



Hydro One Networks Inc.

483 Bay Street  
7th Floor South Tower  
Toronto, Ontario M5G 2P5  
HydroOne.com

**Kathleen Burke**

VP, Regulatory Affairs  
T 416-770-0592  
Kathleen.Burke@HydroOne.com

**BY EMAIL AND RESS**

October 17, 2023

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

Dear Ms. Marconi,

**EB-2023-0130 – Hydro One Sault Ste. Marie – Application for 2024 Transmission Revenue Requirement – Reply Submission**

In accordance with Procedural Order No. 1 issued on August 31, 2023, please find enclosed Hydro One Sault Ste. Marie (HOSSM)'s reply submission in support of its request for transmission revenue requirement effective January 1, 2024.

An electronic copy of the reply submission has been submitted, by Hydro One Networks Inc. on behalf of HOSSM, 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

**ONTARIO ENERGY BOARD**

**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, 2024.

---

**REPLY SUBMISSION**

**HYDRO ONE NETWORKS INC. ON BEHALF OF HOSSM**

**October 17, 2023**

---

1 **A. OVERVIEW**

- 2 1. On July 17, 2023, Hydro One Networks Inc. on behalf Hydro One Sault Ste. Marie  
3 Limited Partnership filed an application for approval of its 2024 revenue requirement  
4 to be effective January 1, 2024 (the “Application”). The Application uses the revenue  
5 cap index (“RCI”) methodology approved in EB-2018-0218.  
6  
7 2. The OEB issued Procedural Order No. 1 on August 31, 2023, providing for  
8 interrogatories and submissions. Hydro One Sault Ste. Marie Limited Partnership  
9 (“HOSSM”) filed replies to OEB Staff’s interrogatories on September 22, 2023. This  
10 was followed by OEB Staff’s submissions filed October 4, 2023.  
11  
12 3. These are HOSSM’s reply submissions.  
13

14 **B. INCENTIVE RATE-SETTING ADJUSTMENT**

- 15 4. As set out by the OEB Staff submissions and in HOSSM’s evidence, the OEB  
16 approved HOSSM’s RCI methodology in EB-2018-0218 and determined that this  
17 methodology would be used to set HOSSM’s base transmission revenue requirement  
18 for 2019 to 2026.  
19  
20 5. The RCI components, using the OEB’s 2024 inflation factor of 5.4% for electricity  
21 transmitters, are as follows:  
22

**2024 RCI by Component (%)**

Inflation Factor (I)	5.4%
Productivity Factor (X)	0.3%
<b>Total Revenue Cap Index (RCI = I – X)</b>	<b>5.1%</b>

- 23  
24 6. The base revenue requirement resulting from the application of the RCI is  
25 \$46,150,495. HOSSM agrees with OEB Staff that its proposed adjustment to revenue  
26 requirement is in accordance with the RCI methodology and parameters set forth in  
27 EB-2018-0218.  
28

29 **C. DISPOSITION OF EARNING SHARING MECHANISM ACCOUNT**

- 30 7. As set out in OEB Staff’s submissions and HOSSM’s evidence, HOSSM is requesting  
31 approval to dispose of its 2022 account balance in its Earnings Sharing Mechanism  
32 (“ESM”) account. HOSSM’s ESM was approved by the OEB in EB-2016-0050<sup>1</sup> and is  
33 to take effect during the last five years of HOSSM’s deferred rebasing period which  
34 ends on December 31, 2026. HOSSM’s proposed 2024 revenue requirement has  
35 been adjusted so that prior year excess earnings are shared with ratepayers on a

---

<sup>1</sup> Decision and Order, EB-2016-0050, October 13, 2016, p. 24.

1 50:50 basis for all earnings that exceed 300 basis points. The ESM calculation uses  
2 HOSSM's audited financial statements.

- 3
- 4 8. As noted in the OEB Staff submissions, the disposal of the \$3,134,039 ESM account  
5 balance will reduce the 2024 base revenue requirement of \$46,150,495 to  
6 \$43,016,456.<sup>2</sup> With respect to the request in OEB Staff's submissions that HOSSM  
7 confirm the reasons for the ESM balance, HOSSM confirms that the ESM account  
8 balance is primarily driven by lower OM&A, the result of the savings achieved through  
9 consolidation, as well as revenue (i.e. favourable weather/load).

10

11 **D. BILL IMPACTS**

- 12 9. HOSSM's proposed 2024 rates revenue requirement results in a net reduction of  
13 0.04% on average transmission rates.<sup>3</sup>
- 14
- 15 10. With respect to distribution rates, as noted in the OEB Staff submissions and in  
16 HOSSM's evidence,<sup>4</sup> the proposed 2024 rates revenue requirement results in an  
17 increase<sup>5</sup> in the total bill for a typical Hydro One medium density residential (R1)  
18 customer consuming 750 kWh monthly (0.0033% or \$0.005 per month) and for a  
19 typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer  
20 consuming 2,000 kWh monthly (0.0024% or \$0.010 per month).

21

22 **E. CONCLUSION**

- 23 11. HOSSM submits that its proposed 2024 revenue requirement, including the  
24 disposition of its 2022 ESM account balance, is appropriate.

---

<sup>2</sup> See OEB Staff submissions page 3 and Exhibit A, Tab 4, Schedule 1 page 3, Table 3 of HOSSM's evidence.

<sup>3</sup> See Exhibit A, Tab 4, Schedule 1 page 7.

<sup>4</sup> See Exhibit A, Tab 4, Schedule 1 page 8.

<sup>5</sup> The forecast change to RTSRs is an increase because current UTRs are based on 2022 UTRs and HOSSM's 2022 revenue requirement is lower than HOSSM's 2024 revenue requirement.

1 **All of which is respectfully submitted on October 17, 2023.**

2

3

By its counsel,

4

5

6



7

8

---

Raman Dhillon

1

This page has been left blank intentionally.