# Board Staff Interrogatory #294

## Interrogatory

**Reference:** Exhibit F4 / Tab 3 / Schedule 1 / Attachment 2 / pp. 13-14

Question(s):

a) Please explain how the performance relative to benchmark (%) for each of the following lines were calculated (e.g. weighted average, etc.):

   i. PWU
   ii. Society
   iii. Management
   iv. OPG Overall

   Please also provide a detailed calculation for OPG Overall performance (%) for base salary, total direct compensation, total remuneration excluding PTO, and total remuneration.

b) Please provide the OPG Overall performance for each of the total excluding nuclear authorized segment and the nuclear authorized segment separately (both excluding and including the Hydro One share grants).

c) Please provide OPG's performance relative to the market for the public sector and private sector separately in the same format as the tables provided at Exhibit F4 / Tab 3 / Schedule 1 / Attachment 2 / pp. 13-14 (both excluding and including the Hydro One share grants).

## Response

Willis Towers Watson ("WTW") prepared responses to parts (a) and (b).

(a) For each benchmark, OPG's performance relative to market for each grouping and OPG Overall was calculated by comparing the sum total value for applicable matched incumbents to the corresponding sum total value for the market. The difference between the sum totals was then expressed as a percentage of the market. This approach puts a higher weighting on employees that are farther above/below the market in terms of dollar values rather than their individual percentage variance, and thus is more representative of OPG's costs relative to market.

The requested calculation of the OPG Overall results (excluding Hydro One shares) is shown below in Chart 1.

**Chart 1**

| | Base Salary | Total Direct Compensation | Total Remuneration Excluding PTO | Total Remuneration |
|---|---|---|---|---|
| **OPG ($000s)** | $875,420 | $912,808 | $1,121,741 | $1,227,647 |
| **Market ($000s)** | $779,382 | $867,996 | $1,017,756 | $1,139,697 |
| **Variance (%)** | **12.3%** | **5.2%** | **10.2%** | **7.7%** |

(b) Charts 2-3 below provide the OPG overall performance for each of the total excluding nuclear authorized segment and the nuclear authorized segment, separately, and both excluding and including the Hydro One share grants.

**Chart 2: Excluding Hydro One Share Grants**

| 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%** |
| **OPG Overall by Group:** | | | | | |
| **Total Exc. Nuc. Auth** | **7393** | **13.8%** | **6.2%** | **11.4%** | **8.7%** |
| **Nuclear Authorized** | **359** | **-4.4%** | **-4.7%** | **-1.3%** | **-2.6%** |

**Chart 3: Including Hydro One Share Grants**

| 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% |
| OPG Overall by Group: | | | | | |
| Total Exc. Nuc. Auth | 7393 | 13.8% | 7.8% | 12.8% | 10.0% |
| Nuclear Authorized | 359 | -4.4% | -3.2% | 0.0% | -1.5% |

Furthermore, as shown in Ex. L-F4-03-Society-022(b) and Ex. L-F4-03-Society-021(b), OPG's overall performance in 2022 is projected to be:

1. excluding Hydro One Share grants, +5.0% (TDC) and +6.3% (TR), based on the projected number of Terms in 2022, and
2. including Hydro One Share grants, +6.3% (TDC) and +7.3% (TR), based on the projected number of Terms and Hydro One Share grants in 2022.

(c) OPG declines to provide the requested information on the basis that the requested information is not relevant and cannot be provided with reasonable effort. Willis Towers Watson completed their benchmarking analysis using a 50% weighting on public sector market data and 50% weighting on private sector, consistent with OPG's compensation philosophy and comparator group approach. The analysis was not completed separately by sector and WTW advises that it would require extensive work to summarize separate market data by sector in order to rerun the overall summary tables provided at Ex. F4-3-1, Attachment 2, pp. 13-14. WTW further advises that this separate view would not be aligned with OPG's comparator group and how compensation is benchmarked, managed and reviewed. The 50/50 public and private sector weighting is also consistent with compensation benchmarking filed in EB-2016-0152, Ex. F4-3-1, Attachment 2. Therefore, the requested information would only produce a poorer comparison between OPG's costs and those of the peer group, and would not provide any information relevant to the issues to be decided in this application.

OPG is revising the response to this interrogatory question following the Interrogatories Refusals Discussion meeting on April 23, 2021:

As requested by the parties, OPG committed to seeking clarification from WTW as to the timing and level of effort that would be required to provide a response to this interrogatory.

The following response was provided by Willis Towers Watson:

To conduct the additional analysis of separate private and public sector findings, WTW estimates it would take approximately 6-8 weeks to complete, given the level of work required, its quality assurance process, and other client commitments. The process includes the following steps:

- Request and receive compensation and pension and benefits market data for public and private sector comparators separately from WTW's Data Services teams, and
- Conduct analysis, including reviewing data for completeness, robustness, and accuracy on a job-by-job basis, and to re-run data if alternative benchmarks need to be tested or compared.