

1       Q. Please provide a detailed explanation of the variance of Corporate Group  
2       Benefits from Test Year 2002 to actual 2002 and forecast 2003 & 2004  
3       (Finance and Corporate Services evidence, Schedule XIII, line 9).  
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6       A. The actual 2002 costs of Corporate Group Benefits were lower than test year  
7       2002. The plan had been renewed on October 1 of each year. However,  
8       this was changed in 2002 such that all future benefit changes and premium  
9       rates will be implemented on January 1, 2003 and on that date each year  
10      thereafter, to be consistent with Hydro's budgeting schedule. Consequently,  
11      the premium rate changes that would normally have come into effect in  
12      October of 2002 were deferred until January 1, 2003, resulting in a lower  
13      actual Group Benefit cost than anticipated.  
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15      The forecast for 2003 & 2004 is higher, due primarily to increased utilization  
16      and higher costs on drugs covered under the plan and expanded benefit  
17      coverage for temporary employees.