



Ontario
Energy
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BY EMAIL

September 6, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Hydro One Sault Ste. Marie Limited Partnership (HOSSM)
2025 Electricity Transmission Rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2024-0218**

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant has been copied on this filing.

Hydro One Sault Ste. Marie Limited Partnership 's responses to interrogatories are due by September 20, 2024.

Any questions relating to this letter should be directed to the case manager Abla Nur at Abla.Nur@oeb.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Abla Nur
Analyst, Generation & Transmission

cc. HOSSM

Encl.

**Hydro One Sault Ste. Marie Limited Partnership (HOSSM)
2025 Transmission Rate Application
EB-2024-0218
OEB Staff Interrogatories
September 6, 2024**

Please note, HOSSM is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff questions and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref.: Exhibit A, Tab 4, Schedule 1, pg. 5.

Preamble

Table 4 provides a summary of the calculations for the 2023 ESM.

Table 4 - ESM Calculation

		2022	2023
Mid-Year Rate base	A	\$204,933,223	\$204,772,427
Capital Structure:			
Long-term debt	B	56%	56%
Short-term debt	C	4%	4%
Common equity	D	40%	40%
Allowed Return:			
Long-term debt	E	6.87%	6.87%
Short-term debt	F	1.65%	1.65%
Allowed ROE	G	9.19%	9.19%
Regulated Net Income (actual)	H	\$14,381,035	\$15,929,409
Achieved ROE	I = H / (A x D)	17.54%	19.45%
Allowed ROE	J	9.19%	9.19%
Over/(Under) earning (%)	K = I - J	8.35%	10.26%
OEB allowed earnings threshold	L	3%	3%
Over/(Under) earning to allowed threshold (%)	M = K - L	5.35%	7.26%
Excess Earnings Pool	N = A x D x M	\$4,388,491	\$5,944,824

Sharing with ratepayers	O	50%	50%
Sharing with ratepayers	P = N x O	\$2,194,246	\$2,972,412
Tax Grossed-Up Amount	Q = P / 0.735	\$2,985,368	\$4,044,098

Question(s)

- a) HOSSM achieved an ROE of 19.45% in 2023, please provide details on any specific operational or financial changes that led to the over-earning.
- b) Does HOSSM expect to over earn in 2024? Please provide HOSSM’s 2024 forecast ROE.
- c) Long term debt or “E” is listed at 6.87%. Please confirm whether the long term debt rate used represents HOSSM’s updated/current long term debt rate.
- d) Does the long term debt rate impact any of the calculations in Table 4? If so, please provide additional details on the relevant calculations.

Staff-2

Ref.: Appendix A, Continuity Schedule

Preamble

A continuity schedule for the ESM account is provided in Excel format.

Question(s)

- e) The schedule shows a principal adjustment in the amount of 851,978 during 2024. HOSSM states that this adjustment is due to updated information from the HOSSM audited financials. Please provide a more detailed explanation of this adjustment.
- f) Please confirm HOSSM will update interest charges based on OEB prescribed Q3 interest rates.

Staff-3

Ref.: Exhibit A / Tab 4 / Schedule 1 / page 4 / line 7

Preamble

HOSSM has indicated that the ROE calculation is “normalized for revenue impacting items such as entries recorded in the year which relate to prior years to normalize the in-year net income”.

Question

- a) Please confirm and explain the normalizing adjustments made in this application.