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BY EMAIL AND RESS

August 5, 2022

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

Dear Ms. Marconi,

EB-2022-0189 – Hydro One Sault Ste. Marie Limited Partnership’s 2023 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 2023 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

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EXHIBIT LIST

Ex	Tab	Sch	Att	Contents
A	1	1		Exhibit List
A	2	1		Application
A	2	1	1	Certification of Evidence
A	3	1		Summary of OEB Directives From Previous Proceedings
A	4	1		Application Summary

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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, 2023.

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 2023 transmission revenue requirement
2 determined formulaically using the revenue cap index methodology approved in
3 EB-2018-0218 (the "Application").
4
- 5 5. HOSSM hereby applies to the OEB for an order approving a total rates revenue
6 requirement of \$43,359,493 for 2023, to be effective on January 1, 2023 as
7 reflected in 2023 Uniform Transmission Rates.
8
- 9 6. HOSSM is not requesting approval to disburse any deferral and variance
10 account balances.
11
- 12 7. Approval of the 2023 rates revenue requirement does not materially impact the
13 total bill for a typical Hydro One medium density residential (R1) customer
14 consuming 750 kWh monthly, nor does it materially impact the total bill for a
15 typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW)
16 customer consuming 2,000 kWh monthly. More information regarding bill
17 impacts may be found at Tab 4.
18
- 19 8. In preparing this Application, HOSSM has been guided by the OEB's *Filing*
20 *Requirements for Electricity Transmission Rate Applications*.
21
- 22 9. The written evidence filed with the OEB may be amended from time to time
23 prior to the 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
7 Uniform Transmission Rates. It is impractical to set out their names and
8 addresses because they are too numerous.

9
10 12. HOSSM requests, in accordance with sections 6(4) and 21(4)(b) of the *Ontario*
11 *Energy Board Act, 1998*, that this Application be disposed of without a hearing,
12 and hereby provides its consent to same. HOSSM submits that in accordance
13 with the requirements of section 21(4)(b) of the *Ontario Energy Board Act,*
14 *1998*, no person will be adversely affected in a material way by the outcome of
15 this proceeding.

16
17 **PROPOSED EFFECTIVE DATE**

18
19 13. HOSSM requests that the OEB's rate Order be effective January 1, 2023. In
20 order to address the possibility that the requested rate Order cannot be made
21 effective by that time, HOSSM requests an interim Order making its current
22 transmission revenue requirement and charges effective on an interim basis as
23 of January 1, 2023.

1 **CONTACT INFORMATION**

2
3 14. HOSSM requests that a copy of all documents filed with the Board by each
4 party to this Application be served on the Applicant and the Applicant's counsel
5 as follows:

6
7 **The Applicant:**

8 Ms. Carla Molina
9 Senior Regulatory Coordinator – Regulatory Affairs
10 Hydro One Networks Inc.

11
12 Mailing Address: 7th Floor, South Tower
13 483 Bay Street
14 Toronto, Ontario M5G 2P5

15 Telephone: (416) 345-5317

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18
19 **The Applicant's Counsel:**

20 Ms. Raman Dhillon
21 Senior Legal Counsel
22 Hydro One Networks Inc.

23
24 Mailing Address: 8th Floor, South Tower
25 483 Bay Street
26 Toronto, Ontario M5G 2P5

27 Telephone: (416) 859-0942

28 Fax: (416) 345-6972

29 Email: Raman.Dhillon@HydroOne.com

1 **DATED** at Toronto, Ontario, this 5th day of August, 2022.

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3 By its counsel,

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Raman Dhillon

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APPLICATION SUMMARY

1.0 INTRODUCTION

This Exhibit describes HOSSM's 2023 transmission revenue requirement Application.

The 2023 transmission revenue requirement of \$43,359,493 has been determined formulaically using the Revenue Cap IR methodology approved in EB-2018-0218.

HOSSM is requesting that the OEB approve the revenue requirement to be effective on January 1, 2023.

Approval of the 2023 rates 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 Revenue Cap IR Application (EB-2018-0218, the "HOSSM Revenue Cap Index Decision"), the OEB approved the Revenue Cap IR methodology for adjusting HOSSM's revenue requirement for the years 2019 to 2026, inclusive.¹

The approved formula for the Revenue Cap IR for the test year t+1 is equal to the revenue in year t inflated by the Revenue Cap Index (RCI) is expressed as:

$$RCI = I - X$$

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

1 Where:

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

4 "X" is the Productivity Factor, which includes a Stretch Factor.
5

6 Only the 2023 Inflation Factor (I) will be updated based on the approved custom
7 weighted two-factor input price index for Hydro One Networks Inc. At the time of filing of
8 this Application, the OEB has not released the inflation data for revenue requirement
9 applications beginning January 1, 2023. The Application adopts the OEB's current
10 inflation factor of 2.5% as a placeholder consistent with the OEB November 18, 2021
11 Inflation Parameters letter. HOSSM will update the revenue requirement calculation for
12 2023 rates once the OEB releases the inflation factor for 2023 Applications.
13

14 In the HOSSM Revenue Cap Index Decision, the OEB approved a stretch factor of 0.3%
15 for the duration of HOSSM's deferred rebasing period (i.e., until 2026²) as well as a
16 productivity factor of 0.0%.
17

18 Table 1 below summarizes the components of the RCI for 2023:
19

20 **Table 1 - 2023 Custom Revenue Cap Index (RCI) by Component (%)**

Revenue Cap Index by Component	2023
Inflation Factor (I) ³	2.50
Productivity Factor (X)	0.30
RCI = I - X	2.20

² Decision and Order, EB-2018-0218, p. 20.

³ The current Application adopts the inflation factor of 2.5% as a placeholder; as noted above this value will be updated when updated inflation data is released.

1 The 2023 transmission base revenue requirement is calculated as shown in Table 2
 2 below.

3
 4

Table 2 - 2023 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2022	OEB-Approved HOSSM Base Revenue Requirement	\$42,426,118 ⁴
2023	2022 Base Revenue Requirement x 2023 RCI*	\$43,359,493

* RCI from Table 1 above.

5

6 **3.0 DEFERRAL AND VARIANCE ACCOUNTS**

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

9

10 **4.0 RATES**

11 **4.1 CHARGE DETERMINANTS**

12 The charge determinants of the eight licensed transmitters for the Network, Line
 13 Connection and Transformation Connection rate pools are used by the OEB to
 14 determine UTRs.⁵ As HOSSM is currently under a deferred rebasing period, the charge
 15 determinants for 2023 will remain the same as were used for the approved current 2022
 16 UTRs as shown in Table 3.⁶

17

18 **Table 3 - Charge Determinants (in MWs)**

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

⁴ EB-2021-0186, Decision and Order, December 16, 2021, p 5.

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

⁶ Decision and Rate Order, 2022 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2022-0084) Schedule A, dated April 7, 2022.

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 2023 rates revenue requirement for HOSSM is \$43,359,493, which is the same as the proposed 2023 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.⁷

HOSSM's 2023 rates revenue requirement allocation to the rate pools will be established during the 2023 UTR proceeding, using the OEB approved methodology as described above. An estimate of HOSSM's proposed 2023 rates revenue requirement by rate pool using the split of Hydro One Networks' approved 2022 rates revenue requirement⁸ across the UTR rate pools is provided in Table 4 below.

Table 4 - 2023 Rates Revenue Requirement by Rate Pool

Transmitter	Total Rates Revenue Requirement	Network	Line Connection	Transformation Connection
Hydro One Networks	\$1,883,469,327	\$1,150,125,339	\$198,538,821	\$534,805,167
Percentage Split by Rate Pool		61.1%	10.5%	28.4%
HOSSM	\$43,359,493	\$26,477,124	\$4,570,578	\$12,311,791

⁷ This was most recently approved by the OEB in EB-2022-0084.

⁸ Decision and Rate Order, 2022 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2022-0084) Schedule A, dated April 7, 2022.

1 **4.3 BILL IMPACTS**

2 HOSSM's proposed 2023 rates revenue requirement represents a 2.2% increase from
 3 the approved 2022 rates revenue requirement. An update to the estimated average
 4 transmission cost as a percentage of the total bill for a transmission and a distribution-
 5 connected customer is presented in Table 5.

6
 7 **Table 5 - Estimated Transmission Cost as a Percentage of**
 8 **Total Electricity Market Costs**

	Cost Component	¢/kWh	Source*
A	Commodity	10.11	IESO Monthly Market Report December 2021 (YTD Weighted Average Rate)
B	Wholesale Market Service Charges	0.44	IESO Monthly Market Report December 2021
C	Wholesale Transmission Charges	1.28	IESO Monthly Market Report December 2021
D	Distribution Service Charges	3.04	2020 Yearbook of Electricity Distributors
E	Total Monthly Cost for Tx-connected customers	11.83	E=A+B+C
F	Total Monthly Cost for Dx-connected customers	14.87	F=A+B+C+D
G	<i>Transmission as % of Total Cost for Tx-connected customers</i>	<i>10.8%</i>	G=C/E
H	<i>Transmission as % of Total Cost for Dx-connected customers</i>	<i>8.6%</i>	H=C/F

* 2021 Yearbook of Electricity Distributors is not yet available

9 HOSSM's rates revenue requirement represents 2.1% of the total revenue requirement
 10 across all transmitters.⁹ As such, the proposed 2023 rates revenue requirement results
 11 in a net impact of 0.05% on average transmission rates. A summary of the average bill
 12 impact as a result of the proposed 2023 rates revenue requirement relative to the
 13 approved 2022 rates revenue requirement is presented in Table 6.

⁹ HOSSM's UTR revenue requirement divided by all transmitters' rates revenue requirement (\$42,426,118/ \$2,060,868,811=2.1%), per Decision and Rate Order, 2022 Uniform Transmission Rates and Revenue Disbursement Allocators (EB-2022-0084) Schedule A, dated April 7, 2022.

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

	2022*	2023**
Rates Revenue Requirement	\$42,426,118	\$43,359,493
% Change in Rates Revenue Requirement over prior year		2.2%
% 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		10.8%
Estimated Average Bill impact		0.005%
Transmission as a % of Dx-connected customer's Total Bill		8.6%
Estimated Average Bill impact		0.004%

* 2022 Rates Revenue Requirement per Decision EB-2022-0084, issued on April 7, 2022

** 2023 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 2022 rates revenue requirement as 2.1% of the total rates revenue requirement across all transmitters (2.1% x 2.2% = 0.05%) based on 2022 UTR Order issued on April 7, 2022 (EB-2022-0084), Schedule A

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The total bill impact for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly and for a typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined based on the forecast change in the customer's Retail Transmission Service Rates (RTSRs), which reflects the changes in UTRs,¹⁰ as detailed in Table 7 below.

Approval of the 2023 rates revenue requirement results in an immaterial increase in the total bill for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly (0.005% or \$0.01 per month) and a typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly (0.003% or \$0.01 per month).

¹⁰ Hydro One's current 2022 RTSRs are based on the 2021 UTRs per EB-2021-00176, Decision and Rate Order dated June 24, 2021.

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Table 7 - 2023 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, 2022 ¹	\$134.22	\$424.56
RTSR included in 2022 Bill ²	\$14.45	\$30.69
<i>Estimated 2022 Monthly RTSR³</i>	\$14.44	\$30.68
<i>Estimated 2023 Monthly RTSR³</i>	\$14.45	\$30.69
2023 Change in Monthly Bill	\$0.01	\$0.01
<i>2023 change as a % of total bill</i>	0.005%	0.003%

¹Total bill including HST, based on time-of-use commodity price effective November 1, 2021 and distribution rates effective January 1, 2022 approved per Distribution Rate Order EB-2021-0032, dated December 14, 2021, with 17% Ontario Energy Rebate (effective November 1, 2021), \$0.43 Smart Meter Entity Charge (effective May 1, 2022) and Distribution Rate Protection cap of \$38.08 (effective July 1, 2022).

²The estimated 2022 RTSR is based on the 2022 Ontario Uniform Transmission Rate Schedules EB-2022-0084, issued April 7, 2022.

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-2022-0084 effective April 1, 2022.

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