UNDERTAKING RESPONSES J1.3, J2.9 and J3.10 and FOLLOW- UP BOARD PANEL QUESTIONS

The following further information is requested related to Hydro One’s proposal to allocate the entire CCA Benefit to its shareholders.

1. Did the obligation to pay departure tax actually arise at a point in time after more than 10% of the HYDRO ONE Limited (HOL) shares had been sold to the public?
2. Did the Province’s subscription for 2.6 billion shares of HOL at $1 per share occur before any shares were sold to the public? Please provide a copy of the agreement whereby the Province acquired these shares from HOL.
3. Please provide a schedule that will show how the purchase of the shares for $2.6 billion is reflected in the unconsolidated financial statements of HOL.
4. The evidence indicates that about $2.3 billion of the departure tax was payable by Hydro One Networks Inc. (HONI).What portions of the $2.3 billion are the responsibility of HONI TX and HONI DX respectively?
5. The evidence indicates that HOL paid the $2.6 billion to its subsidiaries so that each of them could pay their departure tax obligations to the OEFC. Please describe the transactions whereby the $2.6 billion was transferred to the subsidiaries. Did these transactions involve HOL’s purchase of more shares in each subsidiary? If so then please provide the details of those transactions and the supporting share purchase agreement related to the acquisition of shares in HONI.
6. Please provide the date of the movement of $2.3 billion from HOL to HONI and schedules that will show how this transaction was reflected in the unconsolidated financial statements of each of HOL and HONI.
7. Please provide the date of and show how the $2.3 billion payment of departure tax by HONI to the OEFC was reflected in the unconsolidated financial statements of HONI.
8. The evidence in Exhibit J2.9 indicates that the total deferred tax asset in HONI is $2.595 billion of which $1.120 relates to distribution and the balance of $1.495 billion relates to transmission. Using the information shown in columns 1 and 2 of Exhibit J1.3 Attachment 1 and any other information that may be required please show how the deferred tax asset of $2.595 billion is derived.
9. In the Oct.29, 2015 Prospectus at page F-134 there is an illustration of how the use of the deferred tax benefit would produce acutal cash savings in income taxes of about $105 for the 18 months ended June 30, 2015. Is the calculation of actual tax savings for HONI for 2017 and 2018 on the same basis as shown in the prospectus about $69.1M for 2017 and $77.3 M for 2018 being the amount of HONI TX taxes for each of those years of $ 81.3 and $90.4 M referenced at Ex.C1 Tab 1 schedule 4 page 1 less minimum tax amounts shown in Attachment 1 of exhibit J2.10 of $12.2 M and $13.1?
10. Did HONI use any of the CCA benefit in its 2015 Tax return? If so then what amount of actual cash savings were realized.? If none of the benefit was used for 2015, then please explain the reasons for that decision?
11. In its Tax return for 2016 will HONI be claiming any portion of the CCA deferred tax benefit? What amount of actual tax savings can be realized by using the CCA benefit in HONI’s 2016 Tax return?
12. Does use by HONI of the CCA deferred tax benefit in 2015 and beyond give rise to a corresponding deferred tax liability as time passes , being a liability that becomes payable when cross- over occurs? Does the evidence at Ex. C1 Tab 8 schedule 1 at page 2 lines 10 to 12 mean that HONI plans to seek to recover this gradually increasing deferred tax liability in future transmission and distribution rates?

PCPT/ Dec 11,2016.