

UNDERTAKING JT2.40

Undertaking

To add a "total" column to the table in response to board staff interrogatory 124, removes the "2007" column, and cross-add from 2008 to 2015 to the "total" column.

Response

A modified version of Ex. L-6.8-1 Staff-124, Chart 1 is provided below. In addition to removing the "2007 column" and incorporating the requested "total" column, the modified chart also reflects the updated forecast of 2014 - 2015 pension and OPEB costs presented in Ex. L-6.8-1 Staff-112.

In the EB-2010-0008 Decision With Reasons (page 91), the OEB approved the continued use of the accrual method for determining supplementary pension plan ("SPP") and other post retirement benefit ("OPRB") costs in setting OPG's payment amounts. The circumstances with respect to OPG's SPP and OPRB costs and their recovery have not changed since EB-2010-0008.

On an accrual basis, SPP and OPRB costs are incurred and recognized in accordance with generally accepted accounting principles when the related employee service is considered to be rendered and the benefit is considered to be earned, not when the actual benefit payments are made to retirees in the future. It is the earning of the benefit which results in the cost. Reflecting these costs in payment amounts at the time the costs arise results in an appropriate matching of costs and benefits, thereby avoiding intergenerational equity issues as consistent with generally accepted regulatory principles.

Modified Chart 1
OPRB and SPP Amounts¹

\$M	2008 Actual ²	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2015 Plan	Total
Actual/Projected Costs	157.9	120.4	136.1	175.6	203.0	231.3	184.6	192.9	1,401.7
Recoverable Costs	119.2	162.5	161.0 ³	173.2 ⁴	203.0	231.3	184.6	192.9	1,427.7
Actual/Projected Benefit Payments	44.2	43.1	43.4	48.4	57.9	61.2	64.9	71.3	434.4
Recoverable Costs Less Actual/Projected Benefit Payments	75.0	119.4	117.6	124.8	145.1	170.1	119.7	121.6	993.3

¹ Amounts for 2008-2013 exclude those for the newly regulated hydroelectric assets; amounts for 2014 and 2015 include them. Amounts for all years do not include those related to the Nuclear Waste Management Organization.

² Amount for recoverable costs represents 9/12 of the annual amount, as the EB-2007-0905 payment amounts came into effect on April 1, 2008. Amounts for actual costs and benefit payments are for the full year.

³ Represents 12/21 of the sum of 2008 and 2009 amounts, as the EB-2007-0905 payment amounts became effective April 1, 2008 and applied throughout 2010.

⁴ Represents 2/21 of the sum of 2008 and 2009 amounts, plus 10/12 of the 2011 amount, as the EB-2010-0008 payment amounts were effective March 1, 2011