

BY EMAIL AND RESS

August 13, 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-2025-0158 – Hydro One Sault Ste. Marie Limited Partnership (HOSSM) – Response to OEB Clarification Questions

Hydro One Networks Inc. (Hydro One), on behalf of HOSSM, is writing to respond to clarification questions provided by OEB staff in their email dated August 8, 2025.

1. Return on Equity

OEB staff Question:

HOSSM achieved an ROE of 20.10% in 2024, please provide details on any specific operational or financial changes that led to the over-earning. Please provide a detailed breakdown of the key drivers behind this over-earning. Specifically:

- a. Identify the specific sources of higher-than-expected revenue (e.g., load growth, weather impacts, rate adjustments, or other factors).
- b. Specify which work programs or operational areas contributed to lower than forecast expenses, and provide dollar and percentage estimates.
- c. Identify any other changes that materially affected ROE. Please include quantitative comparisons to forecast values where applicable.

Hydro One's Response:

- a. There was higher revenue due to favourable weather/load. The load growth is driven primarily by higher immigration and lower conservation demand management (CDM).
- b. While HOSSM has achieved lower OM&A vis-à-vis the base forecast of OM&A set out in the 2016 acquisition application (EB-2016-0050), the forecast did not provide breakdowns by work program or operational areas. As a result, providing the analysis requested is not straightforward and HOSSM is not able to do this analysis within the time allocated.
- c. Higher revenue and lower OM&A, lower depreciation expense and lower deemed interest affected the ROE. This was offset by higher taxes primarily due to higher earnings.

2. Deferred Rebasing Period

OEB staff Question:

In EB-2018-0218, the OEB approved HOSSM's proposed revenue cap framework for the years 2019-2026, as well as an earnings sharing mechanism (ESM) that would take effect during the last five years of the deferred rebasing period (2022 to 2026). Please confirm HOSSM's plans for the 2027 rate year given that the deferred rebasing period will end on December 31, 2026.

Hydro One's Response:

Before the end of HOSSM's deferred rebasing period Hydro One will seek approval for an appropriate regulatory approach to reflect a rebasing of HOSSM for 2027. Such an approach will respect the completion of the deferred rebasing period, consider customer interests and benefits, and bridge the end of HOSSM's deferred rebasing period and the commencement of a new rate period for Hydro One in 2028.

3. 2024 Calculated Interest

OEB staff Question:

The continuity schedule shows a value of (293,416) for interest booked Jan-1 to Dec-31-24 (cell AD). Please provide a breakdown of how this interest was calculated and what rates were used

Hydro One's Response:

In accordance with standard accounting orders, interest is recorded on a monthly basis based on the principal balance using the interest rates set by the OEB¹.

The following rates were used to calculate interest in 2024:

- Q1 5.49%
- Q2 5.49%
- Q3 5.20%
- Q4 4.40%

¹ <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/prescribed-interest-rates>

4. Consent to no hearing

OEB staff Question:

The OEB is considering disposing of this application without a hearing per section 21(4)(a) and (b) of the OEB Act, which states:

Despite section 4.1 of the Statutory Powers Procedure Act, the Board may, in addition to its power under that section, dispose of a proceeding without a hearing if,

- a. no person requests a hearing within a reasonable time set by the Board after the Board gives notice of the right to request a hearing, or
- b. the Board determines that no person, other than the applicant, appellant or licence holder will be adversely affected in a material way by the outcome of the proceeding and the applicant, appellant or licence holder has consented to disposing of a proceeding without a hearing.

Hydro One's Response:

HOSSM consents to this proceeding being disposed of without a hearing pursuant to section 21(4)(b) of the OEB Act.

An electronic copy of the response has been submitted by Hydro One on behalf of HOSSM, using the Board's Regulatory Electronic Submission System.

Sincerely,



Kathleen Burke

Cc: Abla Nur