



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2022-0189

HYDRO ONE SAULT STE. MARIE LIMITED PARTNERSHIP

**Application for electricity transmission revenue requirement to be
effective January 1, 2023**

BY DELEGATION, BEFORE: Alex Share
Manager, Generation & Transmission

[Date of issuance]

1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves changes to the transmission revenue requirement of Hydro One Sault Ste. Marie Limited Partnership (HOSSM), effective January 1, 2023. HOSSM's approved 2023 revenue requirement is \$43,911,032, representing an increase of 3.5% from the revenue requirement of \$42,426,118 approved for 2022.

As a result of this Decision, there will be an estimated 0.07% increase to average transmission rates and a 0.008% increase to the average monthly bill for a transmission-connected customer. The total estimated bill impact on the average monthly bill of a medium density residential customer¹ consuming 750 kWh will be an increase of \$0.01 (0.008%). The total estimated bill impact on the average monthly bill of a general service customer² consuming 2,000 kWh monthly and having a monthly demand of less than 50 kW will be an increase of \$0.02 (0.005%).

¹ Hydro One R1 customer

² Hydro One GSe < 50 kW customer

2 CONTEXT AND PROCESS

HOSSM is an OEB-licensed and rate-regulated electricity transmitter that carries on the business of owning and operating electricity transmission facilities in the vicinity of Sault Ste. Marie, Ontario. The company is seeking the OEB's approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by approving a revenue requirement for each transmitter. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

In the OEB's October 13, 2016 Decision and Order on Hydro One Inc.'s application for leave to acquire Great Lakes Power Transmission Inc. (GLPT)³, the OEB approved a ten-year deferral period for rebasing of GLPT's (now HOSSM's)⁴ revenue requirement. In the same Decision and Order, 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.

In the OEB's Decision and Order on HOSSM's 2019 transmission revenue requirement and related matters⁵ (2019 Application), the OEB approved the proposed Revenue Cap Incentive Rate-setting (Revenue Cap IR) methodology and determined that this framework would be used to determine HOSSM's transmission revenue requirement for the years 2019 to 2026 inclusive. The framework adjusts HOSSM's annual transmission revenue requirement by a revenue cap index comprised of inflation, less a productivity factor and a stretch factor.

HOSSM filed its 2023 Revenue Cap IR application on August 5, 2022 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with [Chapter 2](#) of the OEB's *Filing Requirements for Electricity Transmission Applications*. This is the fourth application filed by HOSSM for an adjustment to its revenue requirement using the Revenue Cap IR methodology approved by the OEB in the 2019 Application.

The application was supported by pre-filed written evidence and, as required during the proceeding, HOSSM updated and clarified the evidence.

³ EB-2016-0050

⁴ GLPT's name was changed to Hydro One Sault Ste. Marie Limited Partnership on January 16, 2017.

⁵ EB-2018-0218

3 REVENUE CAP IR ADJUSTMENT

HOSSM's application requested OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved Revenue Cap IR methodology, in which the base revenue requirement for the prospective rate year is equal to the base revenue requirement in the year preceding the prospective rate year inflated by a Revenue Cap Index (RCI).

The RCI approved by the OEB for HOSSM through its decision on the 2019 Application includes an inflation factor ("I") and a productivity factor ("X"), which includes a stretch factor. The RCI is expressed as:

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

The inflation factor is updated annually by the OEB. The OEB-approved industry-specific inflation rate for electricity transmission rate applications for the 2023 rate year is 3.8%.⁶

In HOSSM's 2019 Application, the OEB approved a productivity factor of 0.0% and a stretch factor of 0.3% for use between 2019 and 2026.

The components of the Revenue Cap IR adjustment formula applicable to HOSSM for the 2023 rate year are set out in Table 1. They result in a total RCI of 3.5%.

Table 1: Revenue Cap IR Adjustment Formula

Components		Value
Inflation Factor (I)		3.80%
Productivity Factor (X)	Productivity	0.00%
	Stretch	0.30%
Revenue Cap Index (RCI) = I - X		3.50%

HOSSM's base revenue requirement for the 2023 rate year is then determined by applying the RCI of 3.5% to HOSSM's 2022 base revenue requirement. The result is a 2023 base revenue requirement of \$43,911,032, as shown in Table 2.

⁶ OEB Letter re: [2023 Inflation Parameters](#), October 20, 2022

Table 2: Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement (\$)
2022	OEB-Approved Base Revenue Requirement	42,426,118 ⁷
2023	2022 Base Revenue Requirement x 2023 RCI = \$42,426,118 x 1.035	43,911,032

HOSSM has not requested approval to dispose any deferral and variance account balances in this proceeding. Accordingly, HOSSM's total revenue requirement for 2023 is equal to its base revenue requirement for 2023, as adjusted by the RCI.

HOSSM's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

HOSSM's revenue requirement is allocated among the three rate pools (Network, Line Connection and Transformation Connection) as part of the OEB's UTR process. The revenue requirement allocated to each rate pool for transmitters other than Hydro One Networks Inc. (Hydro One Transmission) is based on the proportions established by Hydro One Transmission's cost allocation process. Once the revenue requirement by rate pool has been established, rates are determined by applying the provincial charge determinants⁸ for each pool to the total revenue for each pool. Table 3 estimates HOSSM's 2023 revenue requirement by transmission rate pool using the proportionate share of Hydro One Transmission's approved 2022 revenue requirement across the UTR rate pools.

⁷ EB-2021-0186, Decision and Order, December 16, 2021

⁸ The provincial charge determinants are the sum of all charge determinants, by rate pool, approved by the OEB for each of the transmitters participating in the UTR.

Table 3: 2023 Revenue Requirement by Transmission Rate Pool (\$)

Network	Line Connection	Transformation Connection	Total
26,813,917	4,628,716	12,468,399	43,911,032

In accordance with the OEB's decision in HOSSM's 2019 Application, the charge determinants for HOSSM, shown in Table 4 below, are to remain in place during the deferred rebasing period (i.e., to the end of 2026).

Table 4: Charge Determinants (MWs)

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

HOSSM's 2023 revenue requirement represents approximately 2.1% of the total revenue requirement across all transmitters, based on the OEB-approved 2022 UTRs.

HOSSM estimated that its proposed 2023 revenue requirement would result in a 0.07% increase to average transmission rates and a 0.008% increase to the average monthly bill for a transmission-connected customer.

HOSSM further estimated that its proposed 2023 revenue requirement would result in an increase of \$0.01 (0.008%) to the average monthly bill of a medium density residential customer⁹ consuming 750 kWh, and an increase of \$0.02 (0.005%) to the average monthly bill of a general service customer¹⁰ consuming 2,000 kWh monthly and having a monthly demand of less than 50 kW.

Findings

HOSSM's request for a 3.5% increase to its base revenue requirement for 2023 is in accordance with the methodology and parameters set by the OEB in the 2019 Application. The OEB approves a 2023 revenue requirement of \$43,911,032 with an effective date of January 1, 2023.

⁹ Hydro One R1 customer

¹⁰ Hydro One GSe < 50 kW customer

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. The 2023 revenue requirement of \$43,911,032 for Hydro One Sault Ste. Marie Limited Partnership is approved, with an effective date of January 1, 2023. Hydro One Sault Ste. Marie Limited Partnership's 2023 revenue requirement will be included in the OEB's determination of the 2023 Uniform Transmission Rates for Ontario.

DATED at Toronto, [date of issuance]

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar