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**BY EMAIL AND RESS**

September 20, 2024

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

Dear Ms. Marconi,

**EB-2024-0218 – Hydro One Sault Ste. Marie Limited Partnership – Application for 2025 Transmission Revenue Requirement – Interrogatory Responses**

In accordance with the Ontario Energy Board's Procedural Order No. 1, issued August 30, 2024, please find interrogatory responses provided by Hydro One Networks Inc. on behalf of Hydro One Sault Ste. Marie Limited Partnership.

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

**OEB STAFF INTERROGATORY - 01**

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**Reference:**

Exhibit A-4-1, Page 5

**Preamble:**

Table 4 provides a summary of the calculations for the 2023 ESM.

**Table 4 - ESM Calculation**

		<b>2022</b>	<b>2023</b>
<b>Mid-Year Rate base</b>	<b>A</b>	\$204,933,223	\$204,772,427
Capital Structure:			
Long-term debt	<b>B</b>	56%	56%
Short-term debt	<b>C</b>	4%	4%
Common equity	<b>D</b>	40%	40%
Allowed Return:			
Long-term debt	<b>E</b>	6.87%	6.87%
Short-term debt	<b>F</b>	1.65%	1.65%
<b>Allowed ROE</b>	<b>G</b>	9.19%	9.19%
<b>Regulated Net Income (actual)</b>	<b>H</b>	\$14,381,035	\$15,929,409
<b>Achieved ROE</b>	<b>I = H / (A x D)</b>	17.54%	19.45%
Allowed ROE	<b>J</b>	9.19%	9.19%
Over/(Under) earning (%)	<b>K = I - J</b>	8.35%	10.26%
OEB allowed earnings threshold	<b>L</b>	3%	3%
Over/(Under) earning to allowed threshold (%)	<b>M = K - L</b>	5.35%	7.26%
<b>Excess Earnings Pool</b>	<b>N = A x D x M</b>	<b>\$4,388,491</b>	<b>\$5,944,824</b>
Sharing with ratepayers	<b>O</b>	50%	50%
Sharing with ratepayers	<b>P = N x O</b>	<b>\$2,194,246</b>	<b>\$2,972,412</b>
<b>Tax Grossed-Up Amount</b>	<b>Q = P / 0.735</b>	<b>\$2,985,368</b>	<b>\$4,044,098</b>

1 **Interrogatory:**

- 2 a) HOSSM achieved an ROE of 19.45% in 2023, please provide details on any specific  
3 operational or financial changes that led to the over-earning.  
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5 b) Does HOSSM expect to over earn in 2024? Please provide HOSSM's 2024 forecast  
6 ROE.  
7  
8 c) Long term debt or "E" is listed at 6.87%. Please confirm whether the long term debt  
9 rate used represents HOSSM's updated/current long term debt rate.  
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11 d) Does the long term debt rate impact any of the calculations in Table 4? If so, please  
12 provide additional details on the relevant calculations.  
13

14 **Response:**

- 15 a) HOSSM achieved higher ROE mainly due to higher-than-expected revenue from  
16 favourable weather/load and lower OM&A due to work programs savings.  
17  
18 b) This information is forward-looking information which if provided, would need to be  
19 filed pursuant to the OEB's *Practice Direction on Confidential Filings* (the  
20 Confidentiality Direction). HOSSM seeks clarification as to the relevance of this  
21 information given that HOSSM is under deferred rebasing at this time, and over-  
22 earning is permitted during this period. HOSSM will file this information, pursuant to  
23 the Confidentiality Direction, if this information is relevant to the OEB's decision in this  
24 proceeding.  
25  
26 c) The long-term debt rate used is HOSSM's OEB-approved long term debt rate.  
27  
28 d) As part of the Regulated Net Income calculation of \$15,929,409 (or "H"), there is an  
29 adjustment for interest for deemed debt that uses the long-term debt rate. This is  
30 shown in the Calculation of ROE on a Deemed Basis table submitted as part of the  
31 RRR filing.

**OEB STAFF INTERROGATORY - 02**

**Reference:**

Appendix A, Continuity Schedule

**Preamble:**

A continuity schedule for the ESM account is provided in Excel format.

**Interrogatory:**

- a) The schedule shows a principal adjustment in the amount of 851,978 during 2024. HOSSM states that this adjustment is due to updated information from the HOSSM audited financials. Please provide a more detailed explanation of this adjustment.
- b) Please confirm HOSSM will update interest charges based on OEB prescribed Q3 interest rates.

**Response:**

- a) The initial ESM calculation was performed and recorded at the beginning of the year using financial information presented in US GAAP. Following the preparation and audit of the HOSSM financial statements under IFRS in Q2 2024, the ESM calculation was trued up. There are differences in the treatment of pension, capital contributions and amortization of fixed assets between IFRS and US GAAP. Net income and ESM are lower under IFRS. The \$851,978 adjustment is to reflect the lower ESM balance under IFRS.
- b) In light of the OEB's release of the Q3 and Q4 2024 prescribed interest rates, HOSSM has updated the projected interest amounts for the ESM balance in the DVA Continuity Schedule. Please see Attachment 1 to this interrogatory. As a result of the updated interest, the updated ESM balance is \$4,330,963. A table setting out HOSSM's revised revenue requirement for 2025 is provided below:

	<b>Total</b>
<b>Base Revenue Requirement</b>	<b>\$47,719,612</b>
Disposition of 2023 ESM balance	-\$4,330,963
<b>Total Rates Revenue Requirement</b>	<b>\$43,388,649</b>

Filed: 2024-09-20  
EB-2024-0218  
Exhibit I  
Tab 1  
Schedule 2  
Page 2 of 2

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		2023									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-23	Transactions Debit / (Credit) during 2023	OEB-Approved Disposition during 2023	Principal Adjustments during 2024	Closing Principal Balance as of Dec-31-23	Opening Interest Amounts as of Jan-1-23	Interest Jan-1 to Dec-31-23	OEB-Approved Disposition during 2023	Interest Adjustments during 2023	Closing Interest Amounts as of Dec-31-23
Earnings Sharing Mechanism (ESM)	2435	(2,985,368)	(4,896,076)		851,978	(7,029,466)	-	(150,669)			(150,669)
<b>Total Regulatory Accounts Seeking Disposition</b>											

		2024			
<b>Account Descriptions</b>	<b>Account Number</b>	<b>Principal Disposition during 2024 - instructed by OEB</b>	<b>Interest Disposition during 2024- instructed by OEB</b>	<b>Closing Principal Balances as of Dec 31-23 Adjusted for Dispositions during 2024</b>	<b>Closing Interest Balances as of Dec 31-23 Adjusted for Dispositions during 2024</b>
Earnings Sharing Mechanism (ESM)	2435	(2,985,368)	(148,671)	(4,044,098)	(1,997)
<b>Total Regulatory Accounts Seeking Disposition</b>				<b>(4,044,097.79)</b>	<b>(1,997.32)</b>



		Projected Interest on Dec-31-23 Balances				2.1.7 RRR	
Account Descriptions	Account Number	Projected Interest from Jan 1, 2024 to December 31, 2024 on Dec 31-23 balance adjusted for disposition during 2024	Total Interest	Total Claim (inclusive of carrying charges)	Accounts To Dispose Yes/No	As of Dec 31-23	Variance RRR vs. 2023 Balance (Principal + Interest)
Earnings Sharing Mechanism (ESM)	2435	(284,867)	(286,865)	(4,330,963)	Yes	(8,032,113)	(851,978)
<b>Total Regulatory Accounts Seeking Disposition</b>		<b>(284,867.42)</b>	<b>(286,864.75)</b>	<b>(4,330,962.54)</b>			

Accounts that produced a variance on the continuity schedule are listed below.

Account Descriptions	Account Number	Variance RRR vs. 2023 Balance (Principal + Interest)	Explanation
ESM	2425	(851,978)	2023 year Adjustment booked in April 2024 due to updated information from the HOSSM audited Financials.

1 **OEB STAFF INTERROGATORY - 03**

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3 **Reference:**

4 Exhibit A-4-1, Page 4, Line 7

5  
6 **Preamble:**

7 HOSSM has indicated that the ROE calculation is “normalized for revenue impacting items  
8 such as entries recorded in the year which relate to prior years to normalize the in-year  
9 net income”.

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11 **Interrogatory:**

12 a) Please confirm and explain the normalizing adjustments made in this application.

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14 **Response:**

15 a) There were no normalizing adjustments made with respect to the 2023 ESM  
16 calculation.

Filed: 2024-09-20  
EB-2024-0218  
Exhibit I  
Tab 1  
Schedule 3  
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