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Frank D'Andrea

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

November 30, 2020

Ms. Christine E. Long
The Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

EB-2020-0227 – Hydro One Sault Ste. Marie Limited Partnership’s 2021 Transmission Revenue Cap Index Annual Filing – Update

Hydro One Networks Inc. on behalf of Hydro One Sault Ste. Marie Limited Partnership (“HOSSM”) is submitting HOSSM’s updated annual transmission revenue cap index application for 2021 along with prefiled evidence in support of the application. This version of the application and prefiled evidence has been updated to reflect the inflation factor set out in the OEB’s November 9, 2020 letter.

An electronic copy of this application and evidence has been submitted using the Board’s Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Frank D'Andrea". The signature is written in a cursive, flowing style.

Frank D'Andrea

EXHIBIT LIST

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APPLICATION

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

AND IN THE MATTER OF an Application by Hydro One Sault Ste. Marie Limited Partnership for an Order or Orders made pursuant to section 78 of the *Ontario Energy Board Act, 1998* approving rates and other charges for the transmission of electricity to be effective January 1, 2021.

1. The Applicant, Hydro One Sault Ste. Marie Limited Partnership (“HOSSM”), provides electricity transmission in the vicinity of Sault Ste. Marie, Ontario.
2. In its decision in EB-2016-0050, the Ontario Energy Board (the “Board” or the “OEB”) approved the acquisition of HOSSM¹ by Hydro One Inc. as well as a ten-year deferral period for rebasing. In the same decision, the OEB determined that HOSSM would continue with its 2016 revenue requirement and bring forward a separate rate application, proposing a revenue cap index for the deferral period.
3. In its decision in EB-2018-0218, the OEB approved HOSSM’s proposed revenue cap index (“RCI”) methodology and determined that this methodology would be used to determine HOSSM’s base transmission revenue requirement for the years 2019 to 2026 inclusive.

¹ HOSSM was named Great Lakes Power Transmission LP at the time of the acquisition; a name change took place on January 16, 2017.

- 1 4. This is an Application for HOSSM's 2021 transmission revenue requirement
2 determined formulaically using the revenue cap index methodology approved in EB-
3 2018-0218.
- 4
- 5 5. HOSSM hereby applies to the OEB for orders approving:
- 6
- 7 a) A total rates revenue requirement of \$41,512,836 for 2021, to be effective on
8 January 1, 2021, along with an amendment to the 2021 Uniform Transmission
9 Rates to allow for recovery of this amount.²
- 10
- 11 b) Other items or amounts that may be requested by HOSSM in the course of this
12 proceeding, and as may be granted by the OEB.
- 13
- 14 6. HOSSM is not requesting approval to disburse any deferral and variance account
15 balances.
- 16
- 17 7. Approval of the 2021 rates revenue requirement does not materially impact the total
18 bill for a typical Hydro One medium density residential (R1) customer consuming 750
19 kWh monthly, nor does it materially impact the total bill a typical Hydro One General
20 Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh
21 monthly. More information regarding bill impacts may be found at Tab 4.
- 22
- 23 8. In preparing this Application, HOSSM has been guided by the OEB's *Filing*
24 *Requirements for Electricity Transmission Rate Applications*.

² In EB-2020-0180 (2020 Uniform Transmission Rates) p. 9, the OEB determined that transmitters shall submit 2020 foregone revenue calculations for disposition as part of the process for establishing 2021 UTRs. Therefore, the presented Rates Revenue Requirement excludes amounts related to the disposition of the Transmission Foregone Revenue Deferral Account.

1 9. The written evidence filed with the OEB may be amended from time to time prior to
2 the OEB's final decision on the Application.

3
4 **NOTICE AND FORM OF HEARING REQUESTED**

5
6 10. HOSSM will provide notice as directed in the OEB's Letter of Direction.

7
8 11. The Application may be viewed on the Internet at the following address:
9 <https://www.hydroone.com/about/regulatory/hydro-one-sault-ste-marie>

10
11 12. The persons affected by this Application are all persons affected by Ontario's Uniform
12 Transmission Rates.

13
14 13. HOSSM requests that, pursuant to Section 32.01 of the Board's *Rules of Practice and*
15 *Procedure*, this proceeding be conducted by way of written hearing.

16
17 **PROPOSED EFFECTIVE DATE**

18
19 14. HOSSM requests that the OEB's rate Order be effective January 1, 2021. In order to
20 address the possibility that the requested rate Order cannot be made effective by that
21 time, HOSSM requests an interim Order making its current transmission revenue
22 requirement and charges effective on an interim basis as of January 1, 2021, and
23 continuing the Transmission Foregone Revenue Deferral Account³ to recover any
24 differences between the interim rates and the final rates effective January 1, 2021, based
25 on the OEB's Decision and Order on this Application.

³ Recently approved for HOSSM at page 12 of the OEB's decision in EB-2020-0180, 2020 Uniform Transmission Rates.

1 **CONTACT INFORMATION**

2

3 15. HOSSM requests that a copy of all documents filed with the Board by each party to
4 this application be served on the Applicant and the Applicant's counsel as follows:

5

6 The Applicant:

7

 Eryn MacKinnon

8

 Senior Regulatory Coordinator – Regulatory Affairs

9

 Hydro One Networks Inc.

10

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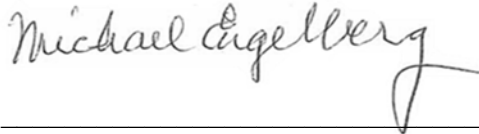
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The Applicant’s Counsel:

Michael Engelberg
Assistant General Counsel
Hydro One Networks Inc.
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DATED at Toronto, Ontario, this 30th day of November, 2020.

By its counsel,



Michael Engelberg

1 **CERTIFICATION OF EVIDENCE**

2

3 TO: ONTARIO ENERGY BOARD

4

5

6 The undersigned, Frank D'Andrea, being Hydro One Networks Inc.'s Vice-President of
7 Reliability Standards and Chief Regulatory Officer, hereby certifies on behalf of HOSSM
8 that:

9

- 10 1. I am a senior officer of Hydro One Networks Inc.;
- 11 2. This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing*
12 *Requirements for Electricity Transmission Applications*; and
- 13 3. The evidence submitted herein is accurate, consistent and complete to the best of
14 my knowledge.

15

16 DATED this 30th day of November, 2020. |

17

18

19

20

21



FRANK D'ANDREA

1 **SUMMARY OF OEB DIRECTIVES FROM PREVIOUS**
2 **PROCEEDINGS**

3
4 This exhibit provides a summary of directives from past OEB proceedings and provides a
5 status update or explains the steps HOSSM has taken to address the OEB’s direction as
6 part of this Application.

7
8 **1. EB-2016-0050– APPROVAL OF ACQUISITION BY HYDRO ONE**

9
10 In its decision in EB-2016-0050, the OEB approved the acquisition of HOSSM¹ by Hydro
11 One Inc. as well as a ten-year deferral period for rebasing. In the same decision, the OEB
12 determined that HOSSM would continue with its 2016 revenue requirement and bring
13 forward a separate rate application, proposing a revenue cap index for the deferral period.
14 The revenue cap index is discussed in the following section.

15
16 **2. EB-2018-0218 – APPROVAL OF REVENUE CAP INDEX**
17 **METHODOLOGY FOR THE DEFERRAL PERIOD**

18
19 In its decision in EB-2018-0218, the OEB approved HOSSM’s proposed revenue cap index
20 methodology and determined that this methodology would be used to determine HOSSM’s
21 base transmission revenue requirement for the years 2019 to 2026 inclusive.

¹ HOSSM was named Great Lakes Power Transmission LP at the time of the acquisition; a name change took place on January 16, 2017.

1 **3. EB-2020-0180 - 2020 UNIFORM TRANSMISSION RATES (“UTR”)**

2

3 In EB-2020-0180 the OEB determined that approved interim 2020 Ontario Uniform
4 Transmission Rates would remain in place for the remainder of 2020. The resulting 2020
5 foregone revenue and accrued interest was to be submitted for disposition as part of the process
6 for establishing 2021 UTRs. HOSSM has submitted these amounts and supporting schedules
7 in the 2021 UTR rate-setting process (EB-2020-0251).

APPLICATION SUMMARY

1.0 INTRODUCTION

This Exhibit describes HOSSM's 2021 transmission revenue requirement application.

The 2021 transmission revenue requirement of \$41,512,836 has been determined formulaically using the revenue cap index methodology approved in EB-2018-0218. HOSSM is requesting that the Ontario Energy Board approve the revenue requirement to be effective on January 1, 2021.¹

Approval of the 2021 revenue requirement does not materially impact the total bill for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly, nor does it materially impact a typical Hydro One General Service Energy less than 50 kW (GSe < 50kW) customer consuming 2,000 kWh monthly. More information regarding bill impacts may be found in Section 4.3.

2.0 REVENUE CAP INDEX ADJUSTMENT

In the OEB's Decision on HOSSM's 2018 application requesting approval of a revenue cap index adjustment to the HOSSM revenue requirement (EB-2018-0218, the "HOSSM Revenue Cap Index Decision"), the OEB approved a revenue cap index methodology (the "RCI") for adjusting HOSSM's revenue requirement for the years 2019 to 2026, inclusive.²

This application follows this Board-approved framework.

¹ The proposed 2021 rates revenue requirement excludes amounts related to the disposition of 2020 foregone revenue and accrued interest.

² See Decision and Order in EB-2018-0218, p 16.

1 The RCI is expressed as:

2
$$\text{RCI} = \text{I} - \text{X}$$

3 Where:

4 “I” is the Inflation Factor, based on a transmission industry specific weighted two-
5 factor input price index;

6 “X” is the Productivity Factor, which includes a Stretch Factor.

7

8 At the time of filing of this Application, the OEB had not yet released the inflation data
9 applicable for revenue requirement applications beginning January 1, 2021. On November
10 9th, 2020 the OEB issued its inflation parameters for incentive rate setting.³ On November
11 19th HOSSM submitted a letter electing to adopt the inflation factor as calculated by the
12 OEB’s methodology. As a result, HOSSM has recalculated the 2021 revenue requirement
13 to reflect the updated inflation factor as part of the approved RCI formula.

14

15 In the HOSSM Revenue Cap Index Decision, the OEB approved a stretch factor of 0.3%
16 for the duration of HOSSM’s deferred rebasing period (i.e., until 2026⁴) as well as a
17 productivity factor of 0.0%.

18

19 Table 1 below summarizes the components of the RCI for 2021:

20

21

Table 1 - Revenue Cap Index (RCI) by Component (%)

Revenue Cap Index by Component	2021
Inflation Factor (I)	2%
<i>Less:</i>	
Productivity Factor (X)	(0.3%)
Total Revenue Cap Index (RCI)	1.7%

³ OEB Letter - 2021 Inflation Parameters, November 9, 2020: Appendix: 2021 Inflation Parameters by Industry Sector

⁴ Decision and Order, EB-2018-0218, p. 20.

1
2 Table 2 below summarizes the 2021 base revenue requirement that results from the RCI
3 adjustment:

4 **Table 2 – 2021 Base Revenue Requirement**

Year	Formula	Base Revenue Requirement
2021	2020 Base Revenue Requirement x RCI = \$40,818,914 x 1.017%*	\$41,512,836

* RCI from Table 1.

5
6 **3.0 DEFERRAL AND VARIANCE ACCOUNTS**

7
8 HOSSM is not requesting approval to disburse any deferral and variance account balances
9 at this time as amounts are not material.⁵

10
11 **4.0 RATES**

12
13 **4.1 CHARGE DETERMINANTS**

14
15 The charge determinants of the five licensed transmitters for the Network, Line Connection
16 and Transformation Connection rate pools are used by the OEB to determine UTRs. As
17 HOSSM is currently under a deferred rebasing period, the charge determinants for 2021
18 will remain the same as were used for the approved Interim 2020 UTRs as shown in Table
19 3⁶.

⁵ I.e., the balances in accounts which could be disbursed are not material and total to an amount under the materiality threshold set out in section 2.1.1 of the OEB's *Filing Requirements for Electricity Transmission Applications*.

⁶ Decision and Interim Rate Order, 2020 Uniform Transmission Rates (EB-2019-0296), Appendix A.

Table 3 - Charge Determinants (in MWs)

Transmitter	Network	Line Connection	Transformation Connection
HOSSM	3,498.236	2,734.624	635.252

4.2 RATES REVENUE REQUIREMENT BY RATE POOL

The proposed 2021 rates revenue requirement for HOSSM is \$41,512,836 as shown in Table 4 below.

Ontario’s provincial Uniform Transmission Rates (“UTRs”) are established by allocating the revenue requirement for the five transmitters to the UTR Rate Pools: Network, Line Connection and Transformation Connection. The revenue requirement allocation to the UTR rate pools for most transmitters uses the same allocation across the UTR rate pools as Hydro One Networks, which is based on a cost allocation study conducted by Hydro One Networks on a regular basis. The exceptions to this are B2M Limited Partnership and Niagara Reinforcement Limited Partnership, where 100% of the rates revenue requirement is allocated to the Network pool since their assets only provide Network services.

HOSSM’s 2021 rates revenue requirement allocation to the rate pools will be established during the 2021 UTR proceeding, using the OEB approved methodology as described above. An illustrative estimate of HOSSM’s proposed 2021 rates revenue requirement by rate pool using the split of Hydro One Networks’ approved 2020 rates revenue requirement⁷ across the UTR rate pools is provided in Table 4 below.

⁷ Revenue Requirement and Charge Determinant Order, EB-2019-0082, Schedule A.

Table 4 – 2021 Rates Revenue Requirement by Rate Pool

Transmitter	Total Rates Revenue Requirement	Network	Line Connection	Transformation Connection
Hydro One Networks	\$1,585,751,902	\$951,027,050	\$181,565,841	\$453,159,011
<i>Percentage split by rate pool</i>		60%	11%	29%
HOSSM	\$41,512,836	\$24,896,599	\$4,753,148	\$11,863,089

4.3 BILL IMPACTS

An update to the estimated average transmission cost as a percentage of the total bill for a transmission and a distribution-connected customer is presented in Table 5.

Table 5 – Estimated Transmission Cost as a Percentage of Total Electricity Market Costs

Bill Component	¢/kWh
Commodity ¹	12.58
Wholesale Market Service Charges ¹	0.39
Wholesale Transmission Charges ¹	1.06
Distribution Service Charges ²	3.02
Total Cost	17.05
<i>Transmission as % of Total Cost for Dx-connected customers</i>	<i>6.2%</i>
<i>Transmission as % of Total Cost for Tx-connected customers</i>	<i>7.6%</i>

¹ Source: IESO Monthly Market Report, December 2019

² Source: 2019 Yearbook of Electricity Distributors

HOSSM's rates revenue requirement represents 2.4% of the total revenue requirement across all transmitters. As such, the proposed 2021 rates revenue requirement increase of 1.7% results in a net impact of 0.04% on average transmission rates. A summary of the average bill impact as a result of the proposed 2021 rates revenue requirement relative to the approved 2020 rates revenue requirement is presented in Table 6.

1 **Table 7 - 2021 Total Bill Impacts for Distribution-Connected Customers**

	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer Consuming 2,000 kWh per Month
Total Bill as of Jul 1, 2020 ¹	\$126.53	\$386.88
RTSR included in 2020 Bill (based on 2019 Final UTR)	\$12.27	\$25.87
<i>Estimated 2020 Monthly RTSR²</i>	\$12.29	\$25.91
2020 increase in Monthly Bill	\$0.02	\$0.05
<i>2020 increase as a % of total bill</i>	0.02%	0.01%
<i>Estimated 2021 Monthly RTSR²</i>	\$12.29	\$25.92
2021 increase in Monthly Bill	\$0.01	\$0.01
<i>2021 increase as a % of total bill</i>	0.00%	0.00%

¹Total bill including HST, based on time-of-use commodity prices effective June 1, 2020 and 2020 distribution rates approved per Distribution Rate Order EB-2019-0043 (includes impacts of all components of the Fair Hydro Plan).

²The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 6, adjusted for HOSSM's revenue disbursement allocator per 2020 UTR Order, Schedule A (EB-2020-0180).

1 **5.0 FOREGONE REVENUE CALCULATION**

2
3 In its Decision and Order in EB-2020-0180 (the 2020 UTR Decision), the OEB determined
4 that approved interim 2020 UTRs would remain in place for the remainder of 2020⁸. The
5 difference in interim and final 2020 UTRs will result in shortfall in revenue collected for
6 HOSSM for 2020⁹.

7
8 HOSSM has filed the full-year 2020 foregone revenue and accrued interest for disposition
9 as part of the 2021 UTR rate-setting process (EB-2020-0251), as requested by the OEB in
10 the 2020 UTR Decision.¹⁰ HOSSM has requested that the amount be collected over a one-
11 year period.

⁸ Decision and Order, EB-2020-0180, p. 2.

⁹ Since HOSSM's approved 2020 rates revenue requirement is already reflected in the interim 2020 UTR calculations, the revenue shortfall is entirely due to the change in charge determinants. The approved 2020 Hydro One Networks charge determinants are about 4% lower than the charge determinants used in the interim 2020 UTR calculations, which results in a shortfall in revenue collected for all transmitters in 2020.

¹⁰ EB-2020-0180 2020 UTR Decision and Order, July 30, 2020, p. 17