Board Staff Interrogatory #303

Interrogatory

Reference:
Exhibit F4 / Tab 3 / Schedule 2 / p. 3

Preamble:

Chart 1 at Exhibit F4 / Tab 3 / Schedule 2 / p. 3 shows the total pension and OPEB accrual costs.

a) For the 2016 to 2020 period, please provide a table comparing forecasted pension and OPEB accrual costs in OPG's 2017-2021 Payment Amounts Proceeding to the actual pension and OPEB accrual costs shown in Chart 1 at Exhibit F4 / Tab 3 / Schedule 2 / p. 3.

b) If the 2021 to 2026 pension and OPEB accrual costs were forecasted in a past OPG proceeding, please provide a table comparing this prior forecast to the current forecast shown in Chart 1 at Exhibit F4 / Tab 3 / Schedule 2 / p. 3.

c) For the tables provided in response to parts (a) and (b) above, please discuss the reasons for the differences presented in those tables.

Response

a) The requested table for the nuclear facilities is provided below. The 2017-2020 forecast shown was originally provided in late 2016.

Chart 1

Line No.		Reference	2016	2017	2018	2019	2020
	Pension:						
1	EB-2020-0290	2016-2019: Ex. F4-3-2, Chart 1 2020: Updated for Actual	293.3	192.5	218.3	199.0	124.0
2	EB-2016-0152	2016: Ex. F4-3-2, Chart 2 2017-2020: Ex. N1-1-1, Chart 3.1.2	294.6	214.4	174.0	166.2	163.5
3	Difference		(1.3)	(21.9)	44.3	32.8	(39.5)
	OPEB:						
4	EB-2020-0290	2016-2019: Ex. F4-3-2, Chart 1 2020: Updated for Actual	150.7	167.2	172.1	164.2	179.0
5	EB-2016-0152	Ex. N1-1-1, Chart 3.1.2	192.6	169.8	174.5	178.5	182.7
6	Difference		(41.9)	(2.6)	(2.4)	(14.3)	(3.7)
	Total:						
7	Difference	Line 3 + Line 6	(43.2)	(24.5)	41.9	18.5	(43.2)

b) The requested table for the nuclear facilities is provided below, based on the forecasted costs for 2021-2024 presented in EB-2018-0243 (no forecasts were presented for 2025 and 2026). This forecast was originally provided in late 2018.

Chart 2

Line No.		Reference	2021	2022	2023	2024
	Pension:					
1	EB-2020-0290	Ex. F4-3-2, Chart 1	171.1	154.0	134.2	111.7
2	EB-2018-0243	Ex. H-Staff-12, Chart 3	71.2	55.5	41.3	41.6
3	Difference		99.9	98.5	92.9	70.1
	OPEB:					
4	EB-2020-0290	Ex. F4-3-2, Chart 1	154.8	157.7	159.9	161.1
5	EB-2018-0243	Ex. H-Staff-12, Chart 3 (corrected version)	163.7	167.1	171.9	177.4
6	Difference		(8.9)	(9.4)	(12.0)	(16.3)
	Total:					
7	Difference	Line 3 + Line 6	91.0	89.1	80.9	53.8

c) Main reasons for the differences in Chart 1 are as follows:

- The 2016 difference in OPEB cost is primarily due to lower actual long-term disability ("LTD") cost due to the impact of a comprehensive accounting valuation conducted to determine OPG's year-end 2016 plan obligations, reflected through an actuarial gain recorded at the end of 2016 (EB-2018-0243, Ex. H1-1-1, pp. 16-17);
- The 2017 difference in pension cost is primarily to due to the impact of higher discount rates, as at December 31, 2016, used to determine the 2017 costs, partially offset by the impact of lower than expected pension fund asset value (EB-2018-0243, Ex. H1-1-1, p. 17);
- The 2018 difference in pension cost is primarily due to the impact of higher discount rates, as at December 31, 2017, for determining the interest cost on projected benefit obligation, and the impact of lower discount rates, as at December 31, 2017, for determining the projected benefit obligation and current service cost. As noted at Ex. F4-3-2, pp. 6-7, under the Full Yield Curve Approach, individual spot rates along the same yield curve are applied to discount each future year's underlying projected benefit payments to determine the current service cost, and multiplied by each year's present value of future projected benefit payments to determine the interest cost;
- The 2019 difference in pension cost is primarily due to the impact of higher discount rates, as at December 31, 2018, for determining the interest cost on projected benefit obligation, and the impact of lower than expected pension fund

asset value, partially offset by the impact of higher discount rates, as at December 31, 2018, for determining the projected benefit obligation and current service cost. The 2019 difference in OPEB cost is primarily due to the impact of higher discount rates, as at December 31, 2018, used to determine the 2019 costs, and the impact of lower expected per capita health care benefit costs;

- The 2020 difference in pension cost is primarily due to the impact of a reduction in the inflation rate assumption from 2.0% to 1.75%, higher than expected year end 2019 pension fund asset value, lower regular employee headcounts and updated plan membership data, and the reduction in the near-term salary escalation rate assumption to reflect Bill 124 provisions (see Ex. F4-3-1). These factors were partially offset by the impact of lower discount rates, as at December 31, 2019, used to determine the 2020 costs.

Main reasons for the differences in Chart 2 are as follows:

- The 2021 to 2024 differences in pension costs are primarily due to lower projected year-end 2020 pension fund asset value, based on the actual asset value as of June 2020, and the impact of a reduction in discount rates since EB-2018-0243 used to project the 2021 to 2026 costs, partially offset by the impact of a reduction in the inflation rate assumption from 2.0% to 1.75% as at December 31, 2019 and lower regular employee headcounts. As noted at Ex. F4-3-2, p. 8, discount rates used to project pension and OPEB costs in this application were determined by an independent actuary as of the end of June 2020;
- The 2021 to 2024 differences in OPEB costs are primarily due to the impact of a reduction in discount rates since EB-2018-0243 used to project the 2021 to 2026 costs and lower regular employee headcounts.