LPMA INTERROGATORY #1

Reference:
A-04-01

Interrogatory:
Please update Table 1 to reflect 2018 data that is now available and calculate the resulting inflation rate for 2020.

Response:
Hydro One has provided an updated Table 1 based on data on the StatsCan website as of July 31, 2019. The OEB typically posts this table each year when it announces the inflation factor for electricity distributors. Hydro One will update the inflation factor at the time of the draft rate order in this proceeding to align with the information published by the OEB should there be any differences.

	Non-Labour GDP-IPI (FDD) - National							Labour AWE - All Employees - Ontario			Resultant Value - Annual Growth
Year	Q1	Q2	Q3	Q4	Annual	Annual % Change (A)	Weight (B)	Annual	Annual % Change (C)	Weight (D)	Annual % Change ([A*B]+[C*D])
2017	108.0	108.5	108.3	109.0	108.450			992.55			
2018	109.4	109.8	110.5	111.1	110.200	1.6%	86%	1021.4	2.9%	14%	1.8%

LPMA INTERROGATORY #2

Reference:
A-04-01

Interrogatory:

a) Please confirm that the rate base and associated capital costs shown in Table 2 do not include the working capital component of rate base.

b) If (a) is not confirmed, please provide a version of Table 2 that removes the working capital component of rate base and the associated capital costs, consistent with the Board's EB-2017-0049 Decision and Order dated March 7, 2019.

c) Please provide a version of Table 2 that excludes working capital, but reflects an inflation factor of 1.8% in place of the 1.4% used.

Response:

a) The rate base and associated capital costs shown in Table 2 in Exhibit A, Tab 4, Schedule 1 include the working capital component of rate base. The rate base is further discussed in Exhibit C, Tab 1, Schedule 1.

b) Please note that the OEB decision in EB-2017-0049 directed Hydro One Distribution to exclude the working capital component from the calculation of the Capital Factor only. Hydro One was not directed to remove working capital from rate base and the associated revenue requirement as stated in this interrogatory.

   The table below removes the working capital component of rate base and the associated capital cost components for illustrative purposes only. The working capital component is identified as a separate row in the following table in which the 2021 and 2022 figure have been escalated by the inflation less productivity factor to be consistent with EB-2017-0049. The change in working capital methodology for 2021 and 2022 compared to what was filed in evidence is immaterial, about $0.1 million and $0.2 million respectively.

Line		Ref.	2020	2021	2022
1	Rate Base	C-1-1	12,338.1	13,054.5	13,876.5
2	Return on Debt	E1-1-1	329.6	348.7	370.7
3	Return on Equity	E1-1-1	443.2	468.9	498.4
4	Depreciation	F-6-1	474.6	505.2	530.9
5	Income Taxes	F-7-2	47.8	58.9	64.3
6	Capital Related Revenue Requirement		**1,295.2**	**1,381.7**	**1,464.3**
7	Less Productivity Factor (0.0%)			0.0	0.0
8	**Total Capital Related Revenue Requirement**		**1,295.2**	**1,381.7**	**1,464.3**
9	OM&A	F-1-1	375.8	381.1	386.4
10	Working Capital		2.7	2.8	2.8
11	**Total Revenue Requirement**		**1,673.8**	**1,765.6**	**1,853.6**
12	Increase in Capital Related Revenue Requirement			86.5	82.6
13	Increase in Capital Related Revenue Requirement as a percentage of Previous Year Total Revenue Requirement			5.17%	4.68%
14	Less Capital Related Revenue Requirement in I-X			1.09%	1.10%
15	**Capital Factor**			**4.09%**	**3.58%**

c) The table below is consistent with part b) above and has been updated to reflect an inflation factor of 1.8% in place of the 1.4%.

Line		Ref.	2020	2021	2022
1	Rate Base	C-1-1	12,338.1	13,054.5	13,876.5
2	Return on Debt	E1-1-1	329.6	348.7	370.7
3	Return on Equity	E1-1-1	443.2	468.9	498.4
4	Depreciation	F-6-1	474.6	505.2	530.9
5	Income Taxes	F-7-2	47.8	58.9	64.3
6	Capital Related Revenue Requirement		**1,295.2**	**1,381.7**	**1,464.3**
7	Less Productivity Factor (0.0%)			0.0	0.0
8	**Total Capital Related Revenue Requirement**		**1,295.2**	**1,381.7**	**1,464.3**
9	OM&A	F-1-1	375.8	382.6	389.5
10	Working Capital		2.7	2.8	2.8
11	**Total Revenue Requirement**		**1,673.8**	**1,767.1**	**1,856.7**
12	Increase in Capital Related Revenue Requirement			86.6	82.7
13	Increase in Capital Related Revenue Requirement as a percentage of Previous Year Total Revenue Requirement			5.17%	4.68%
14	Less Capital Related Revenue Requirement in I-X			1.40%	1.41%
15	**Capital Factor**			**3.78%**	**3.27%**

LPMA INTERROGATORY #3

Reference:
A-04-01

Interrogatory:
With respect to the CISVA and the proposed use of 98%, please show the difference in using the 98% level and the 100% on the revenue requirement balance in the account assuming actual in-service additions are 98% of the Board-approved levels in each year.

Response:
Based on 2020 test-year assumptions applied, the difference would be approximately $6 million over the 3 years (from 2020-2022).

Hydro One notes that the 2% dead band is consistent with the previously approved CISVA by the OEB as part of Hydro One Distribution rate application (EB-2017-0049).

Hydro One believes that a dead band of 2% is appropriate for the capital in-service variance account in order to ensure alignment between the behaviours that are incented by the account and the outcomes that ratepayers value. The in-service variance account should incent Hydro One to cost-effectively deliver on its plans in a timely fashion while providing rate payers with protection from over-paying in the instance that Hydro One does not substantially deliver on its proposed in-service targets.

Absent the 2% dead band, Hydro One is incented to fully spend 100% of its planned capital amounts and focus on identifying any additional productivity initiatives on OM&A programs where part of the savings can be kept by the transmitter. Additionally, Hydro One is incented to do whatever it can (e.g. pay for additional overtime) to ensure planned projects are in-serviced by December 31st of each year rather than minimizing the execution cost. Though customers are not materially impacted if a project is in-serviced on December 31st as opposed to January 3rd, Hydro One would be financially impacted.

By including the 2% dead band, Hydro One is incented to find ways to lower the cost of capital projects, as well as OM&A, while still affording the sharing of benefits of significant cost savings with customers. Additionally, the dead band removes the incentive to inefficiently execute projects near the end of the calendar year to avoid refunding funds to rate payers while still maintaining the incentive for Hydro One to substantially deliver on its capital programs and projects.

The proposed 2% dead band was chosen because it has minimal impact on customers, while incenting behaviour that better aligns with the outcomes that rate payers value and is consistent with the OEB’s outcomes-based approach under the Renewed Regulatory Framework.

LPMA INTERROGATORY #4

Reference:
A-04-01

Interrogatory:
With respect to the annual updates, other than updating of the inflation factor and potential Z factors and/or potentially material deferral and variance account balances and the update for the Uniform Transmission rates, what other potential updates could be included in an annual update?

Response:
Hydro One does not currently expect any other annual updates beyond the items noted in Exhibit A, Tab 4, Schedule 1.

LPMA INTERROGATORY #5

Reference:
A-04-01-01

Interrogatory:
a) The report is dated January 24, 2019. Please explain why data beyond 2017 was not used.

b) Please updates Tables 2 and 3 in the report to reflect actual data for 2017 and 2018. Please explain fully if this cannot be done for any of the years requested.

Response:
a) Please see the response to I-01-OEB 8(b).

b) Please see the response to I-01-OEB 8(b).

Witness: Stephen Vetsis, Steve Fenrick

LPMA INTERROGATORY #6

Reference:
C-05-01-01

Interrogatory:
The executive summary states that the delay in payments throughout the year from the IESO resulted in an increase of 0.89 days versus the prior study.

a) What is the impact on the working capital requirements of this 0.89 increase in the revenue lag days for each of 2019 through 2022?

b) Did HONI request reasons for the delay payments from the IESO? If yes, what was the response? If not, why not?

c) Have the delays in payments from the IESO been remedied in 2018 and/or 2019? Please explain fully.

Response:
a) The increase to working capital as a result of the 0.89 days is approximately $1.7 million in 2020, $1.8 million in 2021, and $1.9 million in 2022. However, the impact to revenue requirement is approximately $0.1 million and immaterial to the overall revenue requirement.

b) The delay is not caused by any policy or payment term changes but rather the days in which the payments occurred in 2016 versus those from the prior study when the IESO settlement rules and procedures were applied to. The payment terms are outlined in the IESO's tariff.

c) See part b). The timing difference relates solely to the application of the IESO settlement rules and procedure in that particular calendar year.

Witness: Joel Jodoin

LPMA INTERROGATORY #7

Reference:
C-05-01-01

Interrogatory:
The evidence indicates that part of the reason for the increase in the revenue lag is related to increase in the other external revenue lag resulting in a higher percentage of overdue revenues and from bad debt write-offs occurring after 2 years versus 1 year, which was what was assumed in the prior study.

a) Please provide the percentage of overdue revenues for each year for the period beginning with the year which was used in the prior study through to and including 2018.

b) Was the assumption that bad debt write-offs occurred after 1 year in the prior study in error or did HONI change its policy from writing off bad debt associated with other external revenue? If the policy was changed, please indicate the year and nature of the change in policy.

c) What is HONI's current policy with respect to other external revenue bad debt write-offs?

d) What HONI done since 2016 to reduce its bad debt associated with other external revenues?

Response:
a) The percentage of overdue revenues for other external revenue is provided below:

Other External Revenue	**2014**	**2015**	**2016**	**2017**	**2018**
% of overdue revenue	33%	40%	51%	39%	47%

b) The prior assumption was made by Navigant which aligned to the energy related overdue accounts. The current study assumptions were developed in consultation with Hydro One subject matter experts and refined to align to the current policy.

Witness: Joel Jodoin, Spencer Gill, Samir Chhelavda

c) The current policy with respect to other external revenues bad debt is to write-off any overdue accounts that are greater than 2 years old.

d) Hydro One has increased the number of customer contact points through way of follow up phone calls and emails to overdue customers. In addition, for large external customers the account executives are building and maintaining strong working relationships which will help to mitigate larger customer accounts from becoming overdue.

LPMA INTERROGATORY #8

Reference:

C-05-01-01

Interrogatory:

The evidence indicates that the major driver in the decrease in the overall expense lead for OM&A expenses is related to miscellaneous OM&A expenses due in part to a reduction in the lead days from 49.00 to 42.79 and the movement of some cost items out of the miscellaneous category and captured in other OM&A expense buckets.

Please provide a table that shows for each of the cost items that were moved from the miscellaneous category to other OM&A buckets the following: Description of cost item, amount of cost item, lead days of cost item and the cost bucket that the cost item now resides in.

Response:

The impact of the reduction in lead days from 49.00 to 42.79 would result in a reduction of about $1.9 million in working capital or $0.1 million of revenue requirement in this preceding.

To clarify, there were no manual or direct reclassifications from the miscellaneous OM&A expense buckets but instead more detailed and descriptive data was obtained which allowed Navigant to develop more precise assumptions for service periods and payment terms. For example, some of the prior Miscellaneous OM&A expenses that were related to Consulting and Contract Staff is now more accurately allocated to Consulting and Contract Staff category within OM&A and modeled with greater precision.

As seen within Table 15 of the report, Miscellaneous OM&A amounts decrease versus the prior study and Consulting and Contract Staff amounts increase versus the prior study. This shows the movement of some cost items out of the miscellaneous category and captured in other OM&A expense buckets. Since these transactions were outputs from system reporting and that there were no manual reclassifications, an itemized table showing how each transaction moved between buckets is not available. Furthermore, the most recent study was able to obtain a more precise split for Miscellaneous OM&A expenses between distribution and transmission. Service period and payment term assumptions were developed in consultation with Hydro One subject matter experts by Miscellaneous OM&A category and applied to the transaction level data. The overall effect was a reduction in expense lead days.

LPMA INTERROGATORY #9

Reference:
D-02-01

Interrogatory:
Figures 1a through 6 show a comparison of HONI and CEA Composite figures for 2009 through 2017 and figures for HONI only for 2018.

a) Please confirm that the 2018 figures for HONI are actual figures.

b) Are CEA composite figures now available for 2018? If yes, please updates Figures 1a through 6 to include the 2018 CEA composite figures.

Response:
a) 2018 HONI figures are actuals.

b) CEA composite figures for 2018 are available for delivery point interruptions, but not yet available for equipment unavailability (lines and stations equipment).

Updated delivery point figures with 2018 CEA data are as follows:

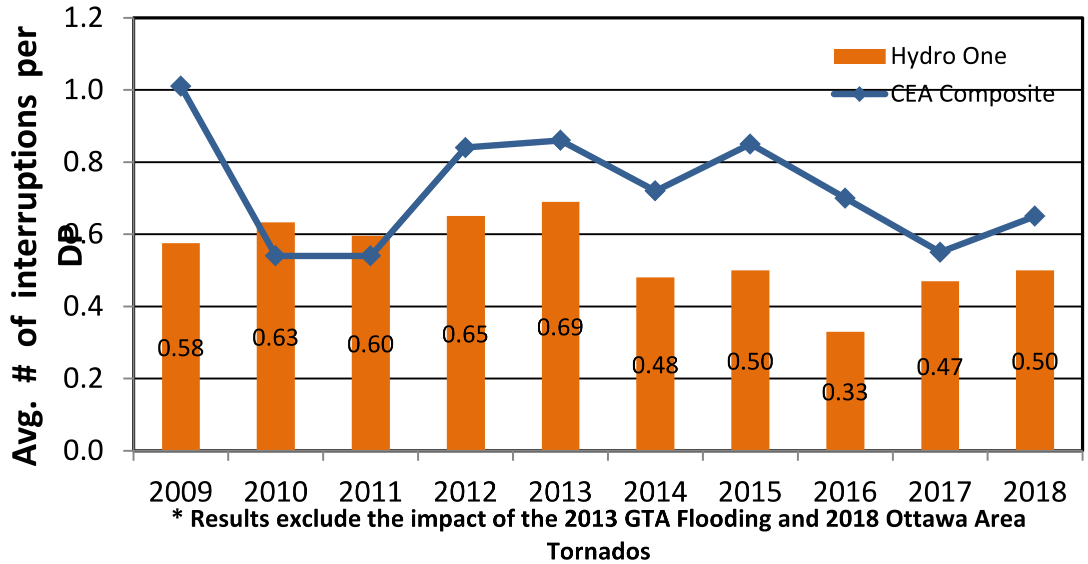


Figure 1a: Comparison of Hydro One Frequency of Momentary Interruptions to CEA Composite

Witness: Bruno Jesus

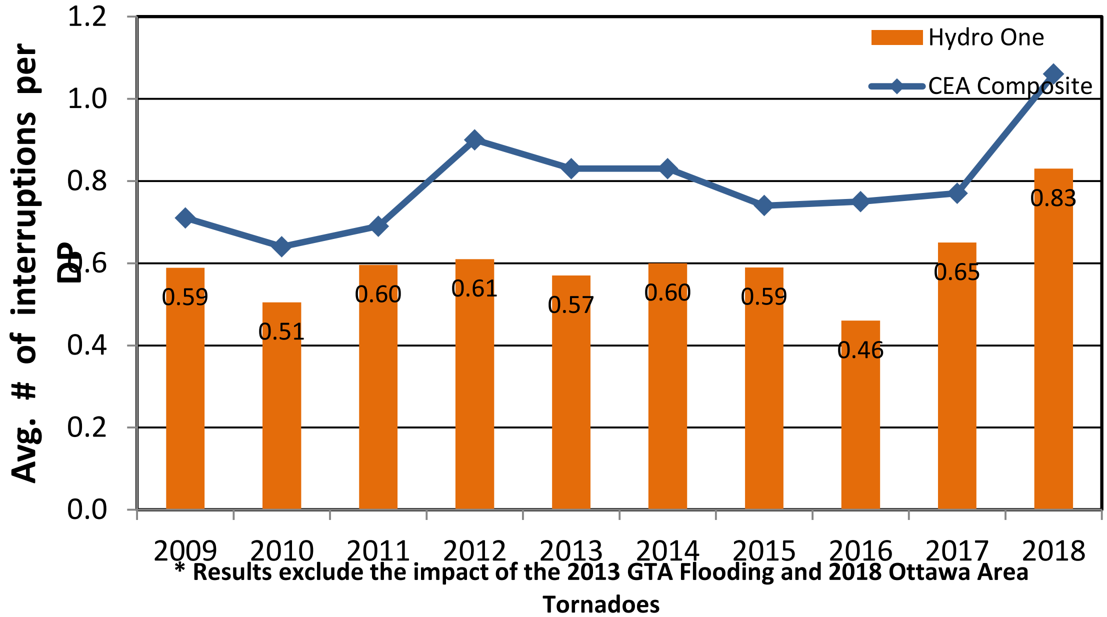


Figure 1b: Comparison of Hydro One Frequency of Sustained Interruptions toCEA Composite

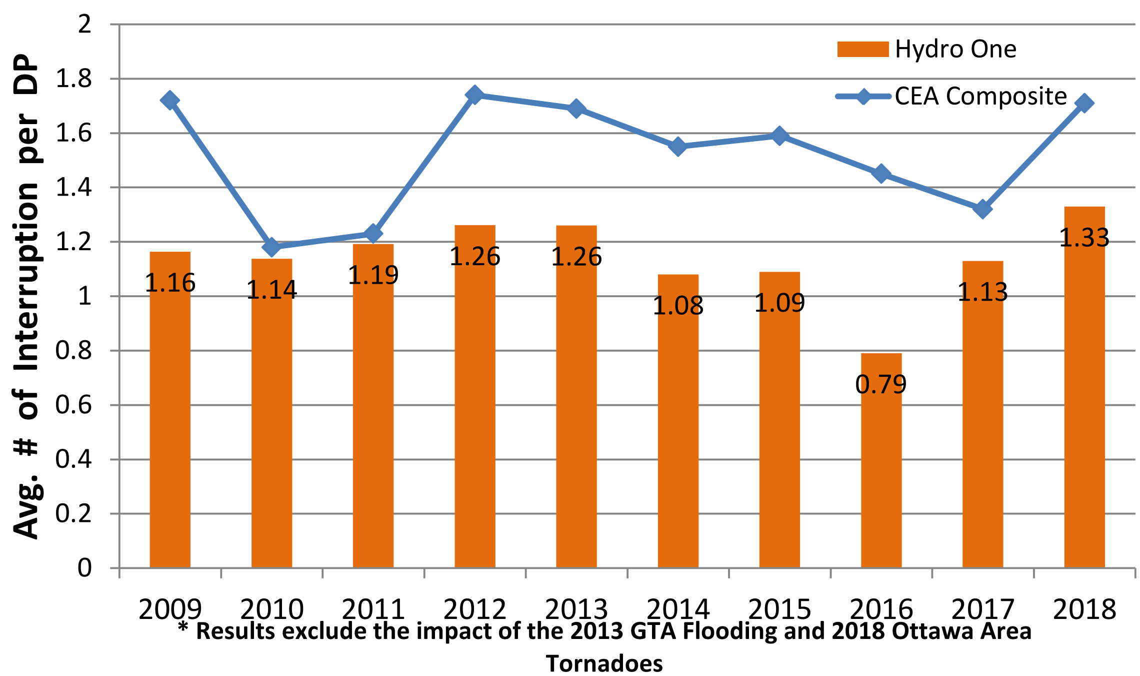
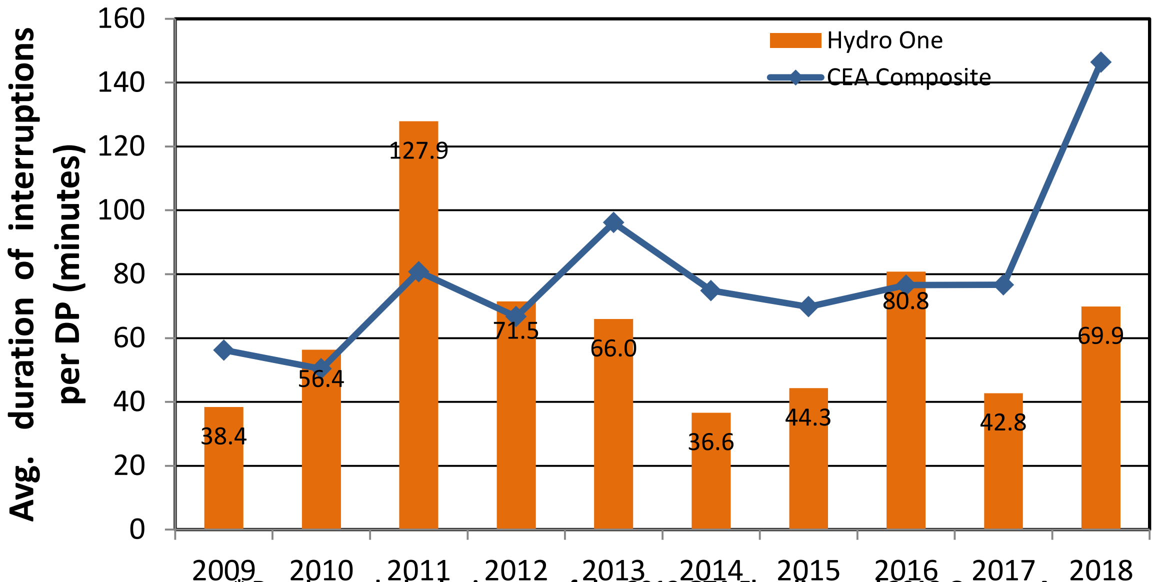


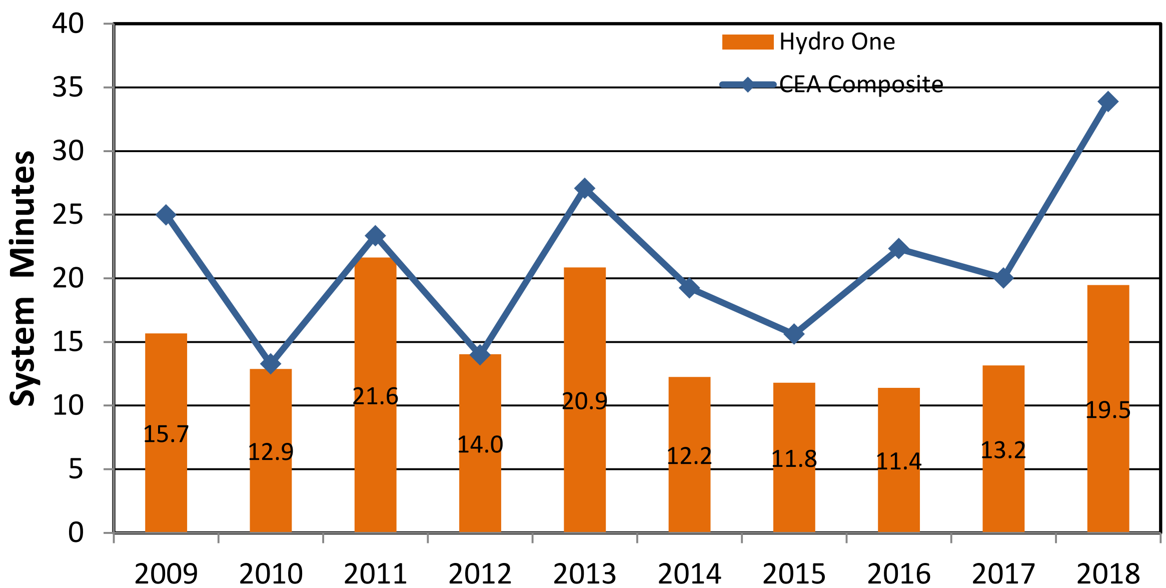
Figure 2: Comparison of Hydro One Overall Frequency of Interruptions to CEA



*** Results exclude the impact of the 2013 GTA Flooding and 2018 Ottawa Area Tornadoes**

[1]E1C/M1M Forest First represents ~50% of 2011 Total

Figure 3: Comparison of Hydro One Duration of Sustained Interruptions to CEA Composite



*** Results exclude the impact of the 2013 GTA Flooding and 2018 Ottawa Area Tornadoes**

Figure 4: Comparison of Hydro One Delivery Point Unreliability Index to CEA Composite

LPMA INTERROGATORY #10

Reference:
E-02-01

Interrogatory:
a) Which of the external revenue sources shown in Table 1 currently have a variance account associated with them?

b) For which of the external revenue sources shown in Table 1 does HONI propose to have a variance account in 2020 through 2022?

Response:
a) Hydro One currently has variance accounts for all of the external revenue sources shown in Table 1 – Secondary Land Use; Station Maintenance; Engineering & Construction; and Other External Revenue.

b) Hydro One proposes continuance of the aforementioned existing external revenues variance accounts in 2020 through 2022 as indicated in Exhibit H, Tab 1, Schedule 2.

Witness: Samir Chhelavda

LPMA INTERROGATORY #11

Reference:
F-06-01

Interrogatory:
a) What is the impact on the total depreciation expense shown in Table 1 of moving to the new depreciation rates relative to maintaining the currently approved rates for each of 2020 through 2022?

b) Please confirm that the new depreciation rates from the 2017 study have not been used for 2018 and 2019.

Response:
a) The application of the new depreciation rates for 2020 through 2022 reduces the depreciation expense as part of the overall revenue requirement for each of the test years. The impact relative to maintaining the currently approved rates is shown in the table below:

Depreciation Expense – Impact ($M)	
2020	(4.3)
2021	(4.7)
2022	(5.2)

b) Hydro One confirms that the new depreciation rates from the 2017 study have not been used in calculating depreciation expense for 2018 and 2019.

Witness: Samir Chhelavda

LPMA INTERROGATORY #12

Reference:

F-07-02-02A

Interrogatory:

a) Do the CCA calculations shown for 2019 through 2022 reflect the CCA acceleration measures that were introduced in the federal 2018 Fall Economic Update and that were substantively enacted as part of the 2019 budget implementation bill in April, 2019? If not, please explain why not?

b) If the calculations shown in Attachment 2 do not reflect the CCA acceleration measures noted above, please provide CCA schedules for each of 2019 through 2022 that reflect the business income tax measures contained in Bill C-97 that are no substantively enacted for financial reporting purposes.

Response:

a) The CCA calculations do not reflect the accelerated CCA that was introduced in the 2018 fall economic update. The tax legislation was enacted on June 21, 2019 which was after the date the blue page updates were submitted.

b) Please refer Exhibit I, Tab 01, Schedule OEB-208 Attachment 1 for CCA calculations from 2019-2022 that have been updated to reflect accelerated CCA.

LPMA INTERROGATORY #13

Reference:
F-07-02-05

Interrogatory:
Note 3 in the table indicates that tax credits relating to the Ontario Co-op, Ontario Apprenticeship and Ontario Business Research are recorded in OM&A. However, line 11 which shows the tax credit included in OM&A appears to be the federal apprenticeship tax credit. Please explain.

Response:
The description in Line 11 of F-07-02-05 was labeled incorrectly, which has been corrected in the attached (I-04-LPMA-13 – Attachment 1).

In accordance with US GAAP, refundable tax credits (i.e. Ontario Co-op and apprenticeship) are recorded as a reduction to OM&A, and non-refundable tax credits (i.e. Federal apprenticeship credits) are recorded as a reduction to tax expense.

The federal apprenticeship tax credits reduce tax expense and has been reflected as such in Line 27 of exhibit F-07-02-01.

No changes to the calculations were made or required.

Witness: Nancy Tran

CALCULATION OF TAX CREDITS
BRIDGE AND TEST YEARS

HYDRO ONE NETWORKS INC.
TRANSMISSION
Calculation of Apprenticeship, Co-op Education, and SR&ED Tax Credit
Bridge (2019) and Test (2020 to 2022) Years
Year Ending December 31
($ Thousands)

Line No	Particulars	2019	2020	2021	2022	
1	Ontario Coop Education Credit	$ 674	$ 689	$ 710	$ 697	
2	Eligible Positions	226	231	237	233	
3	Ontario Apprenticeship Credit	$ 365	$ 365	$ 365	$ 365	Note 1
4	Eligible Positions	168	168	168	168	Note 1
5	Ontario Business Research Credit	$ 54	$ 55	$ 57	$ 56	
6	Federal Apprenticeship Credit	$ 335	$ 342	$ 352	$ 346	
7	Eligible Positions	177	181	186	183	
8	SR&ED	$ -	$ -	$ -	$ -	Note 2
9	**TOTAL TAX CREDITS**	**$ 1,428**	**$ 1,451**	**$ 1,484**	**$ 1,464**	
10	Tax Credit included in OM&A	$ 1,093	$ 1,109	$ 1,132	$ 1,118	Note 3
11	Tax Credit included in tax expense	$ 335	$ 342	$ 352	$ 346	Note 3
12		**$ 1,428**	**$ 1,451**	**$ 1,484**	**$ 1,464**	

Notes:

Note 1: The Ontario government replaced the Ontario Apprenticeship Credit with the new Graduated Apprenticeship Grant for Employers ("GAGE") for eligible apprentices hired after November 14, 2017. The GAGE is no longer administered through the tax return. Apprentices hired prior to November 15, 2017 continue to be eligible for the Ontario Apprenticeship Credit for the first 36 months of their apprenticeship programs.

The tax credits are based on historical amounts updated for the budget change which reduced Ontario Apprenticeship Tax Credits from $10K to $5K. This does not incorporate the new GAGE program effective November 15, 2017 as no information is available.

At the time of drafting the IR response (July 2019) the Ontario government has advised that they are currently reviewing funding for apprentices and employer sponsors and will share more information as it becomes available.

Note 2: Beginning in the 2018 taxation year, no estimate for the SR&ED tax credit has been made due to uncertainty on which Hydro One's projects (if any) will meet the Canada Revenue Agency's SR&ED eligibility requirements. Hydro One will continue to review its annual claim eligibility, and to file a SR&ED claim where possible.

Note 3: In accordance with US GAAP, refundable tax credits are recorded as a reduction to OM&A and non-refundable tax credits are recorded as a reduction to tax expense. Consequently, the tax credits relating Ontario Co-op, Ontario Apprenticeship, and Ontario Business Research are recorded in OM&A.

LPMA INTERROGATORY #14

Reference:
F-07-02-05

Interrogatory:
HONI is not forecasting any SR&ED tax credit for 2019 through 2022.

a) If HONI does receive a SR&ED tax credit for the 2020 cost of service test year, will that reduction flow to ratepayers or to the shareholders?

b) Please provide the amount of the SR&ED claimed for each of 2013 through 2017.

Response:
a) Hydro One does not currently forecast any SR&ED tax credits for 2020 to 2022. As Hydro One is currently proposing an Earning Sharing Mechanism (ESM) as part of the current application, any earnings that exceed the allowed ROE by more than 100 basis points would be shared with customers on a 50:50 basis.

b) Below is a summary of the SR&ED ITC claims filed between FY2013 to FY2017. Amounts shown below represent gross ITCs that are subject to recapture tax when utilized.

Taxation Year	2013	2014	Jan-Oct 2015	Nov-Dec 2015 **	2016 **	2017
SR&ED credits claimed	$1,127,000	$596,845	$551,718	$124,408	$531,271	$105,218

*** The SR&ED claim for November-December 2015 was denied by the Canada Revenue Agency ("CRA"), and the CRA has recently completed the audit and is proposing to reduce the 2016 claim from $531,271 to $47,388. We are evaluating the merits of filing an appeal to the CRA proposal.*

Witness: Nancy Tran

LPMA INTERROGATORY #15

Reference:
F-07-02-06

Interrogatory:
Please updated the table to reflect the 2018 income tax filing that was expected in June of 2019.

Response:
Please see Attachment 1 to this Exhibit.

CALCULATION OF APPRENTICESHIP AND EDUCATION TAX CREDIT
HISTORIC YEARS

HYDRO ONE NETWORKS INC.
TRANSMISSION
Calculation of Apprenticeship and Education Tax
Historic Years - 2016 -2018
Year Ending December 31
($ Thousands)

Line No	Particulars	2016	2017	2018
1	ON Coop Education Credit	$ 604	$ 443	$ 372
2	Eligible Positions	201	148	125
3				
4	ON Apprenticeship Credit	$ 2,067	$ 1,592	$ 1,007
5	Eligible Positions	306	293	221
6	ON Business Research Credit	$ 49	$ 12	$ -
7	Federal Apprenticeship Credit	$ 232	$ 322	$ 349
8	Eligible Positions	123	170	185
9				
10	SR&ED	$ 531	$ 105	$ 98
11				
12	**TOTAL TAX CREDITS**	**$ 3,483**	**$ 2,473**	**$ 1,826**

Notes:

Note 1: In accordance with US GAAP, refundable tax credits included are recorded in OM&A and non-refundable tax credits are recorded as a reduction to tax expense. Consequently, the tax credits relating to Ontario Co-op, Ontario Apprenticeship, and Ontario Business Research are recorded in OM&A.

LPMA INTERROGATORY #16

Reference:
F-07-03

Interrogatory:
Please file the corresponding information as shown in Attachments 1 and 1A for the 2018 Income Tax Return.

Response:
Please see Exhibit I, Tab 01, Schedule OEB-210 for a copy of the Hydro One Networks Inc. 2018 corporate tax return.

Please see Attachment 1 to this Exhibit for a segment breakdown of the Hydro One Networks Inc. 2018 corporate tax return.

Witness: Nancy Tran

2018 INCOME TAX RETURN - ALLOCATION TO SEGMENTS

HYDRO ONE NETWORKS INC.
TRANSMISSION

2018 Networks Taxable Income Allocation to Segments
Year Ending December 31
($ Millions)

Line No.	Particulars	Networks	Distribution	Seg 222	Transmission	FN	Seg 320	Non-Reg
	Calculation of Federal and ON Taxable Income							
1	Net Income Before Tax (NIBT)	$ 873.4	$ 354.6	$ (18.2)	$ 545.3	0.1	$ -0.3	(8.1)
	Required Adjustments to accounting NIBT							
	Recurring items included in Revenue Requirement (RR):							
2	Other Post Employment Benefit expense greater than payments	0.2	5.9	0.0	(5.7)	0.0	0.0	0.0
3	Depreciation and amortization	811.4	386.7	5.3	419.4	0.0	0.0	0.0
4	Capital Cost Allowance	(1065.4)	(463.9)	(8.9)	(592.6)	0.0	0.0	0.0
5	Cumulative Eligible Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Removal costs deducted for tax	(4.1)	(2.8)	(0.1)	(1.2)	0.0	0.0	0.0
7	Environmental costs paid	(21.3)	(14.4)	(0.2)	(6.7)	0.0	0.0	0.0
8	Non-deductible items (50% Meals & entertainment / interest)	5.2	2.2	0.0	3.0	0.0	0.0	0.0
9	R & D Fed ITC/ Apprenticeship (prior yr addback)	0.0	0.7	0.0	0.4	0.0	0.0	(1.1)
10	Capitalized overhead costs deducted	(73.3)	(28.3)	0.0	(45.0)	0.0	0.0	0.0
11	Capital additions deducted for accounting	(1.1)	1.9	0.0	(2.9)	0.0	0.0	(0.1)
12	Capitalized Pension cost deductions	(42.5)	(18.0)	0.0	(24.5)	0.0	0.0	0.0
13	Capitalized SRED Expenditures deductible for tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Net Underwriting/Finance costs	(1.5)	(1.4)	0.0	(0.2)	0.0	0.0	0.1
14	Sharebased Compensation	8.4	3.9	0.0	4.6	0.0	0.0	(0.1)
15		$ (384.0)	$ (127.5)	$ (3.9)	$ (251.4)	$ 0.0	$ 0.0	(1.2)
	Deferral accounts not part of RR:							
16	RSVA/RRRP	33.4	53.5	1.1	(21.2)	0.0	0.0	0.0
17	Restricted Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	CDM a/c Variance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Smart meter costs deferred	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	Tx Export credit/Deferred export Rev	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	Deferred Pension	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Deferral a/c's etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	Tax Changes deferral a/c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	Riders 6/8/11/15/HCHI	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	Rider 2015-2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	Forgn Rev Defer-Pri	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	Station Rev. and secondary Land Use	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28		$ 33.4	$ 53.5	$ 1.1	$ (21.2)	$ 0.0	$ 0.0	0.0
	Reversal of accounting adjustments not part of RR:							
29	Contingent liability movement	0.9	0.5	0.0	0.4	0.0	0.0	0.0
30	Capitalized interest deductible for tax	(53.0)	(7.5)	(0.1)	(45.5)	0.0	0.0	0.1
31		$ (52.1)	$ (7.0)	$ (0.1)	$ (45.1)	$ 0.0	$ 0.0	0.1
	Recurring items not part of RR:							
	Project Cancellation Costs	15.2	3.6	0.0	11.6	0.0	0.0	0.0
32	CCRA true ups	6.8	0.0	0.0	6.8	0.0	0.0	0.0
33	CCA excluded frm rates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	First Nations (CCA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	Excluded CCA/ECE - BUMP	(469.5)	0.0	0.0	0.0	0.0	0.0	(469.5)
36		(447.5)	3.6	0.0	18.4	0.0	0.0	(469.5)
	Items not in business plan detail:							
37	Reverse Insurance proceeds included in NIBT	(3.8)	(0.3)	0.0	(3.5)	0.0	0.0	0.0
39	Tenant Inducement	(2.8)	(1.6)	0.0	(1.2)	0.0	0.0	0.0
40	Loss Carryforward	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Income Distributed from LP/Trust	12.4	0.0	0.0	0.0	0.0	12.4	0.0
41	Other	(0.4)	(0.7)	(0.1)	0.3	0.0	0.0	0.1
42		5.4	(2.6)	(0.1)	(4.4)	0.0	12.4	0.1
43	NET Adjustments to Accounting NIBT	$ (844.8)	$ (80.0)	$ (3.0)	$ (303.7)	$ 0.0	$ 12.4	(470.5)
44	Taxable Income	$ 28.6	$ 274.6	$ (21.2)	$ 241.6	$ 0.1	$ 12.1	(478.6)
44	Donations	(2.0)	0.0	0.0	0.0	0.0	0.0	(2.0)
45	Taxable Income before ITCs	26.7	274.6	(21.2)	241.6	0.1	12.1	(480.5)
46	Tax Rate	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
47	Total Income Tax Payable before non-refundable ITCs	7.1	72.8	(5.6)	64.0	0.0	3.2	(127.4)
48	Less: Non Refundable - Tax Credit (Note 1)	(4.4)	(0.6)	0.0	(0.5)	0.0	0.0	(3.4)
49	Income Tax Payable after non-refundable ITCs	2.6	72.2	(5.6)	63.6	0.0	3.2	(130.7)
50	Ontario corporate minimum tax	19.9	0.0	0.0	0.0	0.0	0.0	19.9
51	Income Tax Payable before refundable ITCs	22.6	72.2	(5.6)	63.6	0.0	3.2	(110.8)
52	Less: Refundable ITCs	(3.5)	(2.2)	0.0	(1.4)	0.0	0.0	0.0
53	Net Taxes Payable before DTA Sharing	19.0	70.0	(5.6)	62.2	0.0	3.2	(110.8)
54	DTA Sharing as per Rate Filing	0.0	(32.8)	0.0	(35.1)	0.0	0.0	67.9
55	Net Taxes Payable after DTA Sharing	$ 19.0	$ 37.2	$ (5.6)	$ 27.1	$ 0.0	$ 3.2	$ (42.9)

Note 1
The forecasted tax benefit non-refundable credits have been allocated to rate payers in calculated regulated tax for the year.
The carryforward non-refundable tax credits belong to the non-regulated segement as the benefit has already be given to ratepayers.

2018 INCOME TAX RETURN - TAX CREDIT ALLOCATION

HYDRO ONE NETWORKS INC.
TRANSMISSION
Calculation of Apprenticeship, Education and SR&ED Tax Credits
2018 Networks Tax Return Tax Credit Allocation to Transmission and Distribution
Year Ending December 31
($ Thousands)

Line No	Particulars	Networks		Transmission		Distribution	
1	ON Coop Education Credit	$	951	$	372	$	580
2	Eligible Positions		319		125		194
3	ON Apprenticeship Credit	$	2,577	$	1,007	$	1,570
4	Eligible Positions		566		221		345
5	Ontario Business Research Tax Credit	$	-	$	-	$	-
6	Federal Apprenticeship Credit	$	894	$	349	$	545
7	Eligible positions		473		185		288
8	SR&ED	$	166	$	98	$	68
9	**TOTAL TAX CREDITS**	**$**	**4,589**	**$**	**1,826**	**$**	**2,762**

LPMA INTERROGATORY #17

Issue from Draft List:
[Issue Group]

Reference:
F-08-01

Interrogatory:
The evidence states that for this application, Hydro One's regulatory costs will be recovered in the year in which they are incurred and that the costs are not amortized.

a) Please confirm that this means there are no regulatory costs associated with this application in the 2020 test year revenue requirement. If this cannot be confirmed, please explain.

b) Given that the costs related to this application have or will be incurred primarily in 2018 and 2019, please explain how Hydro One is recovering these costs in the year in which they were/are incurred.

Response:
a) As stated in Exhibit F, Tab 8, Schedule 1, most of the costs associated with this application (EB-2019-0082) are expected to be incurred in 2019. Budgets reflect this fact and there are no costs directly associated with this application included in the Test Year 2020 forecast.

b) Costs associated with this application have been included in previous applications in the relevant years that the costs were forecasted to be incurred.

LPMA INTERROGATORY #18

Reference:
F-08-01-01

Interrogatory:

a) Attachment 1 shows that the costs associated with the current application are all included in 2019 (second table). However, there are costs in the 2020 test year in lines 2,3,6,10 & 11 in the first table, which are all classified as one-time costs. Please explain what these cost items are for if they do not include an costs associated with the current application.

b) Are the costs associated with this application, which are shown in the 2019 column in the second table included in the 2019 column in the first table? If yes, please explain why there are no costs shown in lines 4 and 5 in the first table, which there are in the second table. If no, please explain why not.

Response:

a) The one-time costs shown on the lines referenced above primarily relate to forecast costs for other regulatory applications expected to take place in 2020, not EB-2019-0082.

b) The first table referenced above includes costs associated with the Regulatory Affairs division at Hydro One. The second table includes costs associated with this application, EB-2019-0082. The differences in Lines 4 and 5 between the tables are related to Legal and Consultants costs.

   External Legal and Consultants expenses are a cost input to any large rate case such as EB-2019-0082. Thus they are included in the second table. However, at Hydro One, these costs are forecasted within the Law Division budget and not in the Regulatory Affairs division budget. Therefore, they are excluded from the first table.

Witness: Stephen Vetsis

LPMA INTERROGATORY #19

Reference:
G-01-04

Interrogatory:
a) Has Hydro One Transmission obtained any new long-term debt to date in 2019?

b) If yes, please provide the amount, term and rate of any new debt instruments.

c) If yes, please update the cost of debt figures for 2020 shown on page 6 to reflect the new 2019 debt instruments.

Response:
a) Yes.

b) In April of 2019, Hydro One Inc. issued $1.5 billion of long-term debt, consisting of $700 million of five-year notes, $550 million of ten-year notes and $250 million of 30-year notes. The $700 million five-year notes was issued with a coupon rate of 2.54%, of which $413 million was allocated to Hydro One Transmission. The $550 million ten-year notes was issued with a coupon rate of 3.02%, of which $324.5 million was allocated to Hydro One Transmission. The $250 million 31-year notes was issued with a coupon rate of 3.64%, of which $147.5 million was allocated to Hydro One Transmission.

c) Please see the updated schedule attached for 2020 Cost of Long-Term Debt Capital. Lines 34 to 36 show the actual debt issued in 2019. The forecast debt issue shown on line 37 represents the remainder of the borrowing requirements for Hydro One Transmission in 2019, after taking into account the actual issuance.

HYDRO ONE NETWORKS INC.
TRANSMISSION
Cost of Long-Term Debt Capital
Test Year (2020)
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered ($Millions)	Premium Discount and Expenses ($Millions)	Net Capital Employed: Total Amount ($Millions)	Net Capital Employed: Per $100 Principal Amount (Dollars)	Effective Cost Rate	Total Amount Outstanding: at 12/31/2019 ($Millions)	Total Amount Outstanding: at 12/31/2020 ($Millions)	Avg. Monthly Averages ($Millions)	Carrying Cost ($Millions)	Projected Average Embedded Cost Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	3-Jun-00	7.350%	3-Jun-30	278.4	4.5	273.9	98.37	7.49%	278.4	278.4	278.4	20.8	
2	22-Jun-01	6.930%	1-Jun-32	109.3	1.3	107.9	98.78	7.03%	109.3	109.3	109.3	7.7	
3	17-Sep-02	6.930%	1-Jun-32	58.0	(2.1)	60.1	103.57	6.65%	58.0	58.0	58.0	3.9	
4	31-Jan-03	6.350%	31-Jan-34	126.0	1.0	125.0	99.21	6.41%	126.0	126.0	126.0	8.1	
5	22-Apr-03	6.590%	22-Apr-43	145.0	1.1	143.9	99.26	6.64%	145.0	145.0	145.0	9.6	
6	25-Jun-04	6.350%	31-Jan-34	72.0	(0.2)	72.2	100.22	6.33%	72.0	72.0	72.0	4.6	
7	20-Aug-04	6.590%	22-Apr-43	39.0	(3.1)	42.1	107.89	6.06%	39.0	39.0	39.0	2.4	
8	24-Aug-04	6.350%	31-Jan-34	39.0	(1.4)	40.4	103.48	6.09%	39.0	39.0	39.0	2.4	
9	19-May-05	5.360%	20-May-36	228.9	8.7	220.2	96.19	5.62%	228.9	228.9	228.9	12.9	
10	24-Apr-06	5.360%	20-May-36	187.5	2.5	185.0	98.68	5.45%	187.5	187.5	187.5	10.2	
11	19-Oct-06	5.000%	19-Oct-46	30.0	0.2	29.8	99.29	5.04%	30.0	30.0	30.0	1.5	
12	13-Mar-07	4.890%	13-Mar-37	240.0	1.3	238.7	99.45	4.93%	240.0	240.0	240.0	11.8	
13	3-Mar-09	6.030%	3-Mar-39	195.0	1.2	193.8	99.41	6.07%	195.0	195.0	195.0	11.8	
14	16-Jul-09	5.490%	16-Jul-40	210.0	1.4	208.6	99.36	5.53%	210.0	210.0	210.0	11.6	
15	15-Mar-10	5.490%	24-Jul-40	120.0	(0.7)	120.7	100.58	5.45%	120.0	120.0	120.0	6.5	
16	15-Mar-10	4.400%	4-Jun-20	180.0	0.8	179.2	99.55	4.46%	180.0	0.0	83.1	3.7	
17	13-Sep-10	5.000%	19-Oct-46	150.0	(0.4)	150.4	100.25	4.98%	150.0	150.0	150.0	7.5	
18	26-Sep-11	4.390%	26-Sep-41	205.0	1.3	203.7	99.35	4.43%	205.0	205.0	205.0	9.1	
19	22-Dec-11	4.000%	22-Dec-51	70.0	0.4	69.6	99.47	4.03%	70.0	70.0	70.0	2.8	
20	13-Jan-12	3.200%	13-Jan-22	154.0	0.8	153.2	99.47	3.26%	154.0	154.0	154.0	5.0	
21	22-May-12	3.200%	13-Jan-22	165.0	(1.6)	166.6	100.97	3.08%	165.0	165.0	165.0	5.1	
22	22-May-12	4.000%	22-Dec-51	68.8	0.3	68.4	99.51	4.02%	68.8	68.8	68.8	2.8	
23	31-Jul-12	3.790%	31-Jul-62	52.5	0.3	52.2	99.47	3.81%	52.5	52.5	52.5	2.0	
24	16-Aug-12	3.790%	31-Jul-62	141.0	1.1	139.9	99.20	3.83%	141.0	141.0	141.0	5.4	
25	9-Oct-13	4.590%	9-Oct-43	239.3	1.4	237.9	99.42	4.63%	239.3	239.3	239.3	11.1	
26	29-Jan-14	4.310%	29-Jan-64	30.0	0.2	29.8	99.44	4.34%	30.0	30.0	30.0	1.3	
27	3-Jun-14	4.190%	3-Jun-44	198.0	1.2	196.8	99.40	4.23%	198.0	198.0	198.0	8.4	
28	24-Feb-16	3.910%	24-Feb-46	175.0	1.1	173.9	99.36	3.95%	175.0	175.0	175.0	6.9	
29	24-Feb-16	2.770%	24-Feb-26	245.0	1.1	243.9	99.56	2.82%	245.0	245.0	245.0	6.9	
30	24-Feb-16	1.840%	24-Feb-21	250.0	0.9	249.1	99.63	1.92%	250.0	250.0	250.0	4.8	
31	18-Nov-16	3.720%	18-Nov-47	270.0	1.4	268.7	99.50	3.75%	270.0	270.0	270.0	10.1	
32	26-Jun-18	3.630%	25-Jun-49	468.0	2.4	465.6	99.48	3.66%	468.0	468.0	468.0	17.1	
33	26-Jun-18	2.970%	26-Jun-25	218.4	0.9	217.5	99.60	3.03%	218.4	218.4	218.4	6.6	
34	5-Apr-19	3.640%	5-Apr-50	147.5	0.8	146.7	99.43	3.67%	147.5	147.5	147.5	5.4	
35	5-Apr-19	3.020%	5-Apr-29	324.5	1.4	323.1	99.57	3.07%	324.5	324.5	324.5	10.0	
36	5-Apr-19	2.540%	5-Apr-24	413.0	1.6	411.4	99.62	2.62%	413.0	413.0	413.0	10.8	
37	15-Sep-19	3.814%	15-Sep-29	393.6	2.0	391.6	99.50	3.87%	393.6	393.6	393.6	15.2	
38	15-Mar-20	4.595%	15-Mar-50	165.0	0.8	164.2	99.50	4.63%	0.0	165.0	126.9	5.9	
39	15-Jun-20	4.214%	15-Jun-30	165.0	0.8	164.2	99.50	4.28%	0.0	165.0	88.9	3.8	
40	15-Sep-20	3.847%	15-Sep-25	165.0	0.8	164.2	99.50	3.96%	0.0	165.0	50.8	2.0	
41		**Subtotal**							6636.6	6951.6	6806.2	295.5	
42		Treasury OM&A costs										1.9	
43		Other financing-related fees										5.3	
44		**Total**							6636.6	6951.6	6806.2	302.7	4.45%