UNDERTAKING JT4.13

Undertaking

TO PROVIDE A RESPONSE TO MR. STEPHENSON'S QUESTIONS REGARDING TOTAL COMPENSATION ENVELOPE AT MEDIAN AND IMPACT ON REVENUE REQUIREMENT, WITH DETAILED CALCULATIONS.

Response

The following response was prepared by Willis Towers Watson ("WTW"):

Consistent with Ex. L-F4-03-SEC-149, Table 1 below provides an estimate of the dollar difference, by year, between total remuneration (excluding Hydro One shares) for each of PWU, Society, and Management employee groups and the market 50th percentile for total OPG. To respond to this undertaking, the market values shown in Ex. L-F4-03-SEC-149, Table 1 and further detailed in Ex. JTX4.17 were adjusted, by employee group, for the differences between OPG's headcount and the market typical headcount as found in the Nuclear Staffing Benchmarking Study prepared by Goodnight Consulting Inc. (Ex. F2-1-1, Attachment 6) ("Goodnight study"), shown in Attachment 1 to this response. All other values and underlying inputs and assumptions are the same as in Ex. L-F4-03-SEC-149 and Ex. JTX4.17.

Table 1: Estimated Dollar Difference between Total Remuneration – OPG Overall and Market P50; Adjusted for Difference in Market Headcount

	PWU ($Millions)			Society ($Millions)			Management ($Millions)			Overall ($Millions)		
	OPG	Market	$ Variance	OPG	Market	$ Variance	OPG	Market	$ Variance	OPG	Market	$ Variance
2019	$671.3	$616.3	$55.0	$523.7	$485.1	$38.6	$228.5	$263.4	($34.9)	$1,423.6	$1,364.8	$58.8
2022	[redacted]									$1,388.5	$1,377.0	$11.4
2023	[redacted]									$1,374.6	$1,387.0	($12.4)
2024	[redacted]									$1,358.1	$1,388.5	($30.3)
2025	[redacted]									$1,241.9	$1,270.1	($28.3)
2026	[redacted]									$1,076.6	$1,082.5	($5.9)

Table 2 below provides, by year, the portion allocated to the nuclear operations and the portion of the allocated nuclear values that are attributed to OM&A expenses.

Table 2: Estimated Dollar Difference between Total Remuneration (per Table 1) – Amounts allocated to Nuclear Facilities and attributable to OM&A portion of Total Compensation

	PWU ($Millions)		Society ($Millions)		Management ($Millions)		Overall ($Millions)	
	Nuclear $ Allocated Variance	OM&A Attributed	Nuclear $ Allocated Variance	OM&A Attributed	Nuclear $ Allocated Variance	OM&A Attributed	Nuclear $ Allocated Variance	OM&A Attributed
2019	--	--	--	--	--	--	--	--
2022	$7.9	$1.6	$23.3	$17.5	($31.7)	($25.1)	($0 5)	($6 0)
2023	($0.7)	($6.1)	$16.9	$12.6	($35.5)	($28.2)	($19.4)	($21.7)
2024	($6.7)	($12 2)	$10.4	$7.7	($37.9)	($29.6)	($34.1)	($34.1)
2025	($1.3)	($7.1)	$6.9	$4 8	($35.1)	($26.6)	($29.5)	($28.9)
2026	$18.4	$13.1	$3.7	$2 3	($27.3)	($19.9)	($5 2)	($4 6)

The inputs to this analysis resulting from the Goodnight study were determined as shown in Attachment 1, columns (j) through (m). Specifically, OPG employees benchmarked in the Goodnight study were first identified by representation (i.e., Management, Society, PWU Regular or PWU Term). Then, in order to attribute the overall staffing under-variance of 239 staff to the Goodnight benchmark by representation, the overall variance values for each job function in column (n) were proportionately allocated to each of Management, Society, PWU Regular and PWU Term classifications as well as to contractors, based on the representation of the OPG employee benchmarked population for each function.

As shown in Table 3 below, the resulting total employee staffing differential from the Goodnight study, by employee group, was reduced by the percentage of OPG matched incumbents from the 2019 Compensation Benchmarking Report filed at Ex. F4-3-1, Attachment 2 and then expressed as a percentage of OPG matched incumbents in order to derive an adjustment factor for the market values.

Table 3: Headcount Adjustments Based on Goodnight Study

Step 1a: Calculate Goodnight staffing and market adjustments

OPG Group	Unadjusted Goodnight Staffing Differential	% of OPG Matched Incumbents	Adjusted Goodnight Staffing Differential	# of OPG Matched Incumbents	Resulting Market Adjustment
	(A)	(B)	(C) = A x B	(D)	(E) = 1 - (C / D)
PWU *(Regular)*	(154)	84%	(128)	3854	103.3%
PWU *(Terms)*	34	98%	33	382	91.3%
PWU *(Regular + Terms)*	--	--	--	--	--
Society	(176)	85%	(150)	2659	105.6%
Management	(17)	80%	(14)	857	101.6%

The following Tables 4-6 provide the underlying calculations for the above Tables 1 and 2, in the same format as Ex. JTX4.17, Tables 1, 3 and 4, respectively, subject to the application of the market adjustment factor derived in Table 3 to the calculations in Table 4.[1]

Table 4

Step 1b: Application of Goodnight staffing adjustments and extrapolation of 2019 total benchmarked values to reflect full OPG population

OPG Group	2019 Total Dollar Values ($MM) *OPG Benchmarked Population*				% of OPG Matched Incumbents	2019 Total Dollar Values ($MM) *Full OPG Population*		Variance	
	OPG	Unadjusted Market	Goodnight Staffing Adjustment	Adjusted Market		OPG	Adjusted Market	%	$MM
	(F)	(G)	(E) *from step 1a*	(H) = G x E	(I)	(J) = F * (1 + (1 - I))	(K) = H * (1 + (1 - I))	(L) = (J / K) - 1	(M) = J - K
PWU *(Regular)*	$554.3	$477.1	103.3%	$493.0	84%	$645.0	$573.7	12.4%	$71.3
PWU *(Terms)*	$25.8	$45.7	91.3%	$41.7	98%	$26.3	$42.6	-38.2%	($16.3)
PWU *(Regular + Terms)*	$580.1	$522.8	--	$534.8	85%	$671.3	$616.3	8.9%	$55.0
Society	$456.8	$400.5	105.6%	$423.1	85%	$523.7	$485.1	8.0%	$38.6
Management	$190.7	$216.3	101.6%	$219.8	80%	$228.5	$263.4	-13.2%	($34.9)
Overall *(Sum of groups)*	**$1,227.6**	**$1,139.7**	**--**	**$1,177.7**	**84%**	**$1,423.6**	**$1,364.8**	**4.3%**	**$58.8**

[1] Ex. JTX4.17 Table 2 and Ex. L-F4-03, SEC-149 Tables 3-6 are not reproduced in this response as they are unchanged for purposes of the calculations in this undertaking.

Table 5

Step 3: Incorporate salary and headcount adjustments

OPG Group	OPG				Adjusted Market				Variance	
	Beginning Total $ Value ($MM)	Salary Increase Adjustment %	Headcount Adjustment %	Ending Total $ Value ($MM)	Beginning Total $ Value ($MM)	Salary Increase Adjustment %	Headcount Adjustment %	Ending Total $ Value ($MM)	%	$MM
	(J) for 2019	(O)	(N) *from step 2*	(P) J x O x N	(K) *for 2019*	(Q)	(N) *from step 2*	(R) K x Q x N	(S) (P / R) 1	(T) P R
PWU *(Regular)*										
2019	$645.0	n/a	n/a	$645.0	$573.7	n/a	n/a	$573.7	12.4%	$71.3
2019-2020	[redacted]									
2020-2021										
2021-2022										
2022-2023										
2023-2024										
2024-2025										
2025-2026										
PWU *(Terms)*										
2019	$26.3	n/a	n/a	$26.3	$42.6	n/a	n/a	$42.6	-38.2%	($16.3)
2019-2020	[redacted]									
2020-2021										
2021-2022										
2022-2023										
2023-2024										
2024-2025										
2025-2026										
PWU *(Regular + Terms)*										
2019	–	–	–	$671.3	–	–	–	$616.3	–	$55.0
2019-2020	[redacted]									
2020-2021										
2021-2022										
2022-2023										
2023-2024										
2024-2025										
2025-2026										
Society										
2019	$523.7	n/a	n/a	$523.7	$485.1	n/a	n/a	$485.1	8.0%	$38.6
2019-2020	[redacted]									
2020-2021										
2021-2022										
2022-2023										
2023-2024										
2024-2025										
2025-2026										
Management										
2019	$228.5	n/a	n/a	$228.5	$263.4	n/a	n/a	$263.4	-13.2%	($34.9)
2019-2020	[redacted]									
2020-2021										
2021-2022										
2022-2023										
2023-2024										
2024-2025										
2025-2026										
Overall *(Sum of groups)*										
2019	–	–	–	$1,423.6	–	–	–	$1,364.8	–	$58.8
2019-2020	–	–	–	$1,377.1	–	–	–	$1,332.8	–	$44.3
2020-2021	–	–	–	$1,426.1	–	–	–	$1,381.4	–	$44.8
2021-2022	–	–	–	$1,388.5	–	–	–	$1,377.0	–	$11.4
2022-2023	–	–	–	$1,374.6	–	–	–	$1,387.0	–	($12.4)
2023-2024	–	–	–	$1,358.1	–	–	–	$1,388.5	–	($30.3)
2024-2025	–	–	–	$1,241.9	–	–	–	$1,270.1	–	($28.3)
2025-2026	–	–	–	$1,076.6	–	–	–	$1,082.5	–	($5.9)

Table 6

Step 4 **Incorporate nuclear allocation and OM&A attribution adjustments**

OPG Group	OPG $ Variance ($MM)	Nuclear $ Allocation %	Nuclear $ Allocation ($MM)	OM&A Attribution %	OM&A $ Attributed ($MM)
	(T) *from step 3*	(U)	(V) = T x U	(W)	(X) = V x W
PWU *(Regular)*					
2022	[redacted]	75 6%	$43.0	84.7%	$36.4
2023	[redacted]	75 6%	$35.5	83.9%	$29.8
2024	[redacted]	74 5%	$31.7	81.5%	$25.9
2025	[redacted]	73 5%	$26.9	75.6%	$20.4
2026	[redacted]	72 2%	$22.9	57.1%	$13.1
PWU *(Terms)*					
2022	[redacted]	100.0%	($35.2)	99.2%	($34 9)
2023	[redacted]	100.0%	($36.2)	99.2%	($35 9)
2024	[redacted]	100.0%	($38.4)	99.1%	($38.1)
2025	[redacted]	100.0%	($28.2)	97.3%	($27.4)
2026	[redacted]	100.0%	($4.5)	0 0%	$0.0
PWU *(Regular + Terms)*					
2022	[redacted]	–	$7.9	–	$1.6
2023	[redacted]	–	($0.7)	–	($6.1)
2024	[redacted]	–	($6.7)	–	($12 2)
2025	[redacted]	–	($1.3)	–	($7.1)
2026	[redacted]	–	$18.4	–	$13.1
Society					
2022	[redacted]	79.1%	$23.3	75.3%	$17.5
2023	[redacted]	79 0%	$16.9	74.7%	$12.6
2024	[redacted]	78 6%	$10.4	73.7%	$7.7
2025	[redacted]	76.7%	$6.9	69.3%	$4.8
2026	[redacted]	72 3%	$3.7	62.1%	$2.3
Management					
2022	[redacted]	79.7%	($31.7)	79.3%	($25.1)
2023	[redacted]	79 9%	($35.5)	79.3%	($28 2)
2024	[redacted]	79 2%	($37.9)	78.2%	($29 6)
2025	[redacted]	76 8%	($35.1)	75.8%	($26 6)
2026	[redacted]	71.4%	($27.3)	73.1%	($19 9)
Overall *(Sum of groups)*					
2022	[redacted]	–	($0.5)	–	($6.0)
2023	[redacted]	–	($19.4)	–	($21.7)
2024	[redacted]	–	($34.1)	–	($34.1)
2025	[redacted]	–	($29.5)	–	($28 9)
2026	[redacted]	–	($5.2)	–	($4.6)