UNDERTAKING J9.6

Undertaking

To provide the results of the funding valuation.

Response

The actuarial valuation for funding purposes as at January 1, 2014 of the Ontario Power Generation Inc. registered pension plan is provided in Attachment 1. This valuation was finalized and filed with the Financial Services Commission of Ontario ("FSCO") earlier this week. This is consistent with OPG's pre-filed evidence that indicated, at Ex. F4-3-1, p. 24, lines 16-18, that this valuation was expected to be prepared in 2014 for filing with the FSCO by September 30, 2014.

As explained in Ex. F4-3-1, p. 24, periodic actuarial valuations of the registered pension plan are required pursuant to the *Pension Benefits Act* (Ontario). These valuations stipulate OPG's projected minimum funding requirements for the plan. The valuations for funding purposes are separate from the accounting actuarial valuations of pension obligations and costs. The funding valuations are performed pursuant to the requirements of the *Pension Benefits Act*, whereas the accounting valuations are prepared for financial reporting purposes in accordance with generally accepted accounting principles ("GAAP").[1]

As noted at Ex. F4-3-1, p. 26, lines 1-2 and discussed further at Ex. J9.1, OPG is seeking recovery of pension and other post employment benefit costs determined on an accrual basis in accordance with US GAAP, not on a cash basis. As such, the finalization of the January 1, 2014 actuarial valuation for funding purposes does not change OPG's forecast of pension and OPEB costs previously provided in the Second Impact Statement (Ex. N2-1-1, Chart 1 and Chart 2, line 1).

At Ex. N2-2-1, Chart 2, line 4, the Second Impact Statement also reflected a forecast of 2014 and 2015 pension plan contributions for the regulated operations of $357.6M and $407.6M, respectively. The revised, lower projection of these contributions based on the January 1, 2014 funding valuation is $321.9M for 2014 and $329.6M for 2015.[2] As pension plan contributions are deductible for income tax purposes (see Ex. F4-2-1, section 3.3.5), these lower contributions would translate into revenue requirement increases of $11.9M in 2014 and $26.0M in 2015.[3]

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[1] For example, the Second Impact Statement at Ex. N2-1-1, p. 4, line 14 and p. 5, lines 1-25 indicated that the updated forecast of 2014 and 2015 pension and other post employment benefit costs provided therein reflected the results of a comprehensive accounting valuation, which was as at December 31, 2013. This accounting valuation was conducted as expected per the first Impact Statement (Ex. N1-1-1, p. 5, lines 1-5).

[2] These amounts are based on projected total OPG contributions, which reflect estimated minimum contributions of $358,237k for 2014 and $363,922k for 2015 found at Attachment 1, p. 19.

[3] Calculated as: $11.9M = [$357.6M (Ex. N2-2-1) less $321.9M (Jan. 1, 2014 valuation)] x 25% / (1-25%); $26.0M = [$407.6M (Ex. N2-2-1) less $329.6M (Jan. 1, 2014 funding valuation)] x 25% / (1-25%)