



THE BOARD OF DIRECTORS

PATRICIA ADAMS
Chair and President
ANN CAVOUKIAN
Executive Director, PBDI, Ryerson University
ANDREW COYNE
Columnist, Globe and Mail
IAN GRAY
President, St. Lawrence Starch Co. Ltd.
GAIL REGAN
President, Cara Holdings Inc.
GEORGE TOMKO
Expert-in-Residence in IPSI, University of Toronto

MAX ALLEN
Producer, CBC Radio
DAVID CAYLEY
Writer and Broadcaster
GLENN FOX
Economist, University of Guelph
BRUCE PARDY
Professor of Law, Queen's University
ANDREW ROMAN
Lawyer

November 15, 2020

Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON
M4P 1E4

Dear Ms. Long

RE: EB-2020-0194 Hydro One Networks Inc. 2017- 2022 Transmission Revenue Requirement and Charge Determinants and 2018-2022 Distribution Revenue Requirement and Rates, Remittal of Future Tax Savings

Attached are the interrogatories of Energy Probe Research Foundation (Energy Probe) in the Hydro One Networks Inc. EB-2020-0194 proceeding.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi
Consultant representing Energy Probe

cc. Patricia Adams (Energy Probe Research Foundation)
Frank D'Andrea (Hydro One Networks Inc.)
Martin Davies (OEB Staff)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, as amended (the “OEB Act”);

AND IN THE MATTER OF a proceeding on the Board’s own motion to implement the decision of the Divisional Court dated July 16, 2020 in its File #200/19, and for an Order or Orders approving or fixing just and reasonable rates for Hydro One Networks Inc. for the transmission and distribution of electricity as of January 1, 2021.

Hydro One Networks Inc.

2017- 2022 Transmission Revenue Requirement and Charge Determinants and 2018-2022 Distribution Revenue Requirement and Rates, Remittal of Future Tax Savings Issue

Energy Probe Research Foundation Interrogatories to Hydro One Networks

November 15, 2020

EB-2020-0194 Hydro One Networks Inc.
2017- 2022 Transmission Revenue Requirement and Charge Determinants and 2018-2022
Distribution Revenue Requirement and Rates, Remittal of Future Tax Savings Issue

EP-1

Reference: Exhibit A, Tab 1, Schedule 1, Page 5

Preamble: “On July 16, 2020, the Ontario Divisional Court determined that Board decisions having the effect of allocating tax savings amounts to rate payers had been made in error. In the Court’s opinion, no part of the benefit of the Future Tax Savings is allocable to ratepayers and should instead be paid to the shareholders in its entirety. The Court ordered that the matter be remitted back to the Board for implementation.”

Please file a Copy of the Ontario Divisional Court Decision.

EP-2

Reference: Exhibit A, Tab 1, Schedule 1, Page 7, Table 1

- a) Please detail what costs has Hydro One incurred as a result of the Misallocated Tax Savings Amounts (MTSA) that are not shown in Table 1, e.g. legal costs.
- b) Did the Court make an award of costs? If so please provide details.

EP-3

Reference: Exhibit A, Tab 1, Schedule 1, Page 8, Table 2

Please Update the Carry Cost Rates to reflect the OEB November 9, 2020 Letter regarding Rates for Debt and Equity.

EP-4

Reference: Exhibit A, Tab 1, Schedule 1, Page 10, and Table 4

Preamble: “In the present circumstances, Hydro One submits that its weighted average cost of debt (“WACD”) is an appropriate rate used to calculate all carrying costs and the bill impacts included herein reflect that rate. As a result of the Original Decision, Hydro One incurred a higher level of debt, than it otherwise would have. The WACD is the most appropriate carrying charge because the Misallocated Tax Savings Amounts were funds otherwise expected to be received by Hydro One in its normal operations. The cost to finance this shortfall would reasonably attract Hydro One’s WACD given that it was over a four year period.”

- a) Please provide a schedule that shows in the OEB approved format for each of the historic years up to 2020 Hydro One debt issues and the detailed data on terms, rates etc. for each issue.
- b) Please compare the amount and type of debt issued in 2015-2017 period to the amounts of debt issued in the 2018-2020 period.
- c) Provide the average historic Cost of Debt 2015-2017 and the recent cost of debt 2018-2020.
- d) Please provide a schedule that shows the sources and uses of funds for each year from 2017 to 2019. Please show the dividends paid for each year.
- e) Are the carrying cost amounts shown for each year in Table 4 calculated as simple interest or are they compounded? If the carrying costs are compounded please explain why that is appropriate.

EP-5

Reference: Exhibit A, Tab 1, Schedule 1, Page 11, Section 3.1.2

Preamble: “Carrying costs will also be incurred during the period in which the Misallocated Tax Savings Amounts remain outstanding within the recovery period. Calculation of this amount will be dependent upon (a) the commencement date of the recovery of the Misallocated Tax Savings Amount; (b) the length of time over which those amounts are recovered; and (c) the effective rate.”

- a) Is Hydro One proposing to establish one or more deferral accounts to facilitate the disposition of the MTSA? Please explain the proposal(s) in this regard.
- b) Please explain why the DTB amount to be recovered is not a Regulatory Asset and accordingly, the balance attracts the OEB prescribed interest rate for deferral accounts from January 1, 2021 forward?
- c) Please provide a schedule that shows for each of the recovery options the annual recovery from the DTB:
 - i) 2017-2020 using WACD
 - ii) 2021 onward using the Board-prescribed interest rates for Regulatory Assets.(at current rates)

EP-6

Reference: Exhibit A, Tab 1, Schedule 1, Page 11

Preamble: In 2023, rates will be impacted by new distribution and transmission revenue requirement that will be established through a *common joint rate application and rebasing process*. This approach mitigates rate impacts to customers by staggering rate increases over time.

- a) Please confirm if the OEB has accepted/directed a common rate application for transmission and distribution. Please provide references.
- b) Please provide details on the rationale/basis for such an Application, including how it fits within the RRFE.
- c) What are the benefits to customers of “staggering rate increases over time”. Please discuss.

EP-7

Reference: Exhibit A, Tab 1, Schedule 1, Page 11, Tables 5, 6 and 7

- a) For both Transmission and Distribution, for each of the options please provide for each class, the incremental revenue requirement(s) and calculations for the prospective DTB rate increases and rate riders.
- b) Please show the total rates and bill impacts if the applicable Revenue Requirements are escalated by the approved IRM amounts.

EP-8

Reference: Exhibit A, Tab 1, Schedule 1, Page 14

Preamble: As discussed under Option 1, Hydro One expects that R1 and R2 distribution customers will be protected from distribution rate increases associated with the recovery of Misallocated Tax Savings Amounts (i.e. the \$0.54 impact shown in Table 7) as a result of the DRP program.

Please explain this offset in more detail for each of the options.

EP-9

Reference: No Reference

- a) Will Hydro One amend/restate its Utility Income/Earnings Statements for 2017-2020? Please provide details.
- b) Will Hydro One amend its Income Tax filings for 2017-2020? Please indicate in detail what steps will be taken.
- c) What other financial issues will Hydro One address as a result of the MTSA? Please provide information on matters such as dividends, deferral of debt issues etc.

Submitted on behalf of Energy Probe Research Foundation by its consultants:

Roger Higgin
SPA Inc.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.