

UNDERTAKING J15.3

Undertaking

To provide the impacts for increases and decreases of 25, 50, 75 and 100 basis points to the pension and OPEB costs.

Response

The approximate impacts of the indicated changes in the discount rate on OPG's company-wide 2007 pension and OPEB costs are as follows (\$M):

Discount Rate Change	Impact of Discount Rate Increase on Pension/ OPEB Costs (\$M)	Impact of Discount Rate Decrease on Pension/OPEB Costs (\$M)
25 basis points	(50)	50
50 basis points	(110)	110
75 basis points	(150)	160
100 basis points	(180)	210

The impacts of a 25 basis point increase and decrease in the discount rate shown above were determined by OPG's consulting actuaries (Ex. J1-T3-S1, page 13, lines 25-27 and footnote 1). The other increases and decreases shown above were estimated by OPG. The methodology employed by OPG to arrive at these estimates was reviewed with the consulting actuaries and was found by them to be reasonable for the purposes of this response. The impacts of discount rate changes shown in the table above appear more non-linear and asymmetrical as the magnitude of the changes increases largely due to the impact of the "corridor approach", which is described in Ex. F3-T4-S1, section 7.3.1 and the response to undertaking J14.4.

The impacts of discount rate changes on pension and OPEB costs shown above include the impact on all the components of pension and OPEB costs that vary with the discount rate (as discussed in the response to undertaking J14.4). In contrast, the sensitivity of pension and OPEB costs to a 25 basis point change in the discount rate of \$16M presented on pg. 46 of OPG's Management's Discussion and Analysis ("MD&A") for 2007 (Ex. A2-T1-S1, Appendix A) only comprises the impact on the current service costs and interest on projected benefit obligation components of pension and OPEB costs. The analyses presented in this exhibit and in J14.4 are, therefore, a more appropriate basis for assessing the sensitivity of pension and OPEB costs to a change in the discount rate for the purposes of the proposed Pension/OPEB Cost Variance Account.