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DECISION AND ORDER

EB-2021-0186

Hydro One Sault Ste. Marie Limited Partnership

**Application for electricity transmission revenue requirement beginning
January 1, 2022 and related matters**

BY DELEGATION, BEFORE: Nancy Marconi
Manager, Generation & Transmission

December 16, 2021



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1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves the application filed by Hydro One Sault Ste. Marie Limited Partnership (HOSSM) for its 2022 annual transmission revenue requirement effective January 1, 2022, pursuant to section 78 of the *Ontario Energy Board Act, 1998* (OEB Act).

The OEB sets rates for rate-regulated electricity transmitters in Ontario by setting a revenue requirement for each transmitter. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

HOSSM is an OEB-licensed electricity transmitter that carries on the business of owning and operating electricity transmission facilities in the vicinity of Sault Ste. Marie Ontario. The company is seeking the OEB's approval for the revenue it receives to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario.

In the OEB's October 13, 2016 Decision and Order on Hydro One Inc.'s application for leave to acquire Great Lakes Power Transmission Inc. (GLPT)¹, the OEB approved 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 for the deferral period.

In the OEB's decision and order on the HOSSM 2019 Revenue Cap incentive rate-setting mechanism application³ (2019 Application), the OEB approved the proposed Revenue Cap Incentive Rate (IR) methodology and determined that this framework would be used to determine HOSSM's transmission revenue requirement for the years 2019 to 2026 inclusive. The framework adjusts HOSSM's transmission revenue requirement by a revenue cap index comprised of inflation, less a productivity factor and a stretch factor.

HOSSM's application for its 2022 annual transmission revenue requirement is approved for the reasons set out below. This Decision and Order is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

¹ EB-2016-0050

² GLPT's name was changed to Hydro One Sault Ste. Marie LP on January 16, 2017.

³ EB-2018-0218

As a result of the OEB's findings in this Decision and Order, HOSSM's 2022 rates revenue requirement will be \$42,426,118, representing a reduction of 1.6% from the rates revenue requirement of \$43,106,449 approved for 2021, which included a one-year disposition of foregone revenue and interest.⁴

The total bill impact for a typical medium density residential (Hydro One R1) customer consuming 750 kWh monthly will be a decrease of 0.004% or \$0.005 per month. The total bill change for a typical General Service Energy less than 50 kW (Hydro One GSe < 50 kW) customer consuming 2,000 kWh monthly will be a decrease of 0.002% or \$0.010 per month.

⁴ EB-2020-0251, Decision and Order, December 17, 2020

2 THE PROCESS

HOSSM filed its Revenue Cap IR application on August 26, 2021 under section 78 of the OEB Act and in accordance with [Chapter 2](#) of the OEB's *Filing Requirements for Electricity Transmission Applications*. This is the third application filed by HOSSM for an adjustment to its revenue requirement using the Revenue Cap IR methodology approved by the OEB in the 2019 Application, in which the OEB determined that the approved methodology would be used to determine HOSSM's revenue requirement for the years 2019 through 2026 inclusive.

HOSSM's application was supported by pre-filed written evidence. OEB staff filed clarification questions regarding HOSSM's evidence on September 24, 2021, and HOSSM filed its responses on September 30, 2021. During the course of the proceeding, HOSSM also responded to OEB staff questions through emails and phone calls where required.

At the time HOSSM filed its application, the OEB had not yet released the inflation factor applicable to applications for approval of revenue requirements effective January 1, 2022. HOSSM indicated in its application that it would file an update to the revenue requirement calculation for 2022 rates once that inflation factor was released. On December 7, 2021, HOSSM filed an update to the revenue requirement calculation for its 2022 rates, incorporating the inflation factor released by the OEB on November 18, 2021.

As noted above, this Decision and Order is being issued by delegated authority, without a hearing, under section 6 of the OEB Act.

3 REVENUE CAP IR ADJUSTMENT AND BILL IMPACTS

The OEB determines the revenue requirement for each of the province's licensed and rate-regulated electricity transmitters, and those OEB-approved revenue requirements are used to set UTRs that apply throughout Ontario.

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 current year, inflated by a Revenue Cap Index (RCI).

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

$$RCI = I - X$$

The formula ensures that HOSSM's revenue requirement increases at a rate that is less than inflation.

The Inflation Factor is 2.5%, which is the OEB-approved industry-specific inflation rate for 2022 applications, effective January 1, 2022. The Inflation Factor is updated annually.

In HOSSM's 2019 Application, the OEB approved a productivity factor of 0.0% for use between 2019 and 2026.

The OEB approved a stretch factor of 0.3% in HOSSM's 2019 Application for use between 2019 and 2026.

The components of the Revenue Cap IR adjustment formula applicable to HOSSM are set out in Table 1. They result in a total RCI of 2.2%.

Table 1- Revenue Cap IR Adjustment Formula

Components		Amount
Inflation Factor (I) ⁵		2.50%
Productivity Factor (X)	Productivity	0.00%
	Stretch	(0.30%)
Total Revenue Cap Index (RCI)		2.20%

HOSSM's base revenue requirement for the 2022 rate year is then determined by applying the RCI of 2.2% to HOSSM's 2021 base revenue requirement. The result is a 2022 base revenue requirement of \$42,426,118, as shown in Table 2.

Table 2 - HOSSM's Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement
2021	OEB-Approved HOSSM Base Revenue Requirement	\$41,512,836 ⁶
2022	2021 Base Revenue Requirement x 2022 RCI = \$41,512,836 x 1.022	\$42,426,118

Transmission rates have been established on a uniform basis for all transmitters in Ontario since April 30, 2002. HOSSM's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

HOSSM's revenue requirement is allocated among the three rate pools (Network, Line Connection and Transformation Connection) as part of the OEB's UTR process. The revenue requirement allocated to each rate pool for transmitters other than Hydro One Transmission is based on the proportions established by Hydro One Transmission's cost allocation process. Once the revenue requirement by rate pool has been established, rates are determined by applying the provincial charge determinants⁷ for each pool to the total revenue for each pool. Table 3 estimates HOSSM's 2022 rates revenue requirement by transmission rate pool using the split of Hydro One Transmission's approved 2021 rates revenue requirement across the UTR rate pools.

⁵ EB-2021-0212, Decision and Order, November 18, 2021

⁶ EB-2020-0227, Decision and Order, December 17, 2020

⁷ The provincial charge determinants are the sum of all charge determinants, by rate pool, approved by the OEB for each of the transmitters participating in the UTR

Table 3 - HOSSM's 2022 Rates Revenue Requirement by Transmission Rate Pool

Transmitter	Network	Line Connection	Transformation Connection	Total
2022 Base Revenue Requirement	\$26,022,094	\$4,358,438	\$12,045,586	\$42,426,118
2022 Deferral & Variance Accounts Disposition	-	-	-	-
2022 Rates Revenue Requirement	\$26,022,094	\$4,358,438	\$12,045,586	\$42,426,118

In accordance with the OEB's decision in HOSSM's 2019 Application, the charge determinants shown in Table 4 below are to remain in place for the deferred rebasing period (i.e., until 2026).

Table 4 – Charge Determinants (in MWs)

Transmitter	Network	Line Connection	Transformation Connection
HOSSM	3,498.236	2,734.624	635.252

In its Decision and Order on 2021 UTRs⁸, the OEB approved the 2021 UTR rate schedules along with HOSSM's 2021 base revenue requirement of \$41,512,836, foregone revenue of \$1,582,035, and interest of \$11,578, for a total 2021 HOSSM rates revenue requirement of \$43,106,449.

HOSSM's 2022 base revenue requirement of \$42,426,118 is \$913,282 or 2.2% higher than HOSSM's OEB-approved 2021 base revenue requirement. HOSSM's proposed 2022 rates revenue requirement is \$680,331 or 1.6% lower than its approved 2021 rates revenue requirement of \$43,106,449, which incorporated a one-year disposition of foregone revenue and interest into the approved 2021 rates revenue requirement.

⁸ EB-2020-0251, Decision and Rate Order on 2021 Uniform Transmission Rates, December 17, 2020

HOSSM's 2021 rates revenue requirement represents approximately 2.3% of the total revenue requirement across all transmitters, based on the approved 2021 UTRs. HOSSM estimated that its proposed 2022 rates revenue requirement will result in a 0.04% decrease to average transmission rates and a 0.003% decrease to average transmission customer bills, as shown in Table 5.

Table 5 – Comparison of HOSSM's 2021 and 2022 Rates Revenue Requirement, Average Bill Impacts on Transmission Connected Customers

	2021	2022
HOSSM Rates Revenue Requirement	\$43,106,449	\$42,426,118
% Change in Rates Revenue Requirement over prior year		-1.6%
% Impact of load forecast change		0.0%
Net Impact on Average Transmission Rates		-0.04%
Transmission as a % of Tx-connected customer's Total Bill		7.6%
Estimated Average Transmission Customer Bill impact		-0.003%

HOSSM estimated that its proposed 2022 rates revenue requirement will result in a decrease of 0.004% for a typical medium density residential customer (Hydro One R1) consuming 750 kWh monthly and a decrease of 0.002% for a typical General Service Energy less than 50 kW customer (Hydro One GSe < 50 kW) consuming 2,000 kWh monthly, as shown in Table 6 below.

Table 6 – Typical Customer Monthly Bill Impact

	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per month	Typical General Service Energy less than 50 kW (HONI Gse <50kW) Customer Consuming 2,000 kWh per month
Total Bill as of Jul 1, 2021	\$127.23	\$400.10
RTSR included in 2021 Bill	\$12.51	\$26.52
<i>Estimated 2021 Monthly RTSR</i>	\$12.52	\$26.56
<i>Estimated 2022 Monthly RTSR</i>	\$12.52	\$26.54
2022 Change in Monthly Bill	(\$0.005)	(\$0.010)
<i>2022 change as % of total bill</i>	-0.004%	-0.002%

HOSSM has not requested approval to disburse any deferral and variance account balances.

HOSSM has requested that its proposed revenue requirement be reflected in rates effective January 1, 2022. If implementation cannot occur by then, HOSSM has requested an interim order making its current transmission revenue requirement and charges effective on an interim basis as of January 1, 2022.

Findings

The OEB finds that the revenue requirement proposed by HOSSM to provide transmission service in 2022 is in accordance with the methodology and parameters set by the OEB in the 2019 Application, and that the corresponding bill impacts are reasonable. The OEB approves a 2022 rates revenue requirement of \$42,426,118 with an effective date of January 1, 2022. The OEB anticipates that it will establish new UTRs for 2022 in time for implementation as of January 1, 2022. As a result, an interim order will not be required.

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. HOSSM's 2022 rates revenue requirement of \$42,426,118 is approved, with an effective date of January 1, 2022. HOSSM's resultant revenue requirement will be included in the OEB's determination of the 2022 Uniform Transmission Rates for Ontario.

DATED at Toronto, December 16, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar