SEC Interrogatory #152

Interrogatory

Reference: F4-3-1, p.21; EB-2016-0152 Decision and Order, p.82

In the Decision and Order in EB-2016-0152, the Board found that "OPG's overall pension and benefits costs are clearly excessive, and it will make disallowances as described below." Please explain what changes OPG has made to its pension and benefit costs since the EB-2016-0152 decision. Please quantify the changes.

Response

OPG is controlling and reducing pension and benefit costs since EB-2016-0152 in several ways.

First, OPG has successfully extended its ability to hire Term employees, in 2018 and most recently in January 2021, through renewal of collective agreements with the PWU (Ex. L-F4-03-SEC-143 and Ex. L-F4-03-SEC-145). Additionally, OPG achieved a similar category of Society ETEs, beginning in 2020 (Ex. L-F4-03-SEC-143). As discussed in Ex. F4-3-1, these employees are ineligible to join OPG's pension and OPEB plans, which is estimated to reduce OPG's costs in this application by approximately [redacted] over the 2022-2026 period. This is in addition to estimated savings of approximately [redacted] expected to be achieved by the end of the current IR term, the benefits of which are being returned to customers through OPG's pension related deferral and variance accounts.

Second, OPG has successfully maintained the previously negotiated changes to its pension plan provisions that modify retirement eligibility rules (from Rule 82 to Rule 85) and earnings basis for pension benefits calculation (from the highest three consecutive years of earnings to the highest five) provided to represented employees for service after March 31, 2025. Given the post-2021 effective date, the impact of these reforms was not applicable to the EB-2016-0152 forecasts but begins to reduce OPG's pension costs in the 2022-2026 period. OPG estimates the associated costs savings in this application to be approximately [redacted].[1]

Third, as noted in Ex. F4-3-1, p. 20, lines 9-26, OPG has negotiated restrictions in two benefit areas for PWU and Society-represented employees since EB-2016-0152. The changes implement a cap on the frequency of dispensing fees for maintenance level

[1] Inclusive of retirement eligibility changes for Management employees (Ex. F4-3-1, p. 19, lines 21-24).

drugs and mandate use of the lowest price equivalent for drugs. The same restrictions were also applied to Management employees. Net of modest benefit improvements provided to PWU and Society-represented employees in exchange for these changes, OPG estimates resulting savings in benefit costs in this application by approximately [redacted] over the 2022-2026 period, in addition to savings of approximately [redacted] projected in the current IR term.

Overall, the level of pension and OPEB costs (accrual) OPG is forecasting in this application is over $350M, or 22%, lower over the 2022-2026 period compared to what OPG forecasted for recovery (cash basis) in EB-2016-0152. The 2022-2026 IR term accrual costs in this application are also over $480M, or 27%, lower than the accrual costs forecasted in EB-2016-0152[2] and over $440M, or 26%, lower than those actual/projected costs for the 2017-2021 period.

[2] The EB-2016-0152 forecasted accrual costs can be found in Ex. L-F4-03-Staff-303, Chart 1.