VECC Interrogatory #1

Interrogatory

Reference: Page 1, par. 3, Pages 8-

"The legislated limits on compensation set out in Bill 124 were the basis of the forecast compensation costs reflected in OPG's approved nuclear revenue requirements for the 2022-2026 period in the EB-2020-0290."

a) Please file the full extracts (including those referenced in the current application) on which the Applicant is relying to demonstrate that the compensation limits set out in Bill 124 served as the basis for the compensation costs in EB-2020-0290.

Response

The following are the requested extracts from EB-2020-0290 evidence.

Ex. F3-1-1, p.3, lines 25-29

> OPG's Support Services Costs reflect the requirements of Bill 124: Protecting a Sustainable Public Sector for Future Generations Act, 2019, which limits the maximum annual increase in both wages and total compensation for OPG's unionized and non-unionized employees to 1% for a three year "moderation period," as further discussed in Ex. F4-3-1.

Ex. F4-3-1:

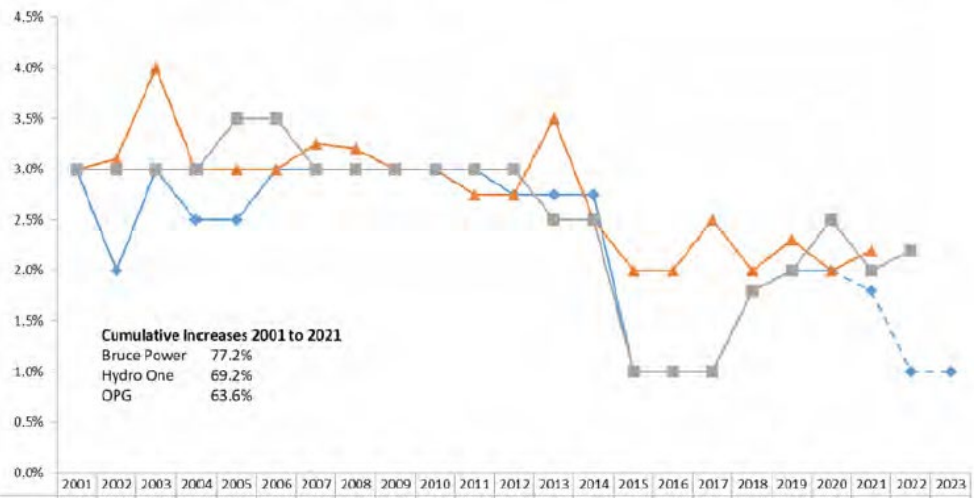
- **p. 11, footnote 8**

> 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]

[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.

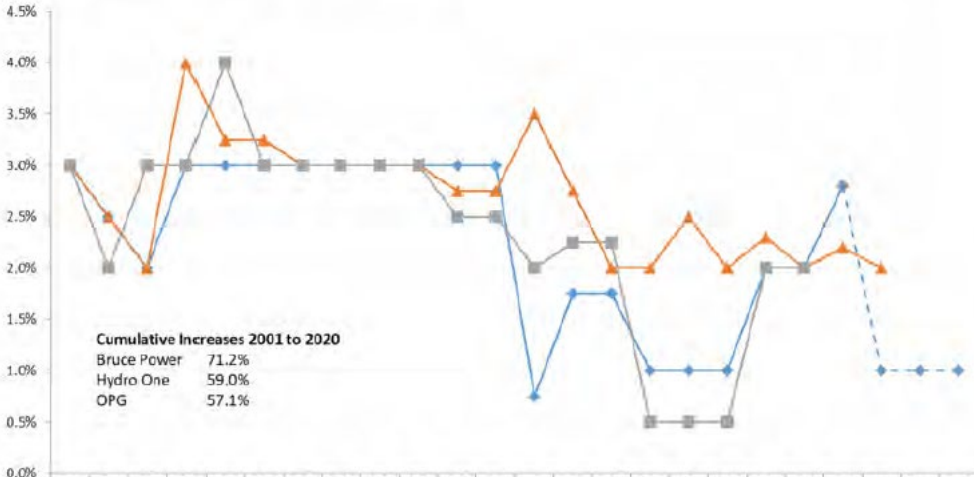
- **Figures 5 & 7**

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 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%				

Ex. F4-3-1:

- **p. 14, line 10-19**

10 The introduction of Bill 124: *Protecting a Sustainable Public Sector for Future Generations Act,*
11 *2019* ("Bill 124"), which came into force on November 8, 2019, will impact future wage
12 negotiations with bargaining units at OPG. Bill 124 sets limits on compensation increases for
13 unionized and non-unionized employees in the Ontario public sector, which includes OPG. Bill
14 124 limits the maximum annual increase in both wages and total compensation to 1% for a
15 three year period, referred to as the "moderation period". The moderation period is tied to the
16 expiration dates of the collective agreements and, accordingly, these wage restrictions will be
17 in effect for any PWU collective agreement renewal period within April 1, 2021 to March 31,
18 2024. Similarly, the wage restrictions will apply to any Society collective agreement renewal
19 period within January 1, 2022 and December 31, 2024.

Ex. F4-3-1:

- **p. 29, lines 26-28**

26 peers. During the IR term, OPG will be subject to further caps on wage increases at 1%
27 annually for applicable three year periods, for both management and unionized employees,
28 pursuant to Bill 124. When compared to EB-2016-0152, important progress has been made in

Ex. L-F4-3-PWU-023

PWU Interrogatory #23

Interrogatory

Reference 1: Exhibit F4, Tab 3, Schedule 1, Page 14 of 31

> 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). 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

Reference 2: EB-2016-0152, Exhibit F4-3-1, Page 8 of 23:

> OPG, with the direct involvement and support of the Government, negotiated agreements with both the PWU and Society in 2015 that will keep wage escalation below inflation. Both agreements provide for a one per cent escalation increase each year and cover a three year period, running from April 1, 2015 to March 31, 2017 for the PWU and from January 1, 2016 to December 31, 2018 for the Society.

Questions

a) Please quantify the impact on the test period revenue requirement had wage escalation been set at inflation beginning in 2021.

b) Please quantify the impact on the test period revenue requirement had wages escalated at inflation since 2016.

Response

a) OPG understands the question to refer to future collective agreements that will be subject to the Bill 124 moderation periods. If the wage escalation were to be set at an assumed inflation rate of 2% per year for April 1, 2021 to March 31, 2024 for the PWU and 2% per year for January 1, 2022 to December 31, 2024 for the Society, estimated revenue requirement impact would an increase of approximately $33M in 2022, $39M in 2023, $42M in 2024, $36M in 2025 and $28M in 2026, for impacts on wages and resulting impacts on pension costs. As in EB-2016-0152, Ex. L-6.6-13 PWU-015, these estimates were determined on the basis of compensation costs reflected in OM&A expenses and are inclusive of associated income tax impacts (calculated at 25% tax rate /(1-25% tax rate)).

b) If the wage escalation were set at an assume inflation rate of 2% per year for April 1, 2016 to March 31, 2024 for the PWU and 2% per year for January 1, 2016 to December 31, 2024 for the Society, estimated revenue requirement impact would be an increase of approximately $61M in 2022, $66M in 2023, $69M in 2024, $59M in 2025 and $46M in 2026, for impacts on wages and resulting impacts on pension costs. As above, these estimates were determined on the basis of compensation costs reflected in OM&A expenses and are inclusive of associated income tax impacts (calculated at 25% tax rate /(1-25% tax rate)).

Ex. L-F4-3-PWU-032

PWU Interrogatory #32

Interrogatory

Reference: Exhibit F4, Tab 3, Schedule 1, Page 1 of 31

> 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.

Questions

Since 2018, the collective agreements entered into between OPG and the PWU and/or the Society have been governed by specific statutory provisions (beyond the general provisions of the Labour Relations Act) which impose limits on the content of those agreements.

a) Identify and provide copies of the statutory provisions in question;
b) Describe how those statutory provisions have impacted the compensation and benefits which are payable pursuant to those agreements;
c) Describe what future collective agreements will be subject to these restrictions.

Response

a) OPG interprets this question as directed to the issue of compensation and relevant statutory legislation.

Nuclear facilities fall within federal jurisdiction and therefore are subject to the Canada Labour Code. The Canada Labour Code incorporates by reference the applicable provisions of the Ontario *Labour Relations Act* ("LRA") (Attachment 1) in respect of the employees working at OPG's nuclear facilities (see: Section 3 of the

Ontario Hydro Nuclear Facilities Exclusion from Part 1 of the Canada Labour Code Regulations (Industrial Relations) (SOR/98-179)) (Attachment 2). Section 190 of the LRA deems sections 1-16, 23.1-25 and 26-38 of Bill 124 (Attachment 3) to form part of the LRA and apply to: (a) OPG and each of its subsidiaries; (b) any trade union certified or voluntarily recognized under the LRA that represents employees of any of the employers referred to in clause (a); and (c) the employees of the employers referred to in clause (a) who are represented by the trade unions described in clause (b).

b) Compensation and benefits pursuant to an OPG/PWU and an OPG/Society collective agreement are subject to Bill 124 which limits the maximum annual increase in both wages and total compensation to 1% for a three year period, referred to as the "moderation period" (see: Bill 124 sections 1-16).

c) For discussion of future OPG/PWU and OPG/Society collective agreements impacted by Bill 124, refer to Ex. F4-3-1, p. 14.