Shepherd
Rubenstein

BY EMAIL and RESS

Jay Shepherd
jay@shepherdrubenstein.com
Direct: 416-804-2767

April 25, 2019
Our File No. 20170049

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2017-0049 – Hydro One Distribution – Draft Rate Order

We are counsel for the School Energy Coalition. Pursuant to the Decision and Order of the Board, and consistent with the Board's letter of April 23, 2019, this letter sets out SEC's submissions with respect to the Draft Rate Order filed by Hydro One on April 5, 2019.

Summary

SEC's comments are in three areas: the capital reductions, the exclusion of the Acquired Utilities, and the tax calculations.

Capital Expenditures and In-Service Additions: The approach taken by Hydro One in the DRO raises the following concerns with respect to the capital plan:

1. ***Reductions Insufficient.*** The reductions in capex appear to be less than the Board ordered, but because the DRO does not provide a breakdown, it is difficult to track it back.

2. ***Pension Adjustment.*** Hydro One has reduced capital by $20 million for pensions, whereas the Board's decision is clear that it should be $20 million each year.

3. ***Re-Allocations.*** The Applicant has taken this opportunity to re-allocate capex between categories. If this were allowed to stand, the effect is that the Board would be approving a specific capital spending plan that it has not reviewed, and is not supported by evidence.

4. ***In-Service Additions.*** Because Hydro One has not provided details on the reductions in in-service additions by program (such as a revised continuity schedule for rate base), the Board does not have sufficient information to determine whether the capex reductions have been properly translated into in-service addition and rate base reductions.

Exclusion of Acquired Utilities: The approach taken by Hydro One in the DRO results in the following inappropriate outcomes, which would if allowed make the rates proposed by Hydro One not just and reasonable:

1. ***Shareholder Benefit.*** An effective extension of the deferred rebasing period, resulting in an additional shareholder benefit over 2020-2022 of $27 million, which is being borne, in Hydro One's proposal, by the legacy customers.

2. ***Intra-Customer Subsidy.*** In addition to the $27 million, the legacy customers are asked to bear, in 2020-2022, $64 million of costs that are properly attributable to the acquired customers.

3. ***Loss Factors.*** Hydro One has not provided information on the loss factors it proposes to use in billing the customers of the Acquired Utilities.

4. ***Insufficient Information.*** Hydro One has not provided information to the Board on a) the loads excluded with respect to the Acquired Utilities, b) the reductions in numbers of customers in the ST, USL, Sentinel and Streetlighting classes as a result of excluding the Acquired Utilities, c) any reductions in miscellaneous income as a result of excluding the Acquired Utilities, and d) the revenue requirement impact of excluding incremental rate base attributable to the Acquired Utilities.

Tax Calculations: We have the following concerns with respect to the tax calculations, as set out in Exhibit 1.5:

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1. ***Deferred Taxes Decision.*** We agree with OEB Staff that the new calculation method is not justified, and the previous method should be used.

2. ***Other Timing Differences.*** Hydro One suggests that "other timing differences" are reduced by $99.6 million as a result of the decision. We have been unable to find both the decision reference, and the calculation, in the DRO.

3. ***Acquired Customers.*** We have not been able to determine the amounts excluded from the tax calculation as a result of the exclusion of the Acquireds.

Details of the SEC analysis of all three areas of concern are provided below.

CAPITAL EXPENDITURES AND IN-SERVICE ADDITIONS

SEC is unable to reconcile the capital expenditure reductions with the decision, nor determine if the revenue requirement impact of those reductions is calculated correctly. Hydro One has not provided sufficient evidence to understand the impact of the Board's decision on its capital plan.

Capital Expenditure Reductions

Hydro One's revised capital expenditure forecast based on the Board's decision is $3,081 million.[1] With the exception of the adjustment related to the Hydro One Accountability Act, Hydro One has not provided a breakdown of each of the elements of the decision that results in the reduction to the approved capital expenditure. Based on the information that has been pulled together from various parts of the DRO shown below, SEC is unable to replicate Hydro One's revised *total* capital expenditure amount to the approved capital expenditure.

	2018	2019	2020	2021	2022	Total	*Source*
Requested Capital	628.1	736.4	699.4	710.9	796.5	**3571.3**	DRO, p.14, Table 4
General Reduction						-300	DRO, p.7
Acquired LDC Capital				-9.3	-9.5	-18.8	DRO,p.14, Table 4 (diff btw As-Filed w and wo LDC)
HOAA	-3.6	-3.7	-3.7	-3.8	-3.9	-18.7	DRO, p.14, Table 4
Pension	-20					-20	DRO, p.12
OPEB	-25	-28	-28	-27	-30	-138	DRO, p.29, Table 8
Revised Total						***3075.8***	
Total Reduction						***495.5***	

Based on SEC's calculations, the appropriate total capital expenditures over the term of the plan should be either $3,075.8 million or, depending on resolution of the issue related to pension adjustment detailed below, $2995.8 million.

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[1] Draft Rate Order ("DRO"), p.12

Pension Adjustment. Based on the information contained in the DRO, it appears Hydro One has interpreted the Board's decision related to pensions incorrectly.

SEC believes Hydro One has interpreted the reduction related to pension contribution to apply only for 2018 only.[2] Yet, in one place in the DRO, Hydro One references that the "2018 pension cut has been applied to the 2019 amount (<u>in addition to the 2019 pension cut</u>)" [emphasis added].[3] This would seem to indicate that Hydro One applied the pension reduction to more than just 2018.

SEC submits the correct approach is that the capital component of the ordered pension reduction is made to each year of the Custom IR term. SEC recognizes that the Decision only references a reduction in 2018, but it is important to understand the context of the Board's comments.[4]

The Board considered the pension amounts in the context of the OM&A expenses, which is how Hydro One provided compensation related evidence in its application. Because of that, the Board was only directly discussing 2018 since for the purposes of OM&A, the 2019 to 2022 amounts would be determined based on the I-X RCI adjustment. Thus the 2018 OM&A pension reduction in 2018 will indirectly carry forward through 2019 to 2022.

This is not the case for capital. Hydro One's revenue requirement related to capital is determined based on the total capital revenue requirement for each year. A reduction in 2018 pension amounts has no impact on 2019 through to 2022, as it would for OM&A. The intent of the Board appears to be that a similar pension reduction be made for each year, not just 2018, as would be the case for OM&A. On that basis SEC submits Hydro One is required to include a reduction of $20M for the capital portion of the pension reduction in each year between 2019 and 2022.

To add to the confusion, for the purposes of the more detailed capital expenditure table Hydro One included in the DRO, it allocated the 2018 pension reduction to 2019[5], but for the purposes of calculating the revenue requirement, it allocated the amount to 2018[6], and also reduced that amount from $20M originally forecast and referenced in the Decision[7], to $17.9M to reflect the actual pension amounts in 2018.[8] While SEC finds using the $17.9M amount acceptable, as the amount would have been trued up anyway due to the existence of the relevant variance account, it is not entirely clear why

[2] DRO, p.12; See also Notice of Motion to Review (EB-2019-0122), para. 12
[3] DRP, p.13
[4] Decision, p.96
[5] DRO, p.12
[6] DRO, Exhibit 1.3, Note 1
[7] Decision, p.96
[8] DRO, p,12, footnote 28

this revised amount is not reflected in the capital expenditures. SEC requests Hydro One clarify this element of the DRO in its reply.

Allocation of Capital Expenditure Reduction. SEC has a concern with how the capital reductions have been allocated to the various spending categories. In the Decision, the Board commented that it would "not dictate how the reduction would be applied", but that Hydro One should "propose a preliminary annual distribution of the capital reduction over the term of the Custom IR plan as part of the draft rate order process of this proceeding.".[9]

Hydro One has not provided the reductions on a program or project basis, only on a category basis, so there is limited information related to what reductions it specifically has proposed. Hydro One has done this calculation, since it would have needed to for the purpose of calculating the in-service additions to determine the revenue requirement. SEC requests that Hydro One provide this information in its Reply Submissions.

With respect to the information that has been provided, Hydro One has done more than simply provide an annual distribution of the capital reduction. It has actually increased capital spending in some categories. While the total capital spending remains consistent with the Board's decision, Hydro One includes significant increases in System Service capital for what is described as "spending reflect[ing] development projects which are largely non-discretionary and are required to comply with the Distribution System Code (such as: feeder development in Leamington area to address increasing demand)."[10] The Board should reject this backdoor attempt for approval of these projects which have not been tested or scrutinized.

SEC recognizes and accepts that the actual capital spending will vary from what is presented and approved in Custom IR application. On the other hand, how and why that spending was changed is a matter to be reviewed at the time of the next application, as part of the prudence review. It is not appropriate to seek to review it, without a proper evidentiary process, in the middle of the Draft Rate Order process.

The Board's order was to provide a preliminary annual distribution of ordered *reductions*, not seek approval for significant additional amounts in other areas.

This is also important because the different projects have different impacts on the revenue requirement, due to their capital expenditure to in-service addition ratios, deprecation rates, and tax impacts.

<u>In-Service Additions</u>

[9] Decision, p.76-77
[10] DRO, p.13

SEC is unable to determine if Hydro One has appropriately translated the capital expenditures into reductions in in-service additions correctly.

Even though Hydro One has confirmed that with a few limited exceptions, its capital expenditure to in-service addition is based on the percentages including in JT 3.4, neither the capital expenditure, nor in-service addition information, has been provided on a program or project basis.

Making things even harder is that Hydro One has provided the in-service addition information on a different basis than the capital expenditure information. The capital expenditure information is based on common DSP categories (System Renewal, System Access, System Service, General Plant)[11], whereas the in-service addition information is provided on Hydro One's internal categories (Sustaining, Development, Operations, Customer Service, Common & Other).[12]

Hydro One should be required to provide in-service addition on the same basis it provides capital expenditure information, and it should be on a program or project basis. Without understanding what programs and projects have been changed for ratemaking purposes, there is no way to determine if the components of revenue requirement (cost of capital, depreciation, and income taxes) have been calculated correctly.

EXCLUSION OF ACQUIRED UTILITIES

Hydro One appears to have interpreted the Board's direction to exclude the Acquired Utilities as an opportunity to obtain a material shareholder benefit on the backs of the legacy customers, and in addition to continue to ask legacy customers to bear material costs that are not being incurred to serve those customers.

Amount of Excluded Costs

The DRO states[13]:

> *"Revenue requirement associated with the rate base, incremental OM&A, incremental capital, and working capital components for the Acquired Utilities has been removed in 2021 and 2022."*

The incremental OM&A excluded is set out in Exhibit 1.0, and is $10.7 million in 2021 and $10.8 million in 2022. This is consistent with the evidence in the proceeding[14].

[11] DRO, p.13, Table 3
[12] DRO, p.14, Table 4
[13] DRO, p. 7
[14] Ex. I-56-SEC-90, p. 3.

With respect to the remaining elements of exclusion, the Applicant has provided in Exhibit 1.2 the amount of incremental rate base excluded, $168.3 million in 2021 and $174.1 million in 2022. This is consistent with the evidence that the opening incremental rate base on January 1, 2021 is $165.8 million[15].

What Hydro One has not provided is the revenue requirement impact of the removal of that rate base from rates. However, since the incremental rate base has not changed from the Application Update, we can find that information in the interrogatories. Hydro One has advised that the incremental 2021 revenue requirement associated with the transferred rate base is $2.5 million for Woodstock, and $8.8 million for Norfolk and Haldimand[16].

Thus, on the Hydro One evidence, it would appear that the total revenue requirement excluded for the Acquired Utilities in 2021 is $22.0 million ($10.7 + $2.5 + $8.8), and in 2022 would be slightly higher, likely $22.5 million.

The problem is that Hydro One has elsewhere provided a different number for the 2021 revenue requirement impact of the Acquired Utilities, $25.6 million[17]. It is not clear which number is correct.

SEC submits that Hydro One should, in its Reply Submission, provide a detailed calculation of the revenue requirement excluded in each of 2021 and 2022 with respect to the Acquired Utilities.

For the purposes of the analysis below, SEC has provisionally used the figure of $25.6 million as the incremental amount excluded from legacy revenue requirement for each of 2021 and 2022.

Shareholder Benefit

Hydro One will, of course, be collecting revenues from the customers in the Acquired Utilities to cover those incremental costs. The DRO does not have any information on those forecast revenues. However, it is possible to calculate those revenues using the data provided by Hydro One in EB-2018-0042, the IRM application for 2019 rates for the three Acquired Utilities.

That data shows the following[18]:

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[15] Ex. I-56-SEC-92.

[16] Ex. I-56-SEC-90, p. 2.

[17] Ex. I-56-SEC-96, p. 5.

[18] All data is from the IRM rate generators and tariffs in EB-2018-0042. The Residential figures are provided by Hydro One directly in the rate generator (in the reconciliation), and the GS classes have billing determinants from the rate generator and rates from the approved tariff, from which revenue can be calculated. Other classes are

Forecast of Revenue from Acquired Utilities in 2019					
Rate Class	***Norfolk***	***Haldimand***	***Woodstock***	***Totals***	***Notes***
Residential	$7,518,682	$8,055,811	$4,965,180	**$20,539,673**	EB-2018-0042 amounts for residential, rates times billing determinants for other two classes
GS<50	$2,135,565	$1,790,711	$2,806,576	**$6,732,852**	
GS>50	$1,808,948	$1,434,342	$2,300,446	**$5,543,736**	
Other Classes	$244,694	$437,512	$520,000	**$1,202,206**	Historical percentages of total revenues
Misc. Revenues	$533,737	$1,228,680	$495,279	**$2,257,696**	Historical amounts
Totals	**$12,241,626**	**$12,947,056**	**$11,087,481**	**$36,276,163**	

Forecast of Revenue from Acquired Utilities in 2021					
Rate Class	***Norfolk***	***Haldimand***	***Woodstock***	***Totals***	
Residential	$7,744,242	$8,297,485	$5,114,135	**$21,155,863**	Escalate by 3% for removal of rider and addition of price cap increase
GS<50	$2,199,632	$1,844,432	$2,890,773	**$6,934,838**	
GS>50	$1,863,216	$1,477,372	$2,369,459	**$5,710,048**	
Other Classes	$252,035	$450,637	$535,600	**$1,238,272**	
Misc. Revenues	$533,737	$1,228,680	$495,279	**$2,257,696**	No increase assumed
Totals	**$12,592,863**	**$13,298,607**	**$11,405,247**	**$37,296,717**	

The result is that, in 2021, the Applicant will have $37.3 million of revenue from these customers (including a component that is historical ROE built into rates), but will only have "allocated" $25.6 million or less of costs to those customers. The net benefit, all of which goes to the shareholder, is $11.7 million in 2021, and about $12.2 million in 2022, a total of $23.9 million.

This is what was supposed to happen during the deferred rebasing period for each of the Acquired Utilities. During that period, under the Board's policy the Applicant is supposed to be able to make an extra profit, which it can use to defray the cost of the consolidation.

The deferred rebasing periods for these three Acquired Utilities start to end June 2020, with Norfolk. What Hydro One is proposing, with this DRO, is that it can rely on this decision to extend all three of those deferred rebasing periods until December 31, 2022,

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based on historical percentages of distribution revenue. Miscellaneous revenues are the actual amounts from the last cost of service application of each utility. The 2021 rate revenue amounts are derived by removing the 1% negative rate riders for each, and implementing a price cap increase. A total of 3% adjustment is assumed.

and keep the overearnings that result from that[19]. This is their interpretation of the Board's decision in this proceeding.

With respect, SEC does not read the Board's decision as saying that, after failing to live up to its commitments with respect to benefits to customers of these three transactions, Hydro One should be rewarded for that by getting an extra $27 million of profits for its shareholders. In fact, the Board expressly stated that the deferred rebasing periods would end on schedule[20]:

> *"The rates for the Acquired Utilities will be based on the Price Cap IR approach once the deferred rebasing period concludes."*

SEC notes that it is the legacy customers that are providing Hydro One with this additional profit, because the costs excluded from their revenue requirement are less than the revenues that are there to cover them.

SEC submits that, subject to the Board's conclusions relating to the other mis-allocated costs (discussed below), Hydro One should not be allowed to profit from its past errors, and the Board should not allow its decision to be interpreted in that way. The most straightforward solution is that the amount of revenue requirement excluded for the Acquired Utilities in each of 2020, 2021 and 2022 should be no less than the revenues forecast to be received from those customers in those years, after each deferred rebasing period ends.

An alternative solution would be to require Hydro One, in 2020 through 2022, to calculate the exact, post deferral period incremental costs for each of the Acquired Utilities and provide that information to the Board. Then, in each of those years the excess of the actual revenues from the Acquired Utilities, over the incremental costs to serve them, should be credited to a deferral account, so that on the next rebasing they can be returned to the legacy customers who bore those costs in their rates.

In our submission, it was not the Board's intention in the decision that Hydro One's shareholders be better off (by $27 million) as a result of the Board's refusal to approve the integration of the Acquired Utilities in the manner proposed by Hydro One.

Legacy Subsidy of Acquired

Hydro One's evidence shows that the costs to serve the Acquired customers are greater

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[19] Which are the $23.9 million we have calculated above, plus $3-5 million in 2020. We have rounded the total to $27 million for simplicity, but of course the Applicant should provide a full calculation to the Board.

[20] Decision, p. 39. Note that the Decision also allows Hydro One to "apply" to extend the deferred rebasing period for Norfolk, but doesn't grant that right. Presumably the intention was not to provide an additional shareholder benefit. See also Decision, p. 164.

than the incremental costs[21]:

> *"Hydro One's cost allocation evidence indicates that in the absence of adjustment factors, Hydro One's long term costs to serve the Acquired Utilities are higher than the costs of those previous utilities. This is in direct contradiction to the evidence relied on in its acquisition proposals."*

In fact, the Board's decision anticipates that those costs will be greater than the revenues reasonably charged to those Acquired customers. The Decision determines that Hydro One's shareholders will bear the difference in cost between the revenues received from the Acquired customers, and the (higher) costs to serve them:

> *"Hydro One's rates proposal in this proceeding does not reflect the OEB's determinations in its acquisition decisions. Hydro One had the opportunity to inform the OEB prior to completing its approved transactions if it did not anticipate being able to deliver on the OEB's clear expectations. The OEB finds that <u>any shortfall in revenue requirement that results from Hydro One's costs being higher than its current and future approved revenues associated with the Acquired Utilities shall be absorbed by Hydro One and not form any part of the overall revenue requirement</u>." [emphasis added]*

This makes crystal clear that the cost to serve the Acquired customers, which is expected to be higher than the revenues from those customers, must be excluded from the legacy revenue requirement.

Hydro One's argument that, since the Board did not approve a cost allocation methodology for the Acquired customers, Hydro One can't allocate costs to them, is disingenuous. Clearly some costs must be excluded from legacy revenue requirement, as Hydro One acknowledges. Their theory that the only costs they know are the incremental costs, and therefore, sadly, they have to accept the burden of an extra $27 million shareholder benefit, is not worthy of serious discussion.

In fact, Hydro One could easily run the CAM with the billing determinants and incremental costs for the Acquired Utilities included (they have done it already), and calculate the difference between that CAM and the CAM without them included. This would be consistent with the Board's determination that[22]:

> *"Hydro One would be expected to apply any distinguishable cost causation analysis relied on in an acquisition application to any customers that met the identified cost causation criteria whether they are new or legacy customers. The OEB did not direct Hydro One to isolate the Acquired Utilities in its cost allocation methodology. Hydro One has not demonstrated that its proposal is equitable to all customers."*

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[21] Decision, p. 162.

[22] Decision, p. 162.

The amount involved is substantial. Hydro One has not advised the Board of the total cost allocation to the Acquired customers if it is done in a manner consistent with all legacy customers, but has admitted that it would be significantly higher than the $41.2 million[23] of costs Hydro One proposed to allocate to them[24].

While the proper way to do that is to run the CAM with and without those costs and those customers, it is possible to estimate the likely costs to be allocated to the Acquired customers using the approved cost allocation methodology. Hydro One says repeatedly in the evidence that the Acquired customers are similar in makeup to their legacy customers[25], so it is likely that their costs, if allocated in the same manner, will be in roughly the same percentages as their percentage of billing determinants.

For 2021, that calculation would produce allocated costs for the Acquired customers of about $65.6 million per year[26].

SEC submits that, to the extent that the costs actually excluded from revenue requirement are any amount less than this level[27], the legacy customers will be bearing costs that are not costs to serve them and are properly excluded from their revenue requirement, consistent with the Board's decision. Their rates would therefore not be just and reasonable. In fact, on a weighted average basis, they would be 2.51% too high in each of 2021 and 2022 (plus some amount in 2020).

SEC submits that these are material amounts, and the Board should not authorize rates that it knows are materially in excess of just and reasonable amounts. It would be unreasonable, in our submission, to ask legacy customers (in addition to the $27 million shareholder benefit Hydro One is trying to get) to bear about $64 million[28] of additional costs that are not costs to serve them, in aggregate a total of $91 million.

Further, also as directed in the Board's decision, Hydro One's shareholders should be required to bear the difference between the revenues from Acquired customers, $37.3 million in 2021, and the costs to serve those customers, likely $65.6 million in 2021, for a net cost to the shareholders of $28.3 million per year. As between whether the legacy

[23] Ex. I-56-SEC-96, p. 5.
[24]
[25] E.g. Ex. Q-1-1, p. 23. There are many other examples.
[26] Acquireds are 4.28% of customers, so applying that to 2021 revenue from fixed rates of $1,060 million produces $45.4 million. They have 3.48% of kwh., so applying that to 2021 kwh revenue of $339.5 million produces $11.8 million. They have 3.73% of kW, so applying that to 2021 kW revenue of $225.1 million produces $8.4 million. The total is $65.6 million at 100% revenue to cost ratio.
[27] In the absence of supporting evidence consistent with the Board's determination on how cost allocation should be done (quoted above),
[28] $28.3 million for each of two years, plus about $8 million for 2020. The latter figure is nothing more than a guess, given the limited information in the Application and the DRO.

customers should bear those costs, or the shareholders, we believe the Board has already made that determination in the decision.

Loss Factors

SEC notes that the Hydro One loss factors applicable to the Acquired Utilities are higher than their original loss factors. The Board's decision does not address this, and the DRO makes no mention of it. It would appear to SEC that, as long as the Acquired Utilities remain separate, those customers should be billed using their previous loss factors. The issue of whether the loss factors should be harmonized, as proposed by Hydro One[29], should be addressed only when the Acquired customers are integrated into Hydro One's ratemaking.

As the DRO doesn't deal with this, SEC submits that Hydro One should confirm that it will apply the previous loss factors for the Acquired Utilities to those customers until the Board determines otherwise.

Insufficient Information

SEC had significant difficulty determining what exclusions Hydro One made as a result of the Board's decision on the Acquired Utilities. We would have expected to see a section of the DRO that provided a line by line summary of each adjustment (billing determinants by year, costs by category and year, miscellaneous charges, etc.).

Just by way of example, working capital was reduced in Exhibit 1.7 in 2021 and 2022 by amounts similar to the previous years. However, we know that in those years there were additional OM&A exclusions for the Acquireds, and we also know that the incremental rate base of the Acquireds, which was excluded, included $14.9 million of working capital in rate base. The latter component may be handled by the exclusion of rate base in Exhibit 1.2, but that would then make the working capital component and the fixed asset components both wrong. In any case, it is impossible to tell from the information provided.

Similarly, we tried to identify the impact on the tax calculation in Exhibit 1.5 of the exclusion of the Acquireds, but we were unable to do so.

The Board and the intervenors are used to seeing a draft rate order from a sophisticated utility that provides detailed information on all calculations arising out of a Board decision. In comparison to OPG, Enbridge, and other major utilities, this DRO is very sparse. Given the amounts of money involved, we would have anticipated that the Applicant would provide much more detailed information on the adjustments made, and how they were calculated.

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[29] See discussion in Ex. I-56-SEC-98.

TAX CALCULATIONS

Deferred Taxes Decision

Hydro One has taken an unusual approach to the calculation of the shared tax benefit, applying the percentage allocation to the a CCA construct rather than simply calculating the tax saved and the sharing percentages, as has previously been done in this matter (and accepted by the Board).

We have reviewed the submissions of OEB Staff on this point, and we agree with them.

Other Timing Differences

Exhibit 1.5 contains Note 1, which breaks out the timing differences that reduce net income and generate the taxable income number, on which tax is calculated. The adjustments to the depreciation and the CCA, which together are one of the timing differences, appear to be the result of the changes to the capital spending. Without detailed continuity schedules, it is not possible to check these calculations.

There is also a line entitled “Other Timing Differences”, which shows reductions from net income to taxable income of $306.2 million as proposed by Hydro One, and $206.6 million per the Board’s decision, a reduction of $99.6 million. At a 26.5% tax rate, with gross-up, this increases revenue requirement by $35.9 million.

None of the references to the tax adjustments[30] talk about this change, even though it is material, and we have been unable to find any explanation for this either in the decision or in the DRO. We have also seen no calculations related to it.

SEC submits that Hydro One should provide references in the decision and the DRO, and full calculations, supporting this increase to revenue requirement.

Information re Acquireds

As noted in the previous section, the DRO provided insufficient information for us to understand the amount and calculation of tax excluded from revenue requirement as a result of the Board’s decision not to allow the integration of the Acquired Utilities.

[30] DRO pp. 5, 9, and 20.

Conclusion

SEC submits that the Board should order Hydro One to make the changes, and provide the additional information, related to both the Capital Expenditures and the Acquired Utilities components of the Board's decision, and the tax impacts of the decision, as detailed above.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties