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September 13, 2013

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Board File No. EB-2013-0147
Revision re: Dion Durrell & Associates Inc. Study of Post-Retirement Benefits

Dear Ms. Walli:

As requested in the Board's letter of September 13, 2013, attached is an amended version of the Dion Durrell report with the text box marked "Confidential for Discussion Purposes Only" removed.

Questions or concerns in this matter should be addressed to the undersigned.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CGA
Vice-President Finance

cc: All Intervenors

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KITCHENER-WILMOT HYDRO INC.

REPORT ON THE ACTUARIAL VALUATION OF POST-RETIREMENT NON-PENSION BENEFITS

As At January 1, 2011

FINAL—February 15, 2012

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EXECUTIVE SUMMARY

PURPOSE

MEARIE Actuarial Services and Dion, Durrell + Associates Inc. were engaged by Kitchener-Wilmot Hydro Inc. (the “Corporation”) to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2011. The nature of these benefits is defined benefit.

This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the “CICA”) guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook-Accounting (“CICA Section 3461”). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2000.

The most recent full valuation was prepared as at January 1, 2008 based on the then appropriate assumptions.

The purpose of this valuation is threefold:

i) to determine the Corporation’s liabilities in respect of post-retirement non-pension benefits at January 1, 2011;

ii) to determine the benefit expense for fiscal year 2011; and

iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2011 with comparative results from the previous valuation as at January 1, 2008 are shown below:

	January 1, 2008 ($000s)	January 1, 2011 ($000s)
Accrued Benefit Obligation (ABO)		
a) People in receipt of benefits	1,938	2,238
b) Fully eligible actives	435	441
c) Not fully eligible actives	1,542	1,884
Total ABO	**3,915**	**4,563**
Current Service Cost: *for following 12 months*	105	126
Benefit Expense: *for following 12 months*	212	325
Prepaid Benefit Liability: *at January 1*		5,381

The January 1, 2011 Prepaid Benefit Liability is based on the Corporation's financial statements as at December 31, 2010.

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by the Corporation as at January 1, 2011, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and we have reviewed the assumptions and consider them to be appropriate for the purposes of the valuation outlined herein;
3. The actuarial methods employed, as outlined in Section C, are appropriate for the purpose and consistent with sound actuarial principles;
4. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
5. The valuation conforms to the standards set out in the Canadian Institute of Chartered Accountants Accounting Handbook Section 3461.

We are not aware of any subsequent events from January 1, 2011 up to the date of this report that would have a significant effect on our valuation.

The latest date on which the next actuarial valuation should be performed is January 1, 2014. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

DION, DURRELL + ASSOCIATES INC.

Stanley Caravaggio FSA, FCIA

Patrick G. Kavanagh
Actuarial Analyst

Toronto, Ontario
February 15, 2012

SECTION A—
VALUATION RESULTS

Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 59 to 57, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2008.

VALUATION RESULTS

Table A.1—Valuation Results
(in thousands of dollars)

			January 1, 2008	January 1, 2011
1.	Accrued Benefit Obligation			
	a)	People in receipt of benefits	1,938	2,238
	b)	Fully eligible actives	435	441
	c)	Not fully eligible actives	1,542	1,884
Total ABO			**3,915**	**4,563**
2.	Benefit Expense			
	a)	Current Service Cost	105	126
	b)	Interest Cost	206	229
	c)	Expected Return on Assets	-	-
	d)	Amortization of Transition Amount	-	-
	e)	Amortization of Past Service Cost	-	-
	f)	Amortization of (Gain)/Losses	(98)	(30)
Total Benefit Expense *for following 12 months*			**212**	**325**
3.	Benefit Payments *for following 12 months*		201	239

SENSITIVITY ANALYSIS

Table A.2—Sensitivity Analysis
(in thousands of dollars)

	January 1, 2011			
	Valuation Results	**Retirement Age 57**	**1% Higher Trend**	**1% Lower Trend**
1. Accrued Benefit Obligation				
a) People in receipt of benefits	2,238	2,238	2,249	2,228
b) Fully eligible actives	441	251	452	430
c) Not fully eligible actives	1,884	2,591	2,091	1,706
Total ABO	**4,563**	**5,080**	**4,791**	**4,364**
2. Current Service Cost *for following 12 months*	126	155	144	111
3. Interest Cost *for following 12 months*	229	256	241	218
4. Expected Average Remaining Service Lifetime of the Current Active Employees (years)	12	11	12	12

DEVELOPMENT OF NET GAINS OR LOSSES

Table A.3—Development of Net Gains or Losses
(in thousands of dollars)

Expected ABO at December 31, 2010 per financial statements	4,298
Actual ABO at January 1, 2011	4,563
Actuarial Loss/(Gain)	265
Amortization of Unamortized Actuarial Loss	
Unamortized Net Actuarial Loss (Gain) at December 31, 2010	(1,083)
Actuarial Loss (Gain) for Current Year at January 1, 2011	265
Total Loss (Gain) at January 1, 2011	(818)
Less: Actual Amortization for 2011	(30)
Expected Unamortized Actuarial Loss (Gain) at December 31, 2011	(788)

Please note that the actual ABO at January 1, 2011 is approximately $265,000 higher than the expected ABO at December 31, 2010. This is due to a combination of the following factors:

- A change in the discount rate assumption (an increase of approximately $139,000)
- A change in the health claims cost trend rate assumption (an increase of approximately $96,000)
- A change in the salary scale assumption (a decrease of approximately $21,000)
- A change in the mortality table assumption (a decrease of approximately $31,000)
- Differences between the actual and expected benefit cost rates (a decrease of approximately $79,000)
- Deviations from the expected demographic changes of the valued group and other miscellaneous factors (an increase of approximately $161,000 in the total ABO)

CICA Section 3461 states that any gain or loss in excess of 10% of the ABO must, at minimum, be amortized over the expected average remaining service lifetime ("EARSL"). Alternatively, an entity may choose to recognize the entire amount of gains or losses during the calendar year which such gain or loss was determined. Furthermore, once an amortization method is chosen, it must be applied consistently from year to year. The Corporation has chosen to amortize actuarial gains or losses using the 10% corridor method described above and prescribed in CICA Section 3461. The EARSL of the Corporation's current active group is 12 years at January 1, 2011. Thus, the amortization required in year 2011 is approximately ($30,000).

SECTION B—
PLAN PARTICIPANTS

Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2008.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.

PARTICIPANT DATA

Table B.1—Participant Data

Membership data as at January 1, 2011 was received from the Corporation via e-mail and included information such as sex, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than $20,000 per year, or greater than $250,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

Active Employees

As of January 1	2008 Male	2008 Female	2008 Total	2011 Male	2011 Female	2011 Total
Number of Employees	129	37	166	129	40	169
Average Length of Service	15.8	11.5	14.8	15.4	13.5	15.0

As of January 1, 2011	Current Age Active Lives—Not fully eligible Count			Active Lives—Fully eligible Count		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	10	4	14	-	-	-
30-35	14	8	22	-	-	-
36-40	15	2	17	-	-	-
41-45	25	7	32	-	-	-
46-50	27	11	38	-	-	-
51-55	22	5	27	2	-	2
56-60	3	-	3	9	1	10
61-65	-	-	-	2	2	4
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**116**	**37**	**153**	**13**	**3**	**16**

As of January 1, 2011	**Average Service**					
	Active Lives—Not fully eligible			**Active Lives—Fully eligible**		
	Service			**Service**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	1.48	2.56	1.79	-	-	-
30-35	4.95	6.05	5.35	-	-	-
36-40	9.15	9.67	9.21	-	-	-
41-45	14.07	16.46	14.60	-	-	-
46-50	17.48	17.82	17.58	-	-	-
51-55	24.61	13.63	22.58	25.92	-	25.92
56-60	12.17	-	12.17	28.14	21.00	27.43
61-65	-	-	-	30.00	10.75	20.38
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**13.99**	**12.36**	**13.60**	**28.08**	**14.17**	**25.47**

People in Receipt of Benefits

As of January 1	**2008**			**2011**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Number of Members	72	13	85	79	15	94

As of January 1, 2011	**Expected Annual Benefit Payments**		
Age Band	**Male**	**Female**	**Total**
Less than 30	$ -	$ -	$ -
30-35	-	-	-
36-40	-	-	-
41-45	-	-	-
46-50	-	-	-
51-55	8,950	-	8,950
56-60	49,760	2,068	51,828
61-65	37,139	7,159	44,299
66-70	12,802	934	13,736
71-75	10,774	1,772	12,546
Greater than 75	56,841	2,171	59,012
Total	**$ 176,267**	**$ 14,105**	**$ 190,371**

PARTICIPATION DATA

Table B.2—Participation Data

	Actives	Disabled	Retirees
As at January 1, 2008	**166**	**3**	**82**
New Entrants	23	-	-
Active	-	1	13
LTD	(1)	-	2
Terminated	(8)	-	-
Deceased	-	-	(5)
Retired	(13)	(2)	-
Corrections	2[1/]	-	-
As at January 1, 2011	**169**	**2**	**92**

For purposes of the above reconciliation table, please note the following:
[1/] 2 individuals with dates of hire prior to January 1, 2008 were missing from the prior valuation.

SECTION C—
SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health and dental benefits, we have used the premium rates charged to retirees as an estimate of the claims to be incurred. The total monthly premium rates, inclusive of premium taxes, used are as follows:

	Health Care		***Dental Care***	
Retirees	Single	Family	Single	Family
June 1 – May 31, 2012	$ 76.54	$ 200.47	$ 74.62	$ 161.23

The above premium rates were provided by the Corporation.

The ABO at January 1, 2011 is based on membership data and management's best-estimate assumptions at January 1, 2011.

ACCOUNTING POLICIES

Pursuant to CICA Section 3461, the Corporation amortizes the amount of any actuarial gain or loss in excess of 10% of the Accrued Benefit Obligation over the expected average remaining service lifetime of the active members of the group.

MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at January 1, 2011.

ECONOMIC ASSUMPTIONS

Consumer Price Index

The consumer price index is assumed to be 2.00% per annum.

The assumption used in the prior valuation was 2.30% per annum.

Discount Rate

The rate used to discount future benefits is assumed to be 5.00% per annum. This rate reflects the market interest rates at the measurement date on high-quality debt instruments with consideration given to the timing and amount of projected benefit payments.

The assumption used in the previous valuation was 5.25% per annum.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.30% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

The assumption used in the prior was 3.80% per annum.

Claims Cost Trend Rate

The rates used to project benefits costs into the future are as follows:

	Current Valuation		**Previous Valuation**	
End of Year	***Health***	***Dental***	***Health***	***Dental***
2011*	8.00%	5.00%	7.00%	5.00%
2012	7.63%	5.00%	6.00%	5.00%
2013	7.25%	5.00%	5.00%	5.00%
2014	6.88%	5.00%	5.00%	5.00%
2015	6.50%	5.00%	5.00%	5.00%
2016	6.13%	5.00%	5.00%	5.00%
2017	5.75%	5.00%	5.00%	5.00%

	Current Valuation		Previous Valuation	
End of Year	***Health***	***Dental***	***Health***	***Dental***
2018	5.38%	5.00%	5.00%	5.00%
2019 and Thereafter	5.00%	5.00%	5.00%	5.00%

** Actual benefit cost information for the period June 1, 2011 to May 31, 2012 was provided by the Corporation and reflected in the valuation.*

DEMOGRAPHIC ASSUMPTIONS

Mortality table

Mortality is assumed to be in accordance with the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2020 based upon Projection Scale AA. This is the mortality table to be used in accordance with the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, effective April, 2009 to February, 2011.

Mortality rates are applied on a sex-distinct basis.

The prior valuation assumed the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2015 based upon Projection Scale AA.

Rates of Withdrawal

Termination of employment prior to age 55 is assumed to be equal to 2.00% per annum. This is the same assumption used in the prior valuation.

Retirement Age

All active employees are assumed to retire at age 59, or immediately if currently over age 59 in the current valuation. The assumed retirement age will be increased, if necessary, to the minimum of the age at which 20 years of service is reached and age 65.

This assumption remains unchanged from the prior valuation.

Disability

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement at age 65. This assumption remains unchanged from the previous valuation.

Family/Single Coverage

It is assumed that the coverage type as at January 1, 2011 will remain the same into retirement. For family coverage, it is assumed that the retiree has a spouse of opposite gender and no other dependents. These assumptions remain unchanged from the previous valuation.

Expenses and Taxes

We have assumed 10% of benefits is required for the cost of sponsoring the program for life insurance. We have assumed taxes and expenses are included in the premium rates for extended health and dental benefits. These are the same assumptions that were used in the prior valuation.

SECTION D—
SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation.

GOVERNING DOCUMENTS

The program is governed by the following documents:

- Collective Agreement between Kitchener-Wilmot Hydro Inc. and Local Union 1000 Power Workers' Union effective April 1, 2009 to March 31, 2012.
- Collective Agreement between Kitchener-Wilmot Hydro Inc. and Local Union 636 of the International Brotherhood of Electrical Workers (Office Unit) effective April 1, 2009 to March 31, 2012.

What follows is only a summary of the post retirement non-pension benefits program. For a complete description, please refer to the above-noted documents.

ELIGIBILITY

Upon retirement, all employees of the Corporation are eligible for lifetime post-retirement life insurance. All employees with a minimum of 20 years of active service are eligible for post-retirement extended health and dental benefits.

PARTICIPANT CONTRIBUTIONS

The Corporation shall pay 100% of the cost of the post-retirement life, health and dental benefits for the eligible retirees.

PAST SERVICE

Past service is defined as continuous service prior to joining the plan if the participant was employed by another electrical distribution company/hydro prior to joining the Corporation.

LENGTH OF SERVICE

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

SUMMARY OF BENEFITS

Life Insurance

All eligible retirees are entitled to lifetime post-retirement life insurance as per the MEARIE plan, administered by Great West Life, with coverage as follows:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	If employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings reducing by 2.5% of final annual earnings each year thereafter for 10 years, to a final benefit equal to 25.0% of final annual earnings. Reduction occurs on anniversary date of retirement.	If employee was ever insured under Employee Plan options 2, 3 or 4, **or** if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings	If employee was insured under superseded plan and was hired on or after May 1, 1967 and elected coverage under Option 1 only.
4	70% of the final amount insured for under the life plan immediately prior to retirement.	If employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under Option 1 only.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insureds whose retirement occurred under superseded plan prior to transfer to Great West Life.

Extended Health and Dental Benefits

Eligible employees are entitled to post-retirement health and dental benefits to age 65.

A detailed description of the life, health, and dental benefits covered under the post-retirement non-pension benefits can be found in the above-noted governing documents.

Dion Durrell

SECTION E— EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Kitchener-Wilmot Hydro Inc.
Actuarial Valuation as at January 1, 2011

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Kitchener-Wilmot Hydro Inc. that, to the best of my knowledge and belief, for the purposes of the valuation:

i) the membership data summarized in Section B is accurate and complete;

ii) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2011.

KITCHENER-WILMOT HYDRO INC.

Feb. 13/12
Date

Signature

Margaret Nanninga
Name

Manager of Finance
Title