

IN THE MATTER OF an application made by Hydro One Inc. for leave to purchase all of the issued and outstanding shares of Orillia Power Distribution Corporation, made pursuant to section 86(2)(b) of the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation seeking to include a rate rider in the 2016 Board-approved rate schedules of Orillia Power Distribution Corporation to give effect to a 1% reduction relative to 2016 base distribution delivery rates (exclusive of rate riders), made pursuant to section 78 of the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation for leave to transfer its distribution system to Hydro One Networks Inc., made pursuant to section 86(1)(a) of the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation for leave to transfer its rate order to Hydro One Networks Inc., made pursuant to section 18 of the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation seeking cancellation of its distribution license, made pursuant to section 77(5) of the Ontario Energy Board Act, 1998;

AND IN THE MATTER OF an application made by Hydro One Networks Inc. seeking an order to amend its distribution license, made pursuant to section 74 of the Ontario Energy Board Act, 1998, to serve the customers of the former Orillia Power Distribution Corporation.

INTERROGATORIES FROM THE SCHOOL ENERGY COALITION

1.0-SEC-1

[Ex. A/2/1, p. 2] Please provide a table showing, based on current information the number of OPDC customers that would be in each of the Hydro One rate classes if they were assigned to those classes today.

1.0-SEC-2

[Ex. A/2/1, p. 2] Please provide the calculations behind Table 1, in live Excel format if they were prepared in that format.

1.0-SEC-3

[Ex. A/2/1, p. 2] SEC is seeking to understand more clearly the tax and PILs impacts of the transactions in light of Hydro One's change in status from exempt under the Income Tax Act, Canada (the "Federal Tax Act"), to taxable in 2015.

- a) Please confirm that, pursuant to section 149(1.1) of the Federal Tax Act, OPDC ceased to be exempt under that Act as of August 15, 2016, the date of the Share Purchase Agreement. If that is not the case, please provide the date OPDC ceased or will cease to be exempt, and the statutory references supporting your conclusion.
- b) Please confirm that, pursuant to section 149(10) of the Federal Tax Act, as of the date it ceased to be exempt OPDC became liable to pay both federal and provincial income tax, with its first tax year starting at that time.
- c) Please confirm that, pursuant to the same section, OPDC was on that same date deemed to have disposed of all of its assets, and reacquired them, at fair market value for both federal and provincial income tax purposes. Please provide full details of the calculation of that deemed disposition and reacquisition.
- d) Please confirm that, as a result of the deemed disposition and acquisition, OPDC is required for accounting purposes to establish a deferred tax asset equal to the future tax benefit of the bump in tax values of its assets. Please provide the full calculation of the deferred tax asset (including any interaction with any existing deferred tax asset or liability), any forecasts the Applicants have as to when and how it will be drawn down (i.e. the impact on tax payable by OPDC and later by Hydro One annually until it is used up), and the Applicants' proposals for how that should be reflected in rates in the future.
- e) Please provide a summary of the PILs consequences of the transactions, including the consequences of the deemed disposition and acquisition, any departure tax or transfer tax payable, and the amounts the timing of those payments, if any. Please provide full calculations of any incremental tax costs arising out of the transactions.

1.0-SEC-4

[Ex. A/2/1, p. 3] Please provide the full calculations supporting Table 2.

1.0-SEC-5

Please confirm that the following correctly sets out approved distribution rates for OPDC and Hydro One for 2016 and the resulting annual distribution bills. The monthly and volumetric charges are from approved rate orders, and the average volumes are from the 2015 OEB Yearbook.

Hydro One vs. Orillia Annual Distribution Bills Comparison

Orillia Class and Average Load per Cust.	Billing Component	Orillia 2016 Rates		Hydro One 2016 Rates (Urban)		Hydro One 2016 Rates (Medium Density R1)	
Residential 736	Monthly	17.68	\$212.16	22.29	\$267.48	30.11	\$361.32
	Volume	0.0127	\$112.17	0.0162	\$143.08	0.0299	\$264.08
	Total Bill		\$324.33		\$410.56		\$625.40
GS<50KW 2723	Monthly	37.42	\$449.04	22.28	\$267.36	27.94	\$335.28
	Volume	0.0165	\$539.15	0.0252	\$823.44	0.0563	\$1,839.66
	Total Bill		\$988.19		\$1,090.80		\$2,174.94
GS>50KW 171	Monthly	340.6	\$2,946.60	88.26	\$1,059.12	84.35	\$1,012.20
	Volume	3.5825	\$8,126.33	8.6129	\$17,673.67	14.9906	\$30,760.71
	Total Bill		\$11,072.93		\$18,732.79		\$31,772.91

1.0-SEC-6

[Ex. A/2/1, p. 5] Please provide a dollar estimate of the aggregate “small price benefit” that will be enjoyed by Hydro One’s existing customers. Please confirm that it is OPDC’s existing customers that will bear the cost of that small price benefit.

1.0-SEC-7

[Ex. A/2/1, p. 17] Please provide the current Distribution System Plan of OPDC approved by the Board. If there is no such approved DSP, please advise when that plan will be filed, and the process that is proposed for review of that plan by the Board. Also, if there is no approved DSP, please provide the capital expenditures forecast on which the status quo estimates in Table 1 on page 2 were based.

1.0-SEC-8

[Ex. A/2/1, p. 18] Please provide details of all materials impacts that will arise because of the change from MIFRS to US GAAP as proposed, including but not limited to changes in depreciation rates, changes in capitalization rules, and changes in the amounts added to or deducted from rate base annually until the costs for the OPDC area are next considered by the Board in a rebasing.

1.0-SEC-9

[Ex. A/2/1, p. 19] Please provide the most recent agreements between OPDC and each of its unregulated affiliates, and describe how, if at all, the arrangements with those affiliates will change after the completion of the transactions proposed.

1.0-SEC-10

[Ex. A/3/1, p. 2] Please explain the rationale behind sharing the predetermined ESM amounts at the time of rebasing, as opposed to sharing them as they are accruing during years 6-10. Without limiting the generality of the question, please include an estimate of the “future rate mitigation that might be required”, including all supporting calculations.

1.0-SEC-11

[Ex. A/3/1, p. 3] Please confirm that Hydro One is not proposing to share earnings with OPDC ratepayers, but instead is proposing to replace the 1% rate benefit for years 1-5 with a predetermined ratepayer benefit of \$3.4 million to be paid in years 11 and beyond.

1.0-SEC-12

[Ex. A/3/1, p. 5] Please recalculate the \$3.4 million ESM amount using Hydro One’s current weighted average cost of debt for 2017, and Hydro One’s current approved ROE for 2017. Please explain why, if one of the cost benefits claimed by Hydro One in this Application is a lower cost of capital, Hydro One thought it was appropriate not to based its ESM on sharing that cost saving as well.

1.0-SEC-13

[Ex. A/3/1, p. 7] The following table expands Table 6 to include the first five years, and makes three other changes: a) Target ROE is at the current Board-approved 8.78%, b) cost of debt is at the Hydro One rate of 4.86%, and c) the OM&A figure is the actual forecast of OM&A from Table 1.

- a) Please confirm that, with those changes, this is materially similar to Hydro One’s own forecast for the ten year deferred rebasing period.
- b) Please confirm that it is reasonable to assume that Hydro One will receive \$42 million in pre-tax profits over that period, and the ratepayers \$3.4 million.
- c) Please confirm that, if Hydro One is not required to pay income tax on its share of profits, it can reasonably expect to net more than \$28 million in excess of the Board’s ROE.
- d) Please confirm further that neither Table 6, nor this expanded table, assume customer growth in the OPDC service territory during that ten year period.

Extended forecast of Earnings Years 1 - 10 (Expanded Table 6)

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Totals
<i>Rate Base</i>	32,973	34,308	35,700	37,149	38,659	40,231	41,869	43,576	45,371	47,242	39,708
<i>Equity Component of Rate Base</i>	13,189	13,723	14,280	14,860	15,463	16,092	16,748	17,430	18,148	18,897	15,883
<i>Revenue</i>	8,600	8,600	8,600	8,600	8,600	8,600	8,792	8,996	9,199	9,410	87,997
<i>OM&A</i>	4,100	2,100	2,000	1,700	1,700	1,700	1,800	1,800	1,900	1,900	20,700
<i>Depreciation</i>	798	841	885	932	982	1,036	1,091	1,147	1,211	1,278	10,201
<i>Interest at Hydro One rates (4.86%)</i>	961	1,000	1,041	1,083	1,127	1,173	1,221	1,271	1,323	1,378	11,579
<i>Net profit before tax</i>	2,741	4,659	4,674	4,884	4,791	4,691	4,680	4,778	4,765	4,854	45,517
<i>Tax provision</i>	726	1,235	1,239	1,294	1,270	1,243	1,240	1,266	1,263	1,286	12,062
<i>Net Profit after tax</i>	2,014	3,424	3,435	3,590	3,521	3,448	3,440	3,512	3,502	3,568	33,455
<i>Achieved ROE</i>	15.27%	24.95%	24.06%	24.16%	22.77%	21.42%	20.54%	20.15%	19.30%	18.88%	21.06%
<i>Target ROE @ 8.78%</i>	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%
<i>Excess ROE</i>	6.49%	16.17%	15.28%	15.38%	13.99%	12.64%	11.76%	11.37%	10.52%	10.10%	12.28%
<i>After-tax Overearnings</i>	856	2,219	2,181	2,285	2,164	2,035	1,969	1,982	1,909	1,909	19,510
<i>Grossed-up to Pre-Tax Overearnings</i>	1,165	3,020	2,968	3,109	2,944	2,769	2,680	2,696	2,597	2,597	26,544
<i>Net Proposed Share to Customers</i>	0	0	0	0	0	767	721	676	622	566	3,352
<i>Net Share to Hydro One</i>	856	2,219	2,181	2,285	2,164	1,268	1,248	1,306	1,287	1,343	16,158
<i>Add back tax provision</i>	1,583	3,454	3,420	3,580	3,433	2,511	2,489	2,572	2,550	2,629	28,220

1.0-SEC-14

[Ex. A/3/1, p. 8] Please explain why the ESM deferral account should bear interest at prescribed interest rates, rather than Hydro One’s weighted average cost of capital.

1.0-SEC-15

[Attachment 5, p. 15] Please confirm that there is no adjustment to the purchase price, nor any payment by the Purchaser or the Vendor under section 2.6(b) or any other section, if the Board orders a negative rate rider in excess of 1%, or for a longer period than 5 years.

1.0-SEC-16

[Attachment 5, p. 19] Please provide the table of contents or other listing of the contents of the Confidential Disclosure Schedule, without including in response the actual details of any confidential information included therein.

1.0-SEC-17

[Attachment 5, p. 34] Please provide details of all entries in account 1576 for 2016, and all expected or forecast entries in that account in 2017.

1.0-SEC-18

[Attachment 5, Schedule 3.1(v) - Taxes] Please provide documents 6 and 17.

All of which is respectfully submitted this January 6, 2017.