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September 21, 2016

VIA RESS AND COURIER

Mx. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

RE: EB-2016-0160 Hydro One Networks Inc. ("Hydro One") Concordance of Revised Evidence

As the parties will recall, Hydro One filed blue book revisions to its Application (Updated Application and Evidence Package) on July 20, 2016. During the IR process, Hydro One discovered some errors in its evidentiary record and introduced corrections in its responses, specifically in two areas. One of these areas is pension costs – the related CCA balances and income tax costs, and the second area is executive compensation costs. These corrections are set out below:

- (a) test year pension OMA and capital costs were corrected during the interrogatory process to properly reflect the values set out in the final pension valuation report;¹
- (b) the income tax effect of the change in pension costs, which was corrected during the interrogatory process, from the amounts originally provided in Exhibit C2, Tab 4, Schedule 1, Attachment 1;²
- (c) executive compensation costs for Hydro One's new Chief Legal Officer, Chief Operating Officer, and Executive Vice President of Customer and Corporate Affairs, which were corrected during the interrogatory process;³ and
- (d) double-counting of the long-term incentive component of Hydro One's Chief Executive Officer and Chief Financial Officer compensation costs in the Application.⁴

¹ Exhibit I, Tab 1, Schedule 131.

² Exhibit I, Tab 1, Schedule 137.

³ Exhibit I, Tab 11, Schedules 24 & 29.

⁴ Long term incentive component was accounted for in Exhibit I, Tab 4, Schedule 12: line item for "Corporate Management Costs", and Exhibit C1-3-3, Table 12: line item for "Other" OMA Costs.

Attached as **Schedule "A"** is an updated Exhibit E2, Tab 1, and Schedule 1, which provides a revised calculation of the applied-for revenue requirement for each test year reflecting the corrections described in (a) and (b) above, only. The net effect of (c) and (d) above should be an increase of \$300,000 in the applied-for revenue requirement for each test year; however, Hydro One is not seeking to recover the net change in additional corporate costs.

Hydro One notes that Mr. Hubert will be available to address these matters further at the Technical Conference scheduled for tomorrow, September 22, 2016.

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Yours truly,

McCarthy Tétrault LLP

Per:


For: Gordon M. Nettleton

GMN

Schedule "A"

See attached.

HYDRO ONE NETWORKS INC.
 TRANSMISSION
 Calculation of Revenue Requirement
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	Blue Page		Tech Conf Updates		Revised	
		2017 (a)	2018 (b)	2017 (a)	2018 (b)	2017 (a)	2018 (b)
	Cost of Service						
1	Operating, maintenance & administrative (Note 1)	\$ 413.1	\$ 411.2	\$ (0.4)	\$ (1.9)	\$ 412.7	\$ 409.3
2	Depreciation & amortization	435.7	470.7	0.0	0.0	435.7	470.7
3	Capital taxes	0.0	0.0	0.0	0.0	0.0	0.0
4	Income taxes (Note 2)	81.3	90.4	6.7	5.8	88.1	96.2
5	Cost of service excluding return	<u>\$ 930.1</u>	<u>\$ 972.3</u>	<u>\$ 6.3</u>	<u>\$ 3.9</u>	<u>\$ 936.5</u>	<u>\$ 976.2</u>
6	Return on capital	\$ 671.5	710.3	0.0	0.0	671.5	\$ 710.3
7	AFUDC recovery on Niagara Reinforcement Project	4.6	4.6	0.0	0.0	4.6	4.6
8	Total revenue requirement	<u>\$ 1606.3</u>	<u>\$ 1687.2</u>	<u>\$ 6.3</u>	<u>\$ 3.9</u>	<u>\$ 1612.6</u>	<u>\$ 1691.1</u>
9	Rate increase required	<u>3.7%</u>	<u>5.4%</u>			<u>4.2%</u>	<u>5.2%</u>

Note 1: OM&A updates reflect revised OM&A pension costs, as outlined below:

- Correction to OM&A pension update: reduction to OM&A of \$0.4M and \$1.9M in 2017 and 2018, respectively

Note 2: Income tax updates reflect schedule 1 adjustments for capitalized pension reductions and associated CCA impacts

- Updates are consistent with the capitalized pension component embedded within response Staff 137 (Exhibit I, Tab 1, Schedule 137)