SCOTT POLLOCK
T 613.787.3541
spollock@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1300
Ottawa, ON, Canada K1P 1J9
T 613.237.5160
F 613.230.8842
blg.com

Borden Ladner Gervais

Our File No. 339583-000209

By electronic filing

June 22, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Consultation on the Regulatory Treatment of Pensions and Other Post-Employment Benefit ("OPEBs") Costs
Board File #: EB-2015-0040

Pursuant to the Board's letter of May 18, 2017, and the Board's Report, we submit the following comments on behalf of Canadian Manufacturers & Exporters ("CME").

CME has reviewed the Report of the Ontario Energy Board regarding the treatment of pension and OPEBs costs. In that report, the Board concluded that pension and OPEBs costs will be included in rates on an accrual accounting basis unless it would not result in a just and reasonable rate.

The Board further determined that there would be an asymmetrical carrying charge applied to variances where the accrual amount is greater than the cash amount.

CME supports this approach, and supports the Board's efforts to benchmark pension and OPEBs costs to those of similar businesses.

The report requested comments on six elements regarding implementation of the new accrual accounting and variance account system. CME has the following comments regarding certain elements of the implementation.

Identifying Amounts Expensed v. Capitalized

CME supports the Board's comments regarding the appropriate interest rate. The proper interest rate to apply to the new tracking account would be to separate the CWIP rate for amounts expensed and the utility's WACC for capitalized amounts. As described in the report, the difference in interest rates is significant, considering the prescribed CWIP rate is 2.81% and most utilities have a WACC of 6.5%. This difference could provide a great deal of incremental value to ratepayers.

We also agree with School Energy Coalition's analysis that it would be unjust to ask ratepayers to pay utilities for a cost of capital at 6.5% for example, and only provide 2.81% interest to those same ratepayers who are essentially providing that capital to the utility.

Given the potential amounts and what those amounts mean to ratepayers, CME believes that it would be a net benefit to track expensed and capitalized amounts separately, despite any increase in administrative complexity.

Disposition of Accounts

CME agrees that the appropriate time to deal with the clearance of previously approved accounts is at the next rebasing application. This would prevent a multiplicity of proceedings and should be preferred.

We would add that we support the rate riders being applied against the approved balance consistently throughout the recovery period. This would ensure rate predictability and allow for large users to budget their costs appropriately.

Yours very truly

Borden Ladner Gervais LLP

Scott Pollock

c. EB-2015-0040 Interested Parties
Paul Clipsham and Ian Shaw (CME)

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