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**VIA E-MAIL AND WEB POSTING**

August 10, 2016

To: All Registered Stakeholders

**Re: Consultation on the Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs  
Board File Number EB-2015-0040**

As part of its consultation on pensions and other post-employment benefits (OPEBs) the OEB convened a stakeholder forum on July 19 and 20, 2016. In its letter of June 23, 2016, the OEB confirmed that following the forum, stakeholders may file written submissions on or before Thursday September 22, 2016. At the forum, several stakeholders asked the OEB to provide guidance on how to structure submissions. There was also a discussion about the benefits of a staged approach to the remaining portions of this consultation.

This letter provides guidance with respect to how parties may wish to focus their written submissions scheduled for September 22, 2016.

### **Submissions**

The OEB retained KPMG to provide technical support and KPMG prepared a report which was provided to stakeholders on May 19, 2016. The report was the focus of the stakeholder meeting.

The KPMG report addressed three objectives of this consultation:

- Principles that the OEB should adopt for purposes of assessing pension and OPEB costs in rate applications, including any principles the OEB should adopt in considering the appropriate rate mechanisms for cost recovery
- Options for rate mechanisms for cost recovery
- Information requirements to support the assessment of pension and OPEB costs in rate applications, including the assessment of appropriate rate mechanisms for cost recovery.

The KPMG report also identified that the OEB may have to address transitional issues if it were to adopt cost recovery methods that differed from current practice.

At this time, the OEB would benefit from submissions on the first two objectives identified above (i.e. the principles and cost recovery mechanisms). Information requirements and any transitional issues will be addressed at a later time.

The OEB invites parties to provide their views on all the cost recovery options that KPMG proposed for both pensions and OPEBs. That said, of the four options for set-aside mechanisms presented for OPEBs, the KPMG report identified a number of concerns with the first two options (internally segregated accounts and retirement compensation arrangements). There is no need for submissions to repeat these concerns. The OEB is particularly interested in parties' views on whether a set-aside mechanism is necessary for OPEBs if accrual accounting values should be used for rate setting, and on the latter two options put forward by KPMG (reduction to rate base and a tracking account).

The OEB would also appreciate parties' views on whether either of these two mechanisms could be implemented for pension costs, in the event that the OEB favours using accrual accounting values for rate setting. The OEB also seeks parties' views on KPMG's modified funding contribution method, as well as any method other than a pure accrual accounting method as the basis for cost recovery.

Questions on this consultation can be addressed to Ted Antonopoulos at [theodore.antonopoulos@ontarioenergyboard.ca](mailto:theodore.antonopoulos@ontarioenergyboard.ca) or 416-440-8137.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary