



December 23, 2020

Ms. Christine Long  
Registrar and Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

Re: Hydro One Networks Inc. (HONI) - Remittal of Future Tax Savings Issue  
AMPCO Submission on School Energy Coalition (SEC) Motion  
Board File No. EB-2020-0194

Dear Ms. Long:

Attached please find AMPCO's submissions supporting SEC's motion.

Please do not hesitate to contact me if you have any questions or require further information.

Best Regards,

A handwritten signature in blue ink, appearing to read "Colin Anderson".

Colin Anderson  
President

Copy to: Hydro One Networks Inc.

**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**

**AMPCO Submissions on SEC Notice of Motion  
December 23, 2020**

The OEB established this proceeding to implement the direction of the Court that all of the future tax savings should be allocated to Hydro One Networks Inc. (Hydro One) shareholders.

On December 4, 2020, Hydro One filed its responses to the interrogatories from OEB staff and intervenors. On December 9, 2020, the School Energy Coalition (SEC) filed a motion requesting an order requiring Hydro One to provide full and adequate responses to the following interrogatories:

- a. Interrogatories SEC-2 through 6
- b. Interrogatory OEB Staff-2(a)(5)
- c. Interrogatory CCC-1

SEC brings this motion because Hydro One has not provided full and adequate responses to certain interrogatories. SEC's position is the information requested is relevant to the issues to be decided in this proceeding.<sup>1</sup> The OEB determined that it will hear the motion.<sup>2</sup> For the reasons discussed below, AMPCO supports SEC's motion for Hydro One to respond to interrogatories SEC-2 through 6, OEB Staff-2 and CCC-1.

In the OEB's Notice and Procedural Order #1 dated October 2, 2020, the OEB directed that OEB staff and intervenors request any relevant information and documentation from Hydro One that is in addition to the evidence already filed, by written interrogatories filed with the OEB and served on all parties by November 16, 2020. SEC filed its interrogatories on November 13, 2020, three days in advance of the deadline.

SEC asked a series of interrogatories (SEC-2 to SEC-6) designed to get on the record the full calculation of the Future Tax Savings, stating in its Notice of Motion "These questions will allow the Board and parties to see the components of the Future Tax Savings (for allocation and other purposes), the periods over which they arise and the pattern of the benefits. This will in turn allow the Board and parties to test the appropriateness of various methods of collecting the Future Tax Savings from ratepayers and paying those amounts over to the shareholders."<sup>3</sup>

In reviewing Hydro One's evidence and preparing interrogatories, AMPCO had similar questions to SEC regarding the calculations Hydro One used to calculate the Misallocated Tax Savings for the 2017-2022 period but after reviewing the questions already filed by SEC, AMPCO had no additional questions.

---

<sup>1</sup> SEC Notice of Motion December 10, 2020 P

<sup>2</sup> Notice of Motion and PO#2 December 11, 2020 P2

<sup>3</sup> SEC Notice of Motion December 10, 2020 P3

AMPCO shares SEC's view that the record in this proceeding is thin on the calculation of the Future Tax Savings. It simply has a number that has been proposed by Hydro One, but without any supporting evidence.<sup>4</sup>

#### SEC 2-6

SEC asks a series of questions in SEC 2-6 SEC to receive more details on the calculations that underpin the Misallocated Tax Savings Amounts to be recovered. Hydro One declined to provide the requested information on the basis that it is not relevant to the issues in this proceeding.<sup>5</sup>

In the OEB's Notice and Procedural Order No. 1<sup>6</sup>, the OEB states,

"The findings in the Original Decision with respect to the tax savings allocations for the 2017-2018 period have subsequently been incorporated by the OEB into transmission revenue requirements and charge determinants for the years 2019 to 2022 as well as into distribution revenue requirements and rates for the 2018 to 2022 period. The OEB has determined that as a first step it will require Hydro One to file evidence on such matters as the total amount that Hydro One is entitled to recover for the 2017 to 2022 period as a result of the Court's decision. The information should be divided between the transmission business and the distribution business, along with detailed supporting calculations and potential customer bill impacts. Hydro One should also file one or more proposed implementation options for the recovery of the amounts owed through rates, and the annual forecast of rate impacts for these various options. Hydro One may also include any other information related to this matter that it believes would be useful."

The OEB is clear that the information should be divided between the transmission business and the distribution business, along with detailed supporting calculations and potential customer bill impacts.

In AMPCO's view, Hydro One has not provided detailed supporting calculations on the total amount that Hydro One is entitled to recover for the 2017 to 2022 period as a result of the Court's decision, and SEC 2-6 seeks to fill in this information gap. Hydro One indicates the scope and focus of this proceeding is intended to be narrow in nature and focus.<sup>7</sup> The scope and focus of his application is narrow but that does not mean that it is appropriate to skim over details that are needed to support the requested relief which includes recovery of Misallocated Tax Savings Amounts commencing January 1 2021 and revisions to the method of calculating regulatory income taxes beginning in 2022 to remove the allocation of tax savings from future calculations of regulatory income tax.<sup>8</sup>

AMPCO submits the Board should require Hydro One to provide responses to SEC 2-6 so that there is sufficient information on the record for the Board and customers to understand the amount of the tax savings and how and when they will be used by Hydro One to reduce its taxes.

---

<sup>4</sup> SEC Notice of Motion December 10, 2020 P3

<sup>5</sup> SEC-2

<sup>6</sup> October 2, 2020

<sup>7</sup> SEC-2

<sup>8</sup> A-1-1 P17

## CCC-1

CCC asked that Hydro One provide all materials provided to Hydro One's Board of Directors regarding this Application. Hydro One responded that this question is not relevant to the scope of this proceeding.

As detailed in the Chronology section in Hydro One's application<sup>9</sup>, the recovery of forecast income taxes has been a live issue since 2016 and the subject of Hydro One's Notice of Motion in October 2017 to review and vary the OEB's Original Decision<sup>10</sup> and the subject of an Appeal in 2019 to the Divisional Court. From the time of the Original Decision in 2017 to the Ontario Divisional Court Decision and Order on July 16, 2020, there have been two Hydro One transmission rates revenue requirement applications and one distribution rates revenue requirement applications<sup>11</sup> before the OEB.

The summary of events leading up to this proceeding is extensive. Given the complexity of the issue and magnitude of the Misallocated Tax Savings Amounts to be deducted from regulatory income tax, it stands to reason that Hydro One's Board of Directors would have been briefed on this issue and reflected on this issue. Such briefings serve to further illuminate Hydro One's description of the threefold matter at hand in this application to (1) calculate the total amount that Hydro One is entitled to recover for the 2017-2022 period (2) stop any future misallocation of tax savings to ratepayers; and (3) determine the period to recover the amounts in (1).

AMPCO agrees with SEC that the Board would benefit from a full and complete answer to this interrogatory.

## OEB Staff 2(a)(v)

OEB staff requested both the actual and approved WACD and WACC rates and associated carrying charge amounts, if not already provided in Table 2 and 3. Hydro One's response is that actual rates are not applicable and refers to the response to OEB Staff 2(a)(iv) where Hydro One states that it has always used approved interest rates for calculations relating to interest and sees no reason to deviate from this practice.

Part (1) of Hydro One's threefold matter at hand in this proceeding is to calculate the total amount that Hydro One is entitled to recover for the 2017-2022 period. Hydro One's proposed calculation of Misallocated Tax Savings Amounts includes the recovery of carrying costs during the appeal period and Hydro One puts forward the carrying costs it considered for this purpose.<sup>12</sup> AMPCO submits the Board cannot consider Hydro One's actual interest in considering and determining the appropriate carrying costs applicable to the Future Tax Savings without a response to OEB Staff (a)(v). Hydro One should be required to respond.

---

<sup>9</sup> A-1-1 P2-5

<sup>10</sup> EB-2016-0160 2017-2018 Transmission Rates Original Decision September 28, 2017 (revised October 11 and November 1, 2017)

<sup>11</sup> EB-2018-0130; EB-2-19-0082; EB-2017-0049

<sup>12</sup> A-1-1 P8