of PWU Terms, OPG is reducing its total remuneration position relative to the market and its overall compensation costs
- Willis Towers Watson, consistent with standard methodologies, defines competitive market positioning as +/-10% of the target market position
  - This market range reflects the natural variability in market data and allows organizations to manage total remuneration on a competitive basis over time
  - We note that it is common for individual benchmark data to vary from year to year based on factors such as sample size and individual compensation program changes
- There is variation by employee group. OPG's PWU and Society groups within the Total Excluding Nuclear Authorized sample are generally positioned above the 50th percentile; however, this reflects the limited ability to negotiate differentiated compensation arrangements by job family with represented employees in order to preserve internal relativity across the represented workforce
  - It is important to assess competitiveness on an overall basis, allowing organizations to manage the trade-offs between different employee groups
  - OPG's overall relative positioning increases on a total remuneration basis (which reflects a mix of total direct compensation costs and pension & benefit values). Total direct compensation at 5.2% above market (and including OPG's Hydro One share grants at 6.8% above market) is more competitively positioned relative to total remuneration and should be considered when assessing cost competitiveness

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Overview

Total Remuneration Analysis Results

- OPG is positioned relative to market as follows:
  - Total direct compensation at 5.2% above
  - Total remuneration excluding PTO at 10.2% above
  - Total remuneration at 7.7% above

Segment	# of OPG Matched Incumbents	Base Salary	Total Direct Compensation	Total Remuneration Excluding PTO	Total Remuneration
		% above / below	% above / below	% above / below	% above / below
PWU	4236	13.8%	10.4%	15.0%	11.0%
Total Exc. Nuc. Auth	3992	15.1%	11.1%	15.6%	11.4%
Nuclear Authorized	244	1.4%	5.1%	9.3%	7.2%
Society	2659	19.9%	8.6%	15.8%	14.1%
Total Exc. Nuc. Auth	2593	21.3%	9.9%	17.2%	15.4%
Nuclear Authorized	66	-9.9%	-14.3%	-10.0%	-11.0%
Management	857	-8.0%	-13.1%	-11.0%	-11.8%
Total Exc. Nuc. Auth	808	-7.2%	-12.8%	-10.5%	-11.3%
Nuclear Authorized	49	-15.3%	-15.5%	-14.5%	-15.4%
OPG Overall	**7752**	**12.3%**	**5.2%**	**10.2%**	**7.7%**

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Total Remuneration Analysis Results Including Hydro One Share Grants

- Including OPG's Hydro One share grants, OPG is positioned relative to market as follows:
  - Total direct compensation at 6.8% above
  - Total remuneration excluding PTO at 11.6% above
  - Total remuneration at 9.0% above
- Annual share grants similar to OPG's Hydro One share grant are relatively uncommon in the market, but have been captured in TDC where provided in the market. Other one time lump-sum awards (whether in cash or shares) are not captured in WTW's compensation surveys which could potentially understate the market results

Segment	# of OPG Matched Incumbents	Base Salary	Total Direct Compensation	Total Remuneration Excluding PTO	Total Remuneration
		% above / below	% above / below	% above / below	% above / below
PWU	4236	13.8%	12.8%	17.0%	12.7%
Total Exc. Nuc. Auth	3992	15.1%	13.4%	17.6%	13.1%
Nuclear Authorized	244	1.4%	7.5%	11.3%	9.0%
Society	2659	19.9%	10.2%	17.1%	15.3%
Total Exc. Nuc. Auth	2593	21.3%	11.5%	18.6%	16.7%
Nuclear Authorized	66	-9.9%	-12.9%	-8.8%	-9.9%
Management	857	-8.0%	-13.1%	-11.0%	-11.8%
Total Exc. Nuc. Auth	808	-7.2%	-12.8%	-10.5%	-11.3%
Nuclear Authorized	49	-15.3%	-15.5%	-14.5%	-15.4%
OPG Overall	**7752**	**12.3%**	**6.8%**	**11.6%**	**9.0%**

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Projected Impact of PWU Terms Incumbents

- Included in the analysis are employees with a defined length of employment in the PWU Group ("PWU Terms") who do not receive pension and benefits from OPG and are provided a base salary plus vacation pay. These roles have been compared to full-time employees in the market that do receive pension and benefits, as most organizations would be filling these roles with full time employees
- As of July 2020, OPG's PWU Term population has increased to approximately 700 incumbents compared to 390 incumbents included in this report (data as of April 2019)
- To assess the impact of this increase, the table below compares OPG's 2019 and 2020 TR positioning assuming 300 additional PWU Term incumbents in replacement of 300 permanent PWU incumbents based on a similar sample of roles currently included as PWU Term incumbents
- This change reduces OPG's total remuneration excluding PTO positioning from 10.2% to 9.4% above market and OPG's total remuneration from 7.7% to 6.7% above market

Segment	# of OPG Matched Incumbents	Base Salary *(% above / below)*		Total Direct Compensation *(% above / below)*		Total Remuneration Excluding PTO *(% above / below)*		Total Remuneration *(% above / below)*	
		2019 Population	2020 Population	2019 Population	2020 Population	2019 Population	2020 Population	2019 Population	2020 Population
PWU	4236	13.8%	13.4%	10.4%	10.1%	15.0%	13.1%	11.0%	8.8%
Total Exc. Nuc. Auth	3992	15.1%	14.7%	11.1%	10.7%	15.6%	13.5%	11.4%	9.0%
Nuclear Authorized	244	1.4%	1.4%	5.1%	5.1%	9.3%	9.3%	7.2%	7.2%
OPG Overall	**7752**	**12.3%**	**12.2%**	**5.2%**	**5.0%**	**10.2%**	**9.4%**	**7.7%**	**6.7%**

Note: Projected impact results exclude OPG's Hydro One share grants

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Benefits, Pension and Paid Time Off

- The table below illustrates the weighted average employer-provided values (expressed as a % of base salary) of pension and benefits, paid time off and entire benefits (includes combined pension and benefits and paid time off values) at OPG and compares these values to the 50th percentile of the market, recognizing that values vary across demographic, tenure and age profiles
- The employer-provided value of OPG's entire benefits is positioned below the 50th percentile of market for the PWU group, above the 50th percentile for the Society group and at the 50th percentile for the Management group
  - The employer-provided value of OPG's pension and benefits is positioned above the 50th percentile of market for each employee group
  - The employer-provided value of OPG's paid time off is positioned below the 50th percentile of market for each employee group

OPG Group	Pension & Benefits (% of base salary)		Paid Time Off (% of base salary)		Entire Benefits (% of base salary)	
	OPG	Market P50	OPG	Market P50	OPG	Market P50
PWU	22.0%	18.5%	11.1%	15.6%	33.1%	34.7%
Society	25.2%	19.3%	12.6%	15.6%	37.8%	34.6%
Management	22.9%	20.5%	12.8%	14.6%	35.6%	35.5%

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Overtime Analysis

- Overtime is not captured in total remuneration benchmarking as overtime costs are a factor of overtime usage, and usage is not generally captured in compensation surveys. The typical benchmarking approach is to focus on overtime design (e.g., rate, when applied and the form)
- Willis Towers Watson's 2019 General Industry Compensation Policies and Practices Survey captures overtime policies and practices which are summarized in the table below
- OPG's overtime elements are generally aligned with energy sector market practice
  - As energy and utility organizations comprise the majority of OPG's comparators, the energy sector was seen to be the most appropriate market reference for overtime practices and policies

Element	PWU	Society	Market
Rate	Typically 2x	Typically 1.5x for first 4 clock hours after normal quitting time, otherwise 2x*	▪ 2x is the most common overtime rate across all time conditions
When applied	On a daily basis, beyond scheduled hours*	On a daily basis, beyond scheduled hours*	▪ Typically applied on a weekly basis ▪ Most prevalent minimum hours worked before overtime is applied is 40 hours

*as provided by OPG

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Total Remuneration Analysis Results by Job Family

Note: Total Results by Job Family exclude OPG's Hydro One share grants

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Total Results by Job Family (Excluding Nuclear Authorized)
Overview

Job Family Distribution

- Benchmarked incumbents within PWU are primarily within the Maintenance (61%) and Operations (29%) job families
- Benchmarked incumbents span all ten job families within the Society Group with the majority within Engineering (47%), Corporate Services (11%) and Maintenance (11%)
- Benchmarked incumbents also span ten job families within the Management Group, with the majority in Corporate Services (29%) and Engineering (19%)

Market Positioning

- Total Direct Compensation positioning varies by OPG Group and Job Family:
  - The PWU and Society Groups are slightly above the competitive market range
  - The Management Group is positioned below the competitive market range
- Total Remuneration positioning varies by OPG Group and Job Family:
  - The PWU and Society Groups are generally positioned above the competitive market range
  - The Management Group is positioned slightly below the competitive market range

Note: Total Results by Job Family exclude OPG's Hydro One share grants

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Total Results by Job Family (Excluding Nuclear Authorized)

PWU

Total Excluding Nuclear Authorized

OPG Group: PWU

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)
Administration	276	$72	$59	21.9%	$66	9.3%	$72	$62	16.9%	$70	3.9%	$96	$82	16.7%	$91	4.7%
Corporate Services	2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Engineering																
Environment, Health & Safety	16	$118	$99	20.2%	$108	10.0%	$118	$104	13.6%	$119	-0.1%	$163	$138	18.0%	$158	3.4%
Finance	70	$80	$57	39.7%	$75	6.1%	$80	$60	34.0%	$79	1.1%	$107	$79	35.5%	$105	2.2%
Human Resources																
Information Technology	3	$85	$70	21.6%	$86	-1.4%	$85	$71	19.7%	$91	-7.5%	$114	$95	20.4%	$117	-3.1%
Maintenance	2423	$100	$84	18.7%	$100	-0.2%	$100	$87	15.2%	$107	-6.9%	$134	$116	15.7%	$140	-4.2%
Operations	1154	$101	$95	6.0%	$105	-3.3%	$101	$100	1.2%	$114	-11.1%	$135	$133	1.2%	$151	-11.0%
Supply Chain	48	$90	$68	31.1%	$76	18.6%	$90	$71	26.8%	$82	9.6%	$121	$94	28.4%	$108	12.3%
Average Positioning				**15.1%**		**-0.4%**			**11.1%**		**-7.4%**			**11.4%**		**-5.5%**

Due to small sample size (less than 3 incumbents), average total remuneration results for the Corporate Services job family can not be disclosed

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Total Results by Job Family (Excluding Nuclear Authorized)

Society

Total Excluding Nuclear Authorized

OPG Group: Society

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)
Administration	30	$116	$77	49.7%	$90	28.3%	$116	$82	41.2%	$100	16.2%	$159	$109	46.0%	$131	21.5%
Corporate Services	297	$129	$99	30.9%	$111	16.5%	$129	$106	21.5%	$122	6.0%	$179	$141	27.1%	$162	10.6%
Engineering	1219	$114	$103	10.3%	$111	2.7%	$114	$113	0.3%	$122	-7.0%	$157	$149	5.0%	$163	-4.0%
Environment, Health & Safety	160	$127	$104	22.3%	$110	15.4%	$127	$114	11.2%	$120	5.7%	$175	$150	16.8%	$159	9.9%
Finance	181	$127	$97	30.9%	$109	15.8%	$127	$106	19.9%	$121	4.4%	$175	$139	25.9%	$160	9.3%
Human Resources	13	$118	$89	33.1%	$97	22.0%	$118	$97	21.6%	$108	8.8%	$162	$127	27.4%	$144	13.1%
Information Technology	94	$127	$100	27.4%	$113	12.7%	$127	$111	14.8%	$124	2.6%	$176	$145	21.1%	$164	7.2%
Maintenance	276	$140	$104	35.3%	$119	17.6%	$140	$121	16.1%	$132	6.5%	$195	$157	24.3%	$174	12.0%
Operations	222	$134	$99	35.9%	$105	28.1%	$134	$111	21.1%	$117	14.7%	$186	$145	28.2%	$156	19.4%
Supply Chain	101	$116	$90	28.9%	$101	15.1%	$116	$96	21.2%	$110	5.4%	$160	$127	25.6%	$146	9.3%
Average Positioning				**21.3%**		**10.6%**			**9.9%**		**0.3%**			**15.4%**		**4.2%**

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Total Results by Job Family (Excluding Nuclear Authorized)

Management

Total Excluding Nuclear Authorized

OPG Group: Management

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)
Administration	90	$58	$68	-15.4%	$72	-19.7%	$63	$71	-12.4%	$79	-21.0%	$85	$99	-14.0%	$110	-22.5%
Corporate Services	232	$150	$160	-5.7%	$179	-15.7%	$179	$202	-11.6%	$234	-23.5%	$233	$258	-10.0%	$296	-21.4%
Engineering	152	$143	$164	-12.6%	$173	-17.3%	$171	$205	-16.7%	$231	-26.1%	$222	$262	-15.4%	$294	-24.7%
Environment, Health & Safety	46	$133	$135	-1.6%	$154	-13.9%	$152	$162	-6.2%	$191	-20.3%	$197	$208	-5.2%	$242	-18.3%
Finance	73	$148	$149	-1.2%	$171	-13.7%	$175	$188	-7.0%	$226	-22.5%	$228	$241	-5.5%	$285	-19.8%
Human Resources	101	$108	$118	-8.6%	$134	-19.2%	$127	$142	-11.0%	$166	-23.6%	$164	$184	-10.7%	$212	-22.7%
Information Technology	10	$148	$142	4.7%	$163	-9.0%	$172	$173	-0.7%	$211	-18.2%	$225	$223	0.9%	$266	-15.5%
Maintenance	39	$155	$167	-7.0%	$188	-17.8%	$178	$229	-22.1%	$255	-30.2%	$232	$285	-18.7%	$319	-27.2%
Operations	44	$174	$178	-2.2%	$207	-15.9%	$241	$281	-14.2%	$373	-35.3%	$308	$349	-11.5%	$451	-31.7%
Supply Chain	21	$153	$167	-8.2%	$183	-16.2%	$191	$223	-14.3%	$254	-24.6%	$247	$283	-12.7%	$318	-22.3%
Average Positioning				**-7.2%**		**-16.3%**			**-12.8%**		**-25.0%**			**-11.3%**		**-23.0%**

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Nuclear Authorized Results by Job Family
Overview

Job Family Distribution

- The Operations job family represents 100% of benchmarked roles within the PWU and Society Groups and 98% of the Management Group benchmarked roles

Market Positioning

- Relative to the Nuclear Authorized sample, Total Direct Compensation positioning relative to market varies by OPG Group:
  - The PWU Group is positioned within the competitive range
  - The Society and Management Groups are positioned below the competitive range
- Relative to the Nuclear Authorized sample, Total Remuneration positioning relative to market varies by OPG Group:
  - The PWU and Society Groups are aligned with or slightly below the competitive market range
  - The Management Group is positioned below the competitive range

Note: Total Results by Job Family exclude OPG's Hydro One share grants

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Nuclear Authorized Results by Job Family

PWU

Nuclear Authorized
OPG Group: PWU

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	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	244	$151	$149	1.4%	$153	-1.5%	$174	$166	5.1%	$187	-6.6%	$233	$217	7.2%	$247	-5.7%
Supply Chain																
Average Positioning				**1.4%**		**-1.5%**			**5.1%**		**-6.6%**			**7.2%**		**-5.7%**

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Nuclear Authorized Results by Job Family
Society

Nuclear Authorized
OPG Group: Society

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	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	66	$178	$198	-9.9%	$202	-11.8%	$215	$250	-14.3%	$265	-19.0%	$284	$319	-11.0%	$345	-17.8%
Supply Chain																
Average Positioning				**-9.9%**		**-11.8%**			**-14.3%**		**-19.0%**			**-11.0%**		**-17.8%**

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Nuclear Authorized Results by Job Family
Management

Nuclear Authorized
OPG Group: Management

		Base Salary					Total Direct Compensation					Total Remuneration				
Job Family	# OPG Matched Incumbents	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)	Avg. OPG	Avg. P50	P50 (% +/-)	Avg. P75	P75 (% +/-)
Administration																
Corporate Services																
Engineering	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Environment, Health & Safety																
Finance																
Human Resources																
Information Technology																
Maintenance																
Operations	48	$218	$255	-14.6%	$280	-22.4%	$382	$447	-14.5%	$501	-23.7%	$467	$545	-14.4%	$613	-23.8%
Supply Chain																
Average Positioning				**-15.3%**		**-23.0%**			**-15.5%**		**-24.5%**			**-15.4%**		**-24.7%**

Due to small sample size (less than 3 incumbents), average total remuneration results for the Engineering job family can not be disclosed

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Appendices

I. Comparator Organizations
II. Non-Authorized Nuclear Operations Market Analysis
III. Pension and Benefits Valuation

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Appendix I – Comparator Organizations

Total Sample (Excluding Nuclear Authorized) - Public Sector

Comparator Organizations *Public Sector - Weighted 50% for Benchmarking Purposes (n = 14)*			
#	**Company**	**#**	**Company**
1	Alberta Electric System Operator	8	Hydro-Québec
2	Alberta Energy Regulator	9	Loto-Québec
3	British Columbia Hydro and Power Authority	10	New Brunswick Power Corporation
4	Canadian Nuclear Laboratories	11	Toronto Hydro Electric Systems
5	Enmax Corporation	12	Trans Mountain
6	EPCOR Utilities	13	Via Rail Canada
7	Export Development Canada	14	Workplace Safety and Insurance Board

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Appendix I – Comparator Organizations

Total Sample (Excluding Nuclear Authorized) - Private Sector

Comparator Organizations *Private Sector - Weighted 50% for Benchmarking Purposes (n = 62)*					
#	Company	#	Company	#	Company
1	Air Canada	22	Enbridge	43	Maple Leaf Foods
2	Algonquin Power & Utilities	23	Encana	44	McCain Foods
3	AltaLink LP	24	Evraz	45	MEG Energy
4	Arcelor Mittal Longs Products Canada	25	ExxonMobil	46	Newfoundland Power
5	ATCO	26	FCA Canada	47	Nissan Motor
6	Bank of Montreal	27	FortisAlberta	48	Pembina Pipeline
7	Barrick Gold	28	Fugro	49	Plains Midstream Canada
8	Bell Canada	29	GE Power	50	Precision Drilling
9	BP Canada Energy	30	GE Renewable Energy	51	Repsol Oil & Gas
10	Bruce Power	31	General Electric	52	Rio Tinto
11	Canadian National Railway	32	Gibson Energy	53	Rogers Communications Canada Inc.
12	Canadian Natural Resources	33	Goldcorp	54	Schlumberger
13	Capital Power	34	Husky Energy	55	Scotiabank
14	Celestica	35	Imperial Oil	56	Shell
15	Cenovus Energy	36	Inter Pipeline Limited	57	Suncor Energy
16	Chevron Canada Resources (Upstream)	37	Irving Oil Limited	58	Syncrude Canada
17	CNOOC Petroleum	38	Johnson & Johnson	59	TC Energy
18	ConocoPhillips	39	KGHM	60	TD Bank Financial Group
19	Crescent Point Energy	40	Kinross Gold	61	Teck Resources
20	Deere & Company	41	kruger	62	Valero Energy
21	Devon Canada Corporation	42	Manulife Financial		

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Appendix I – Comparator Organizations

Nuclear Authorized Sample

Nuclear Authorized Segment Comparator Organizations (n = 10)	
#	Company
1	Bruce Power
2	Dominion Resources
3	Duke Energy
4	Entergy
5	Exelon
6	FirstEnergy
7	NextEra Energy
8	Public Service Enterprise Group
9	Southern Company Services
10	Tennessee Valley Authority

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Appendix I – Comparator Organizations

Pension & Benefits Analysis

Pension & Benefits Comparator Organizations (n = 14)			
#	Private Sector Companies (n = 7)	#	Public Sector Companies (n = 7)
1	Bruce Power	1	British Columbia Hydro and Power Authority
2	Canadian Imperial Bank of Commerce	2	Enmax Corporation
3	Enbridge	3	EPCOR Utilities
4	Honda Canada Inc	4	Hydro-Québec
5	Hydro One	5	SaskPower
6	TC Energy	6	Toronto Hydro Electric Systems
7	TransAlta Corporation	7	Workplace Safety and Insurance Board

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Appendix II – Non-Authorized Nuclear Operations Market Analysis

- To assess whether base salaries in the Total Sample (excluding Nuclear Authorized) are different relative to the Nuclear Authorized Sample for similar skills sets and levels of accountability, the following analysis was performed:
  - Comparison of relative job rates between select US utilities and nuclear organizations to understand whether nuclear roles within the US are paid differently than utility roles in the US (for roles reflecting comparable skills and level of accountability)
  - Comparison of relative job rates between the Canadian Total Sample (excluding Nuclear Authorized) comparator group (used for the benchmark review) and the US nuclear comparator group to assess whether there is any differentiation between these two markets (for roles reflecting comparable skills and level of accountability)
- The analysis indicated that for many roles and levels of work, salaries are comparable between these sectors. However, for nuclear operations roles at management levels (i.e., have people management responsibility), base salaries are observed to carry an average premium of greater than 10% relative to their non-nuclear counterparts. As such, where comparisons for non-authorized roles in nuclear facilities have been made to the Canadian Total Sample (excluding Nuclear Authorized), market data for management level roles is adjusted by 10% to reflect this identified premium for such roles

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Appendix III - Pension and Benefits Valuation

Methodology

- Pension and benefits information was obtained from Willis Towers Watson's Benefits Data Source (Canada) based on a peer group representing approximately a 50%/50% mix of public and private sector organizations.
  - A single comparator group has been used as organizations typically offer common pension and benefit plans across all roles and skill sets
- Comparator organizations are selected based on data availability where program information is available for bargaining and non-bargaining unit populations
- Across participating organizations, plan provisions valued are based on newly hired, salaries, non-union employees; benefits no longer available to new hires are not considered
- Results are based on the benefits and data information provided to Willis Towers Watson by participating organizations, including: defined benefit pension, defined contribution pension, savings (including stock purchase, group RRSP, DPSP), active and retiree health care, active dental care, short-term disability, long-term disability and active death benefits
  - To benchmark the PWU and Society incumbents, only organizations with hourly-non-union employees or those who offer their hourly-union employees with the same or similar pension & benefit plans as their non-unionized plans were considered
- Willis Towers Watson determines a value for these benefits by applying a standard methodology to employee profiles applicable to Executives, non-executive Management, PWU, and Society age, service, gender, and salary demographics
- For PWU Term employees, the OPG total remuneration value excludes pension & benefits, while the market total remuneration includes pension & benefits. PWU Term employees are defined as long-term contract PWU employees with a defined end date of employment

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Appendix III - Pension and Benefits Valuation

Pension Plans

- The methodology quantifies the provisions offered by each peer organization to determine the value to employees of each organization's benefits program
  - Values are determined by applying a common set of actuarial methods and assumptions to employee profiles, and are not intended to represent actual plan costs
- The employer-provided pension and savings plan values are determined as follows:

A. Defined Benefit (DB) Plans

- The following elements are considered in determining comparative values for DB pension plans: normal and early retirement benefits, pre-retirement and post-retirement death benefits, termination benefits, post-retirement pension adjustments and employee contributions
- Plans are valued in terms of anticipated prospective benefit payments being allocated over the employee's entire working history (the service prorate method to determined projected unit credit)
- For executives, bridge benefits were not considered since these benefits are relatively low in comparison with the total pension benefit of high earners and information available on these benefits is limited

B. Defined Contribution (DC) and Savings Plans

- Plans are valued by determining employee and employer contributions made during the year of valuation (term cost method)
- Employees are deemed to contribute in such a way that reflects their savings opportunity and ability to contribute; contributions will be different depending on available income, on the level of contributions permitted in the plan, and on the level of employer matching
- Contribution levels to profit sharing plans are determined by averaging the last five years' actual contributions to the plan

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Appendix III - Pension and Benefits Valuation

Benefit Plans

- The employer-provided benefit plan values are determined as follows:

A. Health Care and Dental Plans

- Health care values are generated for pre-retirement and post-retirement coverage and dental care is generated for pre-retirement coverage (using the projected unit credit with service prorate method). Values have been increased to reflect future inflation; however, deductibles under post-retirement health care plans are assumed to remain at the current level in the future
- Values are determined using recent claims experience for large organizations taking into account plan deductibles, co-insurance and maximums as well as eligibility requirements

B. Disability Plans

- Short-term disability benefits (including salary continuance and sickness plans) and long-term disability benefits have been valued
- Values are determined according to specific plan provisions, including waiting periods and benefit co-ordination

C. Death Benefit Plans

- Values for the following benefits have been calculated: pre-retirement and post-retirement group life insurance (using the projected unit credit with service prorate method), accidental death and dismemberment benefits and survivor income benefits

D. Flexible Benefits (other than Pension)

- Values are determined based on the highest enrolled option for each plans

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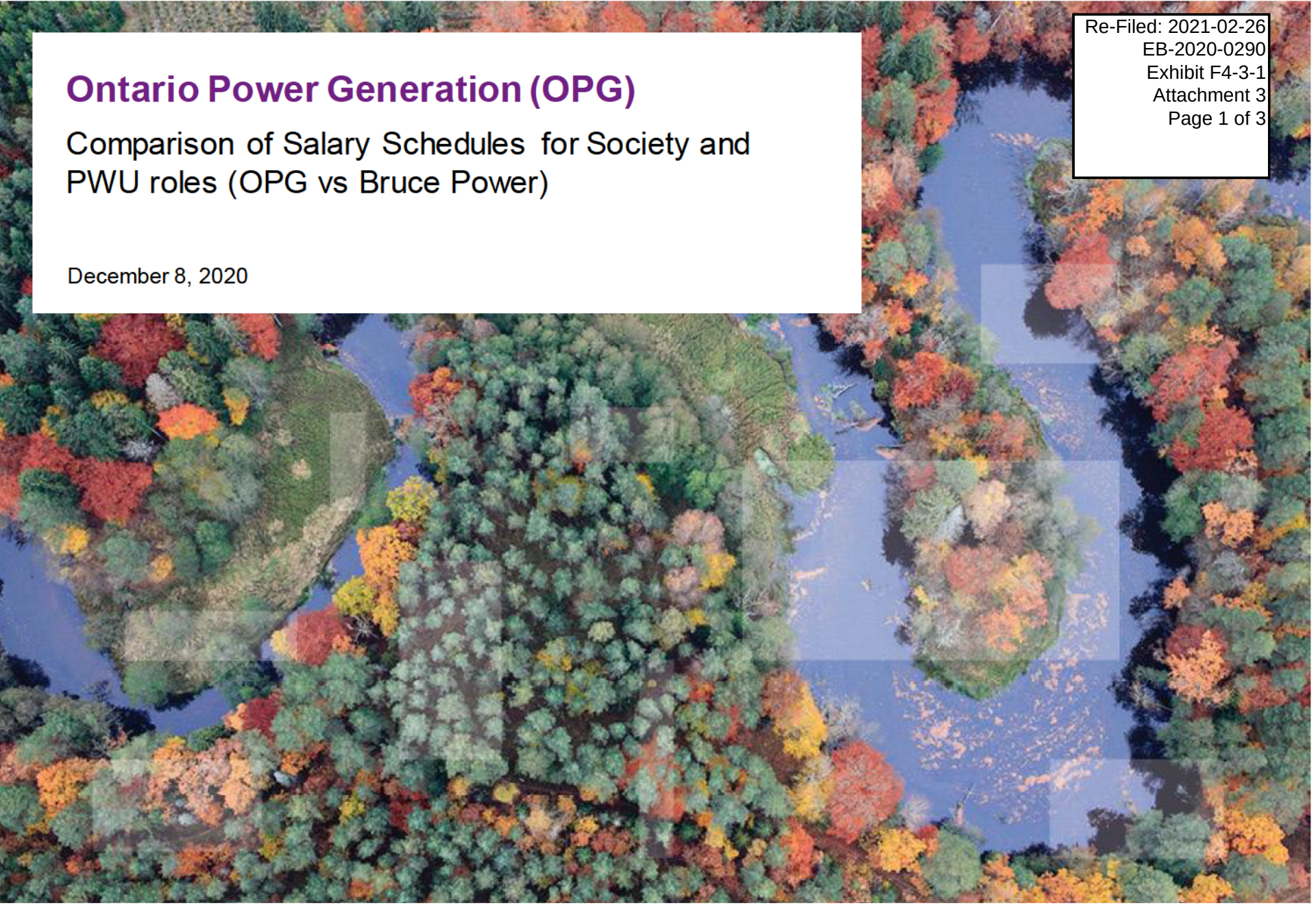
Ontario Power Generation (OPG)

Comparison of Salary Schedules for Society and PWU roles (OPG vs Bruce Power)

December 8, 2020



Willis Towers Watson

Base Salary Comparison

Society of Energy Professional Roles

			2019							
			Weekly				Yearly			
OPG Band	Sample Job Titles	April 2019 Headcount	OPG	Bruce Power	Difference (OPG - Bruce Power)		OPG	Bruce Power	Difference (OPG - Bruce Power)	
					$ Per Week	% Per Week			$ Per Year	% Per Year
Authorized	Shift Supervisor In Training	29	$3,161.21	$3,390.22	-$229.01	-7%	$164,835	$176,776	-$11,941	-7%
	Control Room Shift Supervisor, Training Supervisor	66	$3,534.44	$4,138.04	-$603.59	-17%	$184,296	$215,769	-$31,473	-17%
MP6 - 40 Hr	Section Manager Outage, Real Time Markets Supv (Shift)	22	$3,198.44	$3,385.11	-$186.66	-6%	$166,776	$176,509	-$9,733	-6%
MP5 - 40 Hr	Project Site Supervisor, Real Time Markets Specialist (Shift)	34	$3,000.21	$3,176.42	-$176.21	-6%	$156,439	$165,627	-$9,188	-6%
MP4 - 40 Hr	FLM, Control/Mechanical / Trades Mgmt Supv, Hydroelectric	606	$2,814.15	$2,977.95	-$163.80	-6%	$146,738	$155,279	-$8,541	-6%
MP3 - 40 Hr	FLM, Civil Maintenance	51	$2,638.83	$2,792.79	-$153.96	-6%	$137,596	$145,624	-$8,028	-6%
MP6 - 35 Hr	Section Head Information Systems, Senior Performance Improvement Officer	338	$2,730.55	$2,891.00	-$160.45	-6%	$142,379	$150,745	-$8,366	-6%
MP5 - 35 Hr	Sr Engineer/Scientist - Specialist	246	$2,560.64	$2,711.97	-$151.33	-6%	$133,519	$141,410	-$7,891	-6%
MP4 - 35 Hr	Senior Technical Engineer/Officer , Eng/Applied Science Trainee	1579	$2,401.52	$2,542.16	-$140.64	-6%	$125,222	$132,555	-$7,333	-6%
MP3 - 35 Hr	Assistant Proceurement Specialist, Financial Analyst	87	$2,253.19	$2,384.61	-$131.42	-6%	$117,488	$124,341	-$6,853	-6%
MP2 - 35 Hr	Materials Co-Ordinator, Support Specialist	36	$2,112.97	$2,237.30	-$124.33	-6%	$110,176	$116,659	-$6,483	-6%
Totals & Weighted Average		***3,094***	***$2,570.85***	***$2,730.23***	***-$159.38***	***-6%***	***$134,051***	***$142,362***	***-$8,311***	***-6%***
% of OPG Society population		**99%**								

Notes:

- *Employee headcount is based on incumbent file dated April 2019*
- *Sample job titles are consistent with 2015 review, representing those roles with the highest employee populations*
- *Hours worked are the same for both OPG and Bruce Power*
- *Annualized salary is calculated based on a 365.25 day year*

Sources:

- *Collective Agreement between Bruce Power and the Society of Energy Professionals (Jan 1, '15 – Dec 31, '18) and the Memorandum of Agreement dated June 18, 2019*
- *Collective Agreement between OPG and the Society of Energy Professionals (Jan 1, '16 – Dec 31, '18) and the Interest Arbitration Award dated December 30, 2018*

Base Salary Comparison

Power Workers' Union Roles (PWU)

			2020							
			Hourly				Yearly			
OPG Band	Job Titles	April 2019 Headcount	OPG	Bruce Power	Difference (OPG - Bruce Power)		OPG	Bruce Power	Difference (OPG - Bruce Power)	
					$ Per Hour	% Per Hour			$ Per Year	% Per Year
Authorized	Authorized Nuclear Operator (including Trainees, excluding supervisors)	216	$79.02	$79.84	-$0.81	-1%	$164,816	$166,514	-$1,697	-1%
	Certified Unit 0 Control Room Operator (including Trainees)	17	$71.10	$71.85	-$0.75	-1%	$148,299	$149,865	-$1,566	-1%
Band 3	Nuclear Operator (including Trainees)	599	$56.14	$67.83	-$11.69	-21%	$117,101	$141,473	-$24,372	-21%
	Electrical & Control Techn & Technologists / Shift Control Technician	644	$56.14	$66.62	-$10.48	-19%	$117,101	$138,957	-$21,856	-19%
	Mechanical Technician & Technologist / Mechanical Maintainer	634	$56.14	$66.42	-$10.28	-18%	$117,101	$138,543	-$21,442	-18%
	Chemical Technician / Chemical Technologist	77	$56.14	$60.49	-$4.35	-8%	$117,101	$126,165	-$9,064	-8%
	Planning & Cost Control Technician / Cost & Scheduling Technician†	55	$56.14	$61.23	-$5.08	-9%	$117,101	$111,739	$5,362	5%
	Project Technician - E&C / Project Tech II - E&C	24	$56.14	$59.73	-$3.58	-6%	$109,782	$116,789	-$7,007	-6%
Band 2	Civil & Service Trades Maintainers / Civil Maintainer I	372	$43.67	$60.91	-$17.24	-39%	$91,079	$127,044	-$35,966	-39%
	Civil & Service Trades Maintainers / Civil Maintainer II		$43.67	$57.06	-$13.39	-31%	$91,079	$119,008	-$27,930	-31%
	Nuclear Security Officer	n/a *	$43.67	$47.55	-$3.88	-9%	$91,079	$99,181	-$8,102	-9%
	Emergency Response Maintainer / Emergency Services Maintainer	80	$43.67	$54.90	-$11.23	-26%	$91,079	$114,502	-$23,423	-26%
	Office Support Representative II / Administrative Assistant - Clerk I (Admin)	169	$43.67	$53.54	-$9.88	-23%	$79,694	$97,718	-$18,024	-23%
	Finance Clerk / Payroll & Accounting Services Specialist	31	$43.67	$56.71	-$13.04	-30%	$79,694	$103,489	-$23,796	-30%
Band 1	Office Support Representative I / Clerk II	15	$35.87	$41.40	-$5.53	-15%	$65,468	$75,559	-$10,092	-15%
Totals & Weighted Average		***2,933***	***$55.04***	***$65.24***	***-$10.20***	***-20%***	***$113,911***	***$134,683***	***-$20,773***	***-19%***
% of PWU population		**62%**								

* n/a = not available due to security reasons

Notes:

- *Employee headcount is based on incumbent file dated April 2019*
- *OPG collective agreement provides salary schedules by band, whereas the Bruce Power agreement is on a role basis. Prior to the introduction of skill broadening, OPG utilized a salary schedule that was structured similar to Bruce Power. Therefore comparisons are on a best effort basis by matching jobs at Bruce Power to those previously used by OPG and which continue to be utilized today in a broader capacity*
- *As there are differences in hours worked between OPG and Bruce Power (cases where † is indicated), annualized salary has been provided which takes into account the different working hours*
- *Annualized salary is calculated based on a 365.25 day year*

Sources:

- *Collective Agreement between Bruce Power and PWU (Jan 1,'18 – Dec 31, '21) and the Memorandum of Settlement between Bruce Power and PWU dated April 30, 2018*
- *Collective Agreement between OPG and PWU (Apr 1,'15 – Mar 31, '18) and the Memorandum of Settlement between OPG and PWU (Apr 1, '18 – Mar 31, '21)*