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File 23907

June 23, 2017

VIA EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli,

Re: Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs (EB-2015-0040)

Pursuant to the Board's letter of May 18, 2017, and the Board's Report, we submit the following comments on behalf of the Power Workers' Union ("PWU").

We apologize for the delay in the filing of this document. We hope you will find the PWU's comments useful.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Richard P. Stephenson
RPS:k

Encl.

cc: John Sprackett
Kim McKenzie

1. Introduction

On May 18, 2017 the Ontario Energy Board ("OEB") issued its Report on the Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs (the "Report"). The Report is the conclusion of the OEB's consultation on the issues identified by the OEB regarding the recovery of utility pension and OPEB expense.

The PWU agrees with the Board that the accrual method is the appropriate default except under certain circumstances wherein flexibility may be required. However, the PWU is of the view that all utilities should be encouraged to apply the default accrual method to ensure consistency and comparability. Moreover, it should not be the Board's regular practice to opt for a method other than the default accrual method if it determines the impact on rate payers would be high otherwise.

2. Comments on Implementation

The PWU adopts OPG's submissions with respect to the implementation matters raised in the report with the exception of the *Mechanics of the new variance tracking account*. According to the OEB report, the primary account will accrue interest when cumulative accrual amounts exceed cash amounts. The contra account (the control variance account), however, will not accrue interest when cash amounts exceed accrual amounts. The application of interest is asymmetrical as interest accumulates only when it is to the benefit of ratepayers.

Accrual and cash amounts are equal in the fullness of time. This would not be the case if interest is applied asymmetrically as proposed. As interest flows from the utility to the ratepayer when accrual exceeds cash but not when cash exceeds accrual, in the fullness of time the utility will recover an amount that is lower than what it is entitled to. In the PWU's view the mechanics of the new variance tracking account violate the fairness principle. The accounting treatment is inconsistently applied according to who benefits rather than allowing recoveries to accurately follow costs.

That this mechanism is "similar to the asymmetric approaches established by the OEB from time to time for capital cost variances and earnings sharing mechanisms"[1] does not support the appropriateness of asymmetric interest application for this account. The purpose of the new variance tracking account should be to ensure just and reasonable rates and not to discriminate based on who would benefit from the mechanics selected.

[1] EB-2015-0040, Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, 18 May 2017, Page 10

In the PWU's view, the mechanics of the new variance tracking account would necessarily reduce a utility's earnings, from a time value of money perspective, when the utility is owed money. The PWU therefore proposes symmetric carrying charges to the tracked variance between forecast accrual amount in rates and the actual cash payments made.

All of which is respectfully submitted.