Board Staff Interrogatory #305

Interrogatory

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

Question(s):

a) Regarding pension and OPEB accrual costs, please provide a sensitivity analysis in table form on the pension and OPEB-related 2022-2026 revenue requirements for the following management assumptions:

   i. Inflation rate - show the impact of an increase / decrease of 0.25%

   ii. Discount rate – show the impact of an increase / decrease of 0.25%

   iii. Expected long-term rate of return - show the impact of an increase / decrease of 0.25%

   iv. Salary Increases return - show the impact of an increase / decrease of 0.25%

   v. Health care cost trend rate - show the impact of an increase / decrease of 1.00%

Response

OPG's external actuary, Aon, has estimated the impact on the total OPG forecast pension and OPEB accrual costs for each of the years 2022-2026, which underpin the nuclear portion of these costs shown at Ex. F4-3-2, Chart 1, of a change in each of the assumptions requested in the question, holding all other assumptions constant. The change was assumed to take place as at December 31, 2020, with the cumulative effect reflected for each of the subsequent years. The resulting impacts were attributed to the nuclear facilities in the same proportion as the forecast amounts in the pre-filed evidence. These sensitivities are not additive because the impacts of changes in actuarial assumptions are interrelated, and the impact of a change of a different magnitude for a given assumption is not necessarily proportional to those provided.

The estimated increases (decreases) in the proposed revenue requirements resulting from the above calculations are shown in Chart 1. These impacts are determined on

the basis of pension and OPEB costs reflected in OM&A expenses and are inclusive of associated income tax impacts (calculated at 25% tax rate /(1-25% tax rate)).

Chart 1
Sensitivities of Proposed Revenue Requirements to Changes in Pension and OPEB Cost Assumptions

(millions of dollars)	**2022**	**2023**	**2024**	**2025**	**2026**
Expected long-term rate of return (Pension only)					
0.25% increase	(40)	(43)	(47)	(50)	(52)
0.25% decrease	40	43	46	49	50
Discount rate					
0.25% increase	(61)	(57)	(54)	(47)	(41)
0.25% decrease	73	69	64	56	48
Inflation[1]					
0.25% increase	108	101	94	84	74
0.25% decrease	(100)	(94)	(88)	(78)	(69)
Salary increases					
0.25% increase	27	26	24	21	17
0.25% decrease	(25)	(25)	(23)	(20)	(17)
Health care cost trend rate (OPEB only)					
1% increase	77	77	76	73	67
1% decrease	(28)	(29)	(30)	(30)	(29)

[1] With a corresponding change in the assumed rate of salary increases.