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March 29, 2019

BY COURIER

Ms. Kirsten Walli
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli:

EB-2018-0218 - Hydro One Sault Ste. Marie's Application for 2019 Revenue Cap and Other Related Matters – Argument-In-Chief

In accordance with Procedural Order No. 5, enclosed please find the Argument-in-Chief of Hydro One Sault Ste. Marie ("HOSSM") in the above noted proceeding.

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH

Jeffrey Smith

ONTARIO ENERGY BOARD

EB-2018-0218

APPLICATION FOR TRANSMISSION REVENUE REQUIREMENT EFFECTIVE JANUARY 1, 2019

ARGUMENT-IN-CHIEF

HYDRO ONE SAULT STE. MARIE LP

MARCH 29, 2019

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INTRODUCTION

On July 26, 2018, Hydro One Sault Ste. Marie Limited Partnership (“Hydro One SSM” or the “Applicant”) applied to the Ontario Energy Board (“OEB” or the “Board”) for an order or orders approving just and reasonable rates for the transmission of electricity. Pursuant to Procedural Order No. 5 dated March 14, 2019, the Applicant hereby files this Argument-in-Chief.

The Applicant is seeking Board approval for its revenue requirement to be reflected in rates effective January 1, 2019. This amount will be calculated using Hydro One SSM's 2016 Board-approved revenue requirement as the base revenue adjusted by the revenue cap index framework described in the application[1]. This is in accordance with the EB-2016-0050 Decision and Order (the "MAAD Decision"), which granted Hydro One Inc. ("HOI") leave to purchase the voting securities of the Applicant's general partner, accepted HOI's proposal to defer the rebasing of the Applicant's rates for a 10-year period, and stipulated that the Applicant can continue with its existing 2016 revenue requirement and apply for rates using a revenue cap index framework for the deferral period.

This application is based on a Revenue Cap Index approach which consistent with the requirements outlined in Chapter 2 of the OEB’s *Filing Requirements for Electricity Transmission Applications* (“the Filing Requirements”). As such, the Applicant has included the required factors for the revenue cap index calculation, including expected inflation, productivity, and a stretch factor.

Hydro One SSM is also seeking approval to continue to use various regulatory accounts, to dispose of balances in various deferral and variance accounts, and, if necessary, to

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[1] The final inflation factor and revenue cap adjustment will be calculated and included as part of the Draft Rate Order of this application to be filed if so requested by the Board.

establish a sub-account to record any revenue deficiencies incurred from January 1, 2019, until Hydro One SSM's proposed 2019 rates are implemented.

Hydro One SSM is seeking an adjustment to its 2016 revenue requirement, which was reviewed and approved by the Board in EB-2014-0238, as was a 10-year deferral period including the years 2017-2026 inclusive. Revenue cap adjustments for the first two years of that period have been forgone and are lost to the Applicant. This Application is for 2019 rates which represent Year 3 of the revenue cap adjustment period. Hydro One SSM is requesting that the revenue cap adjustment be allowed for a period of eight years out through 2026 to coincide with the remaining time left on the approved 10-year deferral period.

Hydro One SSM is seeking approval of its proposed performance monitoring and reporting. The Applicant has included a draft scorecard in its Application and will adhere to the customary reporting, including RRR filings.

The Applicant has submitted a robust and appropriately paced capital investment plan for renewing key assets while leveraging those that are currently in good shape. The plan is supported by a comprehensive Transmission System Plan ("TSP"), which relies upon a detailed, third-party, Asset Condition Assessment. The construction and maintenance operations of Hydro One SSM were integrated into the operations of Hydro One Networks Inc. ("HONI") on October 1, 2018. Going forward, HONI will perform the maintenance work associated with the continued operation and reliability of the Hydro One SSM assets and will implement the capital plan articulated in the TSP. Accordingly, to maximize efficiency for customers, many of the features of the Application, including the revenue cap factors and the performance reporting proposal, align with those in place at HONI.

Hydro One SSM has reaffirmed its commitment to implementing an Earnings Sharing Mechanism ("ESM") to the benefit of customers. This ESM will share 50% of any earnings that exceed the OEB-allowed regulatory Return on Equity (“ROE”) by more than 300 basis points in any of years six to ten (2022 through 2026 inclusive) of the rebasing deferral period. Any shared amount will be treated as a reduction in a subsequent revenue requirement calculation.

The approval of Hydro One SSM's revenue requirement, plus the disposition of certain deferral and variance accounts, will result in an increase of less than 0.04% in the overall provincial revenue requirement to be used in the final calculation of Uniform Transmission Rates of Ontario ("UTR") for 2019. Based on the Applicant's estimate, the revenue requirement increase arising from this Application will result in a negligible impact to the typical residential and retail customer's total bill for 2019. This change in the Hydro One SSM revenue requirement does not result in any change to the existing UTR. The Applicant proposes that any shortfall in revenue versus the current UTR be collected in a deferral account and disposed as part of the Applicant’s adjustment for 2020 rates.

This submission seeks to highlight the following elements regarding the relief sought by the Applicant:

i. the proposed annual adjustment, including the stretch factor, productivity factor, and inflation factor is transparent, fair and in accordance with Board guidelines;
ii. the requested effective date of January 1, 2019, is reasonable; and the collection of any outstanding amount compared to the interim award is performed in a manner that is fair and does not materially affect customers;
iii. the requested approvals with respect to deferral accounts are correct and in accordance with Board guidelines; and
iv. the Applicant will implement the described ESM and will have available for use, subject to timely adjudication, certain Board-approved adjustment mechanisms such as Z-factor and Incremental Capital Module (“ICM”).

As requested in Procedural Order # 5, this submission addresses the Applicant’s position based upon the approved Issues List in the proceeding. Comments on each issue are included below.

A. GENERAL

1. HAS HYDRO ONE SSM RESPONDED APPROPRIATELY TO ALL RELEVANT OEB DIRECTIONS FROM PREVIOUS PROCEEDINGS?

Yes.

OEB directions from previous proceedings include the following:

- EB-2014-0238
    - undertake a more detailed and comprehensive asset management plan as part of Great Lakes Power Transmission's (GLPT's) next rate application;
    - participate in HONI's Total Cost Benchmarking Study (described in the proposed Settlement Proposal filed in EB-2014-0140) through the provision of relevant data;
    - complete a new lead lag study as part of GLPT's next rate application; and
    - prepare a new, bottom-up load forecast for submission to the Board with GLPT's next rate application.
- EB-2016-0050
    - The OEB directed GLPT to file a new rate application, proposing a revenue cap index framework for the deferral period that also includes the components set out in the updated Chapter 2 Filing Requirements.
- EB-2016-0356
    - There is insufficient evidence for the OEB to accept Hydro One SSM's submission on the revenue cap index framework;
    - The OEB found that the proposed scorecard for 2017 was incomplete; and
    - Hydro One SSM has outstanding commitments from the OEB-approved settlement proposal including studies, plans and measures.
    - Hydro One SSM was directed to provide a detailed update load forecast.

All of the above-noted items have been addressed in the current Application. Details as to the disposition of each item are included in Exhibit A, Tab 2, Schedule 2 of the pre-filed evidence. Furthermore, Hydro One SSM provided a copy of its most recent Load Forecast as Attachment 1 to Exhibit I, Tab 1, Schedule 4 (Staff IR #4).

2. HAS THE 2019 REVENUE REQUIREMENT BEEN CALCULATED APPROPRIATELY, IN ACCORDANCE WITH OEB POLICIES AND PRACTICES?

Yes.

The formula to be employed is:

Adjusted Revenue = Current Year Revenue X

(1 + (Inflation Factor – Productivity Factor – Stretch Factor))

For 2019, this formula yields the following estimate:

- Current Year Revenue = $39,778,120
  - Base Revenue approved in EB-2014-0238 for Great Lakes Power Transmission ("GLPT") and approved in EB-2016-0356 for use by Hydro One SSM for the rebasing period
- Inflation Factor = 1.4%
  - Revised to reflect proposed labour/non-labour weightings applied to OEB Update for 2019 issued November 23, 2018[2]
- Productivity Factor = 0.0%
  - Recommended in a study by Power System Engineering Inc. ("PSE") and included at Exhibit D, Tab 1, Schedule 1, Attachment 1.
- Stretch Factor = 0.0%
  - Recommended in a study by Power System Engineering Inc. ("PSE") and included at Exhibit D, Tab 1, Schedule 1, Attachment 1.

The current estimated revenue adjustment for 2019 is $556,894 for a total revenue requirement of $40,335,014.

The adjustment will be finalised as part of any Rate Order submitted in this proceeding.

[2] The full calculation of the revised 1.4% inflation factor is shown in HONI's response to LPMA Interrogatory #7 provided as Exhibit I, Tab 3, Schedule 7 in EB-2018-0130.

3. ARE THE ASSOCIATED 2019 TOTAL BILL IMPACTS REASONABLE?

Yes.

As outlined in Issue #2 above, the current estimated revenue cap adjustment for 2019 is calculated to be approximately $550 thousand. When added to UTR, this represents an increase in a typical customer’s monthly bill of less than 1 cent and is sufficiently immaterial that it does not cause any actual increase in UTR for 2019.

B. REVENUE CAP PROPOSAL

4. ARE THE ELEMENTS OF HYDRO ONE SSM'S REVENUE CAP FRAMEWORK PROPOSAL REASONABLE AND IN ACCORDANCE WITH PRIOR DECISIONS AND WITH OEB POLICY, INCLUDING ITS PROPOSED FUTURE EARNINGS SHARING MECHANISM, INCREMENTAL CAPITAL FUNDING OPTIONS, Z-FACTORS, AND ANY OTHER MECHANISMS?

Yes.

Hydro One SSM's proposed Revenue Cap Index approach is consistent with the requirements outlined on page 5 of Chapter 2 of the Filing Requirements namely: (i) the inclusion of an inflation measure; and (ii) the inclusion of both a productivity and stretch factor informed by benchmarking.

Consistent with the OEB's *Handbook to Electricity Distributor and Transmitter Consolidations*, dated January 16, 2016, Hydro One SSM has proposed that its RCI framework over the OEB-approved deferred rebasing period will also include a Z-factor, availability of additional capital funding through an Incremental Capital Module (ICM), if required, and an Earnings Sharing Mechanism (ESM). Hydro ONE SSM notes that the proposed ESM described in Exhibit A, Tab 2, Schedule 1 was approved as part of EB-2016-0050.

5. ARE THE PARAMETERS OF HYDRO ONE SSM'S PROPOSED REVENUE CAP PLAN, AND MORE SPECIFICALLY, THE INFLATION FACTOR WITH TRANSMISSION SECTOR-SPECIFIC WEIGHTINGS, AND THE PROPOSED BASE PRODUCTIVITY AND STRETCH FACTORS, AS SUPPORTED BY POWER SYSTEM ENGINEERING'S TOTAL COST BENCHMARKING AND TOTAL FACTOR PRODUCTIVITY STUDY REASONABLE?

Yes.

Hydro One SSM is proposing to adopt the recommendations of the study conducted by Power System Engineering Inc. ("PSE") for HONI[3]. The study recommended an X factor of 0% and a custom weighted inflation factor with a 14%/86% labour/non-labour cost weighting[4].

Hydro One SSM notes that the process used by PSE to arrive at the recommended productivity parameters [i.e. stretch factor and industry total factor productivity (TFP) trend] follows methodologies similar to what was approved by the OEB to set rates for electricity distributors under the 4th Generation IRM framework adapted to the circumstances of the transmission industry.

As indicated in response to Exhibit I, Tab I, Schedule 58, PSE's parameter recommendations for the inflation factor and transmission industry TFP are external measurements which should apply equally to Hydro One SSM. PSE also recommended that the stretch factor recommendation of 0% should also apply to Hydro One SSM, given that the industry TFP already forms a large implicit stretch factor and that it would be unlikely the benchmarking results would change significantly if Hydro One SSM's costs were added to those of HONI. Hydro One SSM therefore submits that the proposed parameters are reasonable.

OEB staff's consultant, Pacific Economics Group (PEG), filed a report that provided an analysis alternative to that of PSE[5]. Hydro One SSM notes two material concerns with the analysis provided in PEG's report. Firstly, the plant additions data utilized in PEG's benchmarking analysis was inconsistent with the data used in its productivity work which led to flawed data in the benchmarking calculations.[6] PEG provided revised total cost

[3] The study is provided as Attachment 1, to Exhibit D, Tab 1, Schedule 1.
[4] Exhibit D, Tab 1, Schedule 1, Attachment 1, pages 11 and 12.
[5] EB-2018-0218, Exhibit M1.
[6] See PEG's response to Exhibit L1, Tab 1, Schedule 6.i).

benchmarking results[7] which corrected for this error which showed an improvement in cost performance for Hydro One. PEG stated that this resulted in a “non-neglible change in PEG’s benchmarking work that improved the cost performance of [HONI].” More specifically, the change showed that HONI’s 2014-2016 average cost performance improved from 9.43% to 22.87% below benchmark.

This improvement in benchmarking result does not take in to account Hydro One SSM’s second concern. Namely that PEG applied inconsistent cost definitions between HONI and the other U.S. utilities in the sample. In other words, PEG removed certain types of OM&A costs[8] from all utilities in the sample except for HONI when conducting its total cost benchmarking analysis. Hydro One SSM submits that PEG’s approach introduces a structural bias against HONI which should call in to question the results. PEG itself acknowledged that this was a valid concern with its cost benchmarking work.[9]

That said, Hydro One SSM notes that the recommendations on the record from both PEG and PSE would result in the adoption of the same parameters for Hydro One SSM’s Revenue Cap Index.

6. IS POWER SYSTEM ENGINEERING’S TFP SAMPLE OF COMPARATOR UTILITIES APPROPRIATE, AND DOES ITS TFP GROWTH RATE TREND BASED ON THE 2004-2016 PERIOD MEET THE OEB'S REQUIREMENT FOR A LONG-TERM HISTORICAL TREND?

Yes.

The process used by PSE to arrive at the recommended parameters follows methodologies similar to what was approved by the OEB for the 4th Generation IRM

[7] Attachments a) through d) to Exhibit L1, Tab 1, Schedule 6.
[8] EB-2018-0218, M1, page 13.
[9] Exhibit L1, Tab 1, Schedule 5, response to 5.m).

framework used by distributors.[10] The sample period used by PSE was two years longer than the sample period that supported the TFP analysis adopted by the OEB for electricity distributors in the 4th Generation IRM framework.

7. IS HYDRO ONE SSM'S PROPOSAL TO MAINTAIN THE CURRENT APPROVED LOAD FORECAST AND RESULTING CHARGE DETERMINANTS FOR THE PURPOSES OF SETTING UNIFORM TRANSMISSION RATES OVER THE ENTIRETY OF THE DEFERRED REBASING PERIOD APPROPRIATE?

Yes.

Hydro One SSM's proposal is consistent with its understanding of the OEB's policies regarding applications seeking mechanistic adjustments, such as this application. Though the OEB has not yet determined specific Filing Requirements for mechanistic transmission applications, it has established Filing Requirements for Price Cap IR applications for electricity distributors which are similarly mechanistic in nature. Page 31 of Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications lists loss of customer load as a specific exclusion from such applications. Given the noted exclusion, it is Hydro One SSM's understanding that a request to update its charge determinants would not be permissible in a mechanistic application, such as this, over the deferred rebasing period.

[10] Described originally as a part of EB-2010-0379 in: "*Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*" issued as a Report of the Board on November 21, 2013

C. TRANSMISSION SYSTEM PLAN

8. DOES THE TRANSMISSION SYSTEM PLAN ADEQUATELY ADDRESS THE OEB'S RENEWED REGULATORY FRAMEWORK OBJECTIVES?

Yes.

Hydro One SSM has aligned its planning, execution and reporting functions around performance outcomes that are consistent with the OEB's Renewed Regulatory Framework ("RRF") outcomes. The RRF outcomes are:

- Customer Focus;
- Operational Effectiveness;
- Public Policy Responsiveness; and
- Financial Performance.

Hydro One SSM's performance in achieving these outcomes is reflected in its proposed Transmission Scorecard provided as Figure 5 in Exhibit C, Tab 1, Schedule 1.

Metrics have been drawn from Hydro One SSM's KPIs, scorecards, HONI metrics and the OEB's *Performance Measurement for Electricity Distributors: A Scorecard Approach* report. The measures were also informed by the OEB's guidance in the Handbook for Utility Rate Applications by reflecting the following key considerations:

- A focus on strategy and results, not activities;
- The need to demonstrate continuous improvement;
- Outcomes that are demonstrated to be of value to customers; and
- Performance metrics that accurately measure whether outcomes are being achieved, and that include stretch goals to demonstrate enhanced effectiveness and continuous improvement.

9. IS THE LEVEL OF PLANNED 2019 TO 2026 EXPENDITURES APPROPRIATE AND IS THE RATIONALE FOR PLANNING AND PACING CHOICES APPROPRIATE AND ADEQUATELY EXPLAINED IN THE TRANSMISSION SYSTEM PLAN? IS HYDRO ONE SSM'S ASSET MANAGEMENT PROCESS REASONABLE AND HAS IT BEEN ADEQUATELY SUPPORTED BY ITS TRANSMISSION SYSTEM PLAN?

Yes.

The capital plan in the TSP is robust and appropriate. The plan was built using the improved investment planning processes developed by HONI. The proposed spending levels are in line with the needs of the asset base as demonstrated by the Asset Condition Study performed by METSCO Inc. and included at Exhibit B1, Tab 1, Schedule 1, Appendix B.

Fundamentally, Hydro One SSM's plan is to leverage the processes already in place at HONI in order to optimize efficiency and lower costs for customers.

10. DO THE PROPOSED EXPENDITURES INCLUDE THE CONSIDERATION OF FACTORS SUCH AS CUSTOMER PREFERENCES, SYSTEM RELIABILITY AND ASSET CONDITION?

Yes.

Hydro One SSM conducts regular customer engagement meetings with its transmission-connected customers. In the course of the meetings, parties review Hydro One SSM's performance across the interconnection points between the customer and Hydro One SSM's assets, evaluating performance against the applicable OEB standards, and exploring the drivers of each outage, as well as potential means of mitigation of recurrence in the future.

System Renewal and System Service investments collectively account for approximately 90% of the proposed capital spending. These investments aim to improve the condition of transmission assets through replacement or refurbishment of assets identified in the Asset Condition Assessment in order to address reliability performance.

11. HAS HYDRO ONE SSM ADEQUATELY ADDRESSED OPERATIONAL SYNERGIES AND SAVINGS IN THE TRANSMISSION SYSTEM PLAN, INCLUDING WITH RESPECT TO ITS OPERATIONAL INTEGRATION WITH HYDRO ONE NETWORKS INC.? IS HYDRO ONE SSM'S CONTINUOUS IMPROVEMENT ADEQUATE?

Yes.

Hydro One SSM expects that its approaches to capital asset lifecycle optimization will undergo an extensive review and alignment with those of HONI. As the two entities' equipment standards, planning assumptions, and work execution practices converge over time, it is expected that synergies and efficiencies for the benefit of the customers and shareholders of both entities will be realized.

12. WERE HYDRO ONE SSM'S CUSTOMER ENGAGEMENT ACTIVITIES ADEQUATE TO ENABLE CUSTOMER NEEDS AND PREFERENCES TO BE CONSIDERED IN THE FORMULATION OF ITS PROPOSED SPENDING?

Yes.

Hydro One SSM communicates with all of its customers on a regular basis. Detailed efforts related to discussions are included throughout the Investment Summary Documents in the TSP.

D. PERFORMANCE SCORECARD

13. ARE HYDRO ONE SSM'S PROPOSED KEY PERFORMANCE INDICATORS AND SCORECARD COMPLETE, INCLUDING ADEQUATE PERFORMANCE MEASURE METRICS, EACH WITH SPECIFIC PERFORMANCE OUTCOMES AND IMPLEMENTATION TIMELINES? DO THE OUTCOMES ADEQUATELY REFLECT CUSTOMER EXPECTATIONS? DOES HYDRO ONE SSM'S PROPOSED SCORECARD REFLECT THE OEB'S REQUIREMENTS?

Yes.

Hydro One SSM has proposed a Scorecard that substantially aligns with that of HONI. This is responsible and efficient given the integration of operations of the two utilities.

The HONI Transmission Scorecard provides continuity with Hydro One's previously filed Transmission Scorecard, while also reflecting the OEB's direction. The measures have been influenced by internal and external sources that include past performance management measures, benchmarking studies, and scorecards and measures of other utilities in the public domain. The measures were also informed by the OEB's guidance in the Handbook for Utility Rate Applications[11] ("Handbook") by reflecting the following key considerations and OEB filing requirements:

- A focus on strategy and results, not activities;
- The need to demonstrate continuous improvement;
- Outcomes that are demonstrated to be of value to customers; and
- Performance measures that accurately measure whether outcomes are being achieved, and that include stretch goals to demonstrate enhanced effectiveness and continuous improvement.

[11] Ontario Energy Board, Handbook for Utility Rate Applications, October 13, 2016, p.16

E. ACCOUNTING

14. HAVE ALL IMPACTS OF ANY CHANGES IN ACCOUNTING STANDARDS, POLICIES, ESTIMATES AND ADJUSTMENTS BEEN PROPERLY IDENTIFIED AND RECORDED, AND IS THE RATE-MAKING TREATMENT OF EACH OF THESE IMPACTS APPROPRIATE?

Yes.

Hydro One SSM employs MIFRS as its accounting standard. It will continue with this standard throughout most or all of the deferral period as a stand-alone entity from a financial perspective. There is no change envisioned in the accounting standards currently in use and there are no proposed rate changes due to accounting standards over the proposed period.

15. ARE HYDRO ONE SSM'S PROPOSALS FOR DEFERRAL AND VARIANCE ACCOUNTS, INCLUDING THE BALANCES IN THE EXISTING ACCOUNTS AND THEIR DISPOSITION, AND THE CONTINUATION OF EXISTING ACCOUNTS APPROPRIATE?

Yes.

Hydro One plans to dispose of a Credit balance (reduce revenue) from its existing deferral and variance accounts. The amount of the credit to be disbursed is $94,909 or 0.2% of base revenue. This includes all of the balances sought for approval for the following accounts:

- Comstock Claim;
- Property Tax and Use and Occupation Permit Fee Variances;
- Bulk Energy System ("BES") Definitional Change;
- OEB Cost Assessment Variances; and
- In-service Addition Net Cumulative Asymmetrical Variance Account

All account balances that Hydro One SSM is seeking to disburse, inclusive of all carrying charges, would be cleared in 2019 under this proposal. This aggregation approach is consistent with prior rate applications and is described in more detail in Exhibit E, Tab 1, Schedule 3.

HOSSM has provided a continuity schedule of deferral and variance accounts at Exhibit E, Tab 1, Schedule 4 for the years 2014 to 2018.

16. IS THE PROPOSED NEW DEFERRAL ACCOUNT TO CAPTURE REVENUE DEFICIENCIES APPROPRIATE?

Yes.

As outlined below in response to Issue #18, Hydro One SSM filed its Application for a revenue cap adjustment on July 26, 2018, with the full and reasonable belief that there was sufficient time to implement the adjustment by January 1, 2019, as proposed. That notwithstanding, on Page 3, of Exhibit A, Tab 2, Schedule 1, Hydro One SSM requested a customary accounting order to establish a sub-account within deferral account 1574 to record revenue deficiencies incurred from January 1, 2019, until HOSSM's proposed 2019 rates are implemented. A draft accounting order was filed in response to Exhibit I, Tab 1, Schedule 2 (Staff IR # 2).

Hydro One SSM's request and the draft order are correct and appropriate so as to allow sufficient adjudication of the Application by the Board.

F. COST ALLOCATION

17. IS THE TRANSMISSION COST ALLOCATION PROPOSED BY HYDRO ONE SSM APPROPRIATE?

Yes.

Hydro One SSM has employed the same Cost Allocation parameters as those proposed and approved for GLPT in EB-2014-0238. Given that the approved base revenue is taken from this proceeding, it is appropriate to adopt the same cost allocation methodology.

G. EFFECTIVE DATE

18. IS THE PROPOSED EFFECTIVE DATE OF JANUARY 1, 2019, FOR HYDRO ONE SSM'S 2019 REVENUE REQUIREMENT APPROPRIATE?

Yes.

Hydro One SSM's Application is seeking to establish its 2019 revenue requirement using a mechanistic adjustment. The scope of the Application is less than that of a traditional rebasing application and can reasonably be expected to require less processing time. Given that the request for relief is simply for an adjustment and given that the formula is constructed according to the OEB guidelines and policies, Hydro One SSM believed that a five-month turnaround was reasonable and filed its application in late July 2018. This timing also coincided with the availability of the METSCO Asset Condition Study that was key to performing the updated investment planning process. An updated capital spending plan would not have been reasonably obtainable in time for a meaningfully earlier filing date.

CONCLUSION

Hydro One SSM filed this revenue cap adjustment Application to secure modest, incremental revenue on an annual basis to address the inherent inflationary cost pressures associated with operating and maintaining the Hydro One SSM system.

The revenue cap increase proposed in this Application is forecast to increase UTR by approximately $550,000, which would impact the total revenue requirement of the UTR by less than 0.04%, equating to a change of less than 1 cent on a typical monthly customer bill. A change this small is not expected to have any impact on the UTR in 2019.

In past proceedings, Hydro One SSM was ordered to file supplementary information along with the revenue cap index, including a full TSP and a more robust scorecard and performance management methodology. These requirements have been met.

Hydro One SSM has made a clear and accurate submission defending the deferral and variance accounts that it currently administers. These accounts cause a revenue requirement reduction of approximately $95,000 to the revenue cap adjustment referenced above.

There was significant discussion about the capital plan throughout the proceeding, including at the technical conference. However, the purpose of this Application was not, and still is not, to seek revenue requirement approvals related to the funding levels associated with capital spending since the base revenue is already approved. Instead, Hydro One SSM has performed a bottom-up development of a capital plan for the eight-year period in question and is integrating with the processes employed by HONI to optimize synergies and efficiencies while warranting that operations remain in line with expectations for safety, reliability, and performance.

Hydro One SSM therefore submits that this Application meets the requirements for a revenue cap index increase as outlined in Chapter 2 of the OEB's *Filing Requirements for Electricity Transmission Applications* and requests that the Board approve the Application as submitted.