Ontario Energy Board | Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2025-0158

HYDRO ONE SAULT STE. MARIE LIMITED PARTNERSHIP

Application for electricity transmission revenue requirement to be effective January 1, 2026

BEFORE: **Allison Duff**
Presiding Commissioner

September 18, 2025

1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves the proposed changes to the transmission revenue requirement of Hydro One Sault Ste. Marie Limited Partnership (HOSSM), effective January 1, 2026.

HOSSM filed an application with the OEB on June 26, 2025 seeking approval to increase its revenue requirement in 2026 and to dispose of the balance of its Earnings Sharing Mechanism account. After issuing a Notice of a Rate Hearing that provided an opportunity to request a hearing, and after receiving no requests, the OEB determined that it would dispose of the application without a hearing pursuant to section 21(4)(a) of the *Ontario Energy Board Act, 1998* (OEB Act).

HOSSM's approved 2026 revenue requirement is $44,410,118, which includes a refund of $4,836,522 to transmission customers related to earnings sharing. This represents an increase of 2.35% from the 2025 revenue requirement of $43,388,649 approved by the OEB.

The revenue requirement for HOSSM will be combined with the revenue requirements for other electricity transmitters in the province. The OEB will use this information to set Uniform Transmission Rates for use across the province. Electricity distributors set retail transmission rates to pass-through the cost of this transmission service to end-use consumers.

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. HOSSM is seeking approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario. HOSSM is also requesting OEB approval to dispose of the balance of its Earning Sharing Mechanism (ESM) account.

In 2016, the OEB approved Hydro One Inc.'s application for leave to acquire Great Lakes Power Transmission Inc. (GLPT)[1], and a ten-year deferral period for rebasing of GLPT's (now HOSSM's)[2] 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 (RCI) for the deferral period.

In 2019, the OEB approved HOSSM's 2019 revenue requirement and related matters[3] (2019 Decision), including the proposed Revenue Cap Incentive Rate-setting (Revenue Cap IR) methodology. The OEB determined that this methodology would be used to determine HOSSM's revenue requirement for the years 2019 to 2026 inclusive. The OEB also approved an ESM account that would take effect during the last five years of the rebasing deferral period (2022 to 2026).

HOSSM filed its Revenue Cap IR application on June 26, 2025 under section 78 of the OEB Act and in accordance with Chapter 2 of the OEB's *Filing Requirements for Electricity Transmission Applications*. The OEB issued a Notice of Rate Hearing on July 18, 2025 (Notice), inviting intervention requests and indicating that it was considering disposing of the application without a hearing. No intervention requests and no requests for a hearing were received by the stated deadline. OEB staff filed clarification questions about HOSSM's evidence on August 8, 2025, and HOSSM filed its responses on August 13, 2025.

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[1] Decision and Order EB-2016-0050, October 13, 2016.
[2] GLPT's name was changed to Hydro One Sault Ste. Marie Limited Partnership on January 16, 2017.
[3] EB-2018-0218

3 DISPOSITION OF THE PROCEEDING WITHOUT A HEARING

In a letter dated August 29, 2025, the OEB determined that it would dispose of this proceeding without a hearing pursuant to its powers under section 21(4)(a) of the OEB Act.

Section 21(4) of the OEB Act provides that the OEB may 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.

While section 21(4)(a) does not require the consent of the applicant, the OEB notes that HOSSM has consented to disposing of the proceeding without a hearing.[4]

Findings

This is the final application filed by HOSSM for a rate adjustment to its revenue requirement using the Revenue Cap IR methodology approved by the OEB in the 2019 Decision. The evidence filed in support of this application to set HOSSM's 2026 revenue requirement was consistent with the evidence filed in support of its previous application to set the 2025 revenue requirement[5]. The OEB approved the previous application as filed.

The Notice in this proceeding indicated that the OEB was considering disposing of the application without a hearing. No intervention requests and no requests for a hearing were received by August 4, 2025, the deadline set in the Notice. Further, OEB staff asked a few clarifying questions regarding the evidence, which HOSSM answered on August 13, 2025.

[4] EB-2025-0158 - HOSSM Response to OEB staff Clarification Question 4, August 13, 2025.
[5] EB-2024-0218, Decision and Order issued October 24, 2025.

After considering the proposals in the application, the evidence supporting the proposals and the 2019 Decision, I determined the evidentiary record sufficient to proceed without a hearing. I also considered what would be efficient from an adjudicative perspective, given the OEB Act and the circumstances in this proceeding.

4 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 an RCI.

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

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 2026 rate year is 3.5% based on inflation components from Statistics Canada.[6]

In the 2019 Decision, 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 2026 rate year are set out in Table 1. They result in a total RCI of 3.2%.

Table 1: Revenue Cap IR Adjustment Formula

Components		Value
Inflation Factor (I)		3.5%
Productivity Factor (X)	Productivity	0.0%
	Stretch	0.3%
Revenue Cap Index (RCI) = I – X		**3.2%**

HOSSM's base revenue requirement for the 2026 rate year is then determined by applying the RCI of 3.2% to HOSSM's 2025 base revenue requirement. The result is a 2026 base revenue requirement of $49,246,640, as shown in Table 2.

[6] OEB Letter re: 2026 Inflation Parameters, June 11, 2025

Table 2: 2026 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2025	OEB-approved HOSSM 2025 base revenue requirement	$47,719,612
2026	2026 base revenue requirement = 2025 base revenue requirement x 2026 RCI	$49,246,640

Findings

The OEB approves the proposed Revenue Cap IR adjustment and the proposed 2026 base revenue requirement of $49,246,640. The supporting calculation is in accordance with the methodology and input parameters approved in the 2019 Decision and utilizes the appropriate 2026 inflation factor value of 3.5%.

5 EARNINGS SHARING MECHANISM ACCOUNT AND 2026 REVENUE REQUIREMENT

HOSSM is requesting OEB approval to dispose of the 2024 balance of its ESM account. In the 2019 Decision, the OEB approved an ESM that would take effect during the last five years of the rebasing deferral period (2022 to 2026). Under the approved ESM, earnings will be assessed each year and HOSSM's revenue requirement will be adjusted so that prior year excess earnings are shared with ratepayers on a 50:50 basis for all earnings that exceed 300 basis points above the allowed Return on Equity (ROE) approved by the OEB.

In 2024, HOSSM achieved an ROE in excess of the allowed ROE. In response to OEB staff questions, HOSSM attributed the over-earning primarily to higher-than-forecast revenue resulting from increased load.[7]

The key components of the ESM calculation include cost of capital parameters set by the OEB in 2016 and HOSSM's 2024 regulated net income.

Table 3: ESM Calculation

Components	Amount
Regulated Net Income (actual)	$17,256,314
Achieved ROE	20.10%
Allowed ROE	9.19%
Excess Earnings Pool	$6,792,069[8]
Sharing with ratepayers	50%
Sharing with ratepayers	$3,396,035
Tax Grossed-Up Amount	$4,620,455
Grossed-Up Amount with Interest	**$4,836,522**

The disposition of this ESM account balance would result in a total 2026 revenue requirement of $44,410,118.

[7] HOSSM Response to OEB staff Clarifying Question 1, August 13, 2025.
[8] Determined by multiplying mid-year rate base, common equity and over earning to allowed threshold percentage.

HOSSM’s revenue requirement is allocated among the three rate pools (Network, Line Connection and Transformation Connection) as part of the OEB’s Uniform Transmission Rate process. Once the revenue requirement by rate pool has been established, rates are determined by applying the provincial charge determinants[9] for each pool to the total revenue for each pool.

Findings

The OEB approves the disposition of the ESM account, resulting in the refund of $4,836,522 to transmission customers consistent with the 2019 Decision. The OEB observes that the 2024 achieved ROE of 20.10% is more than double the OEB allowed ROE of 9.19%. The excess 2024 earnings are being shared with customers. The OEB notes that 2026 is the final year of the rate term that is subject to the HOSSM Revenue Cap IR methodology approved in the 2019 Decision, and expects that HOSSM will consider its historical achieved ROE when proposing its next rate framework.

Incorporating this ESM refund and the approved base revenue requirement, the OEB also approves the 2026 revenue requirement of $44,410,118.

Although the allocation of this approved revenue requirement will be finalized as part of the UTR process, the OEB has estimated HOSSM’s 2026 revenue requirement by rate pool in Table 4:

Table 4: 2026 Estimated Revenue Requirement by Transmission Rate Pool

Network	Line Connection	Transformation Connection	Total
$26,620,073	$4,616,556	$13,173,490	$44,410,118

The OEB anticipates that final UTRs will be implemented by January 1, 2026. Whether preliminary or final UTRs are implemented effective January 1, 2026, these UTRs will include HOSSM’s approved 2026 revenue requirement.

6 IMPLEMENTATION AND ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The 2026 revenue requirement of $44,410,118 for Hydro One Sault Ste. Marie Limited Partnership is approved, with an effective date of January 1, 2026. Hydro One Sault Ste. Marie Limited Partnership's 2026 revenue requirement will be included in the OEB's determination of the 2026 Uniform Transmission Rates for Ontario.

DATED at Toronto, September 18, 2025

ONTARIO ENERGY BOARD

Ritchie Murray

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Ritchie Murray
Acting Registrar