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Jeffrey Smith

Director, Regulatory Initiatives, Compliance and Support

July 2, 2019

BY COURIER

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

Dear Ms. Walli:

EB-2018-0218 - Hydro One Sault Ste. Marie's Draft Rate Order for 2019 Revenue Cap

Please find attached the updated revenue requirement and supporting schedules for Hydro One Sault Ste. Marie ("HOSSM"), reflecting the parameters of the decision received on June 20, 2019.

Among other things, the schedules reflect the Board's direction on the following:

- Disbursal of Account 1595 in addition to cumulative amounts in account 1508,
- Effective date of February 1, 2019,
- A 2019 Inflation factor of 1.4% less a stretch factor of 0.3% for a net increase of 1.1%.

Hydro One SSM stands ready to answer any questions and will provide any support required to ensure that the changes are included in time for the July 2019 transmission revenue allocation as planned.

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH

Jeffrey Smith

- 1 • Productivity factor set at 0% and stretch factor set at 0.3%
- 2 • The disposition of regulatory account credit balances totaling \$1,279,910 over the
- 3 eleven-month period from February 1, 2019 to December 31, 2019;
- 4

5 **2. Other OEB Determinations**

6

7 The decision requested that for regulatory accounts 1508 and 1595 the 2018 audited

8 balances be determined and refunded to customers in 2019. Details of the balances of

9 those accounts is included in Exhibit 1.1.

10

11 **3. UTR Calculations**

12

13 The following items have been considered in calculating the final 2019 Uniform

14 Transmission Rates (UTR)⁴:

- 15 • The effective date of February 1, 2019 for the approved revenue requirement;
- 16 • The implementation date for final 2019 UTRs of July 1, 2019;
- 17 • Foregone revenue for the period between the February 1, 2019 effective date and
- 18 the July 1, 2019 implementation date; and
- 19 • Disposition of the approved regulatory account credit balance
- 20

21 **3.1 Disposition of Regulatory Account Balances**

22

23 Hydro One SSM proposes to dispose a regulatory account credit balance totalling \$1.3

24 million in 2019. The details, including final 2018 balances, are included in Exhibit 1.1

25 attached.

⁴ Exhibit 7.0 Final 2019 UTR and Revenue Disbursement Allocators (Including Foregone Revenue)

1 The calculation for UTRs is based on a 12-month recovery period requiring the
 2 regulatory account balance added to rates revenue requirement to be annualized. The
 3 derivation of the annualized equivalent of refunding \$1.3 million over February 1 to
 4 December 31, 2019 is shown in Table 1.

5
 6 **Table 1: Derivation of Annualized Regulatory Account balance**

Rate Pool	Total Annual Charge Determinants (A) ¹	Total Charge Determinants for Feb to Dec (B) ¹	Reg Assets Credit (Feb-Dec 2019) (C) ²	Annualized Reg Asssets Credit (D=A/B*C)
Network	249,176	227,723	(\$727,627)	(\$796,172)
Line Connection	240,481	220,037	(\$181,824)	(\$198,717)
Transformation Connection	203,768	186,392	(\$370,459)	(\$404,993)
			(\$1,279,910)	(\$1,399,882)

7 ¹ Exhibit 5.0 Foregone Revenue Calculations, Table 3

8 ² Allocation among the rate pools is based on Hydro One's approved 2019 transmission rates revenue requirement by
 9 rate pool (EB-2018-0130, Table 1, Decision and Rate Order, issued June 13, 2019).

10

11 The rates revenue requirement including the annualized regulatory account balance is
 12 \$38.8 million as shown in Exhibit 2.0. The UTRs calculated using the rates revenue
 13 revenue requirement from Exhibit 2.0 are shown in Exhibit 4.0. These UTRs are used for
 14 determining the forgone revenue, as discussed in Section 3.2.

15

16 **3.2 Foregone Revenue Calculation**

17

18 The new UTRs will be implemented as of July 1, 2019 and it is necessary for HOSSM to
 19 refund the foregone revenue for the period between the February 1, 2019 effective date
 20 and the July 1, 2019 implementation date.

21

22 The foregone revenue amount is calculated on a monthly basis using the total monthly
 23 charge determinants for each UTR rate pool, which are consistent with HOSSM's annual
 24 charge determinants approved in the Decision, as shown in Exhibit 3.0.

1 The monthly foregone revenue amount is the difference between the revenue collected
 2 under the approved 2019 Interim UTRs (EB-2018-0326) and the revenue collected under
 3 the 2019 UTRs provided in Exhibit 4.0. The total foregone revenue between February
 4 and June 2019 is a credit to customers of \$0.4 million as determined in Exhibit 5.0.

5

6 HOSSM proposes to refund the foregone revenue of \$0.4 million over the July 1 to
 7 December 31, 2019 period. Since the UTRs calculations are based on a 12-month
 8 recovery period, the foregone revenue to be deducted from the rates revenue requirement
 9 has been annualized as shown in Table 2.

10

Table 2: Derivation of Annualized Foregone Revenue

Rate Pool	Total Annual Charge Determinants (A)¹	Total Charge Determinants for Jul-Dec (B)¹	Foregone Revenue between February 1 and June 30, 2019 (C)²	Annualized Foregone Revenue (D=A/B*C)
Network	249,176	125,698	(\$219,539)	(\$435,202)
Line Connection	240,481	122,225	(\$55,166)	(\$108,540)
Transformation Connection	203,768	103,138	(\$132,940)	(\$262,646)
			(\$407,645)	(\$806,388)

11 ¹ Exhibit 5.0 Foregone Revenue Calculations, Table 3

12 ² Exhibit 5.0 Foregone Revenue Calculations, Table 8

13

14 Including the annualized foregone revenue credit amount of \$0.8 million in determining
 15 the final 2019 UTRs ensures that HOSSM refunds the foregone revenue of \$0.4M over
 16 the remaining six months of 2019, starting from the July 1, 2019 implementation date.

17

18 The final 2019 rates revenue requirement including the foregone revenue determined in
 19 Table 2, is \$38.0 million as shown in Exhibit 6.0. This rates revenue requirement, is used
 20 to calculate the final 2019 UTRs which are provided in Exhibit 7.0.

1 **4. Bill Impacts**

2
3 HOSSM's proposed 2019 rates revenue requirement (excluding foregone revenue)⁵
4 results in a 0.11% decrease in Ontario's total transmission revenue requirement compared
5 to the approved 2018 value⁶. The expected bill impacts on typical distribution customer's
6 bill are shown in Exhibit 8.0.

7
8 **5. Supporting Material**

9
10 The detailed information supporting the determination of the revenue requirement and
11 charge determinants are provided in the attached Exhibits:

12

EXHIBIT	TITLE
1.0	Approved 2019 Revenue Requirement
1.1	Regulatory Account Balances for Disposition
2.0	2019 Rates Revenue Requirement (Including Annualized Regulatory Account Balance)
3.0	2019 HOSSM Charge Determinants
4.0	2019 UTRs and Revenue Disbursement Allocators (Excluding Foregone Revenue)
5.0	2019 Foregone Revenue Calculations
6.0	2019 Rates Revenue Requirement (Including Annualized Regulatory Asset Balance and Foregone Revenue)
7.0	Final 2019 UTRs and Revenue Disbursement Allocators (Including Foregone Revenue)
8.0	2019 Bill Impacts (Excluding Foregone Revenue)

⁵ Per Exhibit 4.0

⁶ Decision and Rate Order, 2018 Uniform Transmission Rates, EB-2017-0359

Hydro One Sault Ste. Marie LP
Approved 2019 Revenue Requirement

	2016 Amounts	Adjustments for 2019	2019 Amounts
Total Approved 2019 Revenue Requirement	\$39,778,120	1.1%	\$40,215,679
Deduct: Regulatory Account Balance		See Exhibit 1.1	(\$1,279,910)
2019 Rates Revenue Requirement	\$39,778,120		\$38,935,770

Hydro One Sault Ste. Marie LP
Regulatory Account Balances for Disposition

Account Number	Description	Actual Balance as at December 31, 2018 PRINCIPAL	Actual Balance as at December 31, 2018 INTEREST	Actual (Total)
1508	In-Service Addition Net Cumulative Asymmetrical Variance	(143,935)	(4,278)	(148,213)
1508	OEB Cost Assessment Variance	(131,033)	(2,799)	(133,832)
1508	Legal Claim (Comstock)	95,480	5,236	100,715
1508	Property Tax Variances	17,367	620	17,986
1508	BES	19,555	1,214	20,769
1595	Aggregate Regulatory Assets	(951,918)	(185,417)	(1,137,335)
	Total	(1,094,484)	(185,426)	(1,279,910)

Hydro One Sault Ste. Marie LP
2019 Rates Revenue Requirement (Including Annualized Regulatory Account Balance)

2019 Approved Total Revenue Requirement	\$40,215,679
Annualized Regulatory Asset Balance	(\$1,399,882)
2019 Approved Rates Revenue Requirement	\$38,815,797

Hydro One Sault Ste. Marie LP
Implementation of Decision with Reasons on EB-2018-0218

Summary Charge Determinants
(for Setting Uniform Transmission Rates effective February 1, 2019 to December 31, 2019)

	2019 Total Annual MW
Network	3,498.236
Line Connection	2,734.624
Transformation Connection	635.252

Hydro One Sault Ste. Marie LP
 Implementation of Decision with Reasons on EB-2018-0218

Uniform Transmission Rates and Revenue Disbursement Allocators (**Excluding Foregone Revenue**)
 (for Period February 1, 2019 to December 31, 2019)

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$4,523,701	\$1,142,191	\$2,322,200	\$7,988,092
CNPI	\$2,631,736	\$664,488	\$1,350,977	\$4,647,201
H1N SSM	\$21,981,602	\$5,550,145	\$11,284,051	\$38,815,797
H1N	\$861,509,753	\$217,522,988	\$442,248,014	\$1,521,280,755
B2MLP	\$32,789,151	\$0	\$0	\$32,789,151
All Transmitters	\$923,435,943	\$224,879,812	\$457,205,242	\$1,605,520,996

Transmitter	Total Annual Charge Determinants (MW)**			
	Network	Line Connection	Transformation Connection	
FNEI	230.410	248.860	73.040	
CNPI	522.894	549.258	549.258	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	244,924.157	236,948.242	202,510.123	
B2MLP	0.000	0.000	0.000	
All Transmitters	249,175.697	240,480.984	203,767.673	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.71	0.94	2.24	
FNEI Allocation Factor	0.00490	0.00508	0.00508	
CNPI Allocation Factor	0.00285	0.00295	0.00295	
H1N SSM Allocation Factor	0.02380	0.02468	0.02468	
H1N Allocation Factor	0.93294	0.96729	0.96729	
B2MLP Allocation Factor	0.03551	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	

** The sum of 12 monthly charge determinants for the year.

Note 1: FNEI 2018 Rates Revenue Requirement and Charge Determinant Order EB-2016-0231 dated January 18, 2018.

Note 2: CNPI 2016 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2015-0354, dated January 14, 2016.

Note 3: H1N SSM Approved 2019 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2018-0218, issued June 20, 2019 (per Exhibit 2.0 and 3.0).

Note 4: H1N 2019 Rates Revenue Requirement and Charge Determinants per OEB Interim UTR Order EB-2018-0326 dated December 20, 2018.

Note 5: B2MLP 2019 Revenue Requirement per OEB Decision and Order EB-2018-0320 dated December 20, 2018.

Note 6: Calculated data in shaded cells.

2019 Foregone Revenue Calculations

Table 1. HONI Transmission Approved Charge Determinant Forecast for the Year 2019, After Deducting the Load Impact of CDM and Embedded Generation (MW)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,086	20,563	20,273	18,078	19,388	21,982	22,839	21,934	20,202	18,239	19,540	20,800	244,924
Line Connection	20,143	19,733	19,312	17,385	19,007	20,938	22,166	21,145	19,652	18,034	18,882	20,552	236,948
Transformation Connection	17,268	16,977	16,649	14,792	16,308	18,014	19,108	18,100	17,146	14,832	15,866	17,451	202,510

Table 2. Monthly Charge Determinant Share of Annual Total

% Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	8.61%	8.40%	8.28%	7.38%	7.92%	8.98%	9.32%	8.96%	8.25%	7.45%	7.98%	8.49%	100.00%
Line Connection	8.50%	8.33%	8.15%	7.34%	8.02%	8.84%	9.35%	8.92%	8.29%	7.61%	7.97%	8.67%	100.00%
Transformation Connection	8.53%	8.38%	8.22%	7.30%	8.05%	8.90%	9.44%	8.94%	8.47%	7.32%	7.83%	8.62%	100.00%

Table 3. 2019 Interim UTR Charge Determinant (including all Transmitters)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,452	20,920	20,625	18,392	19,725	22,364	23,235	22,315	20,553	18,555	19,879	21,161	249,176
Line Connection	20,444	20,027	19,600	17,644	19,290	21,250	22,496	21,460	19,945	18,302	19,164	20,858	240,481
Transformation Connection	17,375	17,083	16,753	14,884	16,409	18,126	19,226	18,212	17,252	14,924	15,965	17,559	203,768

Table 4. Interim 2019 UTR

	\$/kw-month	HOSSM Revenue Allocators
Network	3.71	0.02438
Line Connection	0.94	0.02528
Transformation Connection	2.25	0.02528

Table 5. 2019 Revenue at 2019 Interim UTR and 2019 Charge Determinants (\$M) (3*4)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	1.9	1.9	1.9	1.7	1.8	2.0	2.1	2.0	1.9	1.7	1.8	1.9	22.5
Line Connection	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5	5.7
Transformation Connection	1.0	1.0	1.0	0.8	0.9	1.0	1.1	1.0	1.0	0.8	0.9	1.0	11.6
Total	3.4	3.3	3.3	2.9	3.2	3.6	3.7	3.6	3.3	3.0	3.2	3.4	39.8

16.3

Table 6. Proposed 2019 UTR

	\$/kw-month	HOSSM Revenue Allocators
Network	3.71	0.02380
Line Connection	0.94	0.02468
Transformation Connection	2.24	0.02468

Table 7. 2019 Revenue at Proposed 2019 UTR and 2019 Charge Determinants (\$M) (3*6)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	1.9	1.8	1.8	1.6	1.7	2.0	2.1	2.0	1.8	1.6	1.8	1.9	22.0
Line Connection	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.5	5.6
Transformation Connection	1.0	0.9	0.9	0.8	0.9	1.0	1.1	1.0	1.0	0.8	0.9	1.0	11.3
Total	3.3	3.3	3.2	2.9	3.1	3.5	3.6	3.5	3.2	2.9	3.1	3.3	38.8

15.9

Table 8. 2019 Forgone Revenue (Rev at Proposed Rates - Rev at Interim Rates) (\$M) (7-5)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Total	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.0

Foregone Revenue for February 1st - June 30th

-0.4

Hydro One Sault Ste. Marie LP

2019 Rates Revenue Requirement (Including Annualized Regulatory Account Balance and Foregone Revenue for Feb-June 2019)

2019 Approved Total Revenue Requirement	\$40,215,679
Annualized Regulatory Asset Balance	(\$1,399,882)
Annualized Foregone Revenue	(\$806,388)
2019 Approved Rates Revenue Requirement	\$38,009,410

Hydro One Sault Ste. Marie LP
 Implementation of Decision with Reasons on EB-2018-0218

Final Uniform Transmission Rates and Revenue Disbursement Allocators **(Including Foregone Revenue)**
 (for Period Jul 1, 2019 to December 31, 2019)

Transmitter	Revenue Requirement (\$)			
	Network	Line Connection	Transformation Connection	Total
FNEI	\$4,541,221	\$1,134,788	\$2,312,083	\$7,988,092
CNPI	\$2,641,928	\$660,181	\$1,345,091	\$4,647,201
H1N SSM	\$21,608,304	\$5,399,616	\$11,001,490	\$38,009,410
H1N	\$891,888,531	\$222,870,611	\$454,089,436	\$1,568,848,577
B2MLP	\$32,789,151	\$0	\$0	\$32,789,151
All Transmitters	\$953,469,135	\$230,065,196	\$468,748,100	\$1,652,282,431

Transmitter	Total Annual Charge Determinants (MW)**			
	Network	Line Connection	Transformation Connection	
FNEI	230.410	248.860	73.040	
CNPI	522.894	549.258	549.258	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	244,924.157	236,948.242	202,510.123	
B2MLP	0.000	0.000	0.000	
All Transmitters	249,175.697	240,480.984	203,767.673	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (\$/kW-Month)	3.83	0.96	2.30	
FNEI Allocation Factor	0.00476	0.00493	0.00493	
CNPI Allocation Factor	0.00277	0.00287	0.00287	
H1N SSM Allocation Factor	0.02266	0.02347	0.02347	
H1N Allocation Factor	0.93542	0.96873	0.96873	
B2MLP Allocation Factor	0.03439	0.00000	0.00000	
Total of Allocation Factors	1.00000	1.00000	1.00000	

** The sum of 12 monthly charge determinants for the year.

Note 1: FNEI 2018 Rates Revenue Requirement and Charge Determinant Order EB-2016-0231 dated January 18, 2018.

Note 2: CNPI 2016 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2015-0354, dated January 14, 2016.

Note 3: HOSSM 2019 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2018-0218 dated June 20, 2019 (per Exhibits 6.0 and 3.0)

Note 4: H1N 2019 Rates Revenue Requirement and Charge Determinants per OEB Decision and Rate Order EB-2018-0130 dated June 13, 2019 (Table 1, page 4).

Note 5: B2M LP 2019 Revenue Requirement per OEB Decision and Order EB-2018-0320 dated December 20, 2018.

Note 6: Calculated data in shaded cells.

Residential (Hydro One - Norfolk Service Area)	Unit	Charge per Unit	Charge per Month
Monthly Consumption	kWh	750	
Loss Factor		1.0564	
Electricity (Off-Peak) - Including cost of losses	\$ per kWh	\$0.065	\$33.47
Electricity (Mid-Peak) - Including cost of losses	\$ per kWh	\$0.094	\$12.66
Electricity (On-Peak) - Including cost of losses	\$ per kWh	\$0.132	\$18.83
Smart Metering Entity Charge	\$ per month	\$0.57	\$0.57
Distribution Fixed Monthly Service Charge	\$ per month	\$32.79	\$32.79
Rate Riders - Fixed	\$ per month	-\$0.49	-\$0.49
Distribution Volumetric Charge - Including LV Charge	\$ per kWh	\$0.0064	\$4.80
Rate Riders - Volumetric	\$ per kWh	\$0.0043	\$3.23
Transmission Network Service Charge	\$ per kWh	\$0.0067	\$5.31
Transmission Connection Service Charge	\$ per kWh	\$0.0038	\$3.01
Standard Supply Service Charge	\$ per month	\$0.25	\$0.25
Wholesale Market Service Charge	\$ per kWh	\$0.0036	\$2.85
Rural & Remote Rate Protection Charge	\$ per kWh	\$0.0003	\$0.24
Total Monthly Bill (Before Taxes & Rebates)			\$117.51
Amount of Bill Related to Transmission Rates			\$8.32
Percentage Change in Transmission Rev Req - 2018 to 2019			-0.11%
Monthly \$ Change Resulting from Transmission Rate Change			-\$0.01
% Bill Change Resulting from Transmission Rate Change			-0.01%

Rates effective May 1, 2018

GS<50 kW (Hydro One - Norfolk Service Area)	Unit	Charge per Unit	Charge per Month
Monthly Consumption	kWh	2,000	
Loss Factor		1.0564	
Electricity (Off-Peak) - Including cost of losses	\$ per kWh	\$0.065	\$89.27
Electricity (Mid-Peak) - Including cost of losses	\$ per kWh	\$0.094	\$33.76
Electricity (On-Peak) - Including cost of losses	\$ per kWh	\$0.132	\$50.20
Smart Metering Entity Charge	\$ per month	\$0.57	\$0.57
Distribution Fixed Monthly Service Charge	\$ per month	\$49.98	\$49.98
Rate Riders - Fixed	\$ per month	-\$0.74	-\$0.74
Distribution Volumetric Charge - Including LV Charge	\$ per kWh	\$0.0164	\$32.80
Rate Riders - Volumetric	\$ per kWh	\$0.0040	\$8.00
Transmission Network Service Charge	\$ per kWh	\$0.0062	\$13.10
Transmission Connection Service Charge	\$ per kWh	\$0.0033	\$6.97
Standard Supply Service Charge	\$ per month	\$0.25	\$0.25
Wholesale Market Service Charge	\$ per kWh	\$0.0036	\$7.61
Rural & Remote Rate Protection Charge	\$ per kWh	\$0.0003	\$0.63
Total Monthly Bill (Before Taxes & Rebates)			\$292.40
Amount of Bill Related to Transmission Rates			\$20.07
Percentage Change in Transmission Rev Req - 2018 to 2019			-0.11%
Monthly \$ Change Resulting from Transmission Rate Change			-\$0.02
% Bill Change Resulting from Transmission Rate Change			-0.01%

Rates effective May 1, 2018