Board Staff Interrogatory #83

Interrogatory

Reference:
Exhibit C2 / Tab 1 / Schedule 1 / p. 17

Preamble:

OPG stated that for the segregated funds, fund earnings are forecasted at the target rate of 5.15% consistent with the discount rate per the approved 2017 ONFA Reference Plan, and fund disbursements.

Question(s):

a) Please provide the actual annual rate of return on the segregated funds from 2014 to 2020.

b) For 2014 to 2020, please provide the annual weighted average actual rate of return on the segregated funds, after capping the return of the first 2.23 million fuel bundles at the guaranteed rate of return.

Response

a) OPG's actual annual rates of return on the Decommissioning Segregated Fund and Used Fuel Segregated Fund are provided in Chart 1 below, before the impact of the Provincial rate of return guarantee for the portion of the Used Fuel Segregated Fund attributed to the first 2.23 million used fuel bundles. The rates presented recognize that, as noted at Ex. C2-1-1, p. 13, line 22 to p. 14, line 6, when the funds are in a surplus position, earnings are recognized at the rate of growth of the underlying funding liability per the approved ONFA reference plan in effect (as OPG does not have any right to the surplus funding).

Chart 1
Actual Rates of Return on Segregated Funds (%)

	2014	2015	2016	2017	2018	2019	2020
Decommissioning Fund	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Used Fuel Fund	11.43	5.15	5.15	5.15	5.15	5.15	5.15

b) OPG's actual annual rates of return on the Decommissioning Segregated Fund and Used Fuel Segregated Fund are provided in Chart 2 below, after the impact of the Provincial rate of return guarantee for the portion of the Used Fuel Segregated Fund attributed to the first 2.23 million used fuel bundles. As in part a), the rates presented recognize that when the funds are in a surplus position, earnings are recognized at the rate of growth of the underlying funding liability per the approved ONFA reference plan in effect.

For clarity, the rate of return guarantee on earnings for the portion of the Used Fuel Segregated Fund attributed to the first 2.23 million is not a "cap" but rather a risk reduction mechanism. The guarantee works in both directions in that it serves to increase fund returns when market returns are below the guaranteed rate and to decrease fund returns when market returns are above the guaranteed rate.

Chart 2
Actual Rates of Return on Segregated Funds after Impact of Provincial Guarantee (%)

	2014	2015	2016	2017	2018	2019	2020
Decommissioning Fund	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Used Fuel Fund[1]	6.86	4.55	5.15	5.15	5.15	5.15	5.15

[1] For applicable years, calculated as the arithmetic weighted average, by opening fund balance, of the return rate for the fund portion attributed to the first 2.23 million used fuel bundles and the return rate for the remaining portion.