

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.

AND IN THE MATTER OF Rule 27 of the Board’s *Rules of Practice and Procedure*.

REPLY SUBMISSIONS OF THE SCHOOL ENERGY COALITION

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1 REPLY TO GENERAL SUBMISSIONS

1.1 Purpose of this Proceeding

1.1.1 SEC believes that Hydro One has continued to have an incorrect view of the purpose of this proceeding, and this is apparent in the Hydro One Submissions on this motion.

1.1.2 Hydro One takes the position that the only amounts in issue are the amounts incorrectly allocated in past decisions of the Board¹. Hydro One says, in fact:

“SEC characterizes the Board’s task as examining and testing “alternative approaches” to recovering the full value of the Future Tax Savings from ratepayers. Yet, what SEC fails to acknowledge is that the only “alternative approaches” within the scope of this proceeding concern recovery of the amounts already provided to ratepayers. Regarding the amounts that would have been allocated to ratepayers, but for the Court Decision, there is no alternative approach required. The only approach that is consistent with the Court Decision is halting the erroneous allocations.”[emphasis added]

1.1.3 The purpose of this proceeding is in fact to implement the decision of the Court. The Court ordered that a specific benefit – defined in the Court Decision as Future Tax Savings² – should be allocated in its entirety to the shareholders of Hydro One, and none of that benefit should flow to the ratepayers. The actual words of the Court are as follows³:

“Therefore, under the long-established benefits follow costs principle, 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.” [emphasis added]

1.1.4 This is not ambiguous. Future Tax Savings is an amount the Court believed to be \$2.595 billion. The Board is ordered to ensure that amount is “paid to the shareholders in its entirety”.

1.1.5 In fact, Hydro One helpfully quotes another part of the Court Decision that emphasizes this interpretation. The Court says⁴:

¹ Hydro One Submissions, para. 20.

² The Future Tax Savings are defined by the Court at para. 1 of the Decision as the \$2.595 billion of tax savings arising out of the FMV Bump. Thus, they are not future savings from now, but are the future savings from and after the event that created them, so include both amounts that have been misallocated to date, and amounts that would, under the past Board decisions, be misallocated in the future. The evidence in this proceeding does not include a detailed calculation of the Future Tax Savings, and the impugned interrogatories are in large part designed to get those calculations.

³ Court Decision, para. 60.

⁴ Court Decision, para. 19.

“In effect, the Future Tax Savings are a recovery over time of the PILs Departure Tax paid by HONI and funded by its shareholders.”

1.1.6 Thus, it is not disputable that the Court ordered the Board to ensure recovery by Hydro One in rates of a specific amount, which it believed to be \$2.595 billion⁵. It is also not disputable that at no time did the Court limit the application of its decision to correcting misallocated amounts from existing rates, nor have the Board placed such a limit on this proceeding.

1.1.7 The Board recognized the purpose of this proceeding in Procedural Order #1. In addition to requiring Hydro One to file information on the period up to 2022 (the period governed by existing rate plans), the Board also ordered⁶:

“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.” [emphasis added]

1.1.8 This is not surprising. In order to comply with the Court Decision, the Board has to fashion a method of ensuring that Hydro One recovers the Future Tax Savings from ratepayers. The Board has recognized that there are alternative ways of doing this, and invited Hydro One to make an initial proposal of one or more options.

1.1.9 Based on the numbers Hydro One has provided to date, it appears that it is seeking an order that each of its Distribution customers pay a total of about \$1,055⁷ in extra charges to recover the Future Tax Savings, i.e. to pay their share of the PILs Departure Tax, as the Court said. In addition, it is seeking an order that each of the other Ontario customers (who are all directly or indirectly Transmission customers) pay a total of about \$320 in extra charges to pay their share to Hydro One’s shareholders⁸.

1.1.10 The result of this proceeding will be orders of this Board that will result in the payment by ratepayers to Hydro One shareholders of some \$2.595 billion or more over the next undetermined period of time. This proceeding’s order will determine which customers pay those amounts, and when they pay them.

1.1.11 The question in dispute on this Motion is what information should the Board have

⁵ The Court, of course, did not look into whether the amount was correct, as that was not germane to the legal issues before the Court. That is an area of detail that it left to the regulator, the OEB.

⁶ Procedural Order #1, p. 3.

⁷ Assuming about 1.25 million Dx customers. This is about \$115 per customer for the misallocations to date, and \$940 in charges to be included in rates at unspecified future times.

⁸ Assuming about 5.3 million total Ontario electricity customers, some of which are included in the Hydro One Dx number. This is about \$35 per customer for the Tx misallocations to date, and \$285 in charges to be included in rates at unspecified future times.

before it when it orders the payment of \$2.595 billion from ratepayers to a regulated utility in these circumstances. Hydro One seeks to limit the information available to the Board, and SEC (and other intervenors) seek to ensure that there is a full record before such an order is made.

1.2 Basic Argument of Hydro One

- 1.2.1** Hydro One is taking the position that there is only one approach to this problem that is consistent with the Court Decision. As set out in its Submissions on this Motion⁹, Hydro One says that it should be allowed to calculate the amount of the Future Tax Savings for each year, past and future, and the allocation between Distribution and Transmission, and no-one – regulator or customers – should be allowed to look under the hood to see how each year’s Future Tax Savings are calculated, and how they fit together.
- 1.2.2** The method Hydro One is using to calculate the Future Tax Savings each year is to calculate regulatory income taxes with and without the FMV Bump, and report the result. Based on the information currently filed in this proceeding, the Board will never see the details of those calculations. The whole premise relied on by Hydro One is that, since the benefit of the Future Tax Savings is “outside of the rate-setting process¹⁰”, the Board doesn’t have to look in any detail at those Future Tax Savings.
- 1.2.3** With respect, that is a surprisingly utility-centric view of the issues before the Board.
- 1.2.4** The Board’s statutory mandate applicable to this case is setting rates. The underlying principle for most rate-setting is recovery of reasonable and prudent costs (with some exceptions). Hydro One is seeking in this proceeding rate orders that will allow it to recover tax costs higher than those it will actually incur, an exception to the normal rule. The Court has agreed that Hydro One should be able to recover those higher costs, and this Board is in this proceeding implementing a method by which those higher costs will be recovered in rates.
- 1.2.5** In order to do that, the Board has to do two things:
- (a)** Determine the excess amount that has to be recovered from ratepayers, which requires details on the calculation of that amount.

⁹ Hydro One Submissions, para. 16-20

¹⁰ Hydro One Submissions, para. 19.

- (b) Determine which ratepayers will pay what share of that excess amount, and when. That requires information on the timing of the additional (notional) costs to be recovered, and the nature of those costs (so that the right ratepayers pay the right share).

1.2.6 Hydro One has not alleged in their Submissions that this information is already on the record. If they believed that is the case, they could have simply pointed the Board and parties to the locations of that information. They did not.

1.2.7 Instead, their unique utility perspective is that, in ordering to the payment of \$2.595 billion from Hydro One ratepayers to shareholders, the Board and ratepayers do not need to know how that amount was calculated, what it is for, and when the notional cost will arise. Those details are, says Hydro One, irrelevant.

1.3 Alternative Methods of Recovery

1.3.1 Part of the reason for this is that Hydro One believes there is only one way to correct this situation, and it is the way they have proposed. In fact, they specifically characterize the impugned SEC interrogatories as “a fishing expedition”¹¹, because SEC did not set out any “alternative methods” of implementing the Court Decision¹².

1.3.2 Of course, it would be irresponsible for SEC to propose any specific alternative method of recovery without having an evidentiary basis, so typically alternatives are proposed after discovery is complete. That having been said, it should be as obvious to Hydro One as it is to SEC that there are a number of potential approaches to payment by the ratepayers to the shareholders of Future Tax Savings. While it is premature to say whether any of these alternatives are appropriate in the circumstances, we can suggest at least four, out of the many that could be considered by the Board.

1.3.3 *Black Box.* This is the method proposed by Hydro One. In this, Hydro One will calculate in each proceeding the difference between federal income taxes without the FMV Bump, and those with the FMV Bump. The former will be included in rates, and the latter will effectively draw down the Future Tax Savings. If this proceeding is any indicator, Hydro One’s position will be that the Board doesn’t need to see Hydro One’s detailed calculations of the impact of the FMV Bump.

1.3.4 Aside from the lack of transparency, the Black Box approach has two main disadvantages. First, because capital cost allowance is calculated on a declining balance basis, this method front-loads the recovery of the Future Tax Savings. Until we have the responses to the impugned interrogatories, we can’t calculate the exact

¹¹ Hydro One Submissions, para. 22.

¹² Although SEC did explain in the Notice of Motion why that is the case: Notice of Motion, para. 24, fn. 12.

impact of this front-loading, but we know from the underlying math that the extra rate recovery is higher in the early years than in the later years.

- 1.3.5** An example may make this clear. The following table assumes a 5% weighted average CCA rate for Hydro One assets, and a FMV bump of \$10 billion, basically the actual FMV Bump (about \$9.8 billion) rounded up to an even number.

Sample Future Tax Savings Impact (\$millions)							
Year	Book Value UCC	FMV UCC	5% CCA at Book Value	5% CCA at FMV	CCA Deduction Impact	Tax Impact @26.5%	Percent Change
2017	\$5,000.0	\$15,000.0	\$250.0	\$750.0	\$500.0	\$132.5	
2018	\$4,750.0	\$14,250.0	\$237.5	\$712.5	\$475.0	\$125.9	-5.00%
2019	\$4,512.5	\$13,537.5	\$225.6	\$676.9	\$451.3	\$119.6	-5.00%
2020	\$4,286.9	\$12,860.6	\$214.3	\$643.0	\$428.7	\$113.6	-5.00%
2021	\$4,072.5	\$12,217.6	\$203.6	\$610.9	\$407.3	\$107.9	-5.00%
2022	\$3,868.9	\$11,606.7	\$193.4	\$580.3	\$386.9	\$102.5	-5.00%
2023	\$3,675.5	\$11,026.4	\$183.8	\$551.3	\$367.5	\$97.4	-5.00%
2024	\$3,491.7	\$10,475.1	\$174.6	\$523.8	\$349.2	\$92.5	-5.00%
2025	\$3,317.1	\$9,951.3	\$165.9	\$497.6	\$331.7	\$87.9	-5.00%
2026	\$3,151.2	\$9,453.7	\$157.6	\$472.7	\$315.1	\$83.5	-5.00%
2027	\$2,993.7	\$8,981.1	\$149.7	\$449.1	\$299.4	\$79.3	-5.00%
2028	\$2,844.0	\$8,532.0	\$142.2	\$426.6	\$284.4	\$75.4	-5.00%
2029	\$2,701.8	\$8,105.4	\$135.1	\$405.3	\$270.2	\$71.6	-5.00%
2030	\$2,566.7	\$7,700.1	\$128.3	\$385.0	\$256.7	\$68.0	-5.00%
2031	\$2,438.4	\$7,315.1	\$121.9	\$365.8	\$243.8	\$64.6	-5.00%
2032	\$2,316.5	\$6,949.4	\$115.8	\$347.5	\$231.6	\$61.4	-5.00%
2033	\$2,200.6	\$6,601.9	\$110.0	\$330.1	\$220.1	\$58.3	-5.00%
2034	\$2,090.6	\$6,271.8	\$104.5	\$313.6	\$209.1	\$55.4	-5.00%
2035	\$1,986.1	\$5,958.2	\$99.3	\$297.9	\$198.6	\$52.6	-5.00%
2036	\$1,886.8	\$5,660.3	\$94.3	\$283.0	\$188.7	\$50.0	-5.00%

- 1.3.6** What this shows, as required by the underlying math, is that the amount of Future Tax Savings recovered each year will decline by same percentage as the weighted average CCA rate, all other things being equal. This is then exacerbated by the fact that the years 2017-2020 have not been collected from customers, so for some period the front-end load would be doubled up.
- 1.3.7** A more insidious impact of this structure is that there is a built-in rate reduction every year for decades. While the Board could explicitly take this into account, the more likely proposal from Hydro One in each rate case would be that their rates increase at inflation or more, as in the past, and this would end up being a hidden extra rate

increase every year. Of course, the Board’s ability to explicitly account for this hidden decline in costs is limited if, as Hydro One is now proposing, full information on the calculations of the Future Tax Savings is not provided to the Board and the parties.

- 1.3.8** Second, this approach doesn’t take into account the potential for changes in the mix of assets, and changes in tax rules and interpretations, over multiple decades. As time goes on, the Board’s ability to ensure that it is actually just returning the PILs Departure Tax to Hydro One, as the Court Decision suggests, will be compromised. Accelerated Depreciation rules change the timing of the FMV Bump impacts. When assets are taken out of service they are disposed of at FMV, and there is typically recapture or terminal loss, which will be affected by the FMV Bump. Tax rates may change, affecting the value of the extra CCA. These are just a few of the ongoing adjustments required.
- 1.3.9** *Actual Tax Impacts.* Using the same concept, the Board could look at the actual tax cost borne by Hydro One each year, then assess how much that actual tax cost was impacted by the FMV Bump to provide an uplift to the tax recovery in rates for that year.
- 1.3.10** This has some of the same problem as the Black Box approach with respect to pattern of recovery. It is still likely to be front-loaded, although perhaps less so because in any given year Hydro One will only get tax savings based on the tax it would otherwise have to pay. For example, if Hydro One has tax credits or special deductions that limit its taxable income, the full tax shelter provided by the FMV Bump may not be available in a given year.
- 1.3.11** On the other hand, this alternative would mean that the impacts of changes in tax laws, changes in asset mix, and other ongoing factors would be taken into account, and the Board would make an express assessment in each case as to the impact of the change and the extent if any to which it was affected by the FMV Bump. Terminal losses, for example, could be taken into account when they happen. The Board could make a determination whether changes in tax rates are entirely to the benefit of the ratepayers or the shareholders, or shared between them.
- 1.3.12** It perhaps goes without saying that, in order to opt for this approach, the Board would have to have detailed actual information for the period to date, and detailed forecast information going forward.
- 1.3.13** *Rate Rider.* This approach is the more traditional one. The Court has ordered the Board to include in rates recovery from ratepayers of an amount of money, said to be \$2.595 billion. Once the Board is satisfied that it knows the amount to be recovered, and enough about it to know how to share it fairly between classes of customers, then it can engage in a normal rate-setting exercise to add a rate rider that recovers the amount over a period of time.

- 1.3.14** This looks at the problem as a ratemaking exercise, and the Board asks itself “What is the best way to transfer this much money from ratepayers to shareholders over time, based on fundamental ratemaking principles?”
- 1.3.15** The advantage is that the Board has maximum flexibility. It complies with the Court Decision by ordering a pattern of payments that will reach a specific amount. It complies with its statutory mandate by ensuring that the rates it orders follow proper ratemaking principles.
- 1.3.16** By way of example only, the Board could determine that the Future Tax Savings will be experienced in the main over a twenty-five year period, and so establish a rate rider that recovers the Future Tax Savings over that period. Further, the Board could consider whether inflation and customer growth mean that the rate rider can change over time (for example by indexing) and still drive full recovery for Hydro One. This might provide a more acceptable pattern of rate impacts.
- 1.3.17** On the other side, this method assumes that the amount to be recovered is determined in advance. Changes in tax laws and asset mix are ignored using this approach.
- 1.3.18** The other issue that arises with this approach is the potential time value of money if the rate recovery is not exactly equal to the timing of the benefit. That is already an issue in this proceeding.
- 1.3.19** And, as with the other alternatives, this one cannot really be assessed without having the information requested in the impugned interrogatories.
- 1.3.20** ***Componentized Recovery.*** A tax specialist would likely say that the first three alternatives are too simplistic. In order to produce a fair result, it is necessary to break down the specific components of the Future Tax Savings, not just between Distribution and Transmission, but between assets and asset classes. For each component of the Future Tax Savings, an individual recovery pattern could be fashioned, particular to the affected assets and to the customers that have the benefit of those assets.
- 1.3.21** For example, suppose hypothetically¹³ that a \$500 million software package used only for large industrial customers has a book value of \$5 million, a FMV of \$300 million, and an accelerated CCA rate over three years. It would not be unreasonable for the Board to determine that the \$80 million of Future Tax Savings from that asset are recovered on a different time frame, and from different customers, than the Future Tax Savings from the FMV Bump of wires and poles.

¹³ This is intentionally an extreme example to illustrate the approach.

- 1.3.22** This method, of course, has the benefit of precision and is likely fairer overall than any other, just because of that precision. It may, however, be impractical, or generate less benefit in terms of precision/fairness than the cost to develop it.
- 1.3.23** What is important to note, however, is that if the information requested by SEC in the impugned interrogatories is not provided, no party can even argue for a Componentized Recovery approach, whether for all of the Future Tax Savings or for only some of them. There will be no evidentiary basis to determine that it would even have an impact.
- 1.3.24** **Conclusion.** Each of these approaches can have many variations, and there are likely completely different approaches that SEC hasn't even considered. These are just four examples.
- 1.3.25** Whether any of these examples is the best, or the worst, or any should be discarded altogether, is impossible to determine at this point. The method of recovery of \$2.595 billion is worth getting right, but the only way to do that is for the Board to have an evidentiary basis on which to make that assessment.
- 1.3.26** We note that, what is common to all of these examples is that they are driven by data. The principle here is easy, given the Court Decision: Future Tax Savings go to the shareholders. Now the Board has the more difficult task of converting that into rates, and on that the devil is certainly in the details.

2 SPECIFIC INTERROGATORIES

2.1 Introduction

- 2.1.1** For each of the interrogatories, we will in this section attempt to respond to the concerns expressed by Hydro One as to relevance and regulatory efficiency. We will not repeat the arguments made in our Notice of Motion, which continue to apply.

2.2 Interrogatory SEC-2

- 2.2.1** This interrogatory asks for three categories of information:
- (a)* Details of the calculation of the \$2.595 billion Future Tax Savings.
 - (b)* The highest amount of Future Tax Savings that could arise in each past and future year.
 - (c)* The expected or forecast amount of Future Tax Savings that will arise in each past and future year.
- 2.2.2** This information is necessary for consideration of all four of the alternatives set out earlier.
- 2.2.3** Clearly the Board cannot order recovery of an amount ordered by the Court if it doesn't know what the amount is, no matter what method is used. In theory, the Board could simply take Hydro One at its word that the amount is \$2.595 billion. However, the Board normally takes the view that ratepayers can and should ask questions, and get detailed information, about material amounts that a utility wants them to pay. The greater the amount, the more it is usually considered to be appropriate to delve into the details of how it is calculated.
- 2.2.4** In simple terms, a very detailed analysis is usually considered more appropriate for the Darlington Refurbishment than for the purchase of a bucket truck. In this case, \$2.595 billion is the largest rate recovery of a single cost (other than the very largest capital assets) in Board history.
- 2.2.5** The highest and the expected amount of Deferred Tax drawdown each year are relevant to when ratepayers should pay the Future Tax Savings to the shareholders. The Board does not just have to consider how much should be paid, or the split between classes of customers, but also the timing of the payments. The forecast annual Future Tax Savings will tell the Board the expected pattern of savings. The maximum annual Future Tax Savings allow the Board to assess how much of the tax

savings is automatic, and how much is discretionary on the part of the utility. The Board may well believe that different considerations arise if the utility chooses not to take tax savings that are available, for example.

2.2.6 Thus, relevance is clearly demonstrated.

2.2.7 As for regulatory efficiency, as with all of these interrogatories we are requesting calculations that have already been done by Hydro One. The issue here is not extra work¹⁴, but secrecy. Nothing else.

2.2.8 SEC notes that Hydro One calls SEC-2 a “collateral attack on the Court Decision”¹⁵. SEC has no intention of challenging the Court Decision, directly or indirectly. SEC was at Divisional Court. We lost. That ship has sailed.

2.2.9 On the other hand, we are not at Divisional Court now. This is not a legal dispute. This is a ratemaking exercise and, like all proceedings that set rates, there are ratemaking principles to be applied, and information necessary in order to apply those principles fairly.

2.3 Interrogatory SEC-3

2.3.1 Hydro One’s submission on this interrogatory is that SEC only wants this to be provided so that we don’t have to prepare it ourselves. If that was Hydro One’s understanding from our submissions, we have not expressed ourselves properly, as that was manifestly not the intent.

2.3.2 The pattern of tax savings is necessary and relevant because it may be a factor in the pattern of recovery of the Future Tax Savings that the Board orders. As we note in the table in para. 1.3.5 above, the tax savings are front loaded, but some of the methods of rate recovery are not. If Hydro One does not provide the information requested in SEC-3 (and others), then Hydro One will not be able to argue that the proposed Rate Rider recovery (if someone proposes that) is mismatched with the annual Future Tax Savings. You can’t argue mismatch if you won’t provide the data that would ground such an argument.

2.3.3 Again, there is no issue here of regulatory efficiency. This information is readily available in the files of Hydro One. This is only about disclosure to the Board, which will make the decision on recovery method, and the customers, who will pay for it.

¹⁴ Despite the bald assertion by Hydro One complaining about the “efforts required by Hydro One to compile the requested information” (Hydro One Submissions, para. 48), none of the information requested by SEC in these interrogatories requires anything more than finding the appropriate document in a file.

¹⁵ Hydro One Submissions, para. 25.

2.4 Interrogatory SEC-4

- 2.4.1** The continuity schedules requested in this interrogatory are likely part of the calculation of the Deferred Tax amount requested in SEC-2(a), but were also requested separately for completeness.
- 2.4.2** Continuity schedules are obviously relevant if the Board wants to consider the Actual Taxes approach to recovery of the Future Tax Savings. The continuity schedules will show the raw available tax shelter from the FMV Bump each year, which then can be compared with the actual shelter used in a given year. In addition, the reasons for any difference can be identified.
- 2.4.3** The schedules also are central to the Componentized Recovery method, since they will identify any material anomalies in the annual impacts relative to the overall annual impacts, and the allocations of those impacts, as proposed by Hydro One. They will be particularly valuable for the first four years of actuals, where the Componentized approach is most likely to have significant impacts.
- 2.4.4** Finally, the various methods have different advantages or disadvantages when there are changes in asset mix, and when assets go into and out of service. This will likely be a consideration for the Board when determining which approach to rate recovery it should take. Knowing the actual impacts of asset changes for the last few years, and the forecast impacts for the future, will be valuable in assessing whether asset changes are a major factor.
- 2.4.5** As with the other interrogatories, these are documents/spreadsheets that Hydro One has already (or should have).

2.5 Interrogatory SEC-5

- 2.5.1** In this interrogatory, SEC asked for the calculation of the net present value figure of \$1.2 billion provided by Hydro One to the Court. Hydro One says¹⁶ this is a “fishing expedition” and a “collateral attack” on the Court Decision.
- 2.5.2** Hydro One has simply misunderstood in this case the discovery process in regulatory proceedings. When two numbers on the record are (or should be) calculated based on the same assumptions, but with different purposes, the calculation of one number can be used to test the correctness of the other number. This is standard practice. Utilities appearing before the Board regularly test their own applications before filing to root out inconsistencies. Intervenors and OEB Staff do the same in interrogatories.
- 2.5.3** In this case, Hydro One wants \$2.595 billion from its customers. SEC has requested

¹⁶ Hydro One Submissions, para. 30.

that calculation in SEC-2, which has been denied. The net present value of \$1.2 billion should be based on the same underlying forecasts, and if it is that strengthens the reliability of the \$2.595 billion number. If the \$1.2 billion is not on the same basis, that raises questions as to whether the \$2.595 billion figure is accurate. Since the Board has to determine how much to order the ratepayers to pay to the shareholders, this testing is valuable.

- 2.5.4** Reconciling two numbers on the record is pretty normal. We do not understand why Hydro One would not be willing to provide this, since to do the present value calculation they had to prepare a spreadsheet, and they can just file it.

2.6 Interrogatory SEC-6

- 2.6.1** This is a request for accountants' working papers for the deferred taxes. Hydro One does not provide any specific submissions objecting to provision of this information.
- 2.6.2** Since the working papers are support for SEC-2 and SEC-5 (at least), then their relevance is based on the relevance of the other questions. If the Board determines those to be relevant, then it is fair and reasonable to ask for existing documents that support (or not), or provide detail with respect to, relevant information.

2.7 Interrogatory Staff-2

- 2.7.1** This question has been answered with the Hydro One Submissions.

2.8 Interrogatory CCC-1

- 2.8.1** The Board in Procedural Order #1 invited Hydro One to provide alternative proposals for rate recovery of the Future Tax Savings consistent with the Court Decision. Hydro One only provided one proposal, and claims it is the only way. SEC has listed four approaches in these Submissions, but it is almost certain those are not the full range of possibilities.
- 2.8.2** However, it is likely that the Board of Directors, or a Committee, or Executive Management, of Hydro One would have asked the CFO and team to explore alternatives, and assess the impacts of every alternative on the customers and the utility. Indeed, if they did not, the Board would be forgiven for asking what kind of oversight the Board of Directors and Executive Management are exercising. These are obvious questions, and this is a big number.
- 2.8.3** SEC therefore submits that the Board will benefit from the Board of Directors materials, since they will (or should) detail alternatives and customer impacts that will be relevant to the Board's determination as to rate recovery.

3 CONCLUSION

3.1 Order Requested

- 3.1.1** The School Energy Coalition therefore requests that the Board order that Hydro One provide full and complete answers to the six remaining interrogatories that have not been answered.

All of which is respectfully submitted.

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Counsel for the School Energy Coalition