



BY EMAIL and RESS

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2300 Yonge Street
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May 19, 2023
Our File: EB20230098

Attn: Nancy Marconi, Registrar

Dear Ms. Marconi:

Re: EB-2023-0098 – OPG Bill 124 Accounting Order – SEC Submissions

We are counsel to the School Energy Coalition ("SEC"). Pursuant to Procedural Order No.1, these are SEC's submissions on the application by Ontario Power Generation Inc. ("OPG") for approval to establish a variance account to capture the nuclear revenue requirement impact of the overturning of Bill 124.

SEC submits that the application should be denied.

A. Overview

OPG seeks approval for an Accounting Order establishing a new variance account to record the revenue requirement impacts resulting from a decision of the Ontario Superior Court overturning Bill 124 (*Protecting a Sustainable Public Sector for Future Generations Act*, 2019).¹ Bill 124 limited public sector wage increases to 1% annually for a three-year period. OPG was covered by Bill 124, and in EB-2020-0290 included the 1% annual wage increase cap in the forecast compensation costs in its 2022-2026 nuclear revenue requirement.²

Before OPG had even filed the EB-2020-0290 application on December 31, 2020, its two major bargaining units, the Power Workers' Union ("PWU") and the Society of United Professionals ("SUP"), as well as almost every other affected major labor organization in the province³, had formally filed legal challenges to Bill 124.⁴ OPG was aware of those challenges at the time⁵, and yet

¹ The Government of Ontario has appealed the decision (See Application, p.6)

² Application, p.1-2

³ See preamble to CME Interrogatory #1

⁴ OPG Letter to OEB, dated May 12, 2023, p.2

⁵ SEC Interrogatory #2; OPG Letter to OEB, dated May 12, 2023, p.2.

made no reference to them in their application, or any subsequent filings, evidence, or technical conference testimony.⁶

In the EB-2020-0290 proceeding, the Ontario Energy Board (“OEB”) approved a Settlement Proposal, filed on July 16, 2021⁷ which, among other aspects, reduced the proposed OM&A and capital-related revenue requirement.⁸ As part of that application OPG did not seek a deferral or variance account to record incremental compensation costs that may be incurred if the court challenge was successful, nor was one established as part of the Settlement Proposal. Any risk that such costs might arise was known to OPG at that time.

B. Nature of Costs Not Eligible For Accounting Order

OPG has brought this application under its approved rate framework which allows it, under certain circumstances, to bring an application for an Accounting Order.⁹ Under the rate framework, subject to its \$10M materiality threshold, OPG can bring an application for an accounting order for “unforeseen events affecting the nuclear business”.¹⁰ SEC submits this was not an unforeseen event.

OPG was clearly aware of the legal challenges before it filed its application and the potential consequences if it was successful. In its May 12th letter, OPG stated that it “cannot provide the specific date(s) that it became aware of the various legal challenges” but that the “company became aware of the legal challenges after the matters were reported in the media.”¹¹ As noted in the preamble to CME Interrogatory #1, there were many press releases and news articles related to the Bill 124 legal challenge as far back as December 2019, a year before it filed its application.¹²

SEC submits that it surely cannot be that a known, particularized, and foreseeable risk, if it materializes, is an unforeseen event. If so, then any material risk would be eligible for variance account treatment.

What OPG is really seeking is to amend the approved Settlement Proposal. The Settlement Proposal, although implemented as an order of the OEB, is also an enforceable agreement between the parties. The approved Settlement Proposal says, “subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms”.¹³ To the best of SEC’s knowledge, none of the parties to the Settlement Proposal has consented to an amendment of that agreement to increase compensation costs. SEC would decline to do so if asked. The agreement has no provisions allowing OPG to increase its compensation costs to be recovered from customers, whether due to the court challenge or for any other reason.

⁶ SEC Interrogatory #3

⁷ [Decision and Order \(EB-2020-0290\), November 15, 2021](#), p.1

⁸ [Decision and Order \(EB-2020-0290\), November 15, 2021](#), p.1, Schedule A, Approved Settlement Proposal

⁹ Application, p.10

¹⁰ Application, p.10, citing EB-2020-0290, A1-3-2

¹¹ OPG Letter to OEB, dated May 12, 2023, p.2

¹² CME Interrogatory #1. Moreover, the Society of United Professionals announced on its website in December 2019 that was planning to challenge Bill 124 (see [link](#)), and also in April 2020 that it had delivered its Notice of Application to the Government of Ontario and was awaiting reopening of the courts to formally file its legal challenge (see [link](#)).

¹³ [Decision and Order \(EB-2020-0290\), November 15, 2021](#), Schedule A, Approved Settlement Proposal, p.4

C. OPG Does Not Meet Test For Establishment of the Proposed Variance Account

Even if OPG is eligible to bring the application for an Accounting Order, it has not met the request test. The OEB confirmed in its decision in OPG's most recent request to establish an Accounting Order that, while there is no specific test that is applicable to the company, the typical criteria for the establishment of a new deferral variance account - causation, materiality, and prudence - need to be met.¹⁴ SEC submits that OPG does not meet either the causation or the prudence criterion.

Causation

The causation criterion requires OPG to demonstrate that "[t]he forecasted expense must be clearly outside of the base upon which rates were derived."¹⁵ The 2022-2026 capital and OM&A costs were included in payment amounts by way of an approved comprehensive Settlement Proposal. This included OPG's compensation costs.

While it is not disputed that OPG's underlying compensation forecasts in that application were based on the restrictions required by Bill 124, that is not the same thing as saying that any additional costs that may be incurred as a result of the legal challenge, were outside how base rates were derived. The legal challenge to Bill 124, and the possibility it may be overturned, was a known fact at the time of OPG's last payment application. No deferral or variance account was sought by the company, and the company cannot now, after agreeing to a settlement for 2022-2026 payment amounts, come and request approval to record for later disposition any additional costs that were known to OPG and the parties at the time.

The nature of a confidential settlement process makes understanding what intervenors knew and considered at the time of the EB-2020-0290 settlement, and its impact, impossible to know. In contrast, what is known is that OPG was aware of the legal challenge¹⁶, and yet made no mention of it at any point during the proceeding, most importantly, before the settlement conference began.¹⁷ Some intervenors likely were aware of the legal challenges, while others may not have been.

If OPG had disclosed to parties at the time the legal proceedings were launched that, if the challenge was successful, it would seek approval to record the impacts in a variance account, the settlement negotiations would have unfolded differently. Intervenors would have understood that the risk of the successful legal challenge to Bill 124 was being borne entirely by ratepayers, and the capital and OM&A costs that were being proposed in the application may not reflect what ultimately would be sought from ratepayers over the rate term. While it is impossible to know exactly what would have happened, it almost certainly would have led to a different settlement.

For those parties who were aware of the legal challenge, they likely thought the fact that OPG did not request a variance account as a sign that the risk of a successful legal challenge was being borne by the company. This was a perfectly reasonable inference to draw considering the company's actions.

All of this is why OPG had a duty to bring forward the information in its rate application. OPG, like all regulated entities, is under an obligation to bring relevant information to the attention of all parties

¹⁴ [Decision and Order \(EB-2018-0002\)](#), May 31, 2018, p.3

¹⁵ [Decision and Order \(EB-2018-0002\)](#), May 31, 2018, p.3

¹⁶ SEC Interrogatory #2; CME Interrogatory #3, OPG Letter to OEB, dated May 12, 2023, p.2.

¹⁷ SEC Interrogatory #3

and the OEB. The OEB has previously commented that the “regulatory compact is an obligation to disclose material facts on a timely basis.”¹⁸ It noted that a “publicly regulated corporation is under a general duty to disclose all relevant information relating to Board proceedings” and that “a utility should err on the side of inclusion.”¹⁹ As the Alberta Utility Commission aptly put it, “the existence of information asymmetry between utilities and the regulator necessarily and critically requires honesty, candour, and full and adequate disclosure of material facts by the utility in the course of rates proceedings.”²⁰

A legal challenge brought by the company’s two major labour unions, as well as most other affected labour organizations in the province, that could materially affect costs, is exactly the type of information that was relevant and should have been disclosed. While the outcome was uncertain, how to assess the risk, and regulatory implications, is for all parties to consider, not just OPG. It cannot enter settlement discussions, as it did here²¹, without providing full disclosure of all material facts to parties.

OPG cannot be allowed to do what it has done here, i.e. stay quiet on a material risk when base rates are being set, and then after the fact come to the OEB for relief when the risk materialized. It had a duty to affirmatively disclose the legal challenges in its EB-2020-0290 proceeding, as well as its understanding of the regulatory implications if the risk materialized.

Thus, for at least two reasons the risk of these additional costs should be treated as included in the base rates agreed, and thus failing to meet the causation criterion:

First, OPG agreed to a fixed level of OM&A, even though it knew that there was a risk it would be required to increase its compensation levels. Without more, OPG should be assumed to have accepted the risk that it would have to pay more, just as it would take the benefit if it would be able to pay less. The base rates therefore included a risk of an increase in compensation, including from the overturning of Bill 124.

Second, OPG did not disclose the facts underlying this risk of increase, and absent full disclosure the company cannot now claim, as they do implicitly in this application, that the agreement by the intervenors on OM&A included the assumption of that undisclosed risk by ratepayers. The parties should not be treated as having assumed a risk that was not disclosed to them.

Materiality

SEC agrees that the amounts that may be recorded in the proposed variance account are likely to meet OPG’s specific materiality threshold.

Prudence

OPG bears the burden to demonstrate *in this application* that “the nature of the costs and quantum are reasonably incurred, although the final determination of prudence will be made at the time of disposition”.²² While the actual amounts are not known at this time, SEC submits that recovery of

¹⁸ [Decision and Order \(EB-2008-0304\), November 19, 2008](#), p.11

¹⁹ [Decision and Order \(EB-2008-0304\), November 19, 2008](#), p.11

²⁰ [Alberta Utilities Commission, Decision \(27013-D01-2022\), July 29, 2022](#), p.18

²¹ CME Interrogatory #1b; OPG Letter to OEB, dated May 12, 2023, p.2.

²² [Decision and Order \(EB-2018-0002\)](#), May 31 2018, p.3

any incremental costs from ratepayers that may be paid to OPG's employees because of the overturning of Bill 124, be it for unionized employees or otherwise, are imprudent.

OPG's own evidence in the EB-2020-0290 proceeding was that the company's compensation costs were already higher than the benchmark, and even with the forecast 1% increase through the moderation period embedded in the company's budget, would remain so through the end of 2026. The OEB has consistently disallowed compensation costs in excess of the benchmark amounts, and so any additional amounts paid as a result of the overturning of Bill 124 would only exacerbate the gap. This makes any balance that would be included in the proposed variance account unreasonable on its face.

If there was no Bill 124, and OPG as part of its EB-2020-0290 application had forecast compensation costs higher than those required by the legislative restrictions during the moderation period, the intervenors (through a settlement) or the OEB (through an adjudicated decision) would not have accepted the higher amounts, as they are clearly unreasonable.

EB-2020-0290 Benchmarking Evidence²³. As part of its EB-2020-0290 pre-filed evidence, OPG filed a compensation benchmarking study prepared by Willis Towers Watson ("WTW")²⁴. The results showed that relative to the market (defined as the 50th percentile or P50), OPG's compensation was 5.2% higher on a total direct compensation basis, and 7.7% higher on a total remuneration basis (10.2%, if excluding Paid Time-Off which is WTW's standard approach²⁵).²⁶

| 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% |

When OPG's Hydro One share grants are included, OPG's compensation benchmarking results are even worse. OPG's total direct compensation is 6.8% higher than market, and 9% higher on a total remuneration basis (11.6 %, if excluding Paid Time-Off).²⁷

²³ In SEC Interrogatory No.1 in this proceeding, OPG was asked to agree to place on the record all compensation related evidence from EB-2020-0290. In its response, OPG stated that it does not believe all compensation related evidence is relevant but also noted that "SEC may refer to any publicly available evidence posted on the OEB's website and assert relevance as necessary." SEC submits the evidence discussed in these submissions from EB-2020-0290 is relevant to the question of prudence of any incremental compensation costs that may be incurred as a result of the overturning of Bill 124.

²⁴ EB-2020-0290, Exhibit F4-3-1, Attach 2 (See Appendix A)

²⁵ EB-2020-0290, Exhibit F4-3-1, Attach 2, p.7 (See Appendix A)

²⁶ EB-2020-0290, Exhibit F4-3-1, Attach 2, p.13 (See Appendix A)

²⁷ EB-2020-0290, Exhibit F4-3-1, Attach 2, p.14 (See Appendix A)

| 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 was asked to provide the monetary difference between the total compensation for OPG's employees, allocated to the nuclear business, and the market median (P50) used in the benchmarking study for each year between 2022 and 2026.²⁸ WTW, through OPG, provided a response, including detailing the assumptions used, such as the changes in salary assumed in OPG's business plan (which presumably included the Bill 124 restrictions during the moderation period), as well as those for the market median.²⁹

The results show that over the 2022 to 2026 period, both the total compensation amounts allocated to the nuclear business (which is the subject of this application), and those then further allocated to nuclear OM&A, remained above market, as shown below.³⁰

Table 2: Estimated Dollar Difference between Total Remuneration – 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 | \$13.1 | \$4.8 | \$43.1 | \$32.5 | (\$28.5) | (\$22.6) | \$27.7 | \$14.7 |
| 2023 | \$4.6 | (\$3.0) | \$36.8 | \$27.5 | (\$32.2) | (\$25.5) | \$9.1 | (\$1.1) |
| 2024 | (\$2.2) | (\$10.1) | \$30.5 | \$22.5 | (\$34.7) | (\$27.1) | (\$6.3) | (\$14.7) |
| 2025 | \$4.9 | (\$3.8) | \$24.6 | \$17.1 | (\$32.2) | (\$24.4) | (\$2.7) | (\$11.2) |
| 2026 | \$29.4 | \$19.9 | \$17.8 | \$11.0 | (\$25.1) | (\$18.4) | \$22.0 | \$12.6 |

When the Hydro One share grants are included in the calculation, the difference during the 2022 to 2026 period between OPG's forecast compensation costs including the Bill 124 restrictions, and the market, are even greater, as shown below.³¹

²⁸ EB-2020-0290, F4-SEC-149 (See Appendix B)

²⁹ EB-2020-0290, F4-SEC-149, p.2-3 (See Appendix B)

³⁰ EB-2020-0290, F4-SEC-149, p.2, Table 2 (See Appendix B)

³¹ EB-2020-0290, JTX4.18, p.2, Table 2 (See Appendix C)

Table 2: Estimated Dollar Difference between Total Remuneration – 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 | \$20.7 | \$11.2 | \$47.2 | \$35.5 | (\$28.5) | (\$22.6) | \$39.4 | \$24.2 |
| 2023 | \$12.0 | \$3.2 | \$40.7 | \$30.4 | (\$32.2) | (\$25.5) | \$20.5 | \$8.1 |
| 2024 | \$4.9 | (\$4.3) | \$34.2 | \$25.3 | (\$34.7) | (\$27.1) | \$4.5 | (\$6.1) |
| 2025 | \$10.7 | \$0.6 | \$27.5 | \$19.1 | (\$32.2) | (\$24.4) | \$6.0 | (\$4.8) |
| 2026 | \$33.5 | \$22.3 | \$19.7 | \$12.3 | (\$25.1) | (\$18.4) | \$28.2 | \$16.2 |

Previous Decisions. In every OEB decision where it opined on OPG's compensation costs, it has reduced those costs as being unreasonable. In each case, the reduction was primarily based on benchmarking evidence, showing that the company's compensation per employee was above the market median.

Starting in EB-2010-0008, the OEB reduced the forecast 2011 and 2012 compensation costs by \$145M, in part based on information from a filed compensation study that showed a sample of OPG's employees, their compensation costs were significantly above the market median.³² The Supreme Court of Canada upheld the disallowance.³³

In EB-2013-0321, the OEB disallowed a total of \$200M over the 2014 and 2015 test years related to compensation costs.³⁴ This was based in part on the findings of a benchmarking report that demonstrated that the PWU's compensation costs were significantly higher than the 50th percentile³⁵, and another that showed its pension and OPEB costs also remained unreasonable.³⁶

Most recently in EB-2016-0152, the OEB reduced OPG's OM&A costs by \$650M (\$130M per year for each of 2017 to 2021), on the basis that its total compensation costs are too high³⁷. The basis for the reduction was a benchmarking study undertaken by WTW, that showed both OPG's total direct³⁸, and its pension and benefits compensation³⁹ remained above the 50th percentile.

Since the release of the OEB's decision in EB-2016-0152, there have been two decisions related to applications by Hydro One Networks Inc., which similarly have consistent problems of above market compensation costs. In both those decisions, the OEB has been more direct, saying that it will not allow recovery from ratepayers of compensation costs above the market median. EB-2017-0049,

³² [Decision with Reasons \(EB-2010-0008\), March 10, 2011, p.80-81, 86-87](#)

³³ [Ontario \(Energy Board\) v. Ontario Power Generation Inc., 2015 SCC 44](#)

³⁴ [Decision with Reasons \(EB-2013-0321\), November 20, 2014, p.78](#)

³⁵ [Decision with Reasons \(EB-2013-0321\), November 20, 2014, p.74-75](#)

³⁶ [Decision with Reasons \(EB-2013-0321\), November 20, 2014, p.77-78](#)

³⁷ [Decision with Reasons \(EB-2016-0152\), December 28, 2017, p. 79](#)

³⁸ [Decision with Reasons \(EB-2016-0152\), December 28, 2017, p. 81](#)

³⁹ [Decision with Reasons \(EB-2016-0152\), December 28, 2017, p. 82](#)

the OEB explicitly disallowed the full amount above the market median, commenting that there was “no compelling reason for the ratepayers to continue to be burdened with this unreasonable compensation level after many years of the OEB finding issue with Hydro One’s compensation.”⁴⁰ Similarly, in EB-2019-0082, the OEB disallowed \$10.1 in Hydro One’s OM&A entirely on the basis of compensation costs, which reflects the entire premium above the market median.⁴¹

Summary On Prudence. SEC submits that regardless of what specific amount OPG ultimately agrees to or is required to pay its unionized workers because of the overturning of Bill 124, those amounts should not be passed on to customers, as they are imprudent. Those amounts can only be a premium over benchmark levels, and should not be borne by ratepayers, consistent with past decisions of the OEB.

C. OEB Should Consider OPG’s Need For Incremental Funding

SEC submits that, in addition to the three criteria discussed above, the OEB should consider OPG’s need for a variance account whose sole purpose is to allow it to seek incremental funding from ratepayers. Based on OPG’s estimated 2022 actual ROE for its regulated facilities of between 12.5% and 13%, this is funding OPG does not need.⁴²

Almost all of the OEB’s incremental funding mechanisms require a showing of need before a utility can recover additional amounts from customers above what is included in base rates. This requirement applies no matter the reason for the additional costs.

To be eligible for a Z-Factor claim, which this application best resembles, a utility must show that its most recent actual ROE “does not exceed 300 basis points above its deemed ROE embedded in its base rates”.⁴³ Similarly, for approval of Advanced/Incremental Capital Module (“ACM/ICM”) funding, “[i]f the achieved regulated ROE for the most recently completed fiscal year exceeds 300 basis points above the deemed ROE embedded in the distributor’s rates, that distributor does not qualify for funding for an incremental capital project.”⁴⁴

Similarly, in the development of the rules regarding treatment of COVID-19 costs, the OEB established a means test for incremental funding that excluded recovery of *all* costs, including those necessary to comply with government and OEB initiated requirements, if the utility’s ROE was above 300 basis points from its approved ROE.⁴⁵

OPG’s estimated ROE for its regulated facilities for its last year of actuals (2022) is 12.5% to 13%.⁴⁶ This exceeds 300 basis points above its deemed ROE embedded in its payment amounts for its

⁴⁰ [Decision and Order \(EB-2017-0049\), March 7, 2019](#), p.111

⁴¹ [Decision and Order \(EB-2019-0082\), April 23, 2020](#), p.142

⁴² OPG Letter to OEB, dated May 12, 2023, p.3

⁴³ [Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, Chapter 3](#), p.21

⁴⁴ [Filing Requirements For Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, Chapter 3](#), p.24

⁴⁵ [Report of the Ontario Energy Board, Regulatory Treatment of Impacts Arising from the COVID-19 Emergency \(EB-2020-0133\), June 17, 2021](#), p.3

⁴⁶ OPG Letter to OEB, dated May 12, 2023, p.3



regulated nuclear (8.66%) and hydroelectric (9.33%) facilities.⁴⁷ It is clear that OPG does not need incremental funding, as it is earning significantly more than the ROE embedded in rates.

D. Summary

SEC submits the OEB should deny approval of the proposed variance account. The evidence is that:

- ***Not an Unforeseen Event and thus Contrary to Approved Settlement.*** This application is contrary to a binding and enforceable agreement to which OPG is a party, and it has not obtained the consent of the other parties to an amendment. The successful challenge to Bill 124 is not an unforeseen event and thus not eligible under OPG's rate framework for establishment of a variance account by way of an Accounting Order.
- ***Causation Not Met.*** OPG does not meet the causation criterion for establishment of a variance account.
- ***Prudence Not Met.*** Any amount charged to the proposed variance account would, by definition, be imprudent as further exceeding benchmark levels.
- ***Significant Over-Earnings.*** OPG's significant 2022 over-earnings demonstrate that it does not require any incremental funding for any additional costs it may incur as a result of the overturning of Bill 124.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Applicant and intervenors (by email)

⁴⁷ Based on OPG's letter it is not clear if this includes both nuclear and hydroelectric. Regardless, the embedded ROE for the nuclear business is 8.66% and 9.33% for its regulated hydroelectric facility (see OPG's own calculation contained in [EB-2020-0290, Final Draft Payment Order](#), Appendix F)

A

Ontario Power Generation

Total Compensation Benchmarking Study

December 8, 2020

Prepared by Willis Towers Watson
175 Bloor Street East
Suite 1701
Toronto, ON
M4W 3T6

Filed: 2020-12-31
EB-2020-0290
Exhibit F4-3-1
Attachment 2
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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

Methodology

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

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

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) | <p>Total direct compensation + pension & benefits for eligible employees + paid time off for eligible employees as a % of base salary</p> <ul style="list-style-type: none"> 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 | <p>Total direct compensation + pension & benefits for eligible employees + paid time off for eligible employees as a % of base salary</p> <ul style="list-style-type: none"> 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)

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

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

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. Environment, 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

Overview

Overview

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

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% |

Overview

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% |

Overview

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

Overview

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% |

Overview

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* | <ul style="list-style-type: none"> ■ 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* | <ul style="list-style-type: none"> ■ Typically applied on a weekly basis ■ Most prevalent minimum hours worked before overtime is applied is 40 hours |

*as provided by OPG

Total Remuneration Analysis Results by Job Family

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



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

Total Results by Job Family (Excluding Nuclear Authorized) PWU

Total Excluding Nuclear Authorized

OPG Group: PWU

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------------|-------------|-------------|----------------|-------------|----------------|---------------------------|-------------|----------------|-------------|----------------|--------------------|-------------|----------------|-------------|----------------|
| | | 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

Total Results by Job Family (Excluding Nuclear Authorized) Society

Total Excluding Nuclear Authorized

OPG Group: Society

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------------|-------------|-------------|----------------|-------------|----------------|---------------------------|-------------|----------------|-------------|----------------|--------------------|-------------|----------------|-------------|----------------|
| | | 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% |

Total Results by Job Family (Excluding Nuclear Authorized) Management

Total Excluding Nuclear Authorized

OPG Group: Management

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------------|-------------|-------------|----------------|-------------|----------------|---------------------------|-------------|----------------|-------------|----------------|--------------------|-------------|----------------|-------------|----------------|
| | | 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% |

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

Nuclear Authorized Results by Job Family

PWU

Nuclear Authorized

OPG Group: PWU

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------|-------------|----------|-------------|----------|-------------|---------------------------|----------|-------------|----------|-------------|--------------------|----------|-------------|----------|-------------|
| | | 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% |

Nuclear Authorized Results by Job Family

Society

Nuclear Authorized

OPG Group: Society

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------|-------------|----------|--------------|----------|---------------|---------------------------|----------|---------------|----------|---------------|--------------------|----------|---------------|----------|---------------|
| | | 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% |

Nuclear Authorized Results by Job Family Management

Nuclear Authorized

OPG Group: Management

| Job Family | # OPG Matched Incumbents | Base Salary | | | | | Total Direct Compensation | | | | | Total Remuneration | | | | |
|------------------------------|--------------------------|-------------|----------|---------------|----------|---------------|---------------------------|----------|---------------|----------|---------------|--------------------|----------|---------------|----------|---------------|
| | | 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

Appendices

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

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 |

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 | | |

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 |

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 |

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

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

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

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

B

SEC Interrogatory #149

Interrogatory

Reference: F4-3-1, Attachment 2

With respect to the Total Compensation Benchmarking Study: For each of the PWU and Society, please provide an estimate of the dollar difference between the weighted average total compensation for OPG's employees allocated to its nuclear business and the P50 median used in the study. Please provide the amount for the year the study is representative of and for each year between 2022 and 2026. Please provide a step-by-step explanation of how the estimate was reached and include all supporting calculations so they can be verified.

Response

Willis Towers Watson ("WTW") prepared the following response.

Table 1 below provides an estimate of the dollar difference, by year, between total remuneration (TR) (excluding Hydro One shares) for each of PWU, Society, and Management employee groups and the market 50th percentile:

Table 1: Estimated Dollar Difference between Total Remuneration – OPG Overall and Market P50

| | PWU (\$Millions) | | | Society (\$Millions) | | | Management (\$Millions) | | | Overall (\$Millions) | | |
|------|------------------|---------|-------------|----------------------|---------|-------------|-------------------------|---------|-------------|----------------------|-----------|-------------|
| | OPG | Market | \$ Variance | OPG | Market | \$ Variance | OPG | Market | \$ Variance | OPG | Market | \$ Variance |
| 2019 | \$671.3 | \$601.8 | \$69.5 | \$523.7 | \$459.2 | \$64.5 | \$228.5 | \$259.2 | (\$30.7) | \$1,423.6 | \$1,320.2 | \$103.3 |

Table 2 below provides, by year, the portion of the variance from Table 1 that is 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 – 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 | \$13.1 | \$4.8 | \$43.1 | \$32.5 | (\$28.5) | (\$22.6) | \$27.7 | \$14.7 |
| 2023 | \$4.6 | (\$3.0) | \$36.8 | \$27.5 | (\$32.2) | (\$25.5) | \$9.1 | (\$1.1) |
| 2024 | (\$2.2) | (\$10.1) | \$30.5 | \$22.5 | (\$34.7) | (\$27.1) | (\$6.3) | (\$14.7) |
| 2025 | \$4.9 | (\$3.8) | \$24.6 | \$17.1 | (\$32.2) | (\$24.4) | (\$2.7) | (\$11.2) |
| 2026 | \$29.4 | \$19.9 | \$17.8 | \$11.0 | (\$25.1) | (\$18.4) | \$22.0 | \$12.6 |

The 2019 values for PWU, Society, and Management employee groups in Table 1 are consistent with the results of WTW's 2019 compensation benchmarking report (Ex. F4-3-1, Attachment 2), extrapolated to reflect the full OPG population within each representation based on relative percentage of benchmarked employees.¹

The dollar differences in each year over the 2022-2026 IR term were determined based on the following steps and assumptions:

- Update the OPG benchmark data based on changes in salary assumed in OPG's business plan as provided in the Table 3 below.

Table 3: OPG Salary Assumptions – 2020-2026

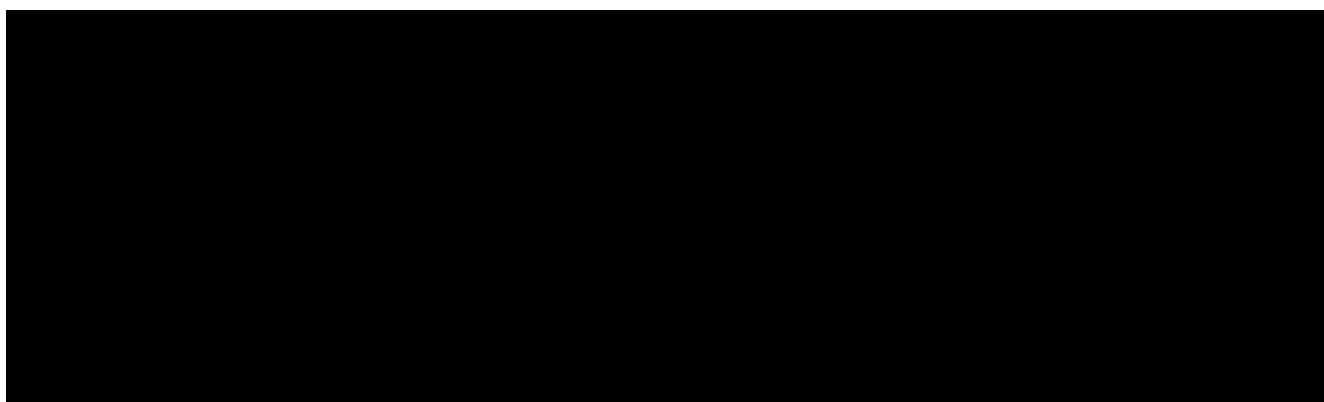
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|--|
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| |
| |
| |
| |

- Adjust the market benchmark data based on future wage / salary increases determined by WTW and set out in Table 4 below, reflecting the following assumptions:

¹ As the overall OPG results shown are based on the extrapolated total across all three representations, it may not align to the overall OPG results in the 2019 compensation benchmarking report that was based on benchmarked incumbents.

- Salary increase assumptions for 2020 and 2021 are sourced from WTW's 2020 Canadian General Industry Salary Budget Survey.
- For the remaining years, estimated market increases for Management group employees are based on estimated CPI plus a market-based premium of 1.0%, which represents the average premium of salary increases above CPI over the past five years.
- Salary increase assumptions for represented employees tend to track more closely with CPI; however, the market for PWU and Society positions includes a mix of represented and non-represented employees, therefore the salary premium was adjusted to reflect an estimate of the unionized versus non-unionized workforce. Specifically, salary increase assumptions include estimated CPI plus a market-based premium of 0.7%, based on an estimate that 70% of the Canadian workforce is non-unionized.

Table 4: Adjustments to Market Benchmark Data for Future Wage / Salary Increases



¹ Salary increase assumptions sourced from WTW's 2020 Canadian General Industry Salary Budget Survey

² 2022 forecast based on TD Economics, Quarterly Economic Forecast (March 18, 2021)

³ 2023 to 2026 estimates based on Bank of Canada's inflation-control target

- Update for changes in OPG's projected headcount through the IR term in Table 5, expressed as a percentage of the 2019 values as provided by OPG. OPG and market dollar values for the benchmarked positions (as adjusted for future wage / salary increases) were grossed up to reflect OPG's total projected population based on the percentage of the total headcount benchmarked as identified at Ex. F4-3-1, Attachment 2, p. 3.

Table 5: OPG Projected Headcount – 2022-2026

| OPG Group | OPG Headcount Projections | | | | | |
|------------|---------------------------|------|------|------|------|------|
| | 2019 | 2022 | 2023 | 2024 | 2025 | 2026 |
| PWU | 100.0% | | | | | |
| PWU Terms | 100.0% | | | | | |
| Society | 100.0% | | | | | |
| Management | 100.0% | | | | | |
| Overall | 100.0% | | | | | |

- Estimate dollar differentials based on the difference between OPG's total remuneration and the market median total remuneration for the corresponding employee group for each year.
- Allocate the total remuneration differentials (results shown in Table 1 above) to the nuclear operations based on the percentage of OPG's total compensation cost attributed to the nuclear operations by employee group, and then further attribute the results to OM&A expenses on the basis of the percentage of OPG's total compensation cost attributed to the nuclear operations that is represented by OM&A expenses by employee group (results shown in Table 2 above); these percentages as provided by OPG are set out in Table 6 below:

Table 6: OPG Allocations

| <u>Nuclear % of Total</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Management | 80% | 80% | 79% | 77% | 71% |
| Society | 79% | 79% | 79% | 77% | 72% |
| PWU- Reg | 76% | 76% | 74% | 74% | 72% |
| PWU- Term | 100% | 100% | 100% | 100% | 100% |
| <u>OM&A % of Total Compensation</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Management | 79% | 79% | 78% | 76% | 73% |
| Society | 75% | 75% | 74% | 69% | 62% |
| PWU- Reg | 85% | 84% | 82% | 76% | 57% |
| PWU- Term | 99% | 99% | 99% | 97% | 0% |

WTW notes that Society ETEs were excluded from the 2019 compensation benchmarking report and are also excluded from this analysis. Given that Society ETEs cannot join OPG's pension plan, WTW expects that including Society ETEs would improve OPG's positioning relative to market and therefore the total remuneration dollar variance between OPG and the market.

WTW also notes that in the total remuneration calculation, total direct compensation reflects the cost of the employer providing the target level of compensation, while pension and benefits values represent the estimated employer provided value. The pension and benefit values may not align directly with the cost for OPG to provide these programs; therefore, WTW suggests caution in using total remuneration, which reflects

- 1 a mix of cost and value, to assess OPG's overall cost competitiveness relative to the
- 2 market 50th percentile.

C

UNDERTAKING JTX4.18

Undertaking

TO UPDATE THE ANALYSIS IN SEC 149 TO INCLUDE THE IMPACT OF THE HYDRO ONE SHARES, AND THEN SIMILARLY PROVIDE THAT DETAILED CALCULATION AS TO THE PREVIOUS UNDERTAKING.

Response

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

Table 1 below provides an estimate of the dollar difference, by year, between total remuneration (including Hydro One shares) for each of PWU, Society, and Management employee groups and the market 50th percentile:

Table 1: Estimated Dollar Difference between Total Remuneration – OPG Overall and Market P50

| | PWU (\$Millions) | | | Society (\$Millions) | | | Management (\$Millions) | | | Overall (\$Millions) | | |
|------|------------------|---------|-------------|----------------------|---------|-------------|-------------------------|---------|-------------|----------------------|-----------|-------------|
| | OPG | Market | \$ Variance | OPG | Market | \$ Variance | OPG | Market | \$ Variance | OPG | Market | \$ Variance |
| 2019 | \$682.1 | \$601.8 | \$80.2 | \$529.3 | \$459.2 | \$70.1 | \$228.6 | \$259.2 | (\$30.7) | \$1,440.0 | \$1,320.2 | \$119.7 |
| 2022 | | | | | | | | | | | | |
| 2023 | | | | | | | | | | | | |
| 2024 | | | | | | | | | | | | |
| 2025 | | | | | | | | | | | | |
| 2026 | | | | | | | | | | | | |

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 – 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 | \$20.7 | \$11.2 | \$47.2 | \$35.5 | (\$28.5) | (\$22.6) | \$39.4 | \$24.2 |
| 2023 | \$12.0 | \$3.2 | \$40.7 | \$30.4 | (\$32.2) | (\$25.5) | \$20.5 | \$8.1 |
| 2024 | \$4.9 | (\$4.3) | \$34.2 | \$25.3 | (\$34.7) | (\$27.1) | \$4.5 | (\$6.1) |
| 2025 | \$10.7 | \$0.6 | \$27.5 | \$19.1 | (\$32.2) | (\$24.4) | \$6.0 | (\$4.8) |
| 2026 | \$33.5 | \$22.3 | \$19.7 | \$12.3 | (\$25.1) | (\$18.4) | \$28.2 | \$16.2 |

The 2019 values for PWU, Society, and Management employee groups in Table 1 are consistent with the results of WTW's 2019 compensation benchmarking report (Ex. F4-3-1, Attachment 2), extrapolated to reflect the full OPG population within each representation based on relative percentage of benchmarked employees.¹ Table 3, step 1 below illustrates the calculations for each employee group, separately showing PWU Regular and PWU Term Employees.

Table 3

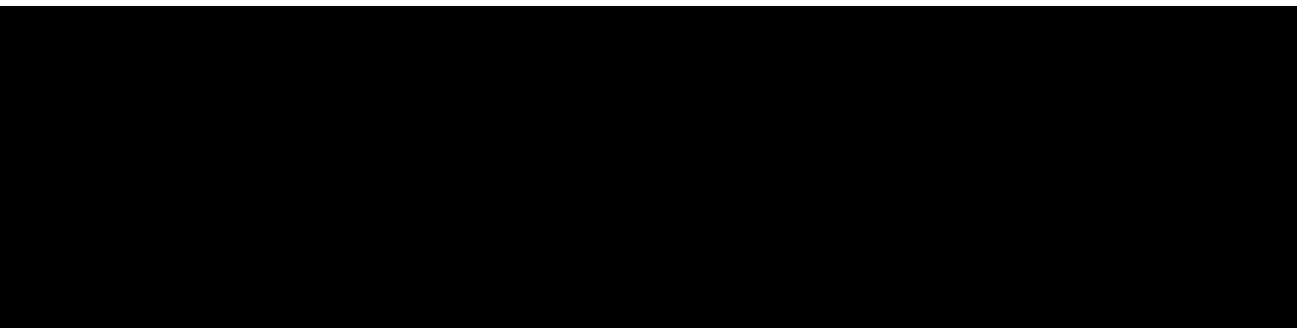
Step 1: Extrapolation of 2019 total benchmarked values to reflect full OPG population

| OPG Group | 2019 Total Dollar Values (\$MM) OPG Benchmark Population | | % of OPG Matched Incumbents | 2019 Total Dollar Values (\$MM) Full OPG Population | | Variance | |
|-------------------------|---|-----------|-----------------------------|--|-------------------------|-------------------|-------------|
| | OPG | Market | | OPG | Market | % | \$MM |
| | (A) | (B) | | (D) = A * (1 + (1 - C)) | (E) = B * (1 + (1 - C)) | (F) = (D / E) - 1 | (G) = D - E |
| PWU (Regular) | \$563.6 | \$477.1 | 84% | \$655.8 | \$555.2 | 18.1% | \$100.6 |
| PWU (Terms) | \$25.8 | \$45.7 | 98% | \$26.3 | \$46.6 | -43.6% | (\$20.3) |
| PWU (Regular + Terms) | \$589.3 | \$522.8 | 85% | \$682.1 | \$601.8 | 13.3% | \$80.2 |
| Society | \$461.7 | \$400.5 | 85% | \$529.3 | \$459.2 | 15.3% | \$70.1 |
| Management | \$190.7 | \$216.3 | 80% | \$228.6 | \$259.2 | -11.8% | (\$30.7) |
| Overall (Sum of groups) | \$1,241.8 | \$1,139.7 | 84% | \$1,440.0 | \$1,320.2 | 9.1% | \$119.7 |

In Step 2 presented in Table 4 below, WTW then calculated the projected year over year headcount changes for each year and employee group based on a percentage change from the 2019 headcount as provided by OPG (Table 5 in L-F4-03-SEC-149 and reproduced below in Table 5).

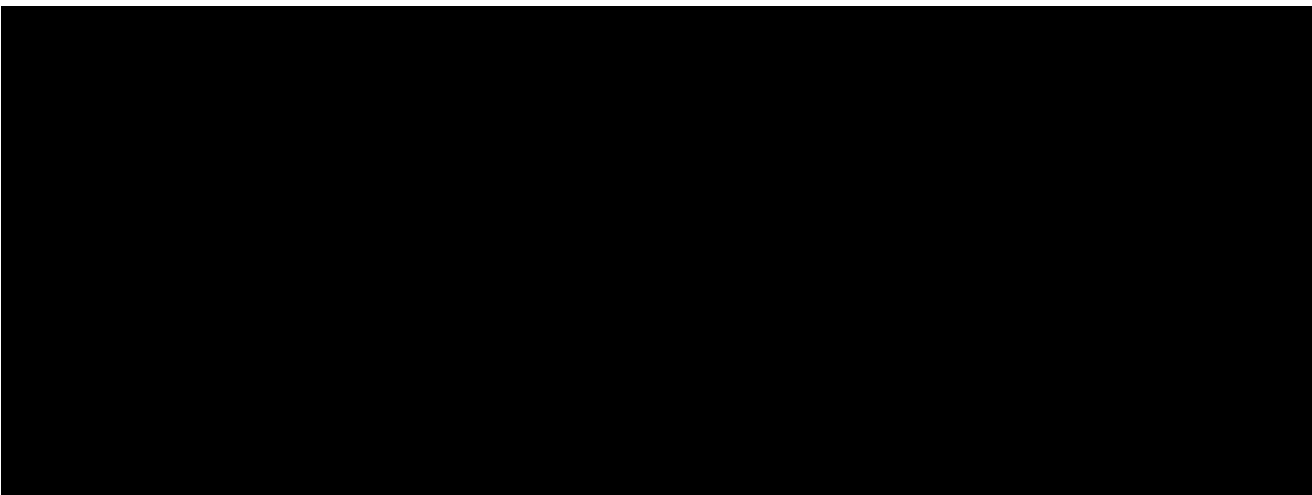
¹ As the overall OPG results shown are based on the extrapolated total across all three representations, it may not align to the overall OPG results in the 2019 compensation benchmarking report that was based on benchmarked incumbents.

Table 7: Employees Receiving Hydro One Share Awards

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- Adjust the market benchmark data based on future wage / salary increases determined by WTW and set out in Table 8 below (same as Table 4 in L-F4-03-SEC-149), reflecting the following assumptions:
 - Salary increase assumptions for 2020 and 2021 are sourced from WTW's 2020 Canadian General Industry Salary Budget Survey.
 - For the remaining years, estimated market increases for Management group employees are based on estimated [REDACTED] [REDACTED] which represents the average premium of salary increases above CPI over the past five years.
 - Salary increase assumptions for represented employees tend to track [REDACTED] however, the market for PWU and Society positions includes a mix of represented and non-represented employees, therefore the salary premium was adjusted to reflect an estimate of the unionized versus non-unionized workforce. Specifically, salary increase assumptions include estimated [REDACTED] [REDACTED] based on an estimate that 70% of the Canadian workforce is non-unionized.

Table 8: Adjustments to Market Benchmark Data for Future Wage / Salary Increases

A large black rectangular box redacting the content of Table 8.

- Estimate dollar differentials based on the difference between OPG's total remuneration and the market median total remuneration for the corresponding employee group for each year. In doing so, for each year, OPG total values and the market were adjusted to reflect the percent changes in headcount from Tables 4 and 5 above, percent changes in the number of employees eligible for Hydro One share awards per Table 7 above and expected salary increases at OPG and in the market per Table 6 and Table 8 above, respectively. These steps are captured in Table 9 below.

Table 9

Step 3: Incorporate Hydro One shares, salary and headcount adjustments

| OPG Group | OPG | | | | | | | | Market | | | | Variance | |
|--------------------------------|---------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------------------------------|------------------------------|------------------------|------------------------------|---------------------------------|------------------------------|------------------------|------------------------------|-------------------|-------------|
| | Beginning Total \$ Value (\$MM) | Sum of HI Shares Pre-Adjustment | HI Shares Elig. Adjustment* | Sum of HI Shares Post-Adjustment | Total \$ Value Post Adjustment (\$MM) | Salary Increase Adjustment % | Headcount Adjustment % | Ending Total \$ Value (\$MM) | Beginning Total \$ Value (\$MM) | Salary Increase Adjustment % | Headcount Adjustment % | Ending Total \$ Value (\$MM) | % | \$MM |
| | (D) for 2019 | (I) | (J) | (K) = I x J | (L) = (D - I) + K | (M) | (H) from step 2 | (N) = L x M x H | (E) for 2019 | (O) | (H) from step 2 | (P) = E x O x H | (Q) = (N / P) - 1 | (R) = N - P |
| PWU (Regular) | | | | | | | | | | | | | | |
| 2019 | \$655.8 | \$10.8 | n/a | \$10.8 | \$655.8 | n/a | n/a | \$655.8 | \$555.2 | n/a | n/a | \$555.2 | 18.1% | \$100.6 |
| PWU (Terms) | | | | | | | | | | | | | | |
| 2019 | \$26.3 | -- | -- | -- | \$26.3 | n/a | n/a | \$26.3 | \$46.6 | n/a | n/a | \$46.6 | -43.6% | (\$20.3) |
| PWU (Regular + Terms) | | | | | | | | | | | | | | |
| 2019 | -- | -- | -- | -- | -- | -- | -- | \$682.1 | -- | -- | -- | \$601.8 | -- | \$80.2 |
| Society | | | | | | | | | | | | | | |
| 2019 | \$529.3 | \$5.6 | n/a | \$5.6 | \$529.3 | n/a | n/a | \$529.3 | \$459.2 | n/a | n/a | \$459.2 | 15.3% | \$70.1 |
| Management | | | | | | | | | | | | | | |
| 2019 | \$228.5 | -- | -- | -- | \$228.5 | n/a | n/a | \$228.5 | \$259.2 | n/a | n/a | \$259.2 | -11.8% | (\$30.7) |
| Overall (Sum of groups) | | | | | | | | | | | | | | |
| 2019 | -- | -- | -- | -- | -- | -- | -- | \$1,439.9 | -- | -- | -- | \$1,320.2 | -- | \$119.7 |

* Note: 2021-2022 Hydro One share awards percentage shown relative to 2019. Number of employees eligible for Hydro One share awards in 2020 and 2021 is held constant for presentation purposes.

- Allocate the total remuneration differentials to the nuclear operations based on the percentage of OPG's total compensation cost attributed to the nuclear operations by employee group (results shown in Table 1 above), and then further attribute the results to OM&A expenses on the basis of the percentage of OPG's total compensation cost attributed to the nuclear operations that is represented by OM&A expenses by employee group (results shown in Table 2 above); these percentages as provided by OPG are set out in Table 10 below

1 and the calculations are provided in Table 11 below (same as L-F4-03-SEC-149
2 Table 6).
3
4
5

Table 10: OPG Allocations

| <u>Nuclear % of Total</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Management | 80% | 80% | 79% | 77% | 71% |
| Society | 79% | 79% | 79% | 77% | 72% |
| PWU- Reg | 76% | 76% | 74% | 74% | 72% |
| PWU- Term | 100% | 100% | 100% | 100% | 100% |
| <u>OM&A % of Total Compensation</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Management | 79% | 79% | 78% | 76% | 73% |
| Society | 75% | 75% | 74% | 69% | 62% |
| PWU- Reg | 85% | 84% | 82% | 76% | 57% |
| PWU- Term | 99% | 99% | 99% | 97% | 0% |

6

Table 11

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) |
|--------------------------------|------------------------|-------------------------|------------------------------|--------------------|---------------------------|
| | (R) from step 3 | (S) | (T) = R x S | (U) | (V) = T x U |
| PWU (Regular) | | | | | |
| 2022 | | 75.6% | \$64.4 | 84.7% | \$54.5 |
| 2023 | | 75.6% | \$56.7 | 83.9% | \$47.6 |
| 2024 | | 74.5% | \$52.3 | 81.5% | \$42.6 |
| 2025 | | 73.5% | \$45.4 | 75.6% | \$34.4 |
| 2026 | | 72.2% | \$39.1 | 57.1% | \$22.3 |
| PWU (Terms) | | | | | |
| 2022 | | 100.0% | (\$43.6) | 99.2% | (\$43.3) |
| 2023 | | 100.0% | (\$44.8) | 99.2% | (\$44.4) |
| 2024 | | 100.0% | (\$47.4) | 99.1% | (\$47.0) |
| 2025 | | 100.0% | (\$34.7) | 97.3% | (\$33.8) |
| 2026 | | 100.0% | (\$5.6) | 0.0% | \$0.0 |
| PWU (Regular + Terms) | | | | | |
| 2022 | | – | \$20.7 | – | \$11.2 |
| 2023 | | – | \$12.0 | – | \$3.2 |
| 2024 | | – | \$4.9 | – | (\$4.3) |
| 2025 | | – | \$10.7 | – | \$0.6 |
| 2026 | | – | \$33.5 | – | \$22.3 |
| Society | | | | | |
| 2022 | | 79.1% | \$47.2 | 75.3% | \$35.5 |
| 2023 | | 79.0% | \$40.7 | 74.7% | \$30.4 |
| 2024 | | 78.6% | \$34.2 | 73.7% | \$25.3 |
| 2025 | | 76.7% | \$27.5 | 69.3% | \$19.1 |
| 2026 | | 72.3% | \$19.7 | 62.1% | \$12.3 |
| Management | | | | | |
| 2022 | | 79.7% | (\$28.5) | 79.3% | (\$22.6) |
| 2023 | | 79.9% | (\$32.2) | 79.3% | (\$25.5) |
| 2024 | | 79.2% | (\$34.7) | 78.2% | (\$27.1) |
| 2025 | | 76.8% | (\$32.2) | 75.8% | (\$24.4) |
| 2026 | | 71.4% | (\$25.1) | 73.1% | (\$18.4) |
| Overall (Sum of groups) | | | | | |
| 2022 | | – | \$39.5 | – | \$24.2 |
| 2023 | | – | \$20.5 | – | \$8.1 |
| 2024 | | – | \$4.5 | – | (\$6.1) |
| 2025 | | – | \$6.0 | – | (\$4.8) |
| 2026 | | – | \$28.2 | – | \$16.2 |

As in Ex. L-F4-03-SEC-149, WTW notes that Society Extended Temporary Employees (“ETEs”) were excluded from the 2019 compensation benchmarking report and are also excluded from this analysis. Given that Society ETEs cannot join OPG’s pension plan, WTW expects that including Society ETEs would improve OPG’s positioning relative to market and therefore the total remuneration dollar variance between OPG and the market.

WTW also notes that in the total remuneration calculation, total direct compensation reflects the cost of the employer providing the target level of compensation, while pension and benefits values represent the estimated employer provided value. The pension and benefit values may not align directly with the cost for OPG to provide these programs; therefore, WTW suggests caution in using total remuneration, which reflects

1 a mix of cost and value, to assess OPG's overall cost competitiveness relative to the
2 market 50th percentile.

3
4 The following response was prepared by OPG:

5
6 The percentage changes from 2019 in step 2a and the corresponding year-over-year
7 percentage changes in step 2b were derived directly from the corresponding employee
8 group line items in Ex. L-F4-03-Society-018, Attachment 1 (i.e., line 26 for
9 Management, line 27 for Society, line 29 for PWU Regular and line 31 for PWU Term).

10
11 The 2022-2026 OM&A attribution percentages in step 4 represent the distribution of
12 labour costs, by employee group, as reflected in the annual requested nuclear revenue
13 requirement in this application and summarized on an overall basis in Ex. L-F4-03-
14 Staff-275, Attachment 1.

15
16 The forecasted total of PWU and Society employees eligible for Hydro One share
17 awards can also be found at Ex. L-F4-03-PWU-031, Chart 1.