

Hydro One Networks Inc.

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BY EMAIL AND RESS

June 12, 2025

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

Dear Ms. Marconi,

EB-2025-0159 – Hydro One Networks Inc. – Application for 2026 Transmission Revenue Requirement

Pursuant to section 78 of the *Ontario Energy Board Act, 1998* and the Ontario Energy Board's Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants (the Decision and Order) in EB-2021-0110, enclosed is Hydro One Transmission's annual update application (the Application) in support of its request for transmission revenue requirement effective January 1, 2026.

An electronic copy of the Application has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

EXHIBIT LIST

Ex	Tab	Sch	Att	Contents
A	1	1		Exhibit List
A	2	1		Application
A	2	1	1	Certification of Evidence
A	2	1	2	Certification of Deferral and Variance Account Balances
A	3	1		Summary of OEB Directives and Compliance with Prior OEB Decisions
A	4	1		Application Summary
A	4	1	1	Group 2 DVA Continuity Schedule – Excess Export Services Revenue Variance Account and Earnings Sharing Mechanism Deferral Account

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
Networks Inc., 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, 2026.

1. The Applicant, Hydro One Networks Inc. (Hydro One), is an Ontario corporation with its head office in Toronto, Ontario. Hydro One is licensed by the Ontario Energy Board (the OEB or the Board), under licence number ET-2003-0035, to transmit electricity and carry on the business of owning and operating transmission facilities in Ontario. The transmission business of Hydro One is referred to as “Hydro One Transmission” in this Application.
2. In the OEB's Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants (Decision and Order) for Hydro One's Custom Incentive Rate-setting (IR) Application (EB-2021-0110), the OEB approved the proposed Custom IR methodology and determined that this framework would be used to determine Hydro One's transmission revenue requirement for the years 2024 through to 2027 inclusive.¹
3. This is an Application for Hydro One's 2026 transmission revenue requirement determined formulaically using the Custom IR methodology approved in EB-2021-0110.

¹ Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, EB-2021-0110, Hydro One Networks Inc., November 29, 2022.

- 1 4. Hydro One Transmission hereby applies to the OEB for an Order approving a total
2 rates revenue requirement of \$2,160.9M for 2026, to be effective on January 1,
3 2026, and inclusion of Hydro One Transmission's approved rates revenue
4 requirement in the OEB's determination of the 2026 Uniform Transmission Rates
5 (UTRs).
6
- 7 5. Hydro One is requesting approval to dispose of the debit balance in the Excess
8 Export Services Revenue Variance Account as of December 31, 2024 in the amount
9 of \$2,252,437 in this Application, as described in Exhibit A-04-01, Section 3.1.
10
- 11 6. Hydro One is requesting approval to dispose of the credit balance in the Earnings
12 Sharing Mechanism (ESM) Deferral Account as of December 31, 2024 in the amount
13 of \$69,708,635 in this Application, as described in Exhibit A-04-01, Section 3.2.
14
- 15 7. Hydro One is requesting approval of the Export Transmission Service (ETS) rate of
16 \$1.95/MWh effective January 1, 2026, which has been updated by the Revenue Cap
17 Index (RCI) factor determined in this proceeding, as described in Exhibit A-04-01,
18 Section 4.0.
19
- 20 8. Approval of Hydro One Transmission's 2026 rates revenue requirement results in an
21 increase in the total bill of 0.13% or \$0.19 per month for a typical Hydro One
22 Distribution medium density residential (R1) customer consuming 750 kWh monthly
23 and an increase in total bill of 0.09% or \$0.42 per month for a typical Hydro One
24 Distribution General Service Energy less than 50 kW (GS<50kW) customer
25 consuming 2,000 kWh monthly. More information regarding the monthly bill impacts
26 may be found in Exhibit A-04-01, Section 6.0.
27
- 28 9. In preparing this Application, Hydro One has been guided by the OEB's *Filing*
29 *Requirements for Electricity Transmission Applications* dated February 11, 2016.

1 10. The written evidence filed with the OEB may be amended from time to time prior to
2 the OEB's final decision on the Application.

3
4 **NOTICE AND FORM OF HEARING REQUESTED**

5 11. The Application may be viewed on the internet at the following address:
6 <https://www.hydroone.com/abouthydroone/RegulatoryInformation/txrates>

7
8 12. The persons affected by this Application are all persons affected by Ontario's UTRs.
9 It is therefore impractical to set out their names and addresses because they are too
10 numerous.

11
12 **PROPOSED EFFECTIVE DATE**

13 13. Hydro One requests that the OEB's Rate Order be effective January 1, 2026. In
14 order to address the possibility that the requested Rate Order cannot be made
15 effective by that time, Hydro One requests an interim Rate Order making its current
16 transmission revenue requirement and charges effective on an interim basis as of
17 January 1, 2026, and approval to recover any differences between the interim rates
18 and final rates effective January 1, 2026 in the OEB's decision and order establishing
19 uniform transmission rates for the following year, based on the OEB's Decision and
20 Order herein.

21
22 **CONTACT INFORMATION**

23 14. Hydro One requests that a copy of all documents filed with the OEB by each party to
24 this Application be served on the Applicant and the Applicant's counsel, as follows:

a) The Applicant:

Ms. Eryn MacKinnon
Regulatory Advisor, Regulatory Affairs
Hydro One Networks Inc.

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

Telephone: (416) 345-4479

Fax: (416) 345-5866

Email: Regulatory@HydroOne.com

b) The Applicant's Counsel:

Ms. Raman Dhillon
Senior Legal Counsel
Hydro One Networks Inc.

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

Telephone: (416) 859-0942

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Email: Raman.Dhillon@HydroOne.com

DATED at Toronto, Ontario, this 12th day of June, 2025.

By its counsel,



Raman Dhillon

CERTIFICATION OF EVIDENCE

TO: ONTARIO ENERGY BOARD

The undersigned, Kathleen Burke, being Hydro One's Vice-President, Regulatory Affairs, hereby certifies for and on behalf of Hydro One that:

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

DATED this 12th day of June, 2025.



KATHLEEN BURKE

**CERTIFICATION OF DEFERRAL AND VARIANCE ACCOUNT
BALANCES**

TO: ONTARIO ENERGY BOARD

The undersigned, Harry Taylor, being Hydro One Networks Inc.'s (Hydro One) Executive Vice President, Chief Financial and Regulatory Officer, hereby certifies for and on behalf of Hydro One, Hydro One Sault Ste. Marie Limited Partnership, Hydro One Remote Communities Inc., B2M Limited Partnership, Niagara Reinforcement Limited Partnership and Chatham x Lakeshore Limited Partnership, that:

1. This certificate is provided pursuant to, or to be consistent with, Chapter 1 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications*; and
2. Hydro One has the appropriate processes and internal controls for the preparation, review, verification and oversight of all deferral and variance accounts.

DATED this 6th day of June, 2025.


HARRY TAYLOR

SUMMARY OF OEB DIRECTIVES AND COMPLIANCE WITH PRIOR OEB DECISIONS

This Exhibit provides a summary of directives and undertakings from previous proceedings in respect of this Application.

EB-2021-0243 – Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate

In the OEB's Decision and Order for the generic proceeding on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate, the OEB directed Hydro One to dispose the Excess Export Services Revenue Variance Account (Account 2405) balance on an annual basis, commencing when the balance for 2023 is final. Effective January 1, 2025, the OEB further ordered that the Export Transmission Service Rate shall be adjusted annually using the RCI methodology for Hydro One's Transmission business as determined in the EB-2021-0110 proceeding.

EB-2021-0110 – Earnings Sharing Mechanism (ESM) Deferral Account (Account 2435)

In the OEB's Decision and Order for Hydro One's Custom Incentive Rate-setting (Custom IR) Application (EB-2021-0110), the OEB approved Hydro One's settlement proposal. Under the terms of the Settlement Agreement, the OEB approved Hydro One to dispose the ESM balances for 2021-2024 in Hydro One Transmission's 2026 annual update application.¹

¹ Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, EB-2021-0110, Hydro One Networks Inc., November 29, 2022.

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APPLICATION SUMMARY

1.0 INTRODUCTION

This Exhibit describes Hydro One's 2026 transmission rates revenue requirement application (the Application).

The 2026 transmission total revenue requirement of \$2,282.5M has been determined formulaically, using the Custom IR methodology approved in EB-2021-0110. After deducting for other revenues (external revenue, wholesale meter service revenue and export transmission service revenue) and including the low voltage switchgear credit and the disposition of deferral and variance accounts, it results in a proposed 2026 rates revenue requirement of \$2,160.9M as outlined in Table 1 below.

Table 1 - Total Rates Revenue Requirement (\$M)

	2026	Section Reference
Total Revenue Requirement	2,282.5	Section 2.0
Deduct: External Revenue	(36.9)	Section 5.3
Deduct: Disposition of Deferral and Variance Accounts	(67.5)	Section 3.0
Deduct: Wholesale Meter Service (WMS) Revenue	-	Section 5.4
Deduct: Export Transmission Service (ETS) Revenue	(37.2)	Section 4.0
Add: Low Voltage Switchgear (LVSG) Credit	20.0	Section 5.6
Rates Revenue Requirement	2,160.9	Section 5.1

Hydro One is requesting that the OEB approve the 2026 transmission rates revenue requirement to be effective on January 1, 2026.

Approval of the Hydro One Transmission's 2026 rates revenue requirement results in an increase in the total bill of 0.13% or \$0.19 per month for a typical Hydro One Distribution medium density residential (R1) customer consuming 750 kWh monthly and an increase in total bill of 0.09% or \$0.42 per month for a typical Hydro One Distribution General Service Energy less than 50 kW (GS<50kW) customer consuming 2,000 kWh monthly. More information regarding the monthly bill impacts may be found in Section 6.0.

2.0 CUSTOM REVENUE CAP INDEX ADJUSTMENT

In the OEB's Decision and Order for Hydro One's Custom IR Application (EB-2021-0110), the OEB approved the Custom IR methodology for adjusting Hydro One's transmission revenue requirement for the years 2024 to 2027, inclusive.¹

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

$$RCI = I - X + C$$

Where:

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

"X" is the Productivity Factor, which includes a Stretch Factor; and

"C" is the Custom Capital Factor, based on the incremental revenue necessary to support Hydro One's Transmission System Plan, beyond the amount of revenue recovered in rates. The calculation for the Custom Capital Factor is set out in Table 3 below.

In accordance with the OEB's Decision and Order in EB-2021-0110, the Inflation Factor and the Custom Capital Factor will be updated annually. On June 12, 2025, the OEB released the Inflation Factor to be used by electricity distributors for 2026 rate applications beginning January 1, 2026. This Application reflects the 3.5% Inflation Factor calculated by the OEB for electricity transmitters.²

Consistent with the OEB's Decision and Order in EB-2021-0110, the Productivity Factor of 0.15% will not be updated over the 2024 to 2027 period.³

Table 2 below summarizes the components of the RCI for 2026.

¹ Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, EB-2021-0110, Hydro One Networks Inc., November 29, 2022.

² OEB Letter, 2026 Inflation Parameters, June 12, 2025.

³ Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, EB-2021-0110, Hydro One Networks Inc., November 29, 2022.

1 **Table 2 - 2026 Custom Revenue Cap Index (RCI) by Component (%)**

Custom Revenue Cap Index by Component (%)	2026
Inflation Factor (I)	3.50
Productivity Factor (X)	0.15
Custom Capital Factor (C)	1.61 ^[1]
Total Revenue Cap Index (RCI = I – X + C)	4.96

[1] As per Table 3. Includes an approved supplemental stretch on capital of 0.20% as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A. The supplemental stretch on capital is included in the 2025 approved Total Capital Related Revenue requirement as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Table 15, line 9.

2 Table 3 below sets out the calculation of the updated C-Factor within the RCI calculation.

3

4 **Table 3 - 2026 Capital Factor ⁴ (\$M)**

	Calculation	2025	2026
Total Capital Related Revenue Requirement (including working capital adjustment and productivity adjustment)	<i>A</i>	1,701.8	1,793.9
OM&A	<i>B</i>	472.7	488.6 ^[1]
Total Revenue Requirement	<i>D = A + B</i>	2,174.5	2,282.5 ^[2]
Increase in Capital Related Revenue Requirement	<i>E = A₂₀₂₆ – A₂₀₂₅</i>	78.6	92.1
Increase in Capital Related Revenue Requirement relative to Previous Year's Total Revenue Requirement	<i>F = E / D₂₀₂₅</i>	3.78%	4.24%
Less Capital Related Revenue Requirement in I-X	<i>G = $\frac{A_{2025}}{D_{2025}} \times (I - X)$</i>	2.77%	2.62% ^[3]
Capital Factor (C)	<i>C = F – G</i>	1.01%	1.61%

[1] 2026 OM&A = 2025 OM&A * [1+(I-X)]

[2] 2026 Total Revenue Requirement as per Table 4

[3] The percent increase equals Previous Year's Capital Related Revenue Requirement multiplied by I-X; and divided by Previous Year's Total Revenue Requirement, as follows:

$$G = \frac{\$1,701.8M}{\$2,174.5M} \times (3.50\% - 0.15\%)$$

⁴ The numbers in the table below correspond to the Decision and Order, EB-2021-0110, Schedule A, Table 15, except where otherwise specified.

The 2026 total revenue requirement of \$2,282.5M is shown in Table 4 below.

Table 4 - 2026 Total Revenue Requirement (\$M)

Year	Formula	Total Revenue Requirement
2025	OEB-approved Hydro One 2025 Total Revenue Requirement ^[1]	2,174.5
2026	2026 Total Revenue Requirement = 2025 Total Revenue Requirement x 2026 RCI ^[2] = \$2,174.5M x 1.0496	2,282.5

[1] As per Decision and Order, EB-2024-0217, October 24, 2024, Table 2

[2] 2026 RCI as per Table 2

1 **3.0 DEFERRAL AND VARIANCE ACCOUNTS**

2 In this Application, a credit balance of \$67.5M is requested for disposition over a 1-year
3 period commencing January 1, 2026. This balance consists of balances in the Excess
4 Export Service Revenues Variance Account (Account 2405) and the ESM Deferral
5 Account (Account 2435), as shown in Exhibit A-04-01-01.

6
7 **3.1 EXCESS EXPORT SERVICE REVENUES VARIANCE ACCOUNT (ACCOUNT**
8 **2405)**

9 Pursuant to the OEB's Decision and Order on Uniform Transmission Rates-Related Issues
10 and the Export Transmission Service Rate in EB-2021-0243, the OEB directed Hydro One
11 to dispose of the Excess Export Service Revenues Variance Account balance on an
12 annual basis, commencing when the 2023 balance was final.⁵

13
14 Hydro One Transmission last disposed of this account as at December 31, 2023 on a final
15 basis in the Hydro One Transmission 2025 Annual Update proceeding (EB-2024-0217).

16
17 Included in the balance submitted for approval is interest forecast through to December
18 31, 2025, to reflect carrying charges anticipated through to the proposed effective date.
19 This will result in a forecast debit balance of \$2,252,437 as at December 31, 2025 as
20 shown in Exhibit A-04-01-01.

21
22 **3.2 EARNINGS SHARING MECHANISM (ESM) DEFERRAL ACCOUNT (ACCOUNT**
23 **2435)**

24 Hydro One Transmission's ESM deferral account records 50% of earnings that exceed
25 the regulatory return on equity (ROE) by more than 100 basis points in any year of its rate
26 term. The calculation of the actual ROE uses the OEB-approved mid-year rate base for
27 that period. The ROE calculation is normalized for items such as entries that are recorded
28 in the year which relate to prior years to normalize the in-year net income. Due to the
29 asymmetrical nature of this account, this account ensures that ratepayers receive the

⁵ Decision and Order, EB-2021-0243, November 24, 2022.

1 benefit of any applicable over-earnings. This account will also capture any applicable tax
2 gross up on earnings to be shared with ratepayers.

3
4 Pursuant to the OEB's Decision and Order for Hydro One's Custom Incentive Rate-setting
5 (Custom IR) Application (EB-2021-0110)⁶, Hydro One Transmission is requesting
6 disposition of the ESM balances for 2021-2024 in this Application.

7
8 The ESM balance includes interest forecast through to December 31, 2025 to reflect
9 carrying charges anticipated through to the proposed effective date. This will result in a
10 forecast balance of (\$69,708,635) as at December 31, 2025, as shown in Exhibit A-04-01-
11 01.

12
13 Table 5 below provides a summary of the calculations for the 2021 to 2024 ESM:

⁶ Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, EB-2021-0110, Hydro One Networks Inc., November 29, 2022.

1

Table 5 - 2021- 2024 ESM Calculations (\$M)

		2021	2022	2023	2024
Mid-Year Rate base (OEB approved)		\$12,927.25	\$13,640.92	\$14,534.39	\$15,342.39
Adjustments to Rate Base ^[1]				(\$27.38)	\$18.35
Adjusted Rate Base	A	\$12,927.25	\$13,640.92	\$14,507.01	\$15,360.74
Capital Structure:					
Long-term debt	B	56%	56%	56%	56%
Short-term debt	C	4%	4%	4%	4%
Common equity	D	40%	40%	40%	40%
Allowed Return:					
Long-term debt	E	4.42%	4.42%	4.30%	4.30%
Short-term debt	F	2.75%	2.75%	4.79%	4.79%
Allowed ROE	G	8.52%	8.52%	9.36%	9.36%
Regulated Net Income (actual)	H	\$479.64	\$542.51	\$633.14	\$677.11
Achieved ROE	I = H / (A x D)	9.28%	9.94%	10.91%	11.02%
Allowed ROE	J	8.52%	8.52%	9.36%	9.36%
Over/(under) earning (%)	K = H - I	0.76%	1.42%	1.55%	1.66%
OEB allowed earnings threshold	L	1%	1%	1%	1%
Over/(under) earning to allowed threshold (%)	M = K - L	-0.24%	0.42%	0.55%	0.66%
Excess Earnings Pool	N = A x D x M	\$0.00	\$23.06	\$31.97	\$40.56
Sharing with ratepayers	O	50%	50%	50%	50%
Sharing with ratepayers	P = N x O	\$0.00	\$11.53	\$15.98	\$20.28
Tax Grossed-Up Amount	Q = P / 0.735	\$0.00	\$15.69	\$21.75	\$27.59
Adjustment relating to 2022 booked in 2024 ^[2]	R		(\$0.17)		
Adjusted sharing with ratepayers	S = Q + R		\$15.52	\$21.75	\$27.59
Total ESM Sharing (Principal Amounts) 2021 – 2024 ^[3]					\$64.86

^[1] 2023 and 2024 rate base have been adjusted to account for the corresponding net income impact mainly related to the Transmission externally driven work variance account. This ensures that the calculation of the ESM accurately takes into account both elements - regulated net income and the rate base.

^[2] An out-of-period, non-recurring expense relating to 2022 was identified and the ESM impact of this expense was recorded in 2024. This would have resulted in less sharing in 2022. This amount was appropriately excluded from the 2024 regulated net income calculation.

^[3] Refer to Exhibit A-04-01-01 column BD "Closing Principal Balances as of Dec 31-24 Adjusted for Dispositions during 2025"

4.0 EXPORT TRANSMISSION SERVICE (ETS) RATE UPDATE

In the OEB's Decision and Order on Uniform Transmission Rates-Related Issues and the Export Transmission Service (ETS) Rate in EB-2021-0243, the OEB ordered that the ETS Rate shall be adjusted annually, effective January 1, 2025, using the RCI for Hydro One Transmission's methodology as determined in the EB-2021-0110 proceeding.

As calculated in Table 2 above, the RCI factor is 4.96% for 2026. As such, the updated ETS Rate for 2026 is \$1.95/MWh as calculated in Table 6 below, to be effective January 1, 2026.

Table 6 - Calculation of Updated ETS Rate for 2026

ETS Rate (2025)	2026 RCI Factor	Updated ETS Rate (2026)
\$1.86/MWh	4.96%	\$1.95/MWh

5.0 RATES

5.1 RATES REVENUE REQUIREMENT AND CHARGE DETERMINANTS BY RATE POOL

The 2026 OEB approved charge determinants for the Network, Line Connection and Transformation Connection rate pools are outlined in Table 7.

Table 7 - 2026 Charge Determinants by Rate Pool ^[1] (in MWs)

Network	Line Connection	Transformation Connection
229,485	222,779	189,509

^[1] Sum of the 12 monthly charge determinants as per Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.1, Table 1b

The 2026 rates revenue requirement by rate pool is provided in Table 8.

1

Table 8 - 2026 Rates Revenue Requirement by Rate Pool (\$M)

	Network	Line Connection	Transformation Connection	Total
2023 Total Revenue Requirement ^[1]	1,189.0	202.8	560.7	1,952.5
Percentage Split by Rate Pool	61%	10%	29%	100%
	Network	Line Connection	Transformation Connection	Total
2026 Total Revenue Requirement ^[2]	1,389.9	237.1	655.5	2,282.5
Excess Export Service Revenue Variance Account ^[3]	2.3	-	-	2.3
Earnings Sharing Mechanism Deferral Account ^[4]	(42.4)	(7.2)	(20.0)	(69.7)
External Revenue ^[5]	(22.5)	(3.8)	(10.6)	(36.9)
WMS Revenue ^[6]	-	-	-	-
ETS Revenue ^[7]	(37.2)	-	-	(37.2)
LVSG Credit ^[8]	-	-	20.0	20.0
2026 Rates Revenue Requirement	1,290.0	226.0	644.9	2,160.9

^[1] See Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 1.

^[2] As per Table 4.

^[3] As per Section 5.2.

^[4] As per Section 5.2.

^[5] As per Section 5.3.

^[6] As per Section 5.4.

^[7] As per Section 5.5.

^[8] As per Section 5.6.

2

5.2 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

3

The disposition of a credit balance of \$67.5M from deferral and variance accounts consists of a debit balance of \$2.3M for the Excess Export Service Revenues Variance Account (Account 2405)⁷ and a credit balance of \$69.7M for the ESM Deferral Account (Account 2435)⁸. The Excess Export Service Revenues Variance account is directly assigned to the Network rate pool, and the ESM Deferral Account is allocated to the rate pools in proportion to Hydro One Transmission's total revenue requirement by rate pool, as shown in Table 8 above.

4

5

6

7

8

9

⁷ Section 3.1

⁸ Section 3.2

5.3 EXTERNAL REVENUE

The OEB approved External Revenues of \$36.9M for 2026 in EB-2021-0110.⁹ The allocation of External Revenue to rate pools is in proportion to Hydro One Transmission's total revenue requirement by rate pool is shown in Table 8 above.

5.4 WHOLESALE METER SERVICE REVENUE

Starting in 2025, there is no longer Wholesale Meter Service (WMS) revenue for Hydro One Transmission consistent with OEB-approved WMS revenue in EB-2021-0110.¹⁰ As Hydro One Transmission ceased to provide the associated service, it does not collect any WMS revenue.

5.5 EXPORT TRANSMISSION SERVICE REVENUE

The OEB approved Export Transmission Service (ETS) revenues of \$37.2M for 2026 in EB-2021-0110, based on the 2023 ETS rate of \$1.85 per MWh that was in effect at the time Hydro One's settlement proposal was approved.¹¹ This amount is included in Hydro One Transmission's rates revenue requirement as shown in Table 8 above and is directly assigned to the Network rate pool.

Subsequent changes to the ETS rate that result in differences between forecast revenue and actual revenue are recorded in the Excess Export Service Revenue Variance Account (Account 2405), consistent with the EB-2021-0243 Decision.¹² The balance in this variance account is further described in Section 3.1.

⁹ Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 3.

¹⁰ Ibid.

¹¹ Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 5.¹² Decision and Order, EB-2021-0243, November 24, 2022.

¹² Decision and Order, EB-2021-0243, November 24, 2022.

5.6 LOW VOLTAGE SWITCHGEAR CREDIT

The OEB approved the methodology to determine the Low Voltage Switchgear (LVSG) Credit in EB-2021-0110.¹³ The derivation of the 2026 LVSG amount of \$20.0M is provided in Table 9. This amount is included in Hydro One Transmission's rates revenue requirement and is directly assigned to the Transformation Connection rate pool, as shown in Table 8 above.

Table 9 - 2026 Low Voltage Switchgear Credit Calculation¹⁴

Charge Determinant	Transformation Pool Revenue Requirement Before LVSG Credit	Rate Before LVSG Credit (\$/kW)	Total Annual NCP Demand for Toronto Hydro and Hydro Ottawa	LVSG Proportion	Final Annual LVSG Credit
(MW)	(\$M) ^[1]	(\$/kW)	(MW)	(%)	(\$M)
A	B	C = B/A	D	E	F = C x D x E
189,509	624.9	3.30	31,998	19	20.0

^[1] Equals Hydro One Transmission's total rates revenue requirement for Transformation Connection Pool less Non-Rate Revenues allocated to Transformation Connection Pool, as per information in Table 8.

¹³ A description of the approved LVSG methodology is provided in EB-2021-0110, Exhibit H-01-03, Section 3.3.

¹⁴ The numbers in the table correspond to the Decision and Order, EB-2021-0110, November 29, 2022, Schedule A, Attachment 1, Schedule 2.5, except where otherwise specified.

6.0 BILL IMPACTS

An update to the estimated average transmission cost as a percentage of the total bill for a transmission-connected customer is presented in Table 10.

**Table 10 - Estimated Transmission Cost as a Percentage of
Total Electricity Market Costs**

Figure	Cost Component	¢/kWh	Source
A	Commodity	10.45	IESO Monthly Market Report December 2024
B	Wholesale Market Service Charges	0.48	IESO Monthly Market Report December 2024
C	Wholesale Transmission Charges	1.57	IESO Monthly Market Report December 2024
D	Total Monthly Cost for TX-Connected Customers	12.50	D=A+B+C
E	Transmission as % of Total Cost for TX-Connected Customers	12.6%	E=C/D

Hydro One Transmission's proposed 2026 rates revenue requirement represents a 1.2% increase from the currently approved 2025 rates revenue requirement,¹⁵ and includes a 0.4% increase due to change in load forecast. Hydro One Transmission's rates revenue requirement represents 89.9% of the total rates revenue requirement across all transmitters.¹⁶ This percentage has been applied to Hydro One Transmission's change in rates revenue requirement to calculate the net impact on average transmission rates in 2026. Figure E (12.6%) from Table 10 above has been applied to the net impact on average transmission rates to estimate the bill impact on transmission-connected customers in 2026, as shown in Table 11 below.

¹⁵ Decision and Rate Order, EB-2023-0022, 2024 Uniform Transmission Rates, January 18, 2024.

¹⁶ Hydro One Transmission's rates revenue requirement divided by all transmitters' rates revenue requirement (\$2,135.5M / \$2,375.2M = 89.9% per Decision and Rate Order, EB-2024-0244, 2025 UTRs January 21, 2025).

1 **Table 11 - Average Bill Impacts on Transmission-Connected Customers**

	2025 ^[1]	2026 ^[2]
Hydro One Transmission's Rates Revenue Requirement	\$2,135,522,760	\$2,160,916,675
% Change in Rates Revenue Requirement over prior year		1.2%
% Impact of load forecast change		0.4%
Net Impact on Average Transmission Rates ^[3]		1.4%
Transmission as a % of Tx-connected customer's Total Bill		12.6%
Estimated Average Transmission Customer Bill Impact		0.2%

^[1] 2025 rates revenue requirement per Decision and Rate Order, EB-2024-0217 dated October 24, 2024.

^[2] 2026 rates revenue requirement per Table 1.

^[3] The calculation of net impact on transmission rates accounts for Hydro One Transmission's 2025 rates revenue requirement as 89.9% of the total rates revenue requirement across all transmitters $[89.9\% \times (1.2\% + 0.4\%)] = 1.4\%$, as per Decision and Rate Order, EB-2024-0244, 2025 Uniform Transmission Rates, January 21, 2025.

2 The total bill impact for a distribution-connected customer is determined based on the
3 forecast change in the customer's Retail Transmission Service Rates (RTSRs). Hydro
4 One Distribution's current RTSRs are based on the Preliminary 2025 UTRs which include
5 Hydro One Transmission's approved 2025 rates revenue requirement.¹⁷ The inclusion of
6 Hydro One Transmission's rates revenue requirement in the UTR in 2026 will result in a
7 total bill impact of 0.13% (\$0.19 per month) for a typical Hydro One Distribution (R1)
8 customer consuming 750 kW per month and; similarly, a total bill impact of 0.09% (\$0.42
9 per month) for a typical Hydro One Distribution (GS<50kW) customer consuming 2,000
10 kWh per month.

¹⁷ Preliminary 2025 UTRs as per OEB letter, EB-2024-0244, November 1, 2024, and Hydro One Transmission's 2025 Revenue Requirement and Charge Determinants included in Preliminary 2025 UTRs as per Decision and Order, EB-2024-0217 dated October 24, 2024.

1 **Table 12 - 2026 Total Bill Impacts for Distribution-Connected Customers**

	Calculation	2025	2026
Hydro One Transmission's Rates Revenue Requirement ^[1]	A	\$2,135,522,760	\$2,160,916,675
Hydro One Transmission's 2025 Revenue Requirement as % of Total UTR Revenue Requirement ^[2]	B		89.9%
Hydro One Transmission's Net Impact on 2026 RTSRs ^[3,4]	$C=(A_{2026}/A_{2025}-1) * B$		1.07%
		Typical Hydro One Distribution R1 Customer Consuming 750 kWh per Month	Typical Hydro One Distribution GS<50kW Customer Consuming 2,000 kWh per Month
Total bill as of January 1, 2025 ^[5]	D	\$142.72	\$452.68
2025 RTSR Network Charge ^[6]	E	\$10.330	\$22.139
2025 RTSR Connection Charge ^[7]	F	\$7.424	\$17.098
2025 Total RTSR Charge	G=E+F	\$17.754	\$39.237
2026 Estimated Change in RTSR Charge	H=G*C	\$0.190	\$0.419
2026 Estimated Total RTSR Charge	I=G+H	\$17.944	\$39.656
2026 Increase as a % of Total bill	J=H/D	0.133%	0.093%

^[1] Hydro One Transmission's 2025 rates revenue requirement as per the Decision and Rate Order, EB-2024-0217 dated October 24, 2024, and the 2026 rates revenue requirement as per Table 1.

^[2] Represents Hydro One Transmission's currently approved revenue disbursement allocator based on total UTR Revenue Requirement of \$2,375,215,616 as per OEB Decision and Rate Order, EB-2024-0244, 2025 Uniform Transmission Rates-Schedule A, dated January 21, 2025.

^[3] Hydro One Distribution's currently approved RTSRs are based on the Preliminary 2025 UTRs, EB-2024-0244, November 1, 2024. Hydro One Transmission's net impact on 2026 RTSRs represents the change in Hydro One Transmission's rates revenue requirement relative to its approved 2025 rates revenue requirement included in the Preliminary 2025 UTRs.

^[4] Hydro One Transmission's charge determinants as per the Decision and Rate Order, EB-2023-0127 dated September 19, 2023.

^[5] Total 2025 bill including HST, based on time-of-use commodity price effective November 1, 2024 and distribution rates effective January 1, 2025 approved per Distribution Rate Order EB-2024-0032, dated December 19, 2024, with 13.1% Ontario Energy Rebate (effective November 1, 2024), \$0.42 Smart Meter Entity Charge (effective January 1, 2023) and Distribution Rate Protection cap of \$41.39 (effective July 1, 2024 for Hydro One Distribution R1).

^[6] Represents the approved 2025 RTSR Network (\$/kWh) effective January 1, 2025, approved per the OEB Decision and Rate Order, EB-2024-0032, December 19, 2024, multiplied by the monthly consumption (i.e. 750kWh/month Hydro One Distribution R1 or 2,000 kWh/month Hydro One Distribution GS<50kW), multiplied by the corresponding approved loss factor.

^[7] Represents the approved 2025 RTSR Connection (\$/kWh) effective January 1, 2025, approved per the OEB Decision and Rate Order, EB-2024-0032, December 19, 2024, multiplied by the monthly consumption (i.e. 750kWh/month Hydro One Distribution R1 or 2,000 kWh/month Hydro One Distribution GS<50kW), multiplied by the corresponding approved loss factor.

		2020									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-20	Transactions Debit / (Credit) during 2020	Board-Approved Disposition during 2020	Principal Adjustments during 2020	Closing Principal Balances as of Dec 31-20	Board-Approved Disposition during 2020	Opening Interest Amounts as of Jan-1-20	Interest Jan-1 to Dec-31-20	Interest Adjustments during 2020	Interest Balance as at Dec 31 -20 balance
Group 2 Accounts											
Excess Export Service Revenue Variance Account	2405				4,037,258	4,037,258				210,363	210,363
Earnings Sharing Mechanism Deferral Account	2435					0					0
Total Transmission Regulatory Accounts for Disposition											

		2021									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-21	Transactions Debit / (Credit) during 2021	Board-Approved Disposition during 2021	Principal Adjustments during 2021	Closing Principal Balances as of Dec 31-21	Opening Interest Amounts as of Jan-1-21	Interest Jan-1 to Dec-31-21	Board-Approved Disposition during 2021	Interest Adjustments during 2021	Interest Balance as at Dec 31 -21 balance
Group 2 Accounts											
Excess Export Service Revenue Variance Account	2405	4,037,258	3,888,587	1,612,625		6,313,220	210,363	27,551			237,914
Earnings Sharing Mechanism Deferral Account	2435	0				0	0				0
Total Transmission Regulatory Accounts for Disposition											

		2022									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-22	Transactions Debit / (Credit) during 2022	Board- Approved Disposition during 2022	Principal Adjustments recorded in 2023 and 2024 but pertain to 2022 - Note 1	Closing Principal Balances as of Dec 31-22	Opening Interest Amounts as of Jan-1-22	Interest Jan-1 to Dec 31-22	Board- Approved Disposition during 2022	Interest Adjustments during 2022	Interest Balance as at Dec 31, 2022 balance
Group 2 Accounts											
Excess Export Service Revenue Variance Account	2405	6,313,220	3,263,974	1,493,322	0	8,083,871	237,914	117,580	119,303		236,191
Earnings Sharing Mechanism Deferral Account	2435	0	(15,216,861)	0	(307,090)	(15,523,951)	0	0	0		0
Total Transmission Regulatory Accounts for Disposition											

Note 1 - This adjustment is made up of 2 components:

Following the preparation of the standalone Hydro One Transmission financial statements and the RRR/ROE submission, the 2022 ESM calculation was refined. An adjustment entry was recorded in 2023 as the 2022 general ledger was closed. This is a consistent approach to prior years.

(473,335)

An out of period non-recurring expense relating to 2022 was identified and the ESM impact was recorded in 2024. This would have resulted in less sharing in 2022. This write-off was appropriately excluded from the 2024 regulated net income calculation.

166,245
(307,090)

		2023									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-23	Transactions Debit / (Credit) during 2023	Board-Approved Disposition during 2023	Principal Adjustments during 2024	Closing Principal Balances as of Dec 31-23	Opening Interest Amounts as of Jan-1-23	Interest Jan-1 to Dec 31, 2023	Board-Approved Disposition during 2023	Interest Adjustments during 2024	Interest Balance as at Dec 31, 23 balance
Group 2 Accounts											
Excess Export Service Revenue Variance Account	2405	8,083,871	7,205,331	931,311		14,357,891	236,191	534,478	119,041		651,628
Earnings Sharing Mechanism Deferral Account	2435	(15,523,951)	(21,745,965)	0		(37,269,916)	0	(791,869)	0		(791,869)
Total Transmission Regulatory Accounts for Disposition											

		2024									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-24	Transactions Debit / (Credit) during 2024	Board-Approved Disposition during 2024	Principal Adjustments during 2024	Closing Principal Balances as of Dec 31-24	Opening Interest Amounts as of Jan-1-24	Interest Jan-1 to Dec 31, 2024	Board-Approved Disposition during 2024	Interest Adjustments during 2024	Interest Balance as at Dec 31, 24 balance
Group 2 Accounts											
Excess Export Service Revenue Variance Account	2405	14,357,891	1,879,505	0	0	16,237,396	651,628	814,529	0	0	1,466,157
Earnings Sharing Mechanism Deferral Account	2435	(37,269,916)	(27,593,931)	0		(64,863,847)	(791,869)	(1,925,385)	0	0	(2,717,254)
Total Transmission Regulatory Accounts for Disposition											

		2025			
Account Descriptions	Account Number	Principal Disposition during 2025 - instructed by OEB	Interest Disposition during 2025 - instructed by OEB	Closing Principal Balances as of Dec 31-24 Adjusted for Dispositions during 2025	Closing Interest Balances as of Dec 31-24 Adjusted for Dispositions during 2025
Group 2 Accounts					
Excess Export Service Revenue Variance Account	2405	14,357,891	1,390,342	1,879,505	75,815
Earnings Sharing Mechanism Deferral Account	2435	0	0	(64,863,847)	(2,717,254)
Total Transmission Regulatory Accounts for Disposition				(62,984,341)	(2,641,439)

		Projected Interest on Dec-31-24 Balances			2.1.7 RRR		
Account Descriptions	Account Number	Projected Interest from Jan 1, 2025 to December 31, 2025 on Dec 31-24 balance adjusted for disposition during 2025	Total Interest	Total Claim (inclusive of carrying charges)	Accounts To Dispose Yes/No	As of Dec 31-24	Variance RRR vs. 2024 Balance (Principal + Interest)
Group 2 Accounts							
Excess Export Service Revenue Variance Account	2405	297,117	372,932	2,252,437	Yes	17,703,553	0.00
Earnings Sharing Mechanism Deferral Account	2435	(2,127,534)	(4,844,788)	(69,708,635)	Yes	(67,581,100)	0.00
Total Transmission Regulatory Accounts for Disposition		(1,830,416.98)	(4,471,855.73)	(67,456,197)			