

Board Staff Interrogatory #236

Interrogatory

Reference:

Ref 1: Exhibit F4 / Tab 3 / Schedule 2 / pp. 1, 3, 5-8

Ref 2: Exhibit H1 / Tab 1 / Schedule 1

Preamble:

Reference 1 presents both forecast accrual costs and forecast cash amounts, as well as the differential between the accrual costs and cash amounts. The exhibit also supports the request for disposition of balances in the various pension and other post-retirement benefits (OPEB) deferral and variance accounts (DVAs).

OPG notes that the operation of these DVAs is discussed in Reference 2, including the continued application of the account that records interest on the difference between pension and OPEB accrual costs and cash amounts.

Question(s):

- a) For each historical year for which amounts have been recorded in the applicable pension and OPEB DVAs and are relevant to the balances requested for disposition in this proceeding, please provide a reconciliation of:
 - i. The pension and OPEB amounts included in revenue requirement
 - ii. the actual accrual costs
 - iii. the actual cash funding or cash payment amounts
 - iv. the actual amounts recorded in each applicable pension and OPEB variance and deferral account.
- b) For each forecast year of 2026-2031, please provide a bridge between:
 - i. The pension and OPEB amounts included in the revenue requirement
 - ii. The forecast cash funding or cash payment amounts
 - iii. The forecast amounts expected to be recorded in the applicable pension and OPEB DVAs.
- c) Please explain the key reasons for the differences among the amounts in question a and b, including the extent to which the differences related to accounting treatment, funding valuation methodology, or timing.

- 1 d) Please confirm whether the same cost components reflected in forecast revenue
2 requirement are also the basis for determining the actual or forecast amounts
3 recorded in the applicable accounts. If not, please explain the differences.
4
5

6 **Response**
7

- 8 a) Refer to Ex. H1-1-1, Tables 7, 7a, and 7b that show the calculations of the amounts
9 recorded to OPG's pension and OPEB related deferral and variance accounts (for
10 2023 and 2024) that are requested for disposition in this proceeding, with reference
11 to the relevant accrual costs and cash amounts. The entries to these accounts have
12 been made in accordance with the EB-2020-0290 Payment Amounts Order.
13

- 14 b) Attachment 1, Tables 1, 1a, and 1b provide the details of the forecast additions to
15 OPG's pension and OPEB related deferral and variance accounts for 2026 in the
16 same manner as Ex. H1-1-1, Tables 7, 7a, and 7b for the actual 2023 and 2024
17 additions. These 2026 forecast additions are as shown in the continuity schedule
18 for year 2026 forecast deferral and variance account activity provided at Ex. L-H1-
19 Staff-260, Attachment 2, Table 2. Additionally, the details of such actual 2025
20 additions can be found at Ex. L-H1-Staff-260, Attachment 1, Tables 7, 7a, and 7b.
21 The account entries recorded in 2025 and forecast to be recorded in 2026 in
22 accordance with the EB-2020-0290 Payment Amounts Order.
23

24 OPG does not have projections of likely amounts to be recorded in the pension and
25 OPEB related deferral and variance accounts over the 2027-2031 IR term, and is
26 unable to assess a potential range of such amounts at this time, as variances would
27 depend on a host of variables that are outside of OPG's control and are very difficult
28 to predict.
29

- 30 c) With respect to the pension and OPEB accrual costs, which differences are relevant
31 for additions to OPG's Pension and OPEB Cost Variance Account, the key drivers
32 can be found at Ex. F4-3-2, Section 4.3.1.
33

34 With respect to the pension and OPEB cash amounts, which differences are
35 relevant for additions to the Pension & OPEB Cash Payment Variance Account, the
36 key driver is the difference in registered pension plan contributions relative to the
37 higher reference amounts that are based on the January 1, 2014 actuarial valuation
38 (for funding purposes) of the registered pension plan that underpinned the
39 regulated hydroelectric revenue requirements approved in the EB-2013-0321
40 proceeding.
41

42 With respect to the differences between pension and OPEB accrual costs and cash
43 amounts, which are relevant for additions to the Pension & OPEB Cash Versus

1 Accrual Differential Deferral Account and the Pension and OPEB Forecast Accrual
2 versus Actual Cash Payment Differential Variance Account, the key driver is the
3 inherent difference in the constructs that each of these amounts represent. Pension
4 and OPEB accrual costs represent the cost of future benefits earned by employees
5 for providing service in a given period as determined in accordance with US GAAP.
6 The various components of these costs and the key methods and assumptions
7 used to derive them are discussed in Ex. F4-3-2, Section 4.0. Pension and OPEB
8 cash amounts represent, for the registered pension plan, the estimated employer
9 pension plan contributions in accordance with the *Pension Benefits Act* (Ontario)
10 and, for the other benefit plans, amounts paid to retirees, dependents and other
11 beneficiaries in accordance with the provisions of these plans. The components of
12 the registered pension plan contributions and the key methods and assumptions
13 used to derive them are discussed in Ex. F4-3-2, Section 5.0. A further discussion
14 of the differences in material assumptions and methodologies used to determine
15 accrual costs and funding contributions for the registered pension plan can be
16 found at Ex. L-F4-Staff-234. For the other plans, benefit payments in a particular
17 year bear no relationship to the accrual costs for that year.
18
19 d) Confirmed.

Numbers may not add due to rounding.

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 EB-2025-0297
 Exhibit L
 F4-Staff-236
 Attachment 1
 Table 1

Table 1
 Pension & OPEB Cash Payment Variance Account and Pension & OPEB Cash Versus Accrual Differential Deferral Account
Projected Summary of Account Transactions - 2026 (\$M)

Line No.	Particulars	Note	Budget 2026		
			Regulated Hydroelectric	Nuclear ⁴	(a)+(b) Total
			(a)	(b)	(c)
1	Forecast Pension Contributions	1	45.1	0.0	45.1
2	Forecast OPEB Payments	1	12.8	0.0	12.8
3	Total Forecast Pension and OPEB Cash Amounts (line 1 + line 2)		58.0	0.0	58.0
4	Projected Pension Contributions	2	19.5	0.0	19.5
5	Projected OPEB Payments	2	22.1	0.0	22.1
6	Total Projected Pension and OPEB Cash Amounts (line 4 + line 5)		41.6	0.0	41.6
7	Total Addition to Pension & OPEB Cash Payment Variance Account (line 6 - line 3)		(16.4)	0.0	(16.4)
8	Projected Pension - Registered Pension Plan (RPP) Accrual Costs	3	1.7	0.0	1.7
9	Projected OPEB - Non-RPP Accrual Costs	3	36.8	0.0	36.8
10	Total Projected Pension and OPEB Accrual (line 8 + line 9)		38.5	0.0	38.5
11	Addition to Pension & OPEB Cash Versus Accrual Differential Deferral Account - RPP (line 8 - line 4)		(17.8)	0.0	(17.8)
12	Addition to Pension & OPEB Cash Versus Accrual Differential Deferral Account - Non-RPP (line 9 - line 5)		14.7	0.0	14.7
13	Total Addition to Pension & OPEB Cash Versus Accrual Differential Deferral Account (line 11 + line 12)		(3.0)	0.0	(3.0)

Notes:

- 1 Col. (a) per EB-2020-0290 Payment Amounts Order, App. E, p. 12.
- 2 Col. (a) from Ex. F4-3-2, Chart 5.
- 3 Col. (a) from Ex. F4-3-2, Chart 2.
- 4 As per the EB-2020-0290 Payment Amounts Order, App. E, p. 12, no additions are recorded to the Pension & OPEB Cash Payment Variance Account or the Pension & OPEB Cash Versus Accrual Differential Deferral Account for the nuclear facilities beginning in 2022 as the nuclear revenue requirements approved in that proceeding reflected pension and OPEB costs calculated on an accrual basis.

Numbers may not add due to rounding.

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 Exhibit L
 F4-Staff-236
 Attachment 1
 Table 1a

Table 1a
 Pension & OPEB Forecast Accrual Versus Actual Cash Payment Differential Variance Account - Primary, Contra and Carrying Charges Sub-Accounts
Projected Summary of Account Transactions - 2026 (\$M)

Line No.	Particulars	Note	Budget 2026		
			Regulated Hydroelectric (a)	Nuclear (b)	(a)+(b) Total (c)
1	Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral - Registered Pension Plan (RPP) - EB-2018-0243 Approved	1	8.3	53.2	61.5
2	Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral - Non-RPP - EB-2018-0243 Approved	1	0.0	0.0	0.0
3	Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral - Post-2017 Additions - EB-2020-0290 Approved	1	8.8	55.6	64.5
4	Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral - Post-2019 Additions	2	11.2	65.9	77.2
5	Projected Pension and OPEB Accrual Costs - Nuclear	3	0.0	200.5	200.5
6	Projected Pension and OPEB Cash Amounts - Nuclear	4	0.0	214.5	214.5
7	Total Addition to Primary Sub-Account Tracking Balance (line 1 + line 2 + line 3 + line 4 + line 5 - line 6)		28.3	160.9	189.2
8	Total Addition to Contra Sub-Account Tracking Balance (line 7 x -1)		(28.3)	(160.9)	(189.2)
9	Net Total Addition to Primary and Contra Sub-Accounts Tracking Balances		0.0	0.0	0.0
10	Primary Sub-Account Tracking Credit Balance - Opening	5	127.1	572.5	699.6
11	Primary Sub-Account Tracking Credit Balance - Closing (line 7 + line 10)		155.4	733.4	888.8
12	Total Addition to Carrying Charges Sub-Account	6	(5.9)	(27.1)	(33.0)

Notes:

- 1 Col. (a) per EB-2020-0290 Payment Amounts Order, App. C, Table 1, lines 10-12, col. (l).
Col. (b) per EB-2020-0290 Payment Amounts Order, App. D, Table 1, lines 15-17, col. (l).
- 2 Col. (a) per EB-2023-0336 Decision and Order, App. A, Table 1, line 12, cols. (i).
Col. (b) per EB-2023-0336 Decision and Order, App. A, Table 2, line 16, cols. (i).
- 3 Col. (b) from Ex. L-F4-Staff-236, Table 1b, line 6, col. (a).
- 4 Col. (b) from Ex. F4-3-2, Chart 4.
- 5 Cols. (a) and (b) from Ex. L-H1-Staff-260, Attachment 1, Table 7a, line 11, cols. (g) and (h), respectively.
- 6 Carrying charges are calculated on the monthly opening cumulative balance in the Primary Sub-Account (when in a credit position) using the OEB's prescribed Construction Work in Progress rate as at Q4 2025 of 4.23%.

Numbers may not add due to rounding.

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 Exhibit L
 F4-Staff-236
 Attachment 1
 Table 1b

Table 1b
 Pension and OPEB Cost Variance Account - Nuclear
Projected Summary of Account Transactions - 2026 (\$M)

Line No.	Particulars	Note	Budget 2026
			(a)
1	Forecast Accrual Pension Costs	1	36.7
2	Forecast Accrual OPEB Costs	1	146.8
3	Total Forecast Accrual Pension and OPEB Costs (line 1 + line 2)	2	183.5
4	Projected Accrual Pension Costs	3	10.0
5	Projected Accrual OPEB Costs	3	190.5
6	Total Projected Accrual Pension and OPEB Costs (line 4 + line 5)		200.5
7	Addition to Variance Account - Pension Costs (line 4 - line 1)		(26.7)
8	Addition to Variance Account - OPEB Costs (line 5 - line 2)		43.7
9	Addition to Variance Account - Income Tax Impact	4	9.9
10	Total Addition to Variance Account (line 7 + line 8 + line 9)		27.0

Notes:

- 1 From EB-2020-0290, Ex. F4-3-2, Chart 1.
- 2 From EB-2020-0290 Payment Amounts Order, App. E, p.10, line 28.
- 3 From Ex. F4-3-2, Chart 1.
- 4 The income tax impact of the pension and OPEB cost additions to the account is calculated as follows (\$M):

Line No.	Particulars	Note	Budget 2026
			(a)
1a	Forecast Income Tax Impact	*	(14.6)
	Projected Additions to / Deductions from Regulatory Earnings Before Tax:		
2a	Projected Accrual Pension Costs (line 4)		10.0
3a	Projected Accrual OPEB Costs (line 5)		190.5
4a	Less: Projected Pension Contributions	**	100.4
5a	Less: Projected OPEB Payments	**	114.1
6a	Net Additions to Regulatory Earnings Before Tax (line 2a + line 3a - line 4a - line 5a)		(13.9)
7a	Projected Income Tax Impact (line 6a x 25% / (1 - 25%))		(4.6)
8a	Addition to Variance Account - Income Tax Impact (line 7a - line 1a)		9.9

* From EB-2020-0290 Payment Amounts Order, App. E, p. 11, line 2.

** From Ex. F4-3-2, Chart 4.