Board Staff Interrogatory #285

Interrogatory

Reference:
Exhibit F4 / Tab 3 / Schedule 1 / pp. 23-24

Preamble:

For benchmarking purposes, OPG previously divided its compensation structure into three segments: Nuclear Authorized, Utility, and General Industry, each with a comparator group.

OPG stated that its 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 (or standard) with each segment having its own comparator group.
Question(s):

a) Please further discuss why implementing its “talent strategy” for management positions required a change to the segmentation used only for compensation benchmarking purposes.

b) Please explain whether WTW believes that the previous three segment methodology or the current two segment methodology leads to more accurate benchmarking results.

c) Please explain whether WTW believes that the current segmentation for benchmarking purposes or the previous segmentation for benchmarking purposes better aligns with best practices.

d) Please advise whether benchmarking results based on the previous three segment methodology is available for any year since OPG’s 2017-2021 Payment Amounts application was filed.

e) For comparability to previous compensation benchmarking studies, please provide the 2019 benchmarking results based on the three segments that were previously used and the same compensation data that was provided to WTW. If this is not possible, please explain why.

Response

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

(a) OPG uses a blended talent strategy: develop and promote top talent from within the organization, and recruit talent externally. OPG uses benchmarking to inform this strategy, including compensation programs and structures. OPG is placing increased emphasis on the development of talent within the company as a way to meet its key objectives and milestones, including increased opportunities for development through experience, such as lateral job changes. Based on this desire to move talent more broadly across the organization, OPG has implemented a single segmentation for all Non-Nuclear Authorized positions. By collapsing the former General Industry and Utility segments, OPG was able to realign its Management compensation structure with revised peer comparators for this single segment. This allowed OPG to achieve better alignment between positions that were previously compensated differently. Additionally, the new segmentation facilitates OPG's talent strategy by better reflecting the industries from which OPG needs to attract talent.

(b) and (c) Best practice in establishing comparator groups for benchmarking purposes includes looking at four key criteria – industry, size/complexity, ownership structure, and geographic scope – all with the overarching lens of the company's market for talent. Determining which segmented approach is most appropriate for an organization depends on the company's perspective relative to these four criteria and its talent strategy, including where the organization attracts talent from and loses talent to.

Segments can be clearly defined where talent may not be able to move between segments and there is a clear delineation of the requirements for a role (e.g., nuclear authorization). In cases where employees can move between segments (i.e., OPG's previous three segment methodology), there can be challenges where compensation structures between these segments are different.

The current two segment approach is aligned with and more accurately reflects OPG's talent strategy and underlying talent markets, and the comparator groups established for both segments are aligned with best practices. For these reasons, the current two segment methodology leads to more accurate benchmarking results.

(d) Yes, benchmarking results are available based on the previous approach to segmentation since filing of OPG's 2017-2021 Payment Amounts application. The previous approach to segmentation is no longer applicable for the reasons set out in part (a) above and Ex. F4-3-1, Section 6.

(e) As explained in Ex. F4-3-1, pp. 23-24, OPG no longer segments its work force into utility and general industry, and has no plans to do so going forward. To respond to this request, OPG would have to re-segment the current workforce,

then match the jobs in each segment to those in the comparator companies and re-perform the benchmarking. This will require a number of weeks of work that when completed would have no bearing on OPG's requested compensation. Finally, the fundamental grouping of OPG's workforce is the division into management, PWU and Society. As these groups have not changed, the benchmarking for them in this application is fully comparable to the benchmarking for these groups produced in previous applications.

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

Notwithstanding the above and having heard parties' requests for comparability to previous benchmarking studies at the Interrogatories Refusals Discussion meeting held on April 23, 2021, OPG will proceed to finalize draft 2019 results based on the previous segment methodology and file this study. This study is not intended to replace the existing study filed with evidence (Ex. F4-3-1, Attachment 2) and does not alter the fact that the previous approach to segmentation is no longer applicable.

OPG sought clarification from WTW as to the timing and level of effort required to finalize 2019 results and provide the study on the basis of the previous approach to segmentation.

The following response was provided by Willis Towers Watson:

As stated in Ex. F4-3-1, p. 23, OPG reviewed and finalized its approach to segmentation in 2020. Prior to this time, and in preparation for the rate application, OPG and WTW had started preparation of the 2019 compensation benchmarking report based on the previous three-segment approach. As a result, WTW estimates it would take approximately 3 weeks to complete the review and associated report.

OPG is further revising this response to provide the finalized 2019 results on the previous segmentation methodology as Attachment 1.