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**VIA RESS, EMAIL & COURIER**

July 22, 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-2019-0122 Motion to Review and Vary – Hydro One Reply Submissions – Confirmation in writing received from Financial Services Regulatory Authority of Ontario re March 1, 2018 effective date**

We write on behalf of Hydro One Networks Inc. (“**Hydro One**”).

Further to Hydro One’s reply submissions filed July 10, 2019 (the “**Reply Submission**”), the Financial Services Regulatory Authority of Ontario ( “**FSRA**”) has confirmed in writing that the Post-May 1, 2018 Rules (as defined in the Reply Submission) apply to Hydro One effective March 1, 2018, assuming that the Inergi Transfer (as defined in the Reply Submission) is approved.<sup>1</sup>

As a result and as explained in detail in the Reply Submission, the Hydro One Pension Plan does not meet the required test to take a contribution holiday under the Pension Benefits Act effective March 1, 2018.

A copy of the FSRA’s letter (dated July 17, 2019 but received July 22, 2019 by mail) is attached.

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<sup>1</sup> As noted in the Reply Submission, the decision to approve the Inergi Transfer is not a discretionary decision on the part of the FSRA – as long as the Inergi Transfer meets the requirements of the Pension Benefits Act Asset Transfer Rules, which Hydro One believes it does, the transfer must be approved.

Please contact the undersigned with any questions in regards to the foregoing.

Yours truly,

McCarthy Tétrault LLP

*Signed in the original*

Gordon M. Nettleton

cc: EB-2017-0049/EB-2019-0122 Intervenors  
encl.

**FSRA**Financial Services Regulatory  
Authority of Ontario**ARSF**Autorité ontarienne de réglementation  
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July 17, 2019

Registration Number: 1059104

Ms. Lisa J. Mills  
Brown Mills Klinck Prezioso LLP  
130 Adelaide Street W.  
Suite 1005, Box 17,  
Richmond-Adelaide Centre  
Toronto, ON M5H 3P5

Dear Ms. Mills:

**Re: Hydro One Pension Plan (the "Plan")**

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Effective June 8, 2019, the Financial Services Regulatory Authority of Ontario (FSRA) has assumed the regulatory duties of the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario.

Thank you for your letter dated July 10, 2019, addressed to Ms. Caroline Blouin, Executive Vice President, Pensions, regarding the interpretation of the Ontario funding rules under the Pension Benefits Act (the "PBA") and Regulation 909 (the "Regulation") in respect of the impact of the Hydro One Pension Plan Asset Transfer Actuarial Valuation as at March 1, 2018 (Hydro One Asset Transfer Report) on the funding of the Plan. Your letter has been referred to me for a response.

We have set out below the interpretive issues as phrased in your July 10 letter with our responses:

### **Issue 1**

**The Hydro One Asset Transfer Report will be considered the “first report with a valuation date on or after December 31, 2017” for purposes of s.4(2)(a.1) of the PBA Regulations assuming the Application is approved prior to the filing of the next full actuarial valuation report for the Plan.**

**Our response:** *Yes, the Hydro One Asset Transfer Report becomes operative on the effective date of the asset transfer, i.e., March 1, 2018, if the Asset Transfer Application is approved.*

### **Issue 2**

**Hydro One will be required to commence funding the Plan in accordance with the post-May 1, 2018 PBA funding rules, including the funding of the provision for adverse deviations (PfAD), retroactive to March 1, 2018.**

**Our response:** *Yes, this is because the Hydro One Asset Transfer Report was filed after April 30, 2018 and prepared in accordance with the post-May 1, 2018 PBA funding rules.*

### **Issue 3**

**The Hydro One Asset Transfer Report will be considered “the last filed valuation” for purposes of section 6.3 of the PBA Regulations such that section 55.1 of the PBA will effectively apply to the Plan retroactive to March 1, 2018.**

**Our response:** *Yes, section 55.1 of the PBA will apply to the Plan effective March 1, 2018 once the Asset Transfer Application is approved.*

### **Issue 4**

**Hydro One will only be permitted to take a contribution holiday on and after March 1, 2018 if the transfer ratio of the Plan is greater than 1.05.**

**Our response:** *Yes, if the Asset Transfer Application is approved, effective on March 1, 2018, Hydro One is eligible to reduce or suspend contributions for normal cost and for the provision for adverse deviation in respect of normal cost only if the Plan has an available actuarial surplus and other prescribed conditions are met (section 55.1 of the PBA). An “available actuarial surplus” is defined in section 7.0.2 of the Regulation and, in part, requires a transfer ratio greater than 1.05.*

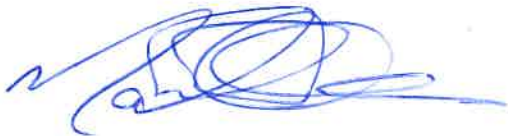
**Issue 5**

**If Hydro One were to take a contribution holiday under the PBA Regulations prior to the approval of the Hydro One Asset Transfer Report, a true-up would be required once the Hydro One Asset Transfer Report is approved to reflect the requirement that contribution holidays on and after March 1, 2018 require the Plan to have a transfer ratio greater than 1.05.**

**Our response:** *Yes, contribution obligations on and after March 1, 2018 would be determined under the Hydro One Asset Transfer Report, if it is approved.*

If at any time you have any questions or concerns, you may contact Mr. David Pahn, the Pension Officer assigned to the Plan at the address above, or directly by telephone at 416-226-7815, or toll free at 1-800-668-0128, extension 7815. Please reference Pension Division on your envelope and refer to the registration number shown at the top right-hand corner of this letter.

Yours truly,



Mark Eagles  
Senior Manager, Pension Policy  
FSRA

Copy: Robert Cultraro, Hydro One Inc.  
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Suzanne Jacques, Willis Towers Watson  
Gordon M. Nettleton, McCarthy Tétrault LLP  
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