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Kathleen Burke

Director, Applications Delivery
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BY EMAIL AND RESS

August 26, 2021

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

Dear Ms. Long:

EB-2021-0186 – Hydro One Sault Ste. Marie Limited Partnership’s 2022 - Transmission Revenue Cap Index Annual Filing

Hydro One Networks Inc. on behalf of Hydro One Sault Ste. Marie Limited Partnership (“HOSSM”) is submitting HOSSM’s annual transmission revenue cap index application for 2022 along with prefiled evidence in support of the application.

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

EXHIBIT LIST

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A	2	1		Application
A	2	1	1	Certification of Evidence
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A	4	1		Application Summary

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,
2022.

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 could 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 2022 transmission revenue requirement determined
2 formulaically using the revenue cap index methodology approved in EB-2018-0218 (the
3 "Application").

4
5 5. HOSSM hereby applies to the OEB for orders approving:

6
7 a) A total rates revenue requirement of \$42,218,554 for 2022, to be effective on January 1,
8 2022 as reflected in 2022 Uniform Transmission Rates.

9
10 b) Other items or amounts that may be requested by HOSSM in the course of this
11 proceeding, and as may be granted by the OEB.

12
13 6. HOSSM is not requesting approval to disburse any deferral and variance account balances.

14
15 7. Approval of the 2022 rates revenue requirement does not materially impact the total bill for
16 a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly,
17 nor does it materially impact the total bill a typical Hydro One General Service Energy less
18 than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly. More information
19 regarding bill impacts may be found at Tab 4.

20
21 8. In preparing this Application, HOSSM has been guided by the OEB's *Filing Requirements for*
22 *Electricity Transmission Rate Applications*.

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

1 **FORM OF HEARING REQUESTED**

2
3 10. The Application may be viewed on the Internet at the following address:
4 <https://www.hydroone.com/about/regulatory/hydro-one-sault-ste-marie>
5

6 11. The persons affected by this Application are all persons affected by Ontario's Uniform
7 Transmission Rates. It is impractical to set out their names and addresses because they are
8 too numerous.
9

10 12. HOSSM requests, in accordance with sections 6(4) and 21(4)(b) of the *Ontario Energy Board*
11 *Act, 1998*, that this Application be disposed of without a hearing, and hereby provides its
12 consent to same. HOSSM submits that in accordance with the requirements of section
13 21(4)(b) of the *Ontario Energy Board Act, 1998*, no person will be adversely affected in a
14 material way by the outcome of this proceeding.
15

16 **PROPOSED EFFECTIVE DATE**

17
18 13. HOSSM requests that the OEB's rate Order be effective January 1, 2022. In order to address
19 the possibility that the requested rate Order cannot be made effective by that time, HOSSM
20 requests an interim Order making its current transmission revenue requirement and charges
21 effective on an interim basis as of January 1, 2022.

CONTACT INFORMATION

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

The Applicant:

Eryn MacKinnon

Senior Regulatory Coordinator – Regulatory Affairs

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2 Michael Engelberg
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DATED at Toronto, Ontario, this 26th day of August, 2021.

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 Reliability
7 Standards and Chief Regulatory Officer, hereby certifies on behalf of HOSSM that:
8

- 9 1. I am a senior officer of Hydro One Networks Inc.;
- 10 2. This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing*
11 *Requirements for Electricity Transmission Applications*;
- 12 3. The evidence submitted herein is accurate, consistent and complete to the best of my
13 knowledge; and
- 14 4. The evidence submitted does not contain any personal information (as that phrase is
15 defined in the *Freedom of Information and Protection of Privacy Act*) that is not
16 otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and
17 Procedure.
18

19 DATED this 26th day of August, 2021.
20
21

22 
23

24 FRANK D'ANDREA

SUMMARY OF OEB DIRECTIVES FROM PREVIOUS PROCEEDINGS

This exhibit provides a summary of directives from past OEB proceedings.

1.0 EB-2016-0050 – APPROVAL OF ACQUISITION BY HYDRO ONE

In its decision in EB-2016-0050, 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 could bring forward a separate rate application, proposing a revenue cap index for the deferral period. The revenue cap index is discussed in the following section.

2.0 EB-2018-0218 – APPROVAL OF REVENUE CAP INDEX METHODOLOGY FOR THE DEFERRAL PERIOD

In its decision in EB-2018-0218, the OEB approved HOSSM's proposed revenue cap index methodology and determined that this methodology would be used to determine HOSSM's base transmission revenue requirement for the years 2019 to 2026 inclusive. This Application is filed pursuant to the revenue cap index methodology approved in EB-2018-0218.

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

APPLICATION SUMMARY

1.0 INTRODUCTION

This exhibit describes HOSSM's 2022 transmission revenue requirement application.

The 2022 transmission revenue requirement of \$42,218,554 has been determined formulaically using the revenue cap index methodology approved in EB-2018-0218. HOSSM is requesting that the OEB approve the revenue requirement to be effective on January 1, 2022.

Approval of the 2022 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.¹ This Application follows this Board-approved framework.

The RCI is expressed as:

$$RCI = I - X$$

¹ See Decision and Order in EB-2018-0218, p 16.

Where:

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

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

At the time of filing of this Application, the OEB has not yet released the inflation data applicable for revenue requirement applications beginning January 1, 2022. HOSSM will provide an update to the revenue requirement calculation for 2022 rates once it is released. Currently, the inflation rate used is 2%.²

In the HOSSM Revenue Cap Index Decision, the OEB approved a stretch factor of 0.3% for the duration of HOSSM’s deferred rebasing period (i.e., until 2026³) as well as a productivity factor of 0.0%.

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

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

Revenue Cap Index by Component	2021
Inflation Factor (I) ⁴	2%
<i>Less:</i>	
Productivity Factor (X)	(0.3%)
Total Revenue Cap Index (RCI)	1.7%

² The current version of this Application adopts the placeholder inflation factor of 2% for 2021 (see OEB letter dated November 9, 2020, setting out inflation parameters for utilities available at <https://www.oeb.ca/sites/default/files/OEB-ltr-2021-inflation-updates-20201109.pdf>).

³ Decision and Order, EB-2018-0218, p. 20.

⁴ The current Application adopts the inflation factor of 2% as a placeholder; as noted above this value will be updated when updated inflation data is released.

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

Table 2 – 2022 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2022	2021 Base Revenue Requirement x RCI = \$41,512,836 x 1.017%*	\$42,218,554

* RCI from Table 1.

3.0 DEFERRAL AND VARIANCE ACCOUNTS

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

4.0 RATES

4.1 CHARGE DETERMINANTS

The charge determinants of the six licensed transmitters for the Network, Line Connection and Transformation Connection rate pools are used by the OEB to determine UTRs.⁶ As HOSSM is currently under a deferred rebasing period, the charge determinants for 2022 will remain the same as were used for the approved current 2021 UTRs as shown in Table 3.⁷

⁵ 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 The other five transmitters currently included in the UTRs are Hydro One Networks Inc., Canadian Niagara Power Inc., Five Nations Energy Inc., B2M Limited Partnership, and Niagara Reinforcement Limited Partnership.

⁷ Decision and Rate Order, 2021 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2021-0176) Schedule A, dated June 24, 2021.

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

As indicated in Section 3.0, HOSSM is not requesting approval to disburse any deferral and variance account balances. Therefore, the proposed 2022 rates revenue requirement for HOSSM is \$42,218,554, which is the same as the proposed 2022 base revenue requirement that is shown in Table 2.

UTRs are established by allocating the revenue requirement to the UTR Rate Pools: Network, Line Connection and Transformation Connection. As previously approved by the OEB, the revenue requirement allocation to the UTR rate pools for HOSSM 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.⁸

HOSSM's 2022 rates revenue requirement allocation to the rate pools will be established during the 2022 UTR proceeding, using the OEB approved methodology as described above. An estimate of HOSSM's proposed 2022 rates revenue requirement by rate pool using the split of Hydro One Networks' approved 2021 rates revenue requirement⁹ across the UTR rate pools is provided in Table 4 below.

⁸ This was most recently approved by the OEB in EB-2021-0176.

⁹ Decision and Rate Order, 2021 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2021-0176) Schedule A, dated June 24, 2021.

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Table 4 – 2022 Rates Revenue Requirement by Rate Pool

Transmitter	Total Rates Revenue Requirement	Network	Line Connection	Transformation Connection
Hydro One Networks	\$ 1,775,551,158	\$ 1,089,035,757	\$ 182,402,502	\$ 504,112,899
Percentage Split by Rate Pool		61.3%	10.3%	28.4%
HOSSM	\$ 42,218,554	\$ 25,894,785	\$ 4,337,115	\$ 11,986,654

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3 **4.3 BILL IMPACTS**

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

6

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

	Cost Component	¢/kWh	Source*
A	Commodity	12.58	IESO Monthly Market Report December 2019 (YTD Weighted Average Rate)
B	Wholesale Market Service Charges	0.39	IESO Monthly Market Report December 2019
C	Wholesale Transmission Charges	1.06	IESO Monthly Market Report December 2019
D	Distribution Service Charges	3.02	2019 Yearbook of Electricity Distributors
E	Total Monthly Cost for Tx-connected customers	14.03	E=A+B+C
F	Total Monthly Cost for Dx-connected customers	17.05	F=A+B+C+D
G	<i>Transmission as % of Total Cost for Tx-connected customers</i>	7.6%	G=C/E
H	<i>Transmission as % of Total Cost for Dx-connected customers</i>	6.2%	H=C/F

* 2020 Yearbook of Electricity Distributors is not yet available

1 HOSSM's proposed 2022 rates revenue requirement represents a 2.1% reduction from the
2 approved 2021 rates revenue requirement, which incorporated a one-year disposition of
3 foregone revenue and interest rates to the approved 2021 revenue requirement.¹⁰

4
5 HOSSM's rates revenue requirement represents 2.3% of the total revenue requirement across
6 all transmitters.¹¹ As such, the proposed 2022 rates revenue requirement results in a net impact
7 of -0.05% on average transmission rates. A summary of the average bill impact as a result of the
8 proposed 2022 rates revenue requirement relative to the approved 2021 rates revenue
9 requirement is presented in Table 6.

¹⁰ Decision and Rate Order, 2021 Uniform Transmission Rates (EB-2020-0251) dated December 17, 2020.

¹¹ HOSSM's UTR revenue requirement divided by all transmitters' rates revenue requirement (\$43,106,449/ \$1,879,548,293=2.3%), per Decision and Rate Order, 2021 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2021-0176) Schedule A, dated June 24, 2021.

1 **Table 6 – Average Bill Impacts on Transmission and Distribution-Connected Customers**

	2021*	2022**
Rates Revenue Requirement	\$ 43,106,449	\$ 42,218,554
% Change in Rates Revenue Requirement over prior year		-2.1%
% Impact of load forecast change		0.0%
Net Impact on Average Transmission Rates ***		-0.05%
Transmission as a % of Tx-connected customer's Total Bill		7.6%
Estimated Average Transmission Customer Bill impact		-0.004%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Distribution Customer Bill impact		-0.003%

* 2021 Rates Revenue Requirement per Decision EB-2021-0176 dated June 24, 2021

** 2022 Rates Revenue Requirement per Exhibit A, Tab 4, Schedule 1, Section 4.2

*** The calculation of net impact on transmission rates accounts for HOSSM's 2021 rates revenue requirement as 2.3% of the total rates revenue requirement across all transmitters (2.3% x -2.1% = -0.05%) based on 2021 UTR Order issued on June 24, 2021 (EB-2021-0176), Schedule A.

2

3 The total bill impact for a typical Hydro One medium density residential (R1) customer
4 consuming 750 kWh monthly and a typical Hydro One General Service Energy less than 50 kW
5 (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined based on the forecast
6 change in the customer's Retail Transmission Service Rates (RTSRs), which reflects the changes
7 in UTRs since the current RTSRs were determined,¹² as detailed in Table 7 below.

¹² Hydro One's current 2021 RTSRs are based on the 2020 Interim UTRs per EB-2019-0296, Decision and Rate Order dated December 19, 2019.

1

Table 7 – 2022 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, 2021 ¹	\$127.23	\$400.10
RTSR included in 2021 Bill ²	\$12.51	\$26.52
<i>Estimated 2021 Monthly RTSR³</i>	\$12.52	\$26.56
<i>Estimated 2022 Monthly RTSR³</i>	\$12.52	\$26.54
2022 Change in Monthly Bill	(\$0.006)	(\$0.013)
<i>2022 change as a % of total bill</i>	-0.005%	-0.003%

¹Total bill including HST, based on time-of-use commodity prices effective May 1, 2021, and distribution rates effective July 1, 2021, approved per Distribution Rate Order EB-2020-0194, dated May 27, 2021

²The approved 2021 RTSR is based on the 2020 Ontario Interim Uniform Transmission Rate Schedules EB-2019-0296, issued on December 19, 2019

³The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 6, adjusted for HOSSM's total revenue disbursement allocator per 2021 Uniform Transmission Rates (UTRs) Schedule A EB-2021-0176, effective July 1, 2021