

**Ontario Energy  
Board**

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**Commission de l'énergie  
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**VIA E-MAIL AND WEB POSTING**

May 18, 2017

To: All Registered Stakeholders

**Re: Consultation on the Regulatory Treatment of Pensions and  
Other Post-Employment Benefit Costs  
Board File Number EB-2015-0040**

The Ontario Energy Board (OEB) initiated a consultation on the regulatory treatment of pension and other post-employment benefit (OPEB) costs by way of a letter dated May 14, 2015. The OEB is now issuing a Report of the OEB for comment on implementation matters.

This OEB Report is the result of a consultation process that involved 28 participants, including rate regulated utilities across both the electricity and natural gas sectors, labour unions of energy sector employees and representatives of energy consumers. Parties had the opportunity to make submissions and make presentations at a stakeholder forum in July 2016. The OEB has considered over 30 separate submissions, in addition to KPMG's report, in developing this Report.

This Report establishes the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost-based applications, unless that method does not result in just and reasonable rates in the circumstances of any given utility. The Report also provides for the establishment of a variance account to track the difference between the forecast accrual amount in rates and actual cash payments made, with asymmetric carrying charges in favour of ratepayers applied to the differential. Attached to this Report are appendices outlining the accounting guidance related to the variance accounts discussed in the Report.

At this time, the OEB would be assisted by comments on the following implementation matters:

- Effective date of the new variance tracking account
- Mechanics of the new variance tracking account
- The manner in which carrying charges are applied to balances tracked in previously established variance accounts
- The requirement to track only the gross accrual cost as opposed to identifying amounts expensed vs. capitalized
- The timing of the OEB's consideration of a transition to the accrual method for utilities currently on cash
- The timing of the disposition of both the new and previously established variance accounts

The OEB had anticipated that following the determination of guiding principles and the policy for recovery mechanisms, a second phase of the consultation might be necessary to address transition issues and information requirements. However, given the policy determinations in the Report, the OEB is of the view that a second phase is not necessary. The OEB will consider potential information requirements incrementally, as it updates its filing requirements for rate applications and proceeds with its work on benchmarking.

Comments should be filed with the OEB by June 22, 2017. Questions on this consultation can be addressed to Ted Antonopoulos at [theodore.antonopoulos@oeb.ca](mailto:theodore.antonopoulos@oeb.ca) or 416-440-8137.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary