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**VIA RESS, EMAIL & COURIER**

May 17, 2019

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Re: EB-2017-0049 – Hydro One response to SEC email dated May 15, 2019 and CCC and Cable Cable emails dated May 16, 2019**

We write on behalf of Hydro One Networks Inc. ("Hydro One") in response to the School Energy Coalition ("SEC")'s email dated May 15, 2019 in respect of Bill C-97 and subsequent emails from Consumer's Council of Canada ("CCC") and Cable Cable dated May 16, 2019 (the "SEC Proposal").

If enacted and applied retroactively, Bill C-97 will accelerate first year tax depreciation on eligible capital expenditures made after November 20, 2018. In the case of assets in-serviced prior to 2024 the rate will be increased by a factor of three times and then reduced to two times through 2027.

The SEC Proposal is that, as part of the final rate order process, Hydro One's revenue requirement be re-assessed to reflect the impact<sup>1</sup> of this potential change in law.

Hydro One opposes the SEC Proposal for the following reasons:

1. Bill C-97 has not been enacted and therefore does not have any impact on Hydro One's revenues. In accordance with the Board's March 7, 2019 decision (the "Decision"), Hydro One calculates its tax on the basis of existing tax legislation and tracks variances that occur as a result of changes to tax legislation in its Tax Rate Changes variance account.<sup>2</sup> Should Bill C-97 be enacted, any variances will be recorded in that account. How that variance is allocated can be addressed when that account is disposed of.

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<sup>1</sup> Although Hydro One does not know the impact of the proposed legislation for 2019 with accuracy, Hydro One does not expect it to be in the magnitude of "some tens of millions of dollars" as suggested by SEC.

<sup>2</sup> See EB-2017-0047, Exhibit F1-1-1, page 10, s. 2.1.4, "Tax Rate Changes Account".

2. The Decision approved a 5-year custom IR application with 2018 rates for the period May 31, 2018 to December 31, 2018. The Decision further provides that revenue requirements for 2019 and beyond are to be adjusted in accordance with annual update applications.
3. The purpose of the final rate order process is to implement the Decision. It is not a forum to seek to change the Decision by raising new issues regarding possible future circumstances.

Based on the above, Hydro One submits that the SEC Proposal should not be granted.

Yours truly,

McCarthy Tétrault LLP

*Signed in the original*

Gordon M. Nettleton

cc: EB-2017-0049 Intervenors