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**Frank D'Andrea**

Vice President, Regulatory Affairs & Chief Risk Officer

BY COURIER

October 25, 2019

Ms. Christine E. Long  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Long,

**EB-2019-0178 – B2M Limited Partnership's 2020-2024 Transmission Revenue Cap IR  
Application – Interrogatory Responses**

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Please find attached B2M Limited Partnership's ("B2M LP") responses to interrogatories received in the above-noted proceeding, which have been submitted electronically using the Board's Regulatory Electronic Submission System. Two (2) hard copies will be sent to the Board.

The interrogatory responses have been organized by Intervenor as identified in Procedural Order No. 1 of this proceeding.

Sincerely,

ORIGINAL SIGNED BY KATHLEEN BURKE ON BEHALF OF FRANK D'ANDREA

Frank D'Andrea  
Submitting on behalf of B2M LP

**OEB INTERROGATORY # 1**

**Reference:**

(1) Letters of Comment

(2) Filing Requirements, pages 11 & 13, sections 2.3.2 & 2.3.4

**Interrogatory:**

**Preamble:**

OEB staff notes that B2M LP has not received any letters of comment to date regarding this proceeding. However, sections 2.3.2 and 2.3.4 of the Filing Requirements indicate that transmitters are expected to file with the OEB their response to the matters raised in any letters of comment sent to the OEB related to the transmitter's application.

**Question:**

a) Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

**Response:**

a) Confirmed

## OEB INTERROGATORY # 2

### **Reference:**

(1) Exhibit A, Tab 2, Schedule 2, page 3

### **Interrogatory:**

#### **Preamble:**

With respect to benchmarking, B2M LP states:

***Benchmarking:** Operations and management services are provided to B2M LP through a service level agreement with Hydro One Networks Inc. These types of activities are subject to review through Hydro One Networks Inc.'s external benchmarking evidence provided in its transmission rate applications.*

#### **Question:**

- a) Please confirm that B2M LP is stating that, as its operations and management are provided by Hydro One Networks' Transmission staff, B2M LP's cost and operational performance would be the same as for Hydro One Networks' Transmission's operations, if it was benchmarked against a comparator group of electricity transmitters.
- b) Hydro One Networks' Transmission total costs are being benchmarked against a sample of U.S. transmitters in the current Custom IR application for the 2020-2022 period. Hydro One Networks has filed evidence on its Total Factor Productivity (TFP) and Total Cost Benchmarking, as prepared by Power Systems Engineering, Inc. (PSE). OEB staff have retained Pacific Economics Group Research LLP (PEG), who has also filed evidence on these matters, but based on its own analyses.

The TFP and Total Cost Benchmarking analyses are used as quantitative evidence in support of the base productivity (base X) and the stretch factor for incentive rate-setting plans like price caps and revenue caps, respectively. The base X should be set based on the sector productivity, or on a representative sample of the firms in the sector, not on the TFP of the one firm. The stretch factor is firm-specific, and this has been the OEB's approach in IRM since the 3rd Generation IRM for electricity distributors.

1 Since B2M LP's operations and management is performed by Hydro One Networks'  
2 Transmission staff, please provide B2M LP's views on whether it would be  
3 appropriate to adopt the X and stretch factors as determined by the OEB as being  
4 appropriate for Hydro One Networks' Transmission Custom IR plan in EB-2019-  
5 0082.

- 6  
7 c) If B2M LP does not believe that the parameters that the OEB may set or approve for  
8 Hydro One Networks' Transmission should not apply to B2M LP, please explain and  
9 support the reasons.

10  
11 **Response:**

- 12 a) The benchmarking inference is not quite accurate, as B2M LP's overall cost to  
13 operate is markedly different to that of Hydro One's even though the costs incurred  
14 for the services B2M LP receives from Hydro One should be similar as these services  
15 are provided by Hydro One on a fully-allocated cost basis.

- 16  
17 b) No, it would be inappropriate to adopt Hydro One's productivity (X) and stretch  
18 factors.

19  
20 B2M LP operates under unique circumstances as it manages a single 500kV  
21 transmission line with no forecast capital expenditures whereas Hydro One Networks  
22 operates a significantly larger pool of diverse transmission assets with a different  
23 demographic profile and different funding needs. While services are provided by  
24 Hydro One, the amount and mix of services provided to B2M LP are quite different  
25 than Hydro One. As provided in Exhibit A-4-1 p 3-4 cost-efficiencies are only  
26 available in respect of B2M LP's modest portion of OM&A costs. Therefore, B2M  
27 LP's cost structure and funding needs should not be conflated with those of Hydro  
28 One.

- 29  
30 c) Please refer to b).

**OEB INTERROGATORY # 3**

**Reference:**

- (1) Exhibit A, Tab 2, Schedule 2, page 4
- (2) Exhibit A, Tab 3, Schedule 1, page 5

**Interrogatory:**

**Preamble:**

B2M LP states:

*Protecting Customers: Exhibit A, Tab 4, Schedule 1 outlines B2M LP's proposed Earnings Sharing Mechanism which shares the benefit of productivity improvements with customers during the term and provides rate payers with protection from utility earnings that may exceed proposed levels.*

**Question:**

- a) The Earnings Sharing Mechanism (ESM) will provide some level of protection against excessive over-earnings (i.e., above the 100 b.p. threshold), and productivity improvements may be an underlying factor for the occurrence of the over-earnings. However, the ESM would not apply outside of this situation. With B2M LP's proposed X-factor (of a base X and stretch) of 0%, B2M LP is proposing that no realized productivity improvements are shared with ratepayers during the term of the plan.

In line with the proposed revenue cap adjustment formula, please explain how the ESM "shares the benefit of productivity improvements with customers during the term [of the plan]".

**Response:**

- a) B2M LP's ESM will share the benefit of productivity improvements achieved during the term when the ESM account is disposed at the next rebasing.

## OEB INTERROGATORY # 4

### **Reference:**

(1) Exhibit A, Tab 3, Schedule 1, pages 8, 11, 12

### **Interrogatory:**

#### **Preamble:**

At the above noted reference, a table has been provided showing B2M LP's 2019 and 2020 revenue requirements. This table is shown below.

**Table 2 - Revenue Requirement (\$ Millions)**

Components	2019 <sup>d</sup>	2020	Reference
OM&A	1.5	1.2	Exhibit F, Tab 1, Schedule 1
Depreciation	6.8	7.0	Exhibit F, Tab 5, Schedule 1
Income Taxes	0.8	1.0	Exhibit F, Tab 6, Schedule 1, Attachment 1
Return on Capital	23.4	26.6	Exhibit G, Tab 1, Schedule 1
Start-Up and Development Costs Recovery	1.9	0.0	Exhibit F, Tab 1, Schedule 1
<b>Base Revenue Requirement</b>	<b>34.4</b>	<b>35.7</b>	
Deduct External Revenues and Other <sup>5</sup>	(1.6)	(0.1)	Exhibit H, Tab 1, Schedule 1
<b>Rates Revenue Requirement</b>	<b>32.8</b>	<b>35.7</b>	

*Exhibit Reference: E-1-1, Table 1.*

#### **Question:**

- a) Table 2 above, provided on page 8, shows an increase in depreciation expense from \$6.8 million in 2019 to \$7.0 million in 2020. Please confirm that the increase in depreciation expense is primarily due to the replacement of defective insulators as described on pages 11-12.
- b) If there are other reasons for the change in depreciation expenses from 2019 to 2020, please explain (e.g. the new depreciation study).
- c) Please confirm that, with no capital expenditures or in-service capital additions forecast for the 2020-2024 period for replacement or growth, depreciation expense should remain constant at \$7.0 million per annum over the plan period.
- d) In the alternative, please explain.

Witness: Samir Chhelavda

**Response:**

a) No, the appearance of an increase is not related to the replacement of defective insulators. The increase in depreciation due to the insulator replacement is approximately \$50k per year.

The 2019 depreciation cost (\$6.8M) shown in the table above is the OEB-approved amount from EB-2015-0026. The actual annual depreciation cost over the historical period was \$7.2M (Exhibit F-5-1 Table 1). The reason for this difference was a data error that was not discovered until after the decision was rendered.

The proposed depreciation cost for the 2020 test year is \$7.0M which is lower than historical actuals, due to the proposed depreciation rate of 1.3% versus the historical rate of 1.37% (Exhibit F-5-1-2).

b) Please refer to a).

c) Confirmed.

d) N/A.

**OEB INTERROGATORY # 5**

**Reference:**

- (1) Exhibit A, Tab 3, Schedule 1, page 5
- (2) Exhibit A, Tab 2, Schedule 2, page 2

**Interrogatory:**

**Preamble:**

On Exhibit A, Tab 3, Schedule 1, page 5, B2M LP states (in part):

- *B2M LP's assets are new. As such they require lower OM&A in comparison to other transmitters and no forecast capital expenditures during the rate period;*
- *B2M LP's 2020 Test year OM&A is lower than 2015-2019 OEB-approved levels;*
- *B2M LP's only controllable costs are OM&A (there are no forecast capital expenditures) where productivity is normally realized. B2M LP's OM&A costs are a small fraction of the total costs and are significantly less than the non-controllable portion of its costs (Cost of Capital, Depreciation, Income Tax), which are market driven or determined by law. Cost efficiencies determined by the application of a Productivity and Stretch Factor similar to other transmitters would be effectively impossible to realize;*

Also, on Exhibit A, Tab 2, Schedule 2, page 2, B2M LP states:

*The assets owned by B2M LP are relatively new and approximately 90% of the line is less than ten years old. As such, B2M LP is not proposing any capital expenditure in this Application, and hence did not undertake a capital expenditure planning process, or participate in a regional planning process. B2M LP has not provided external cost benchmarking, justification for capital expenditures, or details on material investments as none are included in this Application.*



**Question:**

- a) Please confirm that, if B2M LP does not have any capital expenditures during the plan term, the average net fixed assets (NFA), and hence B2M LP's rate base decrease each year over the plan term.
- b) What percentage of B2M LP's revenue requirement is OM&A, as opposed to the capital-related revenue requirement (depreciation/amortization expense, cost of capital, associated taxes such as income-tax and capital-related taxes such as property tax)?
- c) Please confirm that, with no capital investments for growth or replacement, depreciation expense is fixed and not subject to an (inflation less productivity) increase each year. In this case, please explain the rationale for applying the I – 0% (inflation less 0%) adjustment to the depreciation expense portion, and the return on capital and associated taxes portions, of the revenue requirement.
- d) B2M LP's proposal for the revenue cap would apply the I – 0% adjustment to the whole revenue cap, even though it is only actually OM&A expenses, mostly incurred per the service agreement with Hydro One Networks, which are subject to inflation during the period. Further, since, with no capital expenditures, the rate base actually decreases each year, and the capital-related revenue requirement would also decrease, the actual increase on the capital-related revenue requirement, relative to what it would be under cost of service, is greater than inflation. Please provide B2M LP's views on why its revenue cap proposal is reasonable in light of its circumstances of no projected capex during the five year period and given that OM&A is a smaller proportion of its overall revenue requirement.
- e) Please provide a table showing the average net book value, the rate base, and the calculated capital-related revenue requirement for each year of the plan (i.e., as if B2M LP was on annual cost of service). For OM&A, calculate the OM&A assuming an average annual inflation increase of 1.8% (which is approximately the IPI annual percentage change since 2006). Please provide the annual revenue requirement for B2M LP for each year.
- f) Please explain whether, given a declining rate base, no projected capital expenditures, and operating expenses being a small percentage of the total revenue requirement, a rate freeze for the plan period of 2020-2024 would be sufficient to

allow B2M LP to recover its allowed costs, including having an opportunity to earn its allowed return on capital, and to recover costs from Hydro One for operating services under the service agreement with B2M LP.

**Response:**

a) Confirmed.

b) B2M LP's proposed 2020 OM&A is 3.2% of base revenue requirement as shown below.

**Table 1 - B2M LP's Revenue Requirement (\$ Millions, Percentage)**

	<b>2020</b>	
Operating, Maintenance & Administrative	1.2	3.2%
Depreciation	7.0	19.6%
Income taxes	1.0	2.8%
Return on capital	26.6	74.4%
Base revenue requirement	<b>35.7</b>	

c) The OEB's Chapter 2 - Filing Requirements for Electricity Transmission Applications provides two possible application frameworks: Revenue Cap and Custom IR. B2M LP has applied under a Revenue Cap framework which requires a single test year cost of service application, followed by a formulaic adjustment to revenue requirement for the balance of the term.<sup>1</sup> Applying the proposed RCI (I-X) to the base revenue requirement is consistent with the Revenue Cap framework.

d) As discussed in c) above applying the RCI (I-X) to the base revenue requirement is consistent with the Revenue Cap framework. Under this framework, the utility manages its costs within the approved funding envelope.

While some costs are expected to decline over the test period (2021-2024) there are also cost increases relative to the 2020 test year as provided on page 2 of Exhibit A, Schedule 3, Tab 1. These include:

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<sup>1</sup> OEB's Chapter 2 - Filing Requirements for Electricity Transmission Applications, February 11, 2016, p 1

- 1        1. Rising income tax expense as B2M LP's capital cost allowance ("CCA")  
2        declines and its Ontario corporate minimum tax ("OCMT") credits are fully  
3        depleted; and
  - 4        2. Managing B2M LP's Right-of-Way vegetation maintenance program, taking into  
5        consideration the six-year vegetation cycle and the expected increase in forestry  
6        expenses during certain test years with greater work volumes, similar to the  
7        historical trend.
- 8
- 9        B2M LP's Revenue Cap IR Application, as filed, is reasonable as it will mitigate  
10       these cost challenges described above. B2M LP has included an ESM into its  
11       application to assure the OEB that should earnings exceed the regulatory return on  
12       equity by more than 100 basis points, the excess return will be shared with  
13       customers.
- 14
- 15      e) The forecast request is inconsistent with the Revenue Cap framework.
- 16
- 17      f) No, freezing the 2019 rates revenue requirement will not allow B2M LP to recover  
18       its costs and earn its allowed return on capital. B2M LP forecasts that the  
19       incremental cost of debt will rise substantially (\$8.4M forecast for 2020 and \$10M  
20       forecast for 2021 versus \$5.5M for 2019). Moreover, pressures from the exhaustion  
21       of OCMT credits and the increased forestry spending also offset the lower capital  
22       costs due to a falling rate base over the rate period.

**OEB INTERROGATORY # 6**

**Reference:**

- (1) Exhibit A, Tab 3, Schedule 1, Page 2
- (2) Exhibit B, Tab 1, Schedule 3, Attachment 1, Page 14, Table 4
- (3) Exhibit B, Tab 1, Schedule 3, Attachment 1, Page 16, Table 5

**Interrogatory:**

**Preamble:**

The above noted first reference states the following:

*A number of internal and external challenges will have to be managed over the Test Period. They include:*

*...c) Managing B2M LP's Right-of-Way vegetation maintenance program, taking into consideration the six-year vegetation cycle and the expected increase in forestry expenses during certain test years with greater work volumes, similar to the historical trend.*

*B2M LP's Revenue Cap IR Application, as proposed, will mitigate these challenges, maintain the Partnership's financial performance and ensure that B2M LP's assets are managed efficiently and effectively.*

The above noted second reference and third reference also address the Right-of-Way.

**Question:**

- a) Please clarify the challenges B2M LP faces in managing its Right-of-Way vegetation maintenance program.
- b) Why are these challenges specific to this Test Period?
- c) How is B2M LP proposing to manage these challenges?
- d) Please specify the costs of the Right-of-Way vegetation maintenance program and indicate where those costs are found in B2M LP's evidence.

- 1 e) What is the basis of B2M LP's cost estimates for the Right-of-Way vegetation  
2 maintenance program?  
3
- 4 f) Please provide a timeline of the maintenance activities listed in the above noted  
5 second reference between 2015 and 2024.  
6
- 7 g) Analogous to the above noted third reference, please summarize, as applicable, the  
8 planned, actual and forecast spend (and variance) on the Right-of-Way vegetation  
9 maintenance program between 2015 and 2019 and planned spend between 2020 and  
10 2024.  
11
- 12 h) What percentage of B2M LP's total 2020 proposed OM&A will be the Right-of-Way  
13 vegetation maintenance program?  
14

15 **Response:**

- 16 a) B2M LP's vegetation maintenance program is cyclical in nature. As a result, the  
17 quantity and cost of vegetation varies each year, depending on the maintenance  
18 activities scheduled. The challenge is to manage these cyclical costs within the  
19 revenue requirement which results from the Revenue Cap framework.  
20
- 21 b) The above-described challenge is not specific to this Test Period, but it is a challenge  
22 that will need to be managed over the Test Period.  
23
- 24 c) B2M LP has and will continue to work with the planners at HONI to ensure the needs  
25 of the assets are met in a prudent and appropriate manner.  
26
- 27 d) The actual and forecast vegetation management costs for 2015-2020 are listed in  
28 Table 1 below. These vegetation maintenance costs represent a portion of the  
29 Operations and Maintenance Expenses listed in Exhibit F, Tab 2, Schedule 1, Table 2  
30 of the evidence.

**Table 1- B2M LP Vegetation Maintenance Costs**

Description	Historical (\$K)				Bridge (\$K)	Test (\$K)
	2015	2016	2017	2018	2019	2020
	Act	Act	Act	Act	Frst	Frst
<b>Vegetation Maintenance</b>	145	6.9	503	598	138	89

e) The cost estimates for B2M LP's vegetation maintenance program are based on historical actual unit costs required to complete vegetation maintenance.

f) Please refer to Table 2 below for a timeline of B2M LP's maintenance activities from 2015-2024.

**Table 2 - Timeline of B2M LP Maintenance Activities**

Maintenance Activity	Actual				Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Helicopter Patrol Performed	X	-	X	X	X	-	X	X	X	X
Foot Patrol Performed	X	-	X	-	X	X	X	-	X	
Thermovision Performed	-	-	X	X	X	X	X	X	X	X
Brush Control Performed	X	-	X	X	X	-	X	-	X	X
Line Clearing Performed	X	-	X	X	-	-	X	-	X	X
Condition Patrol Performed	X	X	-	X	-	X	X	X	-	X
Notifications Performed	-	X	X	-	-	X	-	X	X	X
Annual Vegetation Patrol Performed	X	X	X	X	X	X	X	X	X	X

g) Please refer to Table 3 below for a summary of planned and actual costs for B2M LP's vegetation maintenance program. Expenditures beyond 2020 will managed within the amounts permitted by the Revenue Cap framework.

Witness: Donna Jablonsky; Jeff Smith

1                    **Table 3 - B2M LP Planned and Actual Vegetation Maintenance Costs**

Description	Historical (\$K)								Bridge (\$K)		Test (\$K)
	2015		2016		2017		2018		2019		2020
	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Frcst	Frcst
<b>Vegetation Maintenance</b>	150	145	10	6.9	10	503	1,060	598	138	138	89

- 2
- 3    h) As shown in Exhibit F, Tab 2, Schedule 1, Table 2 of the Evidence, the total
- 4       Operations and Maintenance Expenses for B2M LP in 2020 are \$0.5 M. As stated in
- 5       Table 1 of this response, total vegetation management costs for 2020 are forecast to
- 6       be \$0.089 M. Therefore, approximately 18 percent of B2M LP's total 2020 proposed
- 7       OM&A will be used to fund the vegetation maintenance program.

**OEB INTERROGATORY # 7**

**Reference:**

(1) Exhibit A, Tab 3, Schedule 1, Page 5

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP stated the following:

*B2M LP's assets are new. As such they require lower OM&A in comparison to other transmitters and no forecast capital expenditures during the rate period.*

- a) Please identify any initiatives considered and/or undertaken by B2M LP, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.

**Response:**

- a) As B2M LP's transmission line assets age, condition assessment maintenance will be performed to determine asset health and when capital replacement is required. Performing condition assessment ensures that a relatively low amount of OM&A funds are spent to identify end-of-life assets prior to failure, reducing unplanned maintenance and replacement costs. Due to the relatively young age of the assets, condition assessment is not yet required.



**OEB INTERROGATORY # 8**

**Reference:**

(1) Exhibit A, Tab 5, Schedule 1

**Interrogatory:**

**Preamble:**

The above noted reference provides a description of B2M LP and its structure.

**Question:**

a) Please confirm whether the B2M LP shareholder structure described in the above noted reference remains up to date. If not, please provide an update.

b) Please summarize any key changes (if applicable) to the B2M LP shareholder structure and organizational structure since B2M LP's last cost of service application.<sup>1</sup>

**Response:**

a) Confirmed

b) There have been no meaningful changes in the structure. B2M GP has been renamed Hydro One Indigenous Partnerships GP Inc (HOIP).

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<sup>1</sup> EB-2015-0026

**OEB INTERROGATORY # 9**

**Reference:**

- (1) Exhibit A, Tab 6, Schedule 2, Attachment 1, 2018 Financial Statements
- (2) Exhibit C, Tab 2, Schedule 4, page 4. Appendix 2-BA

**Interrogatory:**

**Preamble:**

The fixed assets in B2M LP's 2018 audited financial statements and the Appendix 2-BA for the year end 2018 are below.

2018 PP&E	2018 AFS (\$M)	Appendix 2-BA (\$M)
Gross book value	526.446	547.7
Accumulated depreciation	28.977	50.1
<b>Net book value</b>	<b>497.471</b>	<b>497.6</b>

**Question:**

- a) Please explain and reconcile the differences.

**Response:**

- a) On December 16, 2014, Hydro One Inc.'s subsidiary, Hydro One Networks Inc., transferred the Bruce to Milton Line transmission assets on a net basis in accordance with US GAAP, totaling \$526.4 million to B2M LP. The net basis is calculated as the gross cost (\$547.7M) less accumulated depreciation (\$21.3M) at the time, to equal \$526.4M. The gross book value noted in Appendix 2-BA of \$547.7M is in line with the gross book value in the last approved B2M LP application (EB-2015-0026).

**OEB INTERROGATORY # 10**

**Reference:**

(1) Exhibit A, Tab 6, Schedule 2, Attachment 1, 2018 Financial Statements

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP has provided its audited financial statements

**Question:**

a) Please indicate whether B2M LP has any leases.

b) If yes, please explain any regulatory impact from ASC 842 under USGAAP.

**Response:**

a) B2M LP does not have any leases. It does incur rental expense for the use of office space.

b) N/A

**OEB INTERROGATORY # 11**

**Reference:**

(1) Exhibit A, Tab 4, Schedule 1, Page 6

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP stated that events that may necessitate the use of the Z-factor mechanism include items such as changes to IESO market rules.

**Question:**

a) Given that the IESO is undertaking the Market Renewal Program to introduce fundamental reforms to the province's electricity markets, please explain any impacts that B2M LP may foresee at this time, including those on the proposed 2020 test year revenue requirement.

**Response:**

a) Broadly speaking, the IESO Market Renewal Program deals with market scheduling and capacity. B2M LP does not own any station assets involved in such market activities and therefore does not foresee any changes to the 2020 Test year revenue requirement as a result of the program.

**OEB INTERROGATORY # 12**

**Reference:**

- (1) Exhibit F, Tab 3, Schedule 1, Attachment 1
- (2) Exhibit B, Tab 1, Schedule 3, Attachment 1
- (3) Exhibit D, Tab 1, Schedule 1, Page 3, Table 1

**Interrogatory:**

**Preamble:**

The majority of B2M LP's OM&A services are provided by Hydro One Networks through a service level agreement. B2M LP is renewing its agreement with Hydro One Networks which is to be effective December 18, 2019, as per the first above noted reference.

At the second above noted reference, B2M LP indicates that it

*"[...] relies on HONI's asset management process to develop its plan [...]"*.

At the above noted third reference, B2M LP has provided a table of its performance measures.

**Question:**

- a) Please provide a brief overview of the Hydro One Networks' asset management process relied upon by B2M LP.
- b) How is B2M LP ensuring that the OM&A services provided to it by Hydro One Networks are appropriate and cost effective?
- c) B2M LP's OM&A cost per circuit km is provided in the above noted third reference. How does B2M LP's performance on this metric compare to other transmitters in Ontario?
- d) Please describe what would happen if the updated service level agreement does not become effective December 18, 2019 and any contingency plans that B2M LP may have.

Witness: Jeffrey Smith

**Response:**

- a) Please refer Exhibit B-1-3 Attachment 1 Section 3.3 for an overview of B2M LP's asset management process provided by Hydro One. Please refer to Hydro One's transmission rate proceeding EB-2019-0082 Exhibit B-1-1 TSP Section 2.1. for further information on Hydro One's investment planning process.
- b) B2M LP's Service Level Agreement includes conditions to ensure that services provided by Hydro One are appropriate (Interrogatory I-01-OEB-24 Attachment 1 Section 2), follow good utility practice and are provided at costs incurred by Hydro One Networks for such similar services (which would reflect efficiencies gained). B2M LP's managing director engages with Hydro One staff on a regular basis, is aware of Hydro One's asset lifecycle optimization policies and practices and reviews proposed expenditures as they arise.
- c) B2M LP's OM&A cost per circuit km is not directly comparable to other transmitters. B2M LP operates under unique circumstances as it manages a single 500kV transmission line whereas other transmitters operate a significantly larger pool of transmission assets with a different demographic profile and different funding needs. Furthermore, as a result of B2M LP's service level agreement with Hydro One, B2M LP has minimal overhead as well as qualified and flexible resources, allowing it to remain cost efficient.
- d) Hydro One Networks and B2M LP have agreed to the updated service level agreement in principle and fully intend to sign it in December 2019. Given that B2M LP and Hydro One Networks Inc. have a common owner (Hydro One Inc.) there is little if any risk that the agreement will not be completed as planned.

**OEB INTERROGATORY # 13**

**Reference:**

- (1) Exhibit A, Tab 3, Schedule 1, Page 5  
(2) Exhibit B, Tab 1, Schedule 3, Attachment 1, Page 5

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*B2M LP's service level agreement integrates Hydro One Networks Inc.'s productivity improvements into B2M LP's maintenance operations.*

At the above noted second reference, B2M LP stated the following:

*The majority of B2M LP's OM&A services (accounting for approximately 75% of the 2020 forecast) are provided by HONI through a Service Level Agreement. The Agreement and the charges therefrom are in accordance with the Affiliate Relationships Code and are billed on the lower of cost and market price. Efficiencies gained by HONI are passed through to B2M LP. B2M LP's asset is a 500kV double circuit transmission line that is located directly adjacent to a comparable line owned by HONI. Given the proximity of the assets, there are meaningful efficiencies inherent in having one party, HONI, plan and perform the work on both lines simultaneously.*

**Question:**

- a) Please provide more detail regarding how the service level agreement integrates Hydro One Networks' productivity improvements into B2M LP's maintenance operations, also describing how efficiencies gained by Hydro One Networks are passed through to B2M LP. How will continuous improvement/ efficiency gains benefit customers?
- b) Please confirm that B2M LP's statement in the above noted second reference that its service level agreement costs provided by Hydro One Networks is 75% of the 2020 test year OM&A or a different percentage.

Witness: Jeffrey Smith

- 1           i. If yes, please provide the calculation supporting the 75%.  
2           ii. If no, please explain and quantify the correct percentage.

3

4           **Response:**

5           a) Please refer to I-1-OEB-12 b).

6

7           b) The statement in Exhibit B-1-3 Attachment 1 should have stated “accounting for  
8           approximately 63% of the 2020 forecast”. (Note that this percentage, based on  
9           Exhibit F-2-1 Table 1, is 58% which does not account for rounding error).  
10          Approximately 75% of the historical OM&A costs (2015-2018) relate to the Service  
11          Level Agreement.



**OEB INTERROGATORY # 14**

**Reference:**

- (1) Exhibit B, Tab 1, Schedule 1
- (2) Exhibit B, Tab 1, Schedule 3, Attachment 1
- (3) Exhibit C, Tab 1, Schedule 1
- (4) Exhibit A, Tab 3, Schedule 1

**Interrogatory:**

**Preamble:**

As noted in the above references, B2M LP proposes to spend \$3 million on unplanned capital additions in 2019 to address defective insulators on the older section of its transmission line.

**Question:**

- a) Please describe the consequence of premature and unpredictable failure of the insulators. Why do they need to be replaced before they fail?
- b) Please describe the need to replace the insulators from the perspective of B2M LP's reliability and safety standards obligations.
- c) Are there alternatives to replacing the insulators? If so, why is the proposed approach recommended?
- d) How many insulators will be replaced?
- e) When would the existing insulators that are being replaced otherwise have been replaced?
- f) What is the basis for the cost estimate for the insulator replacements? Why is the proposed amount a reasonable price to pay for the insulators?
- g) Does the estimate include a contingency? Please explain.

- 1 h) What process will B2M LP follow to acquire the replacement insulators? Why is this  
2 process proposed over alternatives? How is B2M LP pursuing cost effectiveness in  
3 the acquisition of the new insulators?  
4 i) Do the insulators being replaced represent all of the insulators that have been  
5 identified as high risk, or are there others that have been identified as high risk but  
6 that are not being replaced? (i.e. is this it, or will there be more?)  
7  
8 j) How will B2M LP ensure that the new insulators are installed cost effectively? Is  
9 there opportunity for coordinating the work with other work that may be taking place  
10 near the affected insulators?  
11  
12 k) Please describe the key activities and schedule for replacing the insulators.  
13

14 **Response:**

- 15 a) The consequence of insulator failure, to public safety and system reliability, is  
16 extremely serious. Failed insulators often result in conductor drops, which are a  
17 significant public safety concern, or result in sustained forced outages that severely  
18 impact the reliability of the transmission network. For example, in March 2015, an  
19 insulator in HONI's transmission network mechanically failed causing the conductor  
20 to fall to the ground in a commercial parking lot in Etobicoke. Similarly, in January  
21 2017, an insulator in HONI's transmission network mechanically failed causing the  
22 conductor to fall over a roadway in Hamilton. Risks are described in more detail in  
23 Hydro One's transmission rate case (see EB-2019-0082, Exhibit B, TSP Section  
24 2.2.2.4).  
25

26 Due to public safety considerations and as recommended by the EPRI study filed in  
27 Hydro One's transmission rate case (see EB-2019-0082, Exhibit B-1-1, TSP Section  
28 1.4, Attachment 12), these insulators are to be replaced as soon as possible to mitigate  
29 failure risks.  
30

- 31 b) Please see part a.  
32  
33 c) Insulators cannot be maintained or repaired to extend their service life. The only  
34 alternative to current replacement project is 'do-nothing'. This option is considered  
35 unacceptable due to the serious risk it presents to public safety.

- 1 d) Approximately 510 insulator strings will be replaced.  
2
- 3 e) Insulator replacement is typically combined with conductor replacement which is  
4 based on condition. If these insulators were not defective, based on the current good  
5 condition of the conductor, it is estimated that these insulators would not be replaced  
6 for another 50 years.  
7
- 8 f) The basis for the cost estimate is historical insulator replacement costs. HONI is  
9 currently undertaking a large-scale insulator replacement program and B2M is  
10 therefore able to utilize HONI's experience and expertise which is reflected in the  
11 cost estimate.  
12
- 13 g) No. Due to HONI's experience with replacing defective insulators on its own 500kV  
14 networks it was able to provide B2M LP with refined unit-costs.  
15
- 16 h) The insulators will be acquired from HONI's stock of insulators which were  
17 purchased under a blanket agreement with an approved supplier. This ensures the  
18 newly installed insulators meet industry standards and are purchased at the most  
19 competitive price possible.  
20
- 21 i) The insulators to be replaced represent all known defective insulators on B2M LP's  
22 system.  
23
- 24 j) To optimize the work, the new insulators were purchased at blanket-agreement prices  
25 (refer to part h) and will be installed by HONI construction crews that are extremely  
26 experienced at replacing defective insulators on 500kV transmission lines. Along  
27 with the insulators, the attachment hardware will also be replaced to eliminate any  
28 need for future hardware replacement (i.e. U-bolt replacement). Since no further  
29 capital work is planned for the B2M LP circuits there are no opportunities for  
30 bundling or coordination.  
31
- 32 k) Key activities include: identifying material needs and quantities, site access and  
33 equipment requirements, design and engineering details/drawings, scheduling an  
34 outage, and executing the replacement work.

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Tab 1

Schedule 14

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- 1        This work is scheduled for second half of 2019 as per current outage schedule. Any
- 2        work not completed during the allocated outage period will be carried over into the
- 3        next available outage window.

Witness: Donna Jablonsky; Jeff Smith

**OEB INTERROGATORY # 15**

**Reference:**

- (1) Exhibit B, Tab 1, Schedule 3, Attachment 1
- (2) Exhibit D, Tab 1, Schedule 1, Page 3, Table 1

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP has stated the following:

*On behalf of B2M LP, HONI completes an annual investment planning process to establish a plan that appropriately reflects operational needs, while minimizing rate impacts. [...] B2M LP's 2020 to 2024 plan is an output of this asset management framework.*

At the above noted second reference, B2M LP has provided a table of its performance measures.

**Question:**

- a) How is B2M LP ensuring that the annual investment planning process conducted by Hydro One Networks results in cost effective outcomes for B2M LP facilities, including by controlling costs in relation to its proposed investments through appropriate optimization, prioritization and pacing of capital-related expenditures? What criteria does B2M LP use to assess the above?
- b) Please provide a summary of the how B2M LP's assets in particular were considered by Hydro One Networks in its recent annual investment planning activities. Please include a corresponding summary of any key conclusions related to B2M LP's assets and describe the methodology and criteria used to arrive at those conclusions.

**Response:**

- a) Please refer to Interrogatory I-1-OEB-12 a) and b).
- b) Please refer to Interrogatory I-1-OEB-12 a) and b) and I-1-OEB-16 a).

**OEB INTERROGATORY # 16**

**Reference:**

(1) Exhibit B, Tab 1, Schedule 3, Attachment 1, page 12

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP stated that the

*“...specific strategies related to overhead transmission line assets are outlined in detail in HONI’s Transmission Rate Application (EB-2019-0082) in Exhibit B, Tab 1, Schedule 1, TSP Section 2.3.2.”*

**Question:**

- a) Please provide a summary of how B2M LP’s assets in particular were considered by Hydro One Networks in its asset lifecycle optimization activities. Please include a corresponding summary of any key conclusions related to B2M LP’s assets and describe the methodology and criteria used to arrive at those conclusions.
- b) How does B2M LP maintain awareness of key Hydro One Networks’ asset lifecycle optimization policies and practices as they relate to B2M LP’s assets?
- c) How does B2M LP assess and ensure the appropriateness and cost effectiveness of Hydro One Networks’ activities on behalf of B2M LP in these regards?

**Response:**

- a) Please refer to Interrogatory I-1-OEB-12 a) and b) regarding lifecycle optimization activities.

Through Hydro One’s processes, supported by condition data and benchmarking reports, a population of defective insulators on B2M LP’s older structures have been identified and are considered high risk. Accordingly, the decision was made in 2019 to proceed with the replacement.

- b) B2M LP’s managing director engages with Hydro One staff on a regular basis and is aware of Hydro One’s asset lifecycle optimization policies and practices.

Witness: Jeffrey Smith

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Tab 1

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- 1 c) Please refer to a).

Witness: Jeffrey Smith

**OEB INTERROGATORY # 17**

**Reference:**

(1) Exhibit B, Tab 1, Schedule 3, Attachment 1, page 17

**Interrogatory:**

**Preamble:**

The above noted reference represents B2M LP's Transmission System Plan. In it, B2M LP indicates that "B2M LP is not anticipating the need for any planned capital spending over the five-year horizon."

**Question:**

- a) What are the key facts, methods of assessment and evaluation criteria which form the basis for B2M LP's conclusion that it does not anticipate the need for any planned capital spending over the five-year horizon?

**Response:**

- a) As transmission line assets owned by B2M LP age, they will be subjected to a detailed condition assessment, which provides an indicator of asset health. Assets are replaced when condition assessment indicates EOL has been reached. Age is used to determine when condition assessment should take place. Currently, none of the assets owned by B2M LP have reached the age where condition assessment is required. Annual helicopter inspections to detect and report high-level defects that exist on transmission lines assets have also not indicated any B2M LP assets requiring replacement at this time. As such, there are no capital expenditures planned over the five-year horizon.



**OEB INTERROGATORY # 18**

**Reference:**

(1) Exhibit C, Tab 1, Schedule 1, Table 4

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP provided a table showing in-service capital additions from 2015 – 2020.

**Question:**

- a) Please confirm that B2M LP uses the term “capital addition” interchangeably with the term “capital expenditure” throughout the evidence. If this is not the case, please explain.
- b) Please confirm that when the term “capital expenditures” is used, B2M LP has presented all information on the basis of capital additions and has not included work in process in its numbers. If this is not the case, please explain and indicate areas of the evidence that are impacted.

**Response:**

- a) Capital expenditures refer to capital expenses whereas capital additions refer to in-service additions resulting from capital expenditures.
- b) Please refer to a)

**OEB INTERROGATORY # 19**

**Reference:**

(1) Exhibit D, Tab 1, Schedule 1, Page 3, Table 1

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP has provided a table of its performance measures. These measures indicate that B2M LP's average system availability improved between 2015 and 2017 and is projected to remain 100% in 2019 and 2020.

**Question:**

- a) What are the key factors that drive good average system availability performance for B2M LP?
- b) What is B2M LP doing to maintain good average system availability performance?
- c) What led to the improvement in average system availability between 2015 and 2017?
- d) On what grounds does B2M LP anticipate continued good average system availability performance in 2019 and 2020?

**Response:**

- a) Key drivers include the relatively new condition of B2M LP's assets, the annual vegetation patrol and routine line clearing, brush control, and condition patrols according to a schedule (cycle).
- b) Please refer to a). In addition B2M LP is replacing defective insulators on the older section of the line that are at risk to fail prematurely.
- c) Average System Availability for 2015 and 2016 was misstated in Exhibit D-1-1 Table 1. The updated figures have been provided below. Availability in both years was affected by Hydro One equipment. Subsequent years had no outages.

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Tab 1

Schedule 19

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<b>RRF Outcomes</b>	<b>Performance Measure</b>	<b>Actual Results</b>				<b>Forecast</b>	
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Operational Excellence	Average System Availability (%)	99.96	99.88	100.0	100.0	100.0	100.0

1

2

d) Regarding factors within B2M LP's control, continued good average system availability performance in 2019 and 2020 is anticipated based on the continuation of the maintenance and replacements described in a) and b).

3

4

Witness: Jeffrey Smith

## OEB INTERROGATORY # 20

### **Reference:**

- (1) Exhibit D, Tab 1, Schedule 1, Page 1
- (2) Exhibit D, Tab 1, Schedule 1, Page 2

### **Interrogatory:**

#### **Preamble:**

At the above noted first reference, B2M LP stated the following:

In the B2M LP Transmission Cost of Service Application (EB-2015-0026); B2M LP proposed the tracking and annual reporting of four outcome measures:

- System Average Interruption Frequency;
- System Average Interruption Duration;
- Average System Availability; and
- NERC Vegetation Compliance.

In the Decision and Order, the OEB approved B2M LP's proposal and directed B2M LP to also report annually on the operations, maintenance and administration cost per kilometre of line as a measure to track B2M LP's continuous improvement in cost efficiency. The Decision and Order also stated that the OEB did not require B2M LP to file a draft scorecard at that time.

At the above noted second reference, B2M LP stated the following:

*...The performance measures will be tracked annually, and the results of this tracking will be reported to the Board at the next proceeding...*

OEB staff notes that the tracking and annual reporting of the above noted measures will be reported to the OEB. This tracking and reporting may result in B2M LP moving towards generating a draft scorecard.

#### **Question:**

- a) Regarding any draft scorecard, please indicate how B2M LP has complied with the current OEB scorecard requirements, including the OEB's *Renewed Regulatory*

Witness: Jeffrey Smith

1        *Framework and Report of the Board Performance Measurement for Electricity*  
2        *Distributors: A Scorecard Approach.*<sup>1</sup>

3  
4        b) Please provide B2M LP's draft scorecard, if available.

5  
6        **Response:**

7        a) As B2M LP operates a single 500kV transmission asset, the performance measures  
8        provided in Exhibit D-1-1 Table 1 may be used to "measure and monitor the  
9        transmitter's performance including measures for all of the key RRFE objectives of  
10       public policy responsiveness, financial performance, operational effectiveness and  
11       customer focus [not applicable as B2M LP has no direct customers]."2

12  
13       b) Please refer to a).

---

1 EB-2010-0379, Report of the Board Performance Measurement for Electricity Distributors: A Scorecard Approach, March 5, 2014

2 Chapter 2 - Filing Requirements For Electricity Transmission Applications, February 11, 2016, p 9.

## OEB INTERROGATORY # 21

### **Reference:**

(1) Exhibit D, Tab 1, Schedule 1, Page 1 & 2

### **Interrogatory:**

#### **Preamble:**

At the above noted reference, B2M LP stated the following:

*Given the nature of B2M LP's assets, the performance of the equipment does not lend itself to applying the typical measures that might be in place for other transmitters. B2M LP's assets consist solely of a single 500kV double circuit transmission line (circuits B560M and B561V) between the Bruce Nuclear Power Development and the Milton Switching Station, but does not include any terminal breakers or other operable assets, as the demarcation point of each of the circuits is at a tower outside of the station, as noted in Exhibit B, Tab 1, Schedule 1. B2M LP does not have any customer delivery points (or meter assets), which are the basis of interruption-based reliability performance measures like SAIDI and SAIFI. In addition to these operating characteristics, the life-cycle portfolio also detracts from meaningful comparisons. B2M LP's single transmission line is relatively new; whereas other transmitters own a portfolio of assets that traverse the various stages of asset life.*

*Therefore, B2M LP's performance measures do not readily provide meaningful comparisons to those of other transmitters. On this basis, B2M LP proposes that System Average Interruption Frequency and System Average Interruption Duration no longer be measured. Furthermore, B2M LP has no customers, so no Customer Focus measures have been proposed.*

#### **Question:**

- a) Please explain why the elimination of B2M LP's System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) performance measures is appropriate given that even though there is no supply

1 delivered to a specific customer, B2M LP's single transmission asset would still go  
2 through periods of interruptions.

- 3  
4 b) Please describe how B2M LP will proactively track and report customer focus  
5 performance measures on a timely basis, in the event that it obtains directly served  
6 customers.

7  
8 **Response:**

- 9 a) Transmission SAIDI and SAIFI measure interruptions at delivery points in the  
10 system. The number of delivery points is the denominator of the equation. B2M LP  
11 has no delivery points and is unable to calculate SAIDI or SAIFI.

12  
13 Moreover, SAIDI and SAIFI are designed to measure the interruptions experienced  
14 by customers, generally due to an outage event. It is entirely possible, if not likely,  
15 that should B2M LP's asset be unavailable, power will be re-routed and, as a result,  
16 customers will not likely be interrupted due to the unavailability of B2M LP's asset.

17  
18 B2M LP measures Average System Availability, which does not rely on a delivery  
19 point (customer) interruption taking place. This measure appropriately demonstrates  
20 the performance of B2M LP's circuits.

- 21  
22 b) There are no anticipated directly connected customers. To directly connect a customer  
23 significant asset re-configuration would be necessary and would require long-term  
24 discussions with stakeholders, including HONI, before any such connection was to  
25 take place. B2M LP would assess the necessary operational and reporting changes at  
26 the time of such a change.

## OEB INTERROGATORY # 22

### **Reference:**

- (1) Exhibit F, Tab 2, Schedule 1, Page 1, Table 1  
(2) Exhibit A, Tab 3, Schedule 1, Page 15 & 16

### **Interrogatory:**

#### **Preamble:**

At the above noted first reference, B2M LP provided a summary of its OM&A as follows:

**Table 1 - Summary of OM&A (\$ Millions)**

Description	Historical								Bridge		Test
	2015		2016		2017		2018		2019		2020
	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Frctst	Frctst
Service Level Agreement Costs	0.9	0.7	0.8	0.8	0.8	1.0	2.0	1.1	0.8	0.7	0.7
Incremental Expenses	0.9	0.4	0.4	0.3	0.5	0.3	0.4	0.3	0.7	0.7	0.4
<b>Total OM&amp;A</b>	<b>1.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>2.4</b>	<b>1.4</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>

At the above noted second reference, B2M LP stated the following:

*Over the 2015 to 2019 period, the OM&A spending has generally been on plan. The two exceptions are:*

- i. 2015, which saw spending below plan by about \$0.7 million, resulting from lower than anticipated Operating Services costs and lower than anticipated Incremental expenses (including Regulatory and Advisory Committee expenses) as discussed below; and*
- ii. 2018, which saw spending below plan by about \$1.0 million, due mainly to variances in the Service Level Agreement costs.*

OEB staff notes that regarding the “Service Level Agreement Costs” component of OM&A in the above table, the actual amounts for the years 2015 and 2018, as well as the forecasted amount for 2019, are less than the “Plan” amounts for each respective year. In particular, the 2018 actual amount of \$1.1 million is 45.0% less than the Plan amount of \$2.0 million.

Witness: Jeffrey Smith



OEB staff notes that regarding the “Incremental Expenses” component of OM&A in the above table, the actual amounts for the years 2015, 2016, 2017, and 2018 are less than the “Plan” amounts for each respective year. In particular, the 2015 actual amount of \$0.4 million is 55.6% less than the Plan amount of \$0.9 million.

**Question:**

a) Also considering what B2M LP stated in the above noted second reference, please discuss whether or not B2M LP’s ability to remain below the OEB-approved Plan funding envelopes, as compared to actual spending in certain years, would reasonably raise concerns that it may be over-forecasting OM&A requirements in the current application 2020 test year.

b) Considering what B2M LP stated in the above noted second reference regarding 2015 and 2018 spending, please articulate the steps that B2M LP has taken to ensure that going forward there are not any significant variances between Plan and actual with respect to both:

- i. Service level agreement expenses
- ii. Incremental expenses

**Response:**

a) B2M LP’s OEB-approved OM&A for 2015-2019 (approved in EB-2015-0026: B2M LP’s first 5-year cost of service application) reflected B2M LP’s forecast at that time. Notwithstanding the variances referenced above, operational experience resulted in B2M LP managing its overall costs lower which have been reflected in the lower 2020 OM&A forecast.

Rather than a risk of over-forecasting during the test period, the factors above have resulted in a lower 2020 OM&A which is lower than the funding needed in 2021-2024. In 2021-2024 OM&A spending will follow the six-year vegetation cycle and is expected to increase due to greater work volumes, similar to the historical trend. The difference between 2020 OM&A and what is needed during the 2021-2024 will be found by managing within the revenue requirement envelope according to the Revenue Cap framework and RCI factor. However, this requires B2M LP to be disciplined in managing its future costs and is not without its own risks.

- 1    b) Operational experience has resulted in B2M LP managing its overall costs in line
- 2        with the needs of its assets. On an ongoing basis, B2M LP's partners meet to discuss
- 3        the business and B2M LP interfaces with Hydro One to plan necessary work.

## OEB INTERROGATORY # 23

### **Reference:**

(1) Exhibit F, Tab 2, Schedule 1, Table 2

### **Interrogatory:**

#### **Preamble:**

At the above noted reference, B2M LP provided its service level agreement Operations and Maintenance Expenses, however, no breakdown was provided between Operations and Maintenance Expenses.

#### **Question:**

a) Please generate a revised Table 2 which shows a breakdown provided between Service Level Agreement Operations and Maintenance Expenses.

### **Response:**

a) Please find the revised Table 2 below

**Table 2 - with Breakdown between Operating and Maintenance - Total Service Level Agreement Costs (\$ Millions)**

Description	Historical								Bridge		Test
	2015		2016		2017		2018		2019		2020
	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Frctst	Frctst
Operating Expenses	0.5	0.3	0.5	0.3	0.5	0.3	0.5	0.3	0.5	0.3	0.3
Maintenance Expenses	0.2	0.1	0.0	0.2	0.0	0.5	1.3	0.6	0.1	0.1	0.2
Administrative and Corporate Expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total Service Level Agreement Costs</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>	<b>2.0</b>	<b>1.1</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>

Witness: Jeffrey Smith

**OEB INTERROGATORY # 24**

**Reference:**

- (1) Exhibit A, Tab 2, Schedule 2, Page 3
- (2) Exhibit F, Tab 3, Schedule 1, Page 2, Table 1
- (3) Exhibit F, Tab 3, Schedule 1, Attachment 1

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*Operations and management services are provided to B2M LP through a service level agreement with Hydro One Networks Inc.*

At the above noted second reference, B2M LP provided a table that shows a description of the services contained in the service level agreement from 2020 to 2024.

At the above noted third reference and as noted in the Exhibit List (i.e. Table of Contents) in this application, B2M LP has provided a revised service level agreement titled the “Renewed Draft of B2M-HONI Agreement for provision of Operating and Mgmt Services.”

**Question:**

- a) Please provide a copy of the service level agreement presented in B2M LP’s last cost of service proceeding.<sup>1</sup>
- b) Please confirm that other than the updated service level agreement filed in conjunction with this application that will be effective December 2019, there have been no additional service level agreements generated since the filing of B2M LP’s previous cost of service application.<sup>2</sup> If this is not the case, please explain and provide a copy of any additional service level agreements that have been generated since then.

---

<sup>1</sup> EB-2015-0026

<sup>2</sup> EB-2015-0026

1 c) Please confirm that the “draft” version of the service level agreement provided at the  
2 above noted third reference is now “final” and is underlying the current application. If  
3 this is not the case, please provide an updated service level agreement and explain.  
4

5 d) Building on the table provided at the above noted second reference, please:

6 i. Provide a table summarizing and comparing the key components of the service  
7 level agreement underlying the current application with that filed in B2M LP’s  
8 previous cost of service application,<sup>3</sup> and any other service level agreements filed  
9 since then, if applicable.  
10

11 ii. Include an explanation for any changes between the components in the service  
12 level agreement underlying the current application and those in previous service  
13 level agreements.  
14

15 iii. Describe whether and how any changes were made that would materially impact  
16 the 2020 test year revenue requirement.  
17

18 **Response:**

19 a) Please see attachment 1 hereto for the Agreement for Operations Services and  
20 Management effective December 17, 2014 (the “**2014 Services Agreement**”) and  
21 filed as part of B2M LP’s last cost of service proceeding.  
22

23 b) Confirmed.  
24

25 c) It is expected that the Agreement for Operations Services and Management Services  
26 filed at Exhibit F-3-1, attachment 1 (the “**2019 Services Agreement**”) will be  
27 effective as of December 18, 2019 and it is not expected that there will be changes to  
28 the 2019 Services Agreement prior to that date.  
29

30 d)

31 i. There are no material changes to the key components of the 2019 Services  
32 Agreement and the 2014 Services Agreement.

33 ii. Please see answer d) i., above.

---

<sup>3</sup> EB-2015-0026

- 1     iii.     It is not expected that changes will materially impact the 2020 test year revenue
- 2             requirement.

**THIS AGREEMENT FOR OPERATIONS SERVICES AND MANAGEMENT SERVICES** effective as of the 17<sup>th</sup> day of December, 2014

BETWEEN:

Hydro One Networks Inc. (“Hydro One Networks”)

- and -

B2M GP Inc. (“GPco”)

- and -

B2M Limited Partnership (“BM LP”) by its general partner B2M GP INC.

WHEREAS:

- 1) BM LP is the transmitter licensed under the *Ontario Energy Board Act* (the “Act”) to own and operate the second 500KV electric transmission tower line spanning approximately 180 kilometres from the Bruce Power Nuclear Generating Station in Kincardine, Ontario to Hydro One Networks’ switchyard in Milton, Ontario (the “BXM Line”), which line went into commercial service in May 2012.
- 2) GPco, is an affiliate of Hydro One Networks within the meaning of the ARC.
- 3) BM LP wishes to subcontract the operation of the BXM Line to Hydro One Networks as further set out herein.
- 4) GPco wishes to obtain the assistance of Hydro One Networks, from time to time, in connection with certain management functions associated with the transmission business of BM LP.
- 5) The Parties are entering this Agreement to define their respective rights and obligations with respect to management and operation of the BXM Line.

NOW THEREFORE in consideration of the foregoing and the mutual covenants, agreements, terms and conditions contained herein, the Parties intending to be legally bound hereby agree as follows:

## **ARTICLE I: DEFINITIONS**

### **1.1 Defined Terms**

Capitalized terms which are not otherwise defined herein shall have the meaning given to them in the ARC. The following capitalized terms, wherever used in this Agreement, shall have the following meanings:

**“Agreement”** means this Agreement and all amendments made hereto by written Agreement between the Parties in accordance with the terms of this Agreement;

**“ARC”** means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* issued by the OEB in accordance with the Act, as amended from time to time;

**“BM LP Transmission Licence”** means the licence or licences issued to BM LP by the OEB pursuant to the Act and in effect from time to time;

**“Claims”** means all losses, costs, damages, expenses, injuries, liabilities, claims, demands and penalties, including reasonable legal fees, experts’ fees and court costs, whether incurred through settlement or otherwise, and interest on each of these items, in each case whether arising prior to or after the termination of this Agreement.

**“Connection Agreement”** means the connection agreement which BM LP has or will have entered into with Hydro One Networks governing the interconnection of the BXM Line with the transmission systems owned and operated by Hydro One Networks;

**“Fees”** means the Operations Fees and the Management Fees;

**“Force Majeure Event”** means, in relation to a Person, any event or circumstance, or combination of events or circumstances,

- (i) that is beyond the reasonable control of the Person;
- (ii) that adversely affects the performance by the Person of its obligations under this Agreement; and
- (iii) the adverse effects of which could not have been reasonably foreseen or prevented, overcome, remedied or mitigated in whole or in part by the Person through the exercise of diligence and reasonable care and includes, but is not limited to, acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil disobedience or disturbances, vandalism or acts of terrorism, strikes, lockouts,



restrictive work practices or other labour disturbances, unlawful arrests or restraints by government or governmental, administrative or regulatory agencies or authorities unless the result of a violation by the Person of a permit, licence or other authorization or of any applicable law, and acts of God including lightning, earthquake, fire, flood, landslide, unusually heavy or prolonged rain or accumulation of snow or ice or lack of water arising from weather or environmental problems; provided however, for greater certainty, that the lack, insufficiency or non-availability of funds shall not constitute a Force Majeure Event;

**“Good Utility Practice”** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

**“IESO”** means the Independent Electricity System Operator established under the *Electricity Act, 1998*, or its successor;

**“IESO-BM LP Operating Agreement”** means the operating agreement which BM LP has or will enter with the IESO through which the IESO ensures that the BXM Line will be operated in a manner which does not compromise the operation or reliability of the IESO-controlled grid to which the BXM Line is connected;

**“OEB”** means the Ontario Energy Board established pursuant to the Act;

**“Operations Fees”** means the fees for the Operations Services, calculated and adjusted in accordance with this Agreement;

**“Operations Services”** means all services required in order to operate the BXM Line, including without limitation, all operating, maintenance, repair and refurbishment matters and including, without limiting the generality of the foregoing, all services in relation to the monitoring and control of the transmission of electricity across the BXM Line in accordance with the BM LP Transmission Licence and all services required to fulfill all of BM LP’s obligations under the Connection Agreement and the IESO-BM LP Operating Agreement;

**“Management Activities”** means the activities to be undertaken by GPco in connection with the management of transmission business of the BM LP which include:

- (i) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line, the transmission of electricity thereby and the operation, maintenance, repair and replacement thereof;
- (ii) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line and the transmission of electricity thereby;
- (iii) representation of the BM LP before the OEB;
- (iv) the making or filing of declarations, filings and registrations with, or notices to, governmental authorities;
- (v) filing and managing warranty claims;
- (vi) procuring and maintaining the necessary inventory of replacement parts;
- (vii) maintaining records for the BM LP;
- (viii) defending any litigation commenced against the BM LP; and
- (ix) such other management activities associated with running the transmission business of the BM LP.

**“Management Fees”** means the fees for the Management Services, calculated and adjusted in accordance with this Agreement;

**“Management Services”** means services to be provided by Hydro One Networks to GPco to assist GPco with the performance of the Management Activities, which services will be requested in writing by GPco from time to time;

**“Person”** means any natural person, sole proprietorship, partnership, corporation, trust, joint venture, governmental authority, incorporated or unincorporated entity, or incorporated or unincorporated association of any nature; and

**“Taxes”** means any and all applicable federal, state, provincial, or municipal taxes and duties including, but not limited to, sales, use, excise, value added, gross receipts, privilege or other non-recoverable taxes that are mandated or imposed on (i) Hydro One Networks by any jurisdiction or governmental entity in relation to the Operations Services and Management Services (other than taxes that are imposed upon the income, property, payroll or capital of Hydro One Networks), (ii) BM LP (other than taxes that

are imposed upon the income, property, payroll or capital of BM LP or any of the partners of BM LP) , or GPco (other than taxes that are imposed upon the income, property, payroll or capital of GPco).

## **ARTICLE II: PROVISION OF OPERATIONS AND MANAGEMENT SERVICES**

**2.1** Hydro One Networks shall be the exclusive supplier of Operations Services to BM LP commencing on the effective date of this Agreement, provided that the BM LP may perform any Operations Services or engage another supplier to perform such services if Hydro One Networks is in default in performing its material obligations hereunder or is unable to perform its material obligations hereunder by reason of a Force Majeure Event, to the extent such services are required to ensure the continued operation of the BXM Line.

**2.2** GPco shall be responsible for all Management Activities related to the transmission business of BM LP. GPco may make a request in writing, from time to time, to Hydro One Networks, for Management Services to assist GPco in connection with the Management Activities. Hydro One Networks agrees to provide to GPco those Management Services requested in writing by GPco.

**2.3** Hydro One Networks shall at all times provide Operations Services and Management Services in accordance with Good Utility Practice, the BM LP Transmission Licence, the ARC, all other applicable codes, rules, orders and decisions of the OEB which are binding upon the BXM Line, all applicable law, and provided they are not inconsistent with any of the foregoing, Hydro One Networks' own policies and procedures (which may include government directives), and shall do so in the same manner and to the same extent as it provides similar services in connection with its wholly-owned regulated transmission business. Hydro One Networks shall comply with all applicable laws in providing the Operations Services and Management Services.

**2.4** To the extent that Hydro One Networks also provides services similar to the Operations Services or Management Services in respect of its own assets or business, Hydro One Networks will provide such Operations Services and Management Services in a non-discriminatory manner as if it were providing such services to itself or receiving a similar service in relation to its own transmission assets or business. The Fees for such Operations Services and Management Services shall be consistent with the costs incurred by Hydro One Networks for such similar services in relation to Hydro One Networks' transmission assets or business activities which are substantially similar to the BXM Line and business activities of BM LP.

**2.5** Upon expiration of this Agreement or termination of this Agreement for reasons other than the default of BM LP, and provided that BM LP is not in default of paying the

Fees owing hereunder, Hydro One Networks shall provide, at the request of BM LP, reasonable transition support services to facilitate transition to another operating and management services entity, reimbursable on the basis of the “fully allocated cost” (as defined in the ARC), and otherwise on the terms hereof, for a period of six months following the expiration or effective date of termination of this Agreement, or such shorter period as BM LP may request.

**2.6** Hydro One Networks shall obtain and maintain in force throughout the term of this Agreement, insurance coverage that a reasonable and prudent Person operating a transmission business of a comparable size and scale of Hydro One Networks would carry as part of its business. Hydro One Network’s liability insurance shall name BM LP as an additional insured and include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against BM LP. In addition, such liability insurance policy shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by BM LP except in the circumstance where pursuant to Section 2.8, Hydro One Networks chooses to add BM LP as an additional named insured under Hydro One Networks’ insurance program.

**2.7** Subject to the provisions of Section 2.8, BM LP shall obtain and maintain in force throughout the term of this Agreement, insurance coverage that a reasonable and prudent transmitter would carry as part of its transmissions business, including, without limitation, property insurance and commercial general liability insurance. Such liability insurance shall name Hydro One Networks as an additional insured, include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against Hydro One Networks. In addition, the insurance policies shall specify that they are primary coverage and not contributory with or in excess of any other insurance that may be maintained by Hydro One Networks. Hydro One Networks will procure such coverage for BM LP as part of the Operations Services.

**2.8** Notwithstanding the foregoing and in the alternative, in consultation with BM LP, Hydro One Networks may choose to add the BM LP as an additional named insured under Hydro One Networks’ insurance program and allocate to BM LP as Fees, a portion of the premium therefor and any incremental costs borne by Hydro One Networks in accommodating the unique circumstances of BM LP (e.g. reducing deductibles to such reasonable levels requested by BM LP), provided that the amount of the insurance premium allocated to BM LP as Fees (including any incremental costs) shall not exceed the cost of insurance described in Section 2.7 if it were to be obtained as stand-alone insurance coverage.

### **ARTICLE III: FEES**

**3.1** BM LP shall pay, without duplication, the Operations Fees and all applicable Taxes to Hydro One Networks for the performance of the Operations Services.

**3.2** GPco shall pay, without duplication, the Management Fees and all applicable Taxes to Hydro One Networks for the performance of the Management Services.

**3.3** The Fees for Operations Services and Management Services shall be those costs reasonably incurred by Hydro One Networks in connection with the provision of Operations Services and Management Services in the manner and to the extent provided for hereunder and which are allocated to BM LP and GPco in a manner consistent with the ARC.

**3.4** Fees may be set with reference to actual or estimated consumption and may be charged on a flat fee or per unit basis. Hydro One Networks, acting reasonably and in consultation with BM LP or GPco, as applicable, may elect the most convenient bases for setting Fees. Provided that the approach is acceptable to the OEB, Hydro One Networks may allocate a portion of its transmission business-related costs to BM LP, including a portion of certain types of “direct costs” (as defined in the ARC). Hydro One Networks shall, from time to time as required to keep the information current, and in any event, no less frequently than annually, provide BM LP with a breakdown of Hydro One Network’s fully allocated costs of providing the Operations Services.

**3.5** GPco shall use commercially reasonable efforts to recover the Fees payable hereunder by BM LP and GPco in the BM LP transmission rate revenue requirement submissions to the OEB and representations to be made to the OEB in connection therewith.

#### **ARTICLE IV: INVOICING AND PAYMENT**

**4.1** All amounts payable by BM LP and GPco to Hydro One Networks under this Agreement shall be paid in accordance with the invoices rendered by Hydro One Networks to be issued on a periodic basis matching the time period for which BM LP receives payments for the transmission of electricity. BM LP and GPco shall pay Hydro One Networks’ invoices within 30 days of receipt thereof.

#### **ARTICLE V: BUDGETS, ACCOUNTS AND RIGHT TO AUDIT**

**5.1** Hydro One Networks shall, for each fiscal year of the Term hereof, including any extension of the initial Term (other than the first year of the initial term), provide GPco with a proposed annual operating, maintenance and capital improvement budget for the subsequent fiscal year of the BM LP (the “**Budget**”) at least sixty (60) days prior to the commencement of the next fiscal year. Such annual Budget shall be accompanied by an annual operating plan prepared by Hydro One Networks setting forth the underlying assumptions and plans in connection with the Budget, and setting forth a brief description of any major system repairs anticipated to be required in such fiscal year. GPco shall

notify Hydro One Networks as soon as reasonably practicable, but no later than thirty (30) days after receipt of the Budget, of any questions, comments, objections or suggested modifications which it may have with respect to such proposed Budget, and the parties shall cooperate with each other in developing a mutually acceptable Budget within thirty (30) days thereof. If GPco fails to raise any questions, comments, objections or suggested modifications to the proposed Budget within thirty (30) days after receipt of the proposed Budget, the proposed Budget shall be deemed to have been approved. The parties acknowledge that they have agreed to an annual Budget for the first fiscal year (or part thereof) of the initial term of this Agreement.

**5.2** Each Budget will represent Hydro One Networks' estimate of all fully allocated costs for providing the Operations Services under this Agreement during the period to which the Budget relates, and its estimate of all capital improvements required for providing the Operations Services, during the period to which the Budget relates.

**5.3** The parties agree that the Budget may be amended from time to time by mutual agreement to reflect revisions necessitated by unanticipated circumstances including, but not limited to, changes in applicable law, additions or deletions to the scope of the Operations Services hereunder, emergencies and Force Majeure events, provided that Hydro One Networks shall not be required to amend the Budget more frequently than would be required under its normal business and operations practices.

**5.4** The Budget shall reflect anticipated costs of Operations Services by Hydro One Networks on a monthly or quarterly basis and shall be organized by categories mutually agreed upon by the parties. If Hydro One Networks becomes aware that the costs of Operations Services for the current fiscal year may exceed the Budget by 5% or more of the total amount of the Budget, Hydro One Networks shall promptly notify GPco of such anticipated budget overrun and provide GPco a proposed amendment to the Budget. GPco shall notify Hydro One Networks as soon as reasonably practicable, but no later than thirty (30) days after receipt of Hydro One Networks' proposed Budget amendment of any questions, comments, objections or suggested modifications thereto and the parties shall cooperate with each other in developing a mutually acceptable amendment to the Budget. If GPco fails to raise any questions, comments, objections or suggested modifications to the proposed Budget amendment within the specified period, Hydro One Networks' proposed amendment shall be deemed to have been approved. Hydro One Networks shall not, without the written approval of GPco amending the Budget or otherwise authorizing such expenditure, perform any further services or incur any further costs that would result in or increase such Budget overrun, except in the case of an emergency as provided in Section 5.7.

**5.5** If by the start of any fiscal year the parties are unable to reach agreement concerning the Budget for such year, then, until such time as agreement is reached, the Budget for such year shall be based on the corresponding portions of the Budget for the

preceding fiscal year, adjusted as follows: (i) with respect to items of expense that do not involve capital additions or improvements, to reflect the net change, if any, between the most recently published Ontario Consumer Price Index, published by Statistics Canada, not seasonally adjusted and the corresponding index in effect twelve months prior, and (ii) with respect to items of expense involving capital additions or improvements, to reflect the net change, if any, between the most recently published Producer Price Index for Capital Equipment, not seasonally adjusted, and the corresponding index in effect twelve months prior.

**5.6** In the event that Hydro One Networks determines that a capital improvement, addition, alteration, repair or replacement not included in the Budget that has an impact of more than 5% of the total amount of the Budget should be made to the BXM Line in order to operate the BXM Line safely or comply with any laws, regulations or orders of any governmental authority, including laws, regulations or orders relating to environmental compliance or employee safety, Hydro One Networks shall provide GPco with a written notice describing the nature of and reason for the improvement, addition, alteration, repair or replacement. Hydro One Networks shall not make any such improvement, addition, alteration, repair or replacement without GPco's prior consent, which consent shall not be unreasonably withheld or delayed. In the event that GPco refuses to approve of any such Hydro One Networks recommended improvement, addition, alteration, repair or replacement, Hydro One Networks shall have the option to terminate this Agreement in accordance with Section 9.3

**5.7** In the event of an accident or emergency relating to the BXM Line, Hydro One Networks may, without obtaining any approvals of GPco which might otherwise be required hereunder, take any action, including, but not limited to, committing or expending funds, deemed by Hydro One Networks to be reasonably necessary under the circumstances. As promptly as reasonably practicable after Hydro One Networks establishes control over such accident or emergency, Hydro One Networks shall furnish to GPco a reasonably detailed written description of the accident or emergency and the manner in which such accident or emergency was handled by Hydro One Networks. Hydro One Networks shall be entitled to compensation for costs incurred pursuant to this Section 5.7 in addition to all other compensation provided for under this Agreement.

**5.8** Except as provided by Section 5.7 in the case of an emergency, Hydro One Networks shall perform all services hereunder in accordance with the annual operating plan accompanying the Budget.

**5.9** The parties hereby agree to keep all necessary and proper accounts and records relating to the subject matter hereof. Such accounts and records, including invoices, receipts, time cards and vouchers shall at all reasonable times be open to audit, inspection and copying by each Party to this Agreement. Accounts and records shall be preserved and kept available for audit for a period of six years.

## **ARTICLE VI: LIMITATION OF LIABILITY AND FORCE MAJEURE EVENTS**

**6.1** Other than for sums payable under this Agreement, Hydro One Networks shall only be liable to BM LP and GPco and BM LP and GPco shall only be liable to Hydro One Networks for any damages that arise directly out of its gross negligence or willful misconduct in meeting its respective obligations under this Agreement. Notwithstanding the generality of the foregoing, neither party shall be liable to the other party under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

**6.2** In any event, except with respect to gross negligence or willful misconduct, the total liability of Hydro One Networks to BM LP and GPco and the total liability of BM LP and GPco to Hydro One Networks in connection with this Agreement whether it arises by statute, contract, tort or otherwise, will not exceed the value of the total amounts payable by BM LP and GPco to Hydro One Networks for the Operations Services and Management Services in the year that such liability is incurred.

**6.3** No party shall be liable to the other for any loss, damage or delay, or inability to perform any obligation under this Agreement in whole or in part due to a Force Majeure Event.

**6.4** BM LP will indemnify and save harmless Hydro One Networks providing Operations Services from and against any and all Claims that Hydro One Networks may suffer, sustain or incur in connection with the provision of the Operations Services except to the extent caused or arising from the gross negligence or wilful misconduct of Hydro One Networks.

**6.5** If a Force Majeure Event prevents a party from performing any of its obligations under this Agreement, such party shall (1) expeditiously, and without delay, notify the other party of the Force Majeure Event and its good faith assessment of the effect that the Force Majeure Event will have on its ability to perform any of its obligations, which notice shall be confirmed in writing as soon as reasonably practicable if such immediate notice is not in writing; (2) not be entitled to suspend performance of any of its obligations under the Agreement to any greater extent or for any longer duration than is caused by the Force Majeure Event; (3) use commercially reasonable efforts to mitigate the effects of such Force Majeure Event and to resume full performance of its obligations hereunder; (4) keep the other party informed of such efforts on a continuing basis; and (5) provide written notice to the other party of the resumption of the performance of any obligations affected by the Force Majeure Event.



**6.6** Notwithstanding any of the foregoing, settlement of any strike, lockout, or labour dispute constituting a Force Majeure Event shall be within the sole discretion of the party to the Agreement involved in such strike, lockout, or labour dispute and the requirement that a party must use commercially reasonable efforts to mitigate the effects of a Force Majeure Event and resume full performance hereunder shall not apply to strikes, lockouts, or labour disputes.

## **ARTICLE VII: DISPUTE RESOLUTION PROCEDURES**

**7.1** Any controversy, dispute, difference, question or claim (collectively “Dispute”), arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a conference of senior officers of Hydro One Networks and GPco shall be settled in accordance with this section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought. The Presidents from each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then a Party may refer the Dispute to adjudication in court or, if all Parties agree, to arbitration before a single arbitrator. Insofar as they do not conflict with this Section 7.1, the Rules for Procedure for Commercial Arbitration of the Arbitration and Mediation Institute of Canada Inc./International Chamber of Commerce Rules of Arbitration in effect at the date of commencement of any arbitration held under this Agreement will apply to the arbitration. A Party may enter any judgment upon any award rendered by the arbitrator in any court having jurisdiction. The arbitration will be conducted in English under the *Arbitration Act, 1991* (Ontario) and will take place in either the City of Toronto or such other place as the Parties may agree and at such time and place as the arbitrator may fix. Notwithstanding the foregoing, if the subject matter of any Dispute is also the subject matter of a Dispute under Section 13 of the Limited Partnership Agreement governing the BM LP, the resolution of the Dispute under the Section 13 of the Limited Partnership Agreement governing the BM LP shall govern and be applicable to the resolution of the Dispute under this Agreement and such matter shall not be subject to further arbitration or adjudication under this Agreement.

## **ARTICLE VIII: CONFIDENTIALITY AND INTELLECTUAL PROPERTY**

**8.1** Each party (the “Receiving Party”) shall maintain in strict confidence this Agreement and the existence and contents thereof and all confidential or proprietary information of the other party, (the “Disclosing Party”) or any of the Disclosing Party’s directors, officers, employees, consultants, agents or legal, financial or professional advisors (the “Disclosing Party Representatives”) (collectively the “Confidential Information”). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other

than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its partners, shareholder, directors, officers, employees, consultants, agents, professional advisors or lenders (the "Receiving Party Representatives") having a need to know same and who have undertaken a like obligation to maintain its confidentiality. For greater certainty, Confidential Information includes any and all personal information (as that term is defined in the *Freedom of Information and Protection of Privacy Act* (Ontario) and the *Personal Information Protection and Electronic Documents Act* (Canada), as they may be amended) and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement.

**8.2** The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "A" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Article VIII and all applicable statutes, regulations, by-laws, standards and codes, as amended.

**8.3** The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

**8.4** The foregoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

- (i) is previously known to or lawfully in the possession of the Receiving Party prior to the date of disclosure as evidenced by the Receiving Party's written record;
- (ii) is independently known to or discovered by the Receiving Party, without any reference to the information or material;
- (iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;
- (iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by, the Receiving Party or the Receiving Party Representatives; or

- (v) is required to be disclosed pursuant to a final judicial or governmental order or other legal process, including, without limitation, an order of or legal process involving a regulatory authority such as the Ontario Energy Board.

**8.5** The parties acknowledge and agree that the Confidential Information (other than Confidential Information contained in this Agreement which shall be jointly owned by the parties) shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the Confidential Information it has disclosed to the Receiving Party.

**8.6** The Receiving Party agrees that it shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

**8.7** All Confidential Information furnished by the Disclosing Party (other than this Agreement), including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request except that any information, plans, layouts, specifications, descriptions or other information necessary to the continued operation and maintenance of the BXM Line and its parts and components, or to the replacement of any such parts or components, need not be returned and may be used or applied in the continued operation and maintenance of the BXM Line.

## **ARTICLE IX: TERM AND TERMINATION**

**9.1** This Agreement shall continue in full force and effect for an initial term of five years and unless terminated in accordance with Section 9.2, shall thereafter be automatically renewed for successive periods of five years upon the same terms and conditions.

**9.2** Either party may terminate this Agreement, effective at the end of the then current five-year term, on at least twelve months' prior written notice.

**9.3** Hydro One Networks may terminate this Agreement on 60 days prior written notice in the event that BM LP refuses to approve a capital improvement, addition, alteration, repair or replacement recommended by Hydro One Networks in accordance with Section 5.6.

**9.4** In the event of termination or expiration of this Agreement: (i) Hydro One Networks shall deliver to GPco all books, records and accounts which it has developed and maintained relating solely to the BXM Line or its operations or the business of BM LP and return all property owned by BM LP, and (ii) the Parties shall take all steps as

may be reasonably required to complete any final accounting between them or to provide for the completion of matters contemplated hereunder.

#### **ARTICLE X: GENERAL**

**10.1** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**10.2** The rights and obligations of the parties under this Agreement shall at all times be subject to all applicable laws, regulations, orders and directives of any authority of competent jurisdiction, including the OEB, and shall be deemed to be amended to the extent required to comply with same.

**10.3** This Agreement constitutes the entire Agreement between the parties with respect to the Operations Services and Management Services and supersedes all prior oral or written representations and Agreements concerning the subject matter of this Agreement.

**10.4** This Agreement shall extend to, be binding upon and enure to the benefit of the permitted assigns and the respective successors of BM LP, GPco and Hydro One Networks.

**10.5** Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

**10.6** If any party determines that in its reasonable discretion that any further instruments or other actions seem necessary or desirable to carry out the terms of this Agreement, the other parties shall execute and deliver all such instruments and do all such actions as such parties agree in their reasonable discretion as necessary or desirable to carry out the terms of this Agreement.

**10.7** No delay or failure in exercising any right under this Agreement or any partial or single exercise of any right, will constitute a waiver of that right or any other rights under this Agreement. No consent to a breach of any express or implied term set out in this Agreement constitutes consent to any subsequent breach.

**10.8** If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held to be invalid as to any Person, entity or circumstance or is determined to be not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in effect to the maximum extent permitted by law and, all other terms, covenants and conditions of this Agreement and their application shall not be affected, but shall remain in full force and effect and the parties shall be relieved of their respective obligations

under this Agreement only to the extent necessary to comply with the court or government agency holding.

**10.9** This Agreement does not and shall not be construed to create or establish a partnership, agency, joint venture, lease, licence or any other relationship between the parties hereto, nor constitute either party as an agent of the other. Neither party hereto shall hold itself out to others by act or omission, contrary to the terms of this Agreement.

**10.10** This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by Hydro One Networks except with the prior written consent of BM LP, in its sole discretion. This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by BM LP other than (i) to the transferee of the BXM Line approved by the OEB, or (ii) with the prior written consent of Hydro One Networks, in its sole discretion.

**10.11** This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be signed and delivered in any number of counterparts, each of which when signed and delivered is an original, but all of which taken together constitute one and the same instrument. This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be delivered by means of facsimile or via e-mail in portable document format (PDF).

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf as of this 17<sup>th</sup> day of December, 2014.

**HYDRO ONE NETWORKS INC.**

By: 

Name: Alexander (Sandy) Struthers

Title: Chief Operating Officer and  
EVP Strategic Planning

I have the authority to bind the Corporation.

**B2M LIMITED PARTNERSHIP, by its  
general partner B2M GP INC.**

By: \_\_\_\_\_

Name: Mike Penstone

Title:

I have the authority to bind the Corporation.

**B2M GP INC.**

By: \_\_\_\_\_

Name: Mike Penstone

Title:

I have the authority to bind the Corporation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf as of this 17<sup>th</sup> day of December, 2014.

**HYDRO ONE NETWORKS INC.**

By: \_\_\_\_\_  
Name: Alexander (Sandy) Struthers  
Title:

I have the authority to bind the Corporation.

**B2M LIMITED PARTNERSHIP, by its  
general partner B2M GP INC.**

By: Mike Penstone  
Name: Mike Penstone  
Title:

I have the authority to bind the Corporation.

**B2M GP INC.**

By: Mike Penstone  
Name: Mike Penstone  
Title:

I have the authority to bind the Corporation.

### Schedule "A"

#### Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

*The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.*

- 1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.
- 2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.
- 3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.
- 4) The Receiving Party shall ensure that methods of protection will include:
  - (a) physical measures, for example, locked filing cabinets and restricted access to offices;
  - (b) organizational measures, for example, controlling entry to data centers and limiting access to information on a "need-to-know" basis;
  - (c) technological measures, for example, the use of passwords and encryption;  
and
  - (d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.



**OEB INTERROGATORY # 25**

**Reference:**

- (1) Exhibit F, Tab 2, Schedule 1
- (2) Exhibit A, Tab 2, Schedule 2, Page 3

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*The partnership has one employee, the Managing Director, who is empowered to oversee and operate the partnership.*

At the above noted second reference, B2M LP stated the following:

*B2M LP has no employees. Operations and management services are provided by Hydro One by a service level agreement...*

However, OEB staff notes that no detail regarding compensation are provided.

**Question:**

- a) Please provide more detail as to how B2M LP controls and manages the compensation costs it ultimately pays through the service level agreement with Hydro One Networks.
- b) Please confirm that B2M LP has one employee, the Managing Director, which is contradictory to its statement at the above noted second reference that B2M LP has no employees. If B2M LP does in fact have zero employees, please explain.

**Response:**

- a) B2M LP does not control the compensation of employees of Hydro One Networks Inc. However, to control and manage the costs that B2M LP pays through the service level agreement, HONI must provide HOIP with a proposed annual operating, maintenance and capital improvement budget, as well as an operating plan, for the subsequent fiscal year at least 60 days prior to the start of the fiscal year. HOIP notifies HONI within 30 days after receipt of the budget of any issues in regards to the budget and the two parties must cooperate with each other to develop a mutually acceptable budget within 30 days. If HONI becomes aware that the costs of the

Witness: Jeffrey Smith

- 1 services in the current fiscal year may exceed the budget by 5% or more, HONI must  
2 promptly notify HOIP of the anticipated budget overage and provide HOIP with a  
3 proposed amendment to the budget. HOIP must notify HONI within 30 days after  
4 receipt of the budget amendment of any issues and the parties must cooperate with  
5 each other to develop a mutually acceptable amendment to the budget. Please also see  
6 the answer to Interrogatory I-01-31(e).  
7
- 8 b) The first reference (Exhibit F-2-1) was inaccurate regarding the number of employees  
9 at B2M LP. B2M LP does not have any employees. The Managing Director, who is  
10 empowered to oversee and operate the partnership, is an employee of HONI that  
11 works on a part-time basis as the Managing Director for HOIP.

**OEB INTERROGATORY # 26**

**Reference:**

- (1) Exhibit F, Tab 3, Schedule 1, Page 3
- (2) Exhibit F, Tab 2, Schedule 1, Page 3, Table 2

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP described the fees paid to Hydro One Networks, as follows:

*Pursuant to the ARC, where a utility provides a service, resource product or use of an asset to an affiliate, the utility shall charge no less than the greater of (i) the market price of that service, product, resource or use of asset, and (ii) the utility's fully-allocated cost to provide that service, product, resource or use of asset. In purchasing a service, resource, product or use of an asset from an affiliate, a utility shall pay no more than the market price for that service, product, resource or use of asset. Where no market exists, a utility shall charge no less than its fully-allocated cost to provide the service, product, resource or use of asset, and shall pay no more than the affiliate's fully-allocated cost to provide the service, product, resource or use of asset. The level of costs for B2M LP's services was determined in accordance with the principles above.*

At the above noted second reference, B2M LP has provided a table of its service level agreement costs.

**Question:**

- a) Please provide a table showing fees payable by B2M LP for services received from Hydro One Networks on a historical basis from 2015 to 2018, and on a forecasted basis from 2019 to 2024. This table should be broken down by Maintenance Services, Operations Services, and Administrative and Corporate Services.
- b) Regarding the amounts requested in part a) of this interrogatory, please provide a table which shows the amounts paid to Hydro One Networks, the amounts shown at

Witness: Jeffrey Smith

the above noted second reference, the amounts that were embedded in previously OEB-approved rates, and the differences. Please explain the differences.

- c) Regarding the amounts requested in part a) of this interrogatory, please provide the proportion of costs determined under the market price or under the fully allocated cost criteria.

**Response:**

**Table 2 - Total Service Level Agreement Costs (\$ Millions)**

Description	Historical								Bridge		Test
	2015		2016		2017		2018		2019		2020
	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Frctst	Frctst
Operations and Maintenance Expenses	0.7	0.4	0.5	0.5	0.5	0.8	1.8	0.9	0.6	0.4	0.5
Administrative and Corporate Expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total Service Level Agreement Costs</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>	<b>2.0</b>	<b>1.1</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>

- a) The table above (taken from Exhibit F, Tab 2, Schedule 1) provides the historical, bridge and test year amounts of fees payable by B2M LP under the service level agreement with HONI. Regarding a breakdown between operating and maintenance amounts, please see interrogatory I-1-OEB-23. Forecasted amounts for 2021-2024 are not provided as amounts for these years will be managed under the Revenue Cap framework.

- b) Plan amounts (which are amounts that were embedded in rates) and actual amounts are set out in Table 2 (above). As discussed on page 3 of Exhibit F-2-1, the differences are mainly the result of lower than expected operating services costs as well as shifts in the timing of the execution of the Transmission Rights-of-Way maintenance work program.

- c) All costs are based on the fully allocated cross criteria

**OEB INTERROGATORY # 27**

**Reference:**

(1) Exhibit F, Tab 3, Schedule 1, Page 4

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP stated the following regarding its budgeted costs that are to be provided by Hydro One Networks:

*If HONI becomes aware that the costs of services for the current fiscal year may exceed the Budget by 5% or more, HONI must promptly notify HOIP of such anticipated budget overrun and provide HOIP with a proposed amendment to the Budget.*

**Question:**

- a) Please quantify and explain any situations where the costs of services for a fiscal year exceeded the budget by 5% or more.
- b) Please quantify and explain the impacts of any overruns of budgeted costs as described in part a) of this interrogatory on both historical and forecasted OM&A, including any impacts on the 2020 test year revenue requirement.

**Response:**

- a) In 2017, Hydro One's forestry division proposed to change its plans and alter the timing of certain activities on the B2M LP circuits. B2M LP was made aware of these plans but indicated it did not have sufficient funding to absorb significant additional forestry expenses in that year. The parties consulted with each other and agreed to spread out the activities over the two-year period. The collaboration and integration of the two company's plans lead in part to the savings shown in evidence whereby expenditures were less than planned in 2018.
- b) Please see the answer to item a) of this interrogatory.

**OEB INTERROGATORY # 28**

**Reference:**

(1) Exhibit F, Tab 3, Schedule 1, Page 4 & 5

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP stated the following regarding its dispute resolution procedures with Hydro One Networks:

*If the parties have a dispute under the agreement that cannot be resolved by a conference of their respective senior officers, a written notice outlining the specifics of the dispute will be passed to the parties' respective Presidents. Five business days after receipt of written notice, if the dispute remains unresolved, the matter is referred to arbitration for final resolution.*

**Question:**

- a) Please quantify and explain any disputes that were directed to be resolved by the respective senior officers, including the outcome.
- b) Please quantify and explain the impacts of the disputes identified in part a) of this interrogatory on both historical and forecasted OM&A, including any impacts on the 2020 test year revenue requirement.

**Response:**

- a) There have been no disputes logged that required dispute resolution.
- b) N/A

**OEB INTERROGATORY # 29**

**Reference:**

- (1) Exhibit F, Tab 2, Schedule 1
- (2) Exhibit A, Tab 2, Schedule 2, Page 3

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*The partnership has one employee, the Managing Director,  
who is empowered to oversee and operate the partnership.*

At the above noted second reference, B2M LP stated the following:

*Operations and management services are provided to B2M  
LP through a service level agreement with Hydro One  
Networks Inc.*

Although B2M LP has only one employee and B2M LP pays for the service of “virtual” employees with a service level agreement with Hydro One Networks, more evidence is required regarding B2M LP’s “virtual” executive compensation and board of director costs. Specifically, more evidence is required regarding B2M LP’s compliance with the Ontario provincial government’s Bill 2 (i.e. Schedule 1 of Bill 2 is the Hydro One Accountability Act, 2018), February 21, 2019 Directive, and the Hydro One Networks Distribution March 7, 2019 decision and order.

**Question:**

- a) Please clarify and explain whether B2M LP’s executive compensation and board of directors costs are in compliance with Bill 2, the February 21, 2019 Directive, and the Hydro One Networks Distribution March 7, 2019 decision and order.

**Response:**

- a) B2M LP does not have executive compensation or board of directors compensation. B2M LP does have an Advisory Committee which consists of the Managing Director and representatives of HOIP and SON FC.

Witness: Jeffrey Smith

**OEB INTERROGATORY # 30**

**Reference:**

- (1) B2M\_Exhibit\_A-02-02-01\_20190731.XLSX, cell D164
- (2) B2M\_Exhibit\_A-02-02-01\_20190731.XLSX, cell D165, D166, D167

**Interrogatory:**

**Preamble:**

At the first above noted reference, B2M LP indicated that its employee complement, compensation and benefits are not applicable.

At the second above noted reference, B2M LP indicated that outcomes of plans and changes to headcount and compensation, as well as associated explanations, are not applicable.

However, OEB staff notes that B2M LP has “virtual” employees through its service level agreement with Hydro One Networks.

**Question:**

- a) Please explain why B2M LP is of the view that its employee complement, compensation and benefits are not applicable in this application, including those of any “virtual” employees.
- b) Although B2M LP has only one employee and B2M LP pays for the service of “virtual” employees with a service level agreement with Hydro One Networks, more evidence is required regarding the “virtual” headcount and compensation:
  - i. Please provide more detail regarding the underlying employee complement, compensation and benefits.
  - ii. Please provide a discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to headcount and compensation.
  - iii. Please provide an explanation for historic, bridge, and test years including:

Witness: Jeffrey Smith



- 1 a. Year over year variances
- 2 b. Basis for performance pay, eligible employee groups, goals, measures and
- 3 review process for pay-for-performance plans
- 4 c. Benchmarking studies
- 5
- 6 iv. Please provide more detail regarding employee benefit programs including
- 7 pensions.
- 8

9 **Response:**

- 10 a) The preamble to this interrogatory states “B2M LP has “virtual” employees through
- 11 its service level agreement with Hydro One Networks.” Several questions in the
- 12 interrogatory also make reference to “virtual employees”. The “virtual employees”
- 13 characterization is not in B2M LP’s evidence and is incorrect. While B2M LP pays
- 14 for certain services provided by employees of HONI through the Service Level
- 15 Agreement, these individuals are not employees of B2M LP.
- 16
- 17 b) In light of the above, the remaining parts of the Interrogatory are not applicable.

**OEB INTERROGATORY # 31**

**Reference:**

- (1) B2M\_Exhibit\_A-02-02-01\_20190731.XLSX, cell D162
- (2) B2M\_Exhibit\_A-02-02-01\_20190731.XLSX, cell D169
- (3) Exhibit F, Tab 2, Schedule 1, Page 6

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP indicated that shared services and the purchase of non-affiliate services are not applicable to B2M LP.

At the above noted second reference, B2M LP indicated that shared services are applicable to B2M LP.

At the above noted third reference, B2M LP indicated that it incurs non-affiliate services such as auditor and professional fees.

**Question:**

- a) Please clarify and explain why B2M LP is of the view that shared services is both applicable and non-applicable in this application.
- b) Please confirm that B2M LP's only shared services are conducted with a service level agreement with Hydro One Networks. If this is not the case, please explain.
- c) Please explain why B2M LP is of the view that the purchase of non-affiliate services are both applicable and not applicable in this application, as it also indicated that it incurs charges such as auditor and professional fees.
- d) Please provide more detail regarding the purchase of non-affiliate services.
- e) Please discuss how it is determined which services will be undertaken by Hydro One Networks via the service level agreement and which will be acquired through non-affiliates, including the determination of which option is most cost effective.

Witness: Jeffrey Smith

1 f) For any material transactions that are not in compliance with B2M LP's procurement  
2 policy, or that were undertaken pursuant to exceptions contemplated within the  
3 policy, please provide an explanation as to why this was the case, as well as the  
4 following information for these transactions:

5 i. A summary of the nature and cost of the product or service that is the subject of  
6 the transaction.

7  
8 ii. A description of the specific methodology used for selecting the vendor, including  
9 a summary of the tendering process/cost approach, etc.

10  
11 **Response:**

12 a) The interrogatory refers to a cell within which "shared services" was mistakenly  
13 crossed out. However, the pre-filed evidence does not state that B2M LP believes that  
14 shared services are not applicable.

15  
16 b) Confirmed.

17  
18 c) The interrogatory refers to a cell within which "non-affiliate services" was mistakenly  
19 crossed out. However, the pre-filed evidence does not state that B2M LP believes that  
20 the purchase of non-affiliate services is not applicable.

21  
22 d) Aside from items such as printing, B2M LP has only two regular, non-affiliate  
23 services that it purchases. The two items are insurance, as detailed at Exhibit F, Tab  
24 2, Schedule 1, page 6, and the other is auditing services from KPMG for the review of  
25 B2M LP's financial statements. No other material, non-affiliate purchases were made  
26 over the last five years.

27  
28 e) Generally speaking, services that are required and readily available within Hydro  
29 One's corporate environment are utilized by B2M LP. B2M LP cannot feasibly create  
30 an infrastructure duplicating Hydro One's existing capabilities without customers  
31 incurring very significant and unnecessary costs. A fundamental concept of the  
32 partnership is to maintain costs at a minimum by leveraging and integrating with  
33 Hydro One's existing capabilities in both administration and field operations. The  
34 partnership has been very successful at achieving that objective.

35  
36 f) B2M LP is not aware of any material transactions in contravention of its procurement  
37 policy.

Witness: Jeffrey Smith

## OEB INTERROGATORY # 32

### **Reference:**

(1) Exhibit F, Tab 5, Schedule 1, Page 2, Table 1

(2) Exhibit C, Tab 1, Schedule 1, Page 4, Table 4

### **Interrogatory:**

#### **Preamble:**

At the above noted first reference, B2M LP has provided the following table showing depreciation expense:

**Table 1 - B2M LP Depreciation Expense (\$ Million)**

Description	Historical				Bridge	Test
	2015	2016	2017	2018	2019	2020
Depreciation On Fixed Assets	7.2	7.2	7.2	7.2	7.2	7.0
Less Capitalized Depreciation	-	-	-	-	-	-
Asset Removal Costs	-	-	-	-	-	-
Losses/(Gains) On Asset Disposition	-	-	-	-	-	-
<b>Total</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.0</b>

At the above noted second reference, B2M LP has provided the following table showing capital additions:

**Table 4 - In-Service Capital Additions 2015 – 2020 (\$ millions)**

	Historical												Bridge			Test
	2015			2016			2017			2018			2019			2020
	Actual	Plan	Var <sup>6</sup>	Actual	Plan	Var <sup>6</sup>	Actual	Plan	Var <sup>6</sup>	Actual	Plan	Var <sup>6</sup>	Actual	Plan	Var <sup>6</sup>	Plan
System Access	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
System Renewal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	3.0	0.0
System Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Plant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>

<sup>6</sup>Var: Variance

#### **Question:**

a) Given that the depreciation funding is relatively linear and the capital spending is generally zero from year to year, there is not a 1:1 correspondence between these parameters. Please provide a table showing the annual delta between depreciation

Witness: Samir Chhelavda

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1 funding and capital spending for each historical and forecast year over the plan period  
2 (2015-2024).

3

4 **Response:**

5 a) Forecasted amounts for 2021-2024 are not provided as amounts for these years will  
6 be managed under the Revenue Cap framework.

7

Year	2015	2016	2017	2018	2019	2020
Capital Spending	-	-	-	-	3.0	-
Depreciation	7.2	7.2	7.2	7.2	7.2	7.0
<b>Delta</b>	-7.2	-7.2	-7.2	-7.2	-4.2	-7.2

Witness: Samir Chhelavda

**OEB INTERROGATORY # 33**

**Reference:**

(1) Exhibit F, Tab 5, Schedule 1

**Interrogatory:**

**Preamble:**

B2M LP has revised its depreciation rates for 2020 to align with Hydro One Networks Transmission's depreciation study.

**Question:**

- a) Please explain whether B2M LP has changed its depreciation policy since its last cost of service application besides the change in rates.
- b) It is stated that "...there is no need to maintain unique B2M LP depreciation rates". Please explain why B2M LP believes that the Hydro One Networks Transmission depreciation study is applicable to its assets and why there is no need to maintain unique B2M LP depreciation rates.

**Response:**

- a) B2M LP is requesting depreciation rates based on the methodology in HONI's transmission 2017 depreciation study at Exhibit F-5-1 Attachment 1. The methodology is not significantly different than the methodology applied in the last approved review for B2M LP in EB-2015-0026.
- b) B2M LP consulted the author of the 2017 depreciation study on this subject. In Exhibit F-5-1 Attachment 3 Dr. White stated: "absent a specific need for maintaining unique B2M depreciation rates, any change in depreciation expense resulting from replacing current B2M depreciation rates with 2017 BU 210 rates would be minor. Aligning B2M rates with BU 210 rates avoids developing two sets of rates for like plant accounts in BU 210 depreciation studies. It is my opinion, therefore, that replacing current B2M rates with 2017 BU 210 rates would be appropriate and consistent with the goals and objectives of depreciation accounting."

## OEB INTERROGATORY # 34

### **Reference:**

- (1) Exhibit F, Tab 5, Schedule 1, Attachment 1, 2017 Depreciation Rate Review  
(2) Exhibit F, Tab 5, Schedule 1, Attachment 2, Depreciation Continuity Schedule

### **Interrogatory:**

#### **Preamble:**

At the above noted references, B2M LP has provided some evidence related to depreciation.

#### **Question:**

- a) Please provide a breakdown of the depreciation schedule by asset account.
- b) Please also reconcile the 2020 depreciation rate of 1.3% in B2M LP's depreciation continuity schedule to the depreciation rates shown on page 20 of Hydro One Transmission's 2017 Depreciation Rate Review.

### **Response:**

- a) Please refer to Exhibit C-2-4 for additions to accumulated depreciation by USofA.
- b) Please refer to the table below which corresponds to Exhibit C-2-4 worksheet "App.2-BA\_Fixed Asset Cont \_2020". An additional \$0.12M of depreciation expense was erroneously calculated on land that is not depreciable. The revenue requirement will be updated to reflect the lower depreciation expense at the next opportunity.

USofA	USofA Description	Proposed Rate*	Asset Cost (\$M)	Depreciation Expense (\$M)
		A	B	C=A*B
1720	Towers, Fixtures & Poles	1.28%	281.35	3.60
1730	OH Conductors & Devices	1.44%	146.12	2.10
1705	Land (depreciable)**	0.96%	12.16	0.12
1706	Land Rights	0.96%	99.46	1.07
1745	Roads & Trails	1.81%	11.62	0.21
1708	Buildings and Fixtures	1.81%	0.01	0.00
1955	Communication Equipment	4.16%	0.01	0.00
	Depreciation on Fixed Assets			6.99

Witness: Samir Chhelavda

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<b>USofA</b>	<b>USofA Description</b>	<b>Proposed Rate*</b>	<b>Asset Cost (\$M)</b>	<b>Depreciation Expense (\$M)</b>
	<b>Total Asset Cost</b>		\$550.73	
	<b>Total C/Total B</b>		<b>1.3%</b>	

1     \* 2017 Depreciation Study in Exhibit F-5-1 Attachment 1.

2     \*\* Additional \$0.12M in depreciation expense erroneously added for 2020-2024 for land that is not depreciable

Witness: Samir Chhelavda



**OEB INTERROGATORY # 35**

**Reference:**

- (1) Exhibit F, Tab 6, Schedule 1, Attachment 1, pages 1-4
- (2) Exhibit A, Tab 5, Schedule 1, page 3

**Interrogatory:**

**Preamble:**

The allocation percentage of taxable income and income for the corporate minimum tax calculation to the partners do not seem agree to that in Exhibit A, the allocations are shown in the table below. The difference in the allocation affects the tax expense calculation as HOIP has a 26.5% tax rate while SON does not pay taxes.

	Allocation % from Exhibit A	Allocation % of Taxable Income from Exhibit F	Allocation % of Income for Corporate Minimum Tax Calculation from Exhibit F
HOIP	65.70%	71.24%	67.51%
Hydro One B2M	0.10%	0.17%	0.11%
SON	34.20%	28.60%	32.38%

**Question:**

- a) Please explain the difference in the allocation of taxable income and revise the tax expense calculation as necessary.

**Response:**

- a) Please note that the taxable and accounting income allocation have been recalculated, and the percentages are slightly different due to rounding:

<b>Allocation of Taxable Income</b>		<b>Taxable Income Allocation</b>	<b>As a percentage</b>	<b>Accounting Income</b>	<b>As a percentage</b>
Hydro One Indigenous Partnerships GP		4.31	71.28%	12.55	67.52%
Hydro One B2M LP Inc.		0.01	0.11%	0.02	0.10%
SON FC		1.73	28.61%	6.02	32.38%
Total		6.04	100%	18.58	100%

Although HOIP GP, Hydro One B2M LP and the SON FC share the net income (pre-tax earnings) based on their proportionate percentage of investment in the partnership, HOIP GP and Hydro One B2M LP as the sole taxable partners, also get the allocation of cash tax being recovered through annual revenue requirements. As such, the allocation of taxable income and accounting income is not simply based a straight proration of units held as outlined in the partnership agreement.

HOIP GP and Hydro One B2M LP are the only taxable partners, and consequently, any taxes arising from the revenue requirement should be allocated to them to cover the tax expense (SON FC is tax exempt and has no taxes payable related to the partnership). The remaining income (after allocating revenue relating to taxes to HOIP GP and Hydro One B2M LP) is allocated based on ownership percentage.

This is illustrated in the calculation of taxable income and accounting income in 2019 below:

<b>Allocation of Taxable Income</b>					
		<b>Hydro One</b>			
		<b>HOIP</b>	<b>B2M LP</b>	<b>SON</b>	
Taxable Income of partnership	[A]	6.04	6.04	6.04	
Less: Revenue Requirement for taxes	Note 1	(0.99)	(0.99)	(0.99)	
Taxable Income to be allocated (pro-rata)		5.06	5.06	5.06	
Ownership Percentage		0.66	0.00	0.34	
Sub Total		3.32	0.01	1.73	
Add: Revenue requirement related to tax	Note 1	0.98	0.00	-	
Allocation of taxable income (in dollars)	[B]	4.31	0.01	1.73	
Allocation of taxable income (in percentage)	[B]/[A]	71.28%	0.11%	28.62%	
<b>Allocation of Accounting Income</b>					
		<b>Hydro One</b>			
		<b>HOIP</b>	<b>B2M LP</b>	<b>SON</b>	
Accounting Income of Partnership	[C]	18.58	18.58	18.58	
Less: Revenue Requirement for taxes	Note 1	(0.99)	(0.99)	(0.99)	
Accounting income to be allocated pro-rata		17.60	17.60	17.60	
Ownership Percentage		0.66	0.00	0.34	
Sub Total		11.56	0.00	6.02	
Add: Revenue requirement related to tax	Note 1	0.98	0.00	-	
Allocation of taxable income (in dollars)	[D]	12.54	0.00	6.02	
Allocation of taxable income (in percentage)	[D]/[C]	67.51%	0.02%	32.39%	
<b>Note 1</b>					
SON is not taxable. Therefore, the revenue requirement related to income taxes is allocated specifically to the taxable partners. The remaining income is allocated based on ownership percentage.					

1

Witness: Nancy Tran

**OEB INTERROGATORY # 36**

**Reference:**

(1) Exhibit F, Tab 6, Schedule 1

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP has provided details regarding taxes.

**Question:**

- a) B2M LP's tax status has not changed as a result of Hydro One's initial public offering. Please confirm that B2M LP and its partners' tax status have also not changed since its last transmission rate application for 2015 – 2019 rates.
- b) If not confirmed, please discuss the impacts of the change.

**Response:**

- a) The tax status of B2M LP has not changed as a result of Hydro One's initial public offering (IPO). The partners, Hydro One Indigenous Partnership GP Inc. (HOIP) and Hydro One B2M LP Inc. changed tax status due to the IPO and ceased to be tax exempt.
- b) The partners (Hydro One Indigenous Partnership GP Inc. (HOIP) and Hydro One B2M LP Inc) exited the PILS regime and were subject to departure tax on the units of the partnership. The fair market revaluation of the partnership units upon entering the federal tax regime only affected the tax basis of HOIP's partnership investment in B2M LP and thus, it has no impact on the underlying assets of the partnership and the rate filing. Consequently, there is no change to the taxes payable at HOIP in the test years.

**OEB INTERROGATORY # 37**

**Reference:**

- (1) Exhibit G, Tab 1, Schedule 1, Page 1
- (2) Exhibit G, Tab 1, Schedule 1, Page 6

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*...B2M LP proposes a one-time update of the cost of long-term debt at the first annual update of rates for 2021, to reflect the actual market rate achieved on the long-term debt it will issue. In the alternative, if approval to update the long-term debt at the first annual update for rates in 2021 is not granted, B2M LP proposes to apply the forecast rate of 3.63% for new long term debt beginning in 2020 to determine the cost of debt during the five-year period.*

At the above noted second reference, B2M LP stated the following:

*B2M LP issued a five-year note in 2015 for the entire amount of its debt...*

**Question:**

- a) Please provide the promissory note supporting the five-year note issued in 2015.
- b) If any promissory notes have been generated since the filing of the current application, please provide a copy and update the evidence.
- c) Please describe in more detail the business decision that was made in 2015 to invest 100% of B2M LP's debt in a five-year note, instead of laddering the debt over the standard terms of 5, 10 and 30-years.

**Response:**

- a) Attached is a copy of the five-year promissory note issued by B2M LP in 2015.

The B2M LP promissory note reflects the medium term note issued by Hydro One Inc. to third party debt investors in April 2015, which is also attached.

Witness: Samir Chhelavda

1 b) No subsequent promissory notes have been generated for B2M LP.

2  
3 c) As discussed on lines 5 to 9, page 5 of Exhibit G, Tab 1, Schedule 1, Hydro One Inc.  
4 issues debt to third party public debt investors to fund B2M LP's debt requirements.

5  
6 Hydro One Inc. typically issues debt in the standard terms of 5, 10 and 30 years,  
7 which are preferred by debt investors. Generally, investors also prefer issues with a  
8 minimum size of \$200 million or more to ensure the issue has adequate liquidity in  
9 the secondary market. During April 2015, Hydro One Inc.'s long term debt funding  
10 requirements were approximately \$350 million. Investor preference for the minimum  
11 size led to the issuance of one tranche. The 5 year term was selected for the  
12 following reasons: 1) investors were receptive to this term, 2) the interest rate on 5  
13 year debt was very low on an absolute basis and relative to the rates on 10 and 30  
14 year debt, and 3) there was sufficient room in Hydro One Inc.'s debt maturity profile  
15 to accommodate this maturity in 2020. The 1.62% coupon rate for the debt issue had  
16 the lowest Hydro One coupon rate ever, over 1.0% lower than the next lowest coupon  
17 rate of 2.78% on the 5 year debt Hydro One issued in October 2013. As discussed on  
18 lines 22 to 24, page 6, Exhibit G, Tab 1, Schedule 1, the selection of the 5 year term  
19 has provided ratepayers with a substantial cost benefit over the last five years.

20  
21 Recent debt issuances by Hydro One Inc. in 2016, 2018 and 2019 have all been large  
22 multi-tranche issues exceeding \$1 billion in size. Such a large multi tranche debt  
23 offering by Hydro One Inc. in the future would provide the opportunity to ladder debt  
24 maturities for B2M LP.

**B2M LIMITED PARTNERSHIP**  
**SECURED PROMISSORY NOTE**

**CDN\$293,330,898**

**TORONTO, ONTARIO**

**DATE: JUNE 30, 2015**

**1. Promise to Pay Interest**

**B2M LIMITED PARTNERSHIP** (the "**Borrower**") for value received hereby promises to pay to **B2M TRUST** (the "**Lender**") on April 30, 2020 (the "**Maturity Date**"), or on such earlier date as the Principal Amount (as defined below) may become due in accordance with the provisions set out herein, on presentation and surrender of this Secured Promissory Note (the "**Note**"), an amount equal to \$293,330,898 (such amount, as it may be reduced pursuant to Section 6 herein, the "**Principal Amount**") in lawful money of Canada at the head office of the Lender, 483 Bay Street, 8th Floor, South Tower, Toronto, ON M5G 2P5 (or at such other address as the Lender shall notify the Borrower) and to pay interest (after as well as before maturity, default and judgement, with interest on overdue interest at the same rate) on the Principal Amount at a rate of interest equal to 1.64% from the later of June 30, 2015 (the "**Issue Date**") and the last Interest Payment Date (as defined below) on which interest has been paid or made available for payment on this Note in like money semi-annually in arrears on April 30 and October 30 (the "**Interest Payment Dates**") in each year provided that if the Ontario Energy Board ("**OEB**") does not approve an interest rate of 1.64%, the interest rate on this Note will be such lower rate as is approved by the OEB. The first interest payment, payable on October 30, 2015 (the "**Initial Interest Payment Date**"), which shall include accrued and unpaid interest for the period from and including the Issue Date to the Initial Interest Payment Date will be in an amount equal to \$1,603,542.24, and if the Borrower at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and semi-annually on the same dates.

**2. Financing Fee**

The Borrower also hereby agrees to pay a financing fee (after as well as before maturity, default and judgement, with interest on any overdue fees at the same rate) on the Principal Amount at a rate equal to 0.08% in like money semi-annually in arrears on each Interest Payment Date in each year. The first payment of the financing fee, payable on the Initial Interest Payment Date, which shall include accrued and unpaid fees for the period from and including the Issue Date to the Initial Interest Payment Date will be in an amount equal to \$78,221.57, and if the Borrower at any time defaults in the payment of the financing fee, to pay interest on the amount in default at the same rate, in like money and semi-annually on the same dates, provided that if the OEB does not approve a financing fee of 0.08%, as above, the financing fee payable on this Note will be such lower rate as is approved by the OEB.

**3. Computation and Payment of Interest and Financing Fees**

Interest or fees on the Notes in respect of any period will be computed on the basis of a year of 365 days or 366 days, as the case may be, for the actual number of days elapsed in such period and will accrue from day to day. Subject to accrual of any interest on unpaid interest and fees from time to time, interest and fees on this Note shall cease to accrue from the earlier of the Maturity

Date of this Note and, if this Note is called for redemption, the Redemption Date (as defined herein) or Repayment Date (as defined herein) fixed for this Note, unless, in each case, upon due presentation and surrender of this Note for payment on or after the Maturity Date, Redemption Date or Repayment Date, as the case may be, such payment is improperly withheld or refused. Wherever in this Note there is mention, in any context, of the payment of interest or fees, such mention is deemed to include the payment of interest on amounts in default to the extent that, in such context, such interest or fees are, were or would be payable pursuant to this Note, and express mention of interest on amounts in default in any of the provisions of this Note shall not be construed as excluding such interest in those provisions of this Note in which such express mention is not made. The Borrower will not be required to pay an additional amount on the Note in respect of any tax, assessment or government charge withheld or deducted.

If the date for payment of any amount of principal, interest or fees in respect of the Note is not a Business Day at the place of payment, then payment shall be made on the next Business Day at such place and the Lender shall not be entitled to any further interest, fees or other repayment in respect of the delay. For the purposes of this Note, "**Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day when banking institutions in Toronto are authorized or obligated by law or regulation to close.

#### 4. **Redemption**

At its option, the Borrower may redeem this Note, in whole or in part, at any time and from time to time on payment of a redemption price equal to the greater of (i) the Canada Yield Price, and (ii) the Principal Amount (the "**Redemption Price**"), together in each case with accrued and unpaid interest and fees to the date fixed for redemption. The Borrower will give notice of redemption to the Lender not more than 60 days and not less than 15 days before the date fixed for redemption by the Borrower (the "**Redemption Date**"). Upon redemption, the Note shall forthwith be delivered to and be cancelled by the Borrower with effect on the Redemption Date.

For the purposes of this Note, the "**Canada Yield Price**" means a price equal to the price of the Note calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the Business Day preceding the day on which the Borrower gives notice of redemption pursuant this Section, plus 0.18% and "**Government of Canada Yield**" on any date means the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to, or if no Government of Canada bond having an equal term to maturity exists, as close as possible to, the remaining term to maturity (calculated from the redemption date) of this Note, such yield to maturity being the average of the yields provided by two Canadian investment dealers specified by the Borrower.

#### 5. **Ownership of the Borrower**

If Hydro One Inc., directly or indirectly, ceases to own at least 50.1% or more of the partnership interests in the Borrower, the Lender may at any time thereafter, at its option in its sole discretion, declare the entire unpaid Principal Amount of this Note and any accrued interest and fees thereon due and payable on a date (the "**Repayment Date**") specified by written notice by the Lender to



the Borrower at a price equal to the Redemption Price, calculated as of such Repayment Date (with such Repayment Date being the "redemption date" or "date fixed for redemption" for purposes of the calculation of the Redemption Price above and the date of notice of the Repayment Date being the date of notice of redemption for purpose of the calculation of the Canada Yield Price above).

#### 6. **Prepayment**

Without limiting the provisions of Section 4 and Section 5 of this Note, when not in default under this Note, the Borrower shall be entitled to prepay on each Interest Payment Date a portion of the Principal Amount outstanding in an amount not to exceed \$2.5 million on each Interest Payment Date without notice, bonus or penalty. All payments made by the Borrower to the Lender pursuant to this Section 6 shall be recorded by the Lender on the grid attached hereto as Schedule "A" (the "**Grid**") and the Principal Amount shall be reduced accordingly.

#### 7. **Criminal Rate of Interest**

In no event shall the aggregate "interest" (as defined in Section 347 (the "**Criminal Code Section**") of the *Criminal Code* (Canada)), payable to the Lender under this Note exceed the effective annual rate of interest lawfully permitted under the Criminal Code Section. Further, if any payment, collection or demand pursuant to this Note in respect of such "interest" is determined to be contrary to the provisions of the Criminal Code Section, such payment, collection, or demand shall be deemed to have been made by mutual mistake of the Lender and the Borrower and such "interest" shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in the receipt by the Lender of interest at a rate not in contravention of the Criminal Code Section.

#### 8. **Interest Act (Canada)**

Each interest rate which is calculated under this Note on any basis other than a full calendar year (the "**deemed interest period**") is, for the purposes of the *Interest Act* (Canada), equivalent to a yearly rate calculated by dividing such interest rate by the actual number of days in the deemed interest period, then multiplying such result by the actual number of days in the calendar year (365 or 366).

#### 9. **Secured Note**

The full amount of this Note is secured by a security interest granted to the Lender in the Secured Property (as defined in the General Security Agreement dated June 30, 2015 between the Borrower and the Lender (as amended, restated, supplemented, renewed, extended or replaced from time to time, the "**Security Agreement**")).

#### 10. **Events of Default**

The occurrence of any of the following events shall be deemed to constitute an "**Event of Default**" hereunder:

- (a) the Borrower fails to make payment of the Principal Amount on this Note when the same becomes due, at maturity, upon redemption or otherwise and any such failure continues for a period of five days;
- (b) the Borrower fails to make payment of any interest or fees on this Note when due and any such failure continues for a period of 45 days;
- (c) the sale, transfer or other disposition by the Borrower, whether by one or by more transactions, directly or indirectly, of its undertaking or assets representing, in the aggregate, substantially all of the assets of the Borrower;
- (d) the Borrower fails to observe and perform any other obligation under the provisions of this Note and such failure continues for more than 60 days after written notice thereof is provided to the Borrower by the Lender;
- (e) the Borrower (whether as primary obligor or guarantor or surety) fails to make any payment of principal, premium, if any, or interest on any indebtedness, the outstanding principal amount of which indebtedness exceeds \$100 million in the aggregate, beyond any period of grace provided, with respect thereto or fails to perform or observe any other agreement, term or condition contained in any agreement under which any such indebtedness is created. (or if any other event thereunder or under any such agreement shall occur and be continuing), and the effect of such default, failure or other event is to cause \$100 million or more of such indebtedness to become due or to be required to be repurchased prior to any stated maturity;
- (f) one or more final judgments (not subject to appeal) are rendered against the Borrower in an aggregate amount in excess of \$100 million by a court or courts of competent jurisdiction and remain undischarged or unstayed for a period of 60 days;
- (g) proceedings are commenced for the winding-up, liquidation or dissolution of the Borrower, a decree or order of a court of competent jurisdiction is entered adjudging the Borrower a bankrupt or insolvent, or a petition seeking reorganization, arrangement or adjustment of or in respect of the Borrower is approved under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Borrower in good faith and are dismissed or stayed within 60 days of commencement;
- (h) the Borrower makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any part of its property, or suffers any such receivership or trusteeship and allows it to remain undischarged or unstayed for 30 days; and

- (i) a resolution is passed for the winding-up or liquidation of the Borrower.

#### **11. Notice of Event of Default**

If an Event of Default shall occur and be continuing, the Borrower shall, within 30 days after the Borrower becomes aware of the occurrence of such Event of Default, give written notice of such Event of Default to the Lender at its head office. If notice of an Event of Default has been given to the Lender and such Event of Default is thereafter remedied or cured prior to the acceleration of the indebtedness of the Borrower hereunder pursuant to Section 12, notice that such Event of Default is no longer continuing shall be given by the Borrower to the Lender, such notice to be given within a reasonable time, not to exceed 30 days, after the Borrower becomes aware that such Event of Default has been remedied or cured during such period of time.

#### **12. Acceleration**

In addition to and not in substitution for the provisions of Section 14 and the Lender's right to take any and all other actions available to a secured creditor under the *Personal Property Security Act* (Ontario) and all other rights available at law or in equity, including, without limitation, those set forth in the Security Agreement, to collect and otherwise enforce this Note, if an Event of Default due to the default in payment of principal of or premium, if any or interest or fees on this Note shall have occurred and be continuing, the Lender may then declare the principal of, and interest and fees and premium, if any, on this Note to be due and payable immediately and if an Event of Default due to an event described in Section 10(e), 10(f), 10(g), 10(h) or 10(i) above, shall have occurred and be continuing the Lender may declare the principal amount of this Note then outstanding to be due and payable immediately.

Notwithstanding anything contained in this Note to the contrary and in addition to and not in substitution for the Lender's right to take any and all other actions available to a secured creditor under the *Personal Property Security Act* (Ontario) and all other rights available at law or in equity, including, without limitation, those set forth in the Security Agreement, if such a declaration is made, the Borrower shall pay to the Lender forthwith the amount of principal of and premium and accrued and unpaid interest and accrued and unpaid fees (including interest on amounts in default) on this Note and all other amounts payable in regard thereto under this Note, together with interest thereon at the rate borne by this Note from the date of such declaration until payment is received by the Lender. Such payments, when made, shall be deemed to have been made in discharge of the Borrower's obligations under this Note and any amounts so received by the Lender shall be applied first in payment of the principal and then premium and then accrued and unpaid interest and fees and interest on amounts in default unless otherwise directed by the Lender.

#### **13. Waiver by the Borrower**

The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonour, notice of acceleration and notice of protest of this Note and waives any defences based upon indulgences which may be granted by the Lender to any party liable hereon. The Borrower also waives the benefit of any days of grace, the benefits of division and discussion and the right to assert in any action or proceeding with regard to this Note any setoffs or counterclaims which the Borrower may have against the Lender.

#### **14. Waiver of Event of Default by Lender**

Upon the happening of an Event of Default, the Lender shall have the power, exercisable by instrument in writing delivered to the Borrower to waive such Event of Default and to cancel any declaration made by the Lender pursuant to Section 12 upon such terms and conditions as shall be prescribed in such instrument.

No delay or omission of the Lender in exercising any right or power accruing upon the occurrence of an Event of Default shall impair any such right or power or shall be construed to be a waiver of such Event of Default or acquiescence therein, and no act or omission of, the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

**15. Assignment**

The Borrower shall not transfer this Note without the prior written consent of the Lender in its sole discretion.

**16. Limitation Periods**

No limitation period under the *Limitations Act, 2002* (Ontario) shall expire earlier than the second anniversary of the date on which demand for payment of the Principal Amount under this Note is made in accordance with the provisions of this Note.

**17. Governing Law and Successors**

This Note is made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario, and shall enure to the benefit of the Lender and its successors (including any successor by reason of amalgamation) and assigns, and shall be binding on the Borrower and its successors (including any successor by reason of amalgamation) and permitted assigns.

*[Signature page follows]*

**B2M LIMITED PARTNERSHIP, by its  
general partner B2M GP INC.**

By: 

Name: Alexander (Sandy) Struthers

Title: President and Secretary

For and on behalf of the Borrower.

To the Secured Promissory Note dated June 30, 2015 issued by B2M Limited Partnership to  
B2M Trust

## PRINCIPAL AND PRINCIPAL RE-PAYMENTS

[illegible]

*This pricing supplement, together with the short form base shelf prospectus dated September 4, 2013, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus (collectively, the "Prospectus") constitutes a public offering of these securities pursuant to the Prospectus only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*These securities are not being offered and may not be sold in the United States or to or for the account or benefit of a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933, as amended.*

## **PRICING SUPPLEMENT NO. 8 DATED APRIL 27, 2015**

(to the short form base shelf prospectus dated September 4, 2013)

### **HYDRO ONE INC. SERIES 33 MEDIUM-TERM NOTES (unsecured)**

ISIN No. CA 44810ZBP41

CUSIP No. 44810ZBP4

PRINCIPAL AMOUNT: \$350,000,000  
(three hundred and fifty million dollars)

DENOMINATIONS (if other than Cdn. dollars or  
Cdn. dollar denominations of Cdn. \$1,000): N/A

ISSUE PRICE: \$99.990 per \$100.00 principal amount

AGENTS' COMPENSATION: \$0.35 per \$100.00 principal amount

NET PROCEEDS TO HYDRO ONE INC. (the  
"Company"): \$348,740,000

SPECIFIED CURRENCY:

Canadian Dollars

☒ Yes

☐ No

Foreign Currency:

Exchange Rate Agent:

ISSUE DATE: April 30, 2015

STATED MATURITY: April 30, 2020

INTEREST RATE: 1.62%

OFFERING YIELD: 1.622%

INTEREST PAYMENT DATE(S):

Equal semi-annual payments on each April 30 and October 30, commencing October 30, 2015

PAYMENT OF PRINCIPAL AND ANY  
PREMIUM AND INTEREST:

☒ Canadian Dollars

☐ Specified Currency

RECORD DATE(S):

The second Business Day prior to such Interest Payment Date

DAY COUNT CONVENTION:

☐ 30/360 for the period

from to

☐ Actual /360 for the period

from to

☒ Actual/Actual for the period

from April 30, 2015 to April 30, 2020

☐ Other

OTHER PROVISIONS: See “Redemption” below. Terms used in this Pricing Supplement and not defined herein have the meaning given to such terms in the short form base shelf prospectus of the Company dated September 4, 2013.

ADDENDUM ATTACHED:

☐ Yes

☒ No

**REDEMPTION:** Under the Trust Indenture, as supplemented by the Thirty-Third Supplemental Trust Indenture to be dated as of April 30, 2015, the Notes may be redeemed in whole or in part at the option of the Company at any time, upon not less than 15 days and not more than 60 days notice to the holders of the Notes to be redeemed, and upon deposit with the Trustee, on the date fixed for redemption, of the Redemption Price.

“Redemption Price” means, with respect to a Note to be redeemed, the greater of (i) the Series 33 Note Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption.

“Government of Canada Yield” on any date means the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to, or if no Government of Canada bond having an equal term to maturity exists, as close as possible to, the remaining term to maturity (calculated from the redemption date) of, in the case of the Series 33 Notes, the Series 33 Notes, such yield to maturity being the average of the yields provided by two Canadian investment dealers specified by the Company.

“Series 33 Note Canada Yield Price” means a price equal to the price of the Series 33 Notes calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the Business Day preceding the day on which the Company gives notice of redemption pursuant to section 5.3 of the Trust Indenture, plus 0.18%.

**RATINGS:** The Notes will be rated A (stable) by Standard & Poor’s Rating Services, A (high) (stable) by DBRS Limited and A1 (negative) by Moody’s Investors Services, Inc. On April 17, 2015 Moody’s Investors Services, Inc. revised its outlook on the Company’s long term debt rating to negative from stable. On April 20, 2015, Standard & Poor’s Rating Services downgraded the Company’s senior unsecured debt rating to A from A+ and revised its outlook on the Company’s long term debt rating to stable from negative.

**AGENTS:** National Bank Financial Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Casgrain & Company Limited and Laurentian Bank Securities Inc.

**FORM:** ☐ Fully Registered  
☒ Book Entry Only

**METHOD OF DISTRIBUTION:**

☒ Agency  
☐ Principal for Resale  
☐ Direct

**DEPOSITORY:** CDS Clearing & Depository Services Inc.



## OTHER ELIGIBILITY:

DTC     ( ) Yes  
           ( ● ) No

Euroclear     ( ) Yes  
                   ( ● ) No

Clearstream, Luxembourg     ( ) Yes  
   ( ● ) No

**RISK FACTORS**

Investing in the Notes involves risks. See the section entitled “Risk Factors” in the short form base shelf prospectus of the Company dated September 4, 2013.

**RECENT DEVELOPMENTS***Hydro One Ownership to Broaden*

On April 16, 2015, the government of the Province of Ontario (the “**Government**”), being the sole shareholder of the Company, made a series of announcements relating to the Company. Among the announcements, the Government stated that it intends to broaden ownership of the Company through an initial public offering (“**IPO**”), following which the Government would be the largest shareholder, and no other shareholder or group of shareholders would be permitted to own more than 10% of the Company.

The Government also announced that on April 16, 2015, it elected Mr. David Denison (former President and Chief Executive Officer of the Canada Pension Plan Investment Board) as Chair of the board of directors of the Company to lead the Company through the IPO process. Ms. Sandra Pupatello, the former Chair, will continue to serve as a director on the board of the Company to assist with the transition to a publicly traded company.

The Government also made an announcement that it intends to proceed with a merger of Hydro One Brampton Networks Inc. (“**Hydro One Brampton**”) with Enersource Corporation, Horizon Holdings Inc., and PowerStream Holdings Inc. The combination of Hydro One Brampton with one or more of these companies is referred to herein as the “**Hydro One Brampton Transaction**”.

For additional information, please see the material change report of the Company dated April 16, 2015, which is incorporated by reference in the Prospectus.

*March 2015 Memorandum of Agreement*

On March 25, 2015, the Company entered into a memorandum of agreement (the “**MOU**”) with the Government which serves as the basis of agreement between the Company and the Government on governance, mandate, reporting requirements, performance expectations and communications of the Company. The MOU is also to establish the accountabilities and relationships between the Company and the Government and to promote a positive and co-operative working relationship between the Company and the Government. The MOU has a term of five years, and may be renewed or revised. A copy of the MOU has been filed with the securities regulatory authorities in each province of Canada and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

*April 2015 Shareholder Declarations and Resolutions*

Effective April 16, 2015, the Government made two shareholder declarations pursuant to the MOU and section 108 of the *Business Corporations Act* (Ontario).

By way of the first declaration and a concurrent shareholder resolution, the Government restricted the rights, powers and duties of the board of directors of the Company, and at the same time assumed such rights, powers and duties, with respect to whether, how and when to proceed with the IPO, whether to take any steps or perform any duties, functions or operations required for, or relevant to, the IPO or in support of the IPO, and other related matters, including with respect to expenses associated with the IPO. The declaration and resolution do not restrict the duties of the board of directors of the Company to take any decisions, actions or steps reasonably required to implement the declaration and any resolution made pursuant to the declaration.

By way of the second declaration and a concurrent shareholder resolution, the Government restricted the rights, powers and duties of the board of directors of the Company, and at the same time assumed such rights, powers and duties, with respect to whether, how and when to proceed with the Hydro One Brampton Transaction, whether to take any steps or perform any duties, functions or operations required for, or relevant to, the Hydro One Brampton Transaction or in support of such transaction, and other related matters, including with respect to expenses associated with such transaction, structural steps in connection with such transaction, whether and how to address amounts owing by Hydro One Brampton to the Company and whether and how to determine and allocate any consideration received by the Company in respect of such transaction. The declaration and resolution do not restrict the duties of the board of directors of the Company to take any decisions, actions or steps reasonably required to implement the declaration and any resolution made pursuant to the declaration.

Copies of each of the above mentioned declarations have been filed with the securities regulatory authorities in each province of Canada and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Decision Respecting Company's 2015-2019 Distribution Custom Rate Application*

On March 12, 2015, the Ontario Energy Board (“OEB”) issued a decision regarding the Company’s distribution business to be implemented on May 1, 2015. The OEB approved rates for a three year period from 2015 to 2017, with a revenue requirement of \$1,326 million for 2015, \$1,435 million for 2016 and \$1,491 million for 2017. The Company previously applied to the OEB for rates covering a five year period. The rates are effective on May, 1 2015 and are retroactive to January 1, 2015.

#### *Resignation of Board Member*

On March 3, 2015, Maureen Sabia resigned from the board of directors of the Company. Ms. Sabia had been a member of the Board since April 2014.

#### *New Collective Agreement with Power Workers' Union*

On April 14, 2015, the Company reached a tentative agreement with the Power Workers' Union (“PWU”) for a renewal collective agreement. The tentative agreement is for a three-year term, covering April 1, 2015 to March 31, 2018. The tentative agreement is subject to ratification by the board of directors of the Company and by the PWU.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents (some of which are not specifically listed in the Prospectus or any amendment or supplement thereto) which have been filed by the Company with the various securities commissions or similar authorities in all of the provinces of Canada, are specifically incorporated by reference in and form an integral part of the Prospectus, as amended or supplemented:

- (a) the Company’s annual information form dated February 27, 2015;
- (b) the Company’s comparative audited consolidated financial statements, and the notes thereto, as at and for the fiscal years ended December 31, 2014 and December 31, 2013, together with the report of the auditors thereon dated February 11, 2015;
- (c) management’s discussion and analysis of the Company’s financial results for the years ended December 31, 2014 and December 31, 2013;
- (d) the Company’s material change report dated April 16, 2015;
- (e) the template indicative term sheet (the “**Indicative Term Sheet**”) prepared for potential investors in connection with this offering of Notes dated April 27, 2015 filed on SEDAR by the Company on April 27, 2015; and
- (f) the template final term sheet (the “**Final Term Sheet**”) prepared for potential investors in connection with this offering of Notes dated April 27, 2015 filed on SEDAR by the Company on April 27, 2015.

**MARKETING MATERIALS**

The Indicative Term Sheet and the Final Term Sheet may be considered marketing materials for purposes of applicable Canadian securities laws. The Indicative Term Sheet is not part of the Prospectus to the extent that the contents of the Indicative Term Sheet have been modified or superseded by a statement contained in this Pricing Supplement.

**OEB INTERROGATORY # 38**

**Reference:**

- (1) Exhibit G, Tab 1, Schedule 1, Page 1
- (2) Exhibit G, Tab 1, Schedule 1, Page 6
- (3) Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, page 51

**Interrogatory:**

**Preamble:**

At the above noted first reference, B2M LP stated the following:

*...B2M LP proposes a one-time update of the cost of long-term debt at the first annual update of rates for 2021, to reflect the actual market rate achieved on the long-term debt it will issue. In the alternative, if approval to update the long-term debt at the first annual update for rates in 2021 is not granted, B2M LP proposes to apply the forecast rate of 3.63% for new long term debt beginning in 2020 to determine the cost of debt during the five-year period.*

At the above noted second reference, B2M LP stated the following:

*The long-term debt rate for 2020 is calculated as the weighted average cost rate on existing debt, which matures on April 30, 2020, and forecast debt planned to be issued in 2020. The proposed weighted average long-term debt rate for 2020 is 3.08%.*

At the above noted third reference, the OEB's policy with respect to long-term debt for electricity transmitters is articulated:

*...in a forward test year rate application the onus is on the applicant utility to forecast the amount and cost of new long-term debt. These values are then factored into the estimated cost of existing long-term debt for the purpose of setting...rates...*

**Question:**

- a) Please confirm that B2M LP is requesting a long-term debt rate of 3.63% for the rate years 2020 to 2024, for either of the following scenarios. If this is not the case, please explain.

Witness: Samir Chhelavda

- 1 a. Scenario #1 – the OEB approves B2M LP’s proposed one-time update of  
2 the cost of long-term debt for 2021 rates. This update would reflect the  
3 actual market rate achieved on the long-term debt it will issue. At this  
4 time, this anticipated rate is 3.63% which may be updated at the time the  
5 OEB approves B2M LP’s 2021 revenue requirement.  
6  
7 b. Scenario #2 – the OEB approves B2M LP’s alternate request to apply the  
8 forecast rate of 3.63% for new long-term debt beginning in 2020 rates.  
9  
10 b) Please confirm that if the OEB does not approve either of the above-noted scenarios  
11 proposed by B2M LP, the applicant is requesting a long-term debt rate of 3.08% for  
12 the rate years 2020 to 2024. If this is not the case, please explain.  
13  
14 c) Please confirm that the 3.08% long-term debt rate includes the impact of existing debt  
15 that is expected to mature April 30, 2020, whereas the 3.63% long-term debt rate  
16 excludes this impact.  
17  
18 d) Please describe the basis that a 3.63% debt rate for 2020 rates is appropriate, as it  
19 does not include the impact of existing debt that is expected to mature April 30, 2020,  
20 and the exclusion of this impact contradicts the above noted OEB policy. The OEB  
21 policy articulates that the cost of existing long-term debt needs to be included.  
22

23 **Response:**

- 24 a) B2M LP is requesting a cost of long term debt of 3.08% for 2020, as discussed on  
25 lines 3 to 7, page 6 and lines 1 to 6 page 7 of Exhibit G, Tab 1, Schedule 1. In  
26 addition, B2M LP is requesting that the cost of long term debt be updated for 2021 to  
27 2024, to reflect the actual market rate achieved on long term debt B2M LP will issue  
28 in 2020, as discussed on lines 1 to 4, page 8 of Exhibit G, Tab 1, Schedule 1. The  
29 3.63% is an estimate of the cost of new debt based on forecast rates.  
30

31 As an alternative to this request, B2M LP has proposed the use of the 3.63%  
32 estimated cost of new long term debt rate beginning in 2020 to determine the cost of  
33 debt during the five-year period as discussed on lines 14 to 17, page 3 of Exhibit G,  
34 Tab 1, Schedule 1.  
35

- 36 b) No, B2M LP is not requesting a long-term rate of 3.08% for the rate years from 2020  
37 to 2024. B2M LP is requesting 3.08% for 2020 only, and a one-time update of rates

- 1 for 2021 to 2024 as discussed on lines 15 to 22, page 1 of Exhibit G, Tab 1, Schedule  
2 1. This one-time update would reflect the actual debt rate on long term debt it plans to  
3 issue in 2020, and is also consistent with the OEB's practice of updating for the actual  
4 cost for long-term debt issues.  
5  
6 c) Confirmed.  
7  
8 d) As discussed in response to part (a), as an alternative to its request, B2M LP has  
9 proposed the use of the 3.63% debt rate for 2020 to 2024, which is not the preferred  
10 option.

**OEB INTERROGATORY # 39**

**Reference:**

- (1) Exhibit H, Tab 1, Schedule 1, page 1
- (2) Exhibit C, Tab 2, Schedule 4, page 5

**Interrogatory:**

**Preamble:**

B2M LP has Account 1592 to track differences from a legislative or regulatory change to the tax rates or rules compared to costs approved by the OEB as part of 2015 to 2019 transmission rates. In the July 25, 2019 letter regarding Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, the OEB indicated that it expected "Utilities to record the impacts of CCA rule changes in the appropriate account for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order." B2M LP recognized a \$0 balance in Account 1592 as at December 31, 2018. Per Exhibit C, B2M LP will add \$3M of fixed assets in 2019.

**Question:**

- a) Please explain whether B2M will implement accelerated CCA in 2019 for tax purposes. If not, please explain why not.
- b) Please explain whether the impacts of the CCA rule change on the \$3 million addition will be included in Account 1592 in 2019. If not, please explain why not.
- c) B2M LP forecasted \$0 capital additions from 2020 to 2024 and therefore, there will be no accelerated CCA to apply to new additions. However, does B2M LP plan to implement accelerated CCA for tax purposes if there are capital additions in the next five years?

**Response:**

- a) In accordance with the tax legislation, B2M LP will implement accelerated CCA for tax purposes.

Filed: 2019-10-25

EB-2019-0178

Exhibit I

Tab 1

Schedule 39

Page 2 of 2

- 1 b) There will be no amounts included in account 1592 for the accelerated depreciation as  
2 there were no capital additions in the 2019 revenue requirement for which accelerated  
3 depreciation would apply (EB-2015-0026).  
4
- 5 c) In accordance with the tax legislation, accelerated CCA will apply to any capital  
6 additions in the next 5 years.

Witness: Nancy Tran



**OEB INTERROGATORY # 40**

**Reference:**

(1) Exhibit H, Tab 1, Schedule 1, page 45

**Interrogatory:**

**Preamble:**

B2M LP proposed the establishment of an earnings sharing mechanism account.

**Question:**

- a) Please explain how B2M LP's ROE will be calculated annually.
- b) It states that the "customer share of earnings will be adjusted for any tax impacts...". Please clarify what these tax impacts are and what type of adjustments is expected.
- c) For the accounting order,
  - i. Please revise the accounting order to include the definition of "over-earnings", the 50/50 sharing mechanism, a description on how the ROE will be calculated and details on the proposed tax adjustment.

Please explain why a sub-account of Account 2435 is not used for carrying charges and why the debit is going to Account 4395 and not Account 6035 Other Interest Expense

**Response:**

- a) B2M LP proposes to use a methodology which is similar to what is outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE will use the OEB approved mid-year rate base for that period. The ROE calculation is to be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income.
- b) The portion of B2M LP owned by Hydro One is subject to tax. The associated tax impact would be included in the calculation of the actual regulatory ROE which will be used in the ESM deferral account calculation.
- c) See below

**Transmission Accounting Order – ESM Deferral Account**

B2M LP proposes the establishment of a new “Earnings Sharing Mechanism (“ESM”) Deferral Account” to record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points in any year of the five-year term through B2M LP’s transmission revenue. B2M LP will use a methodology which is similar to what is outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE will use the OEB approved mid-year rate base for that period. The ROE calculation is to be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income. The portion of B2M LP owned by Hydro One is subject to tax - this cost will be included as part of the calculation of ROE.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2020. B2M LP will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

<b>USofA #</b>	<b>Account Description</b>
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the five-year term.

<b>USofA #</b>	<b>Account Description</b>
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate Payer Benefit

To record interest improvement on principal balance of ESM deferral account.

1 A sub-account of Account 2435 is currently proposed for carrying charges, as detailed in  
2 the Accounting Order.

3

4 Per the Accounting Procedures Handbook, Account 4395 *shall be used to record the*  
5 *amounts over the return on equity ceiling or in the earnings share mechanism that will be*  
6 *returned to ratepayers as part of the profit sharing mechanism incorporated in the*  
7 *Performance Based Regulation or Incentive Regulation plan. This account will also*  
8 *include the related accrued interest, as applicable. The corresponding Deferred*  
9 *Credit Account is 2435, Accrued Rate-Payer Benefit.*

**OEB INTERROGATORY # 41**

**Reference:**

(1) Exhibit I, Tab 4, Schedule 1, Attachment 2

**Interrogatory:**

**Preamble:**

At the above noted reference, B2M LP has proposed interim 2020 UTRs, spanning the period January 1, 2020 to December 31, 2020. However, these UTRs do not incorporate some inputs from the final 2019 UTRs approved by the OEB on July 25, 2019. For example, the following updates have not been included:

- The final OEB approved Hydro One SSM 2019 revenue requirement
- The final OEB approved allocations to the rate pools.

**Question:**

a) Please provide an updated interim 2020 UTRs schedule that reflects the final 2019 UTRs approved by the OEB.

**Response:**

a) An updated calculation of the 2020 UTR that reflects the 2020 proposed B2M LP revenue requirement and the currently approved values for the other transmitters is provided as Attachment 1 to this response.

Projected Uniform Transmission Rates and Revenue Disbursement Allocators  
(for Period Jan 1, 2020 to December 31, 2020)

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	\$35,673,488	\$0	\$0	\$35,673,488
All Transmitters	\$956,353,472	\$230,065,197	\$468,748,100	\$1,655,166,769

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)	<b>3.84</b>	<b>0.96</b>	<b>2.30</b>	
<b>FNEI</b> Allocation Factor	<b>0.00475</b>	<b>0.00493</b>	<b>0.00493</b>	
<b>CNPI</b> Allocation Factor	<b>0.00276</b>	<b>0.00287</b>	<b>0.00287</b>	
<b>H1N SSM</b> Allocation Factor	<b>0.02259</b>	<b>0.02347</b>	<b>0.02347</b>	
<b>H1N</b> Allocation Factor	<b>0.93259</b>	<b>0.96873</b>	<b>0.96873</b>	
<b>B2MLP</b> Allocation Factor	<b>0.03730</b>	<b>0.00000</b>	<b>0.00000</b>	
Total of Allocation Factors	1.00000	1.00000	1.00000	

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

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

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

Note 3: H1N SSM 2019 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2018-0218 dated July 18, 2019

Note 4: H1N Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2018-0130 dated June 13, 2019.

Note 5: B2M LP 2020 Revenue Requirement per Exhibit E, Tab 1, Schedule 1.

Note 6: Calculated data in shaded cells.

**OEB INTERROGATORY # 42**

**Reference:**

- (1) Exhibit I, Tab 2, Schedule 1, Pages 4, Table 2
- (2) Exhibit A, Tab 3, Schedule 1, Table 4

**Interrogatory:**

**Preamble:**

The above noted first reference shows a 1.6% increase in “Rates Revenue Requirement” between 2020 and 2021, followed by a 1.4% increase in subsequent years.

However, the above noted second reference shows a 1.4% increase in the revenue requirement between 2020 and 2021.

**Question:**

- a) Please confirm whether the 1.6% increase shown in the above noted first reference should instead be 1.4%.
- b) If yes, please update the evidence as appropriate.
- c) If no, please explain.

**Response:**

- a) No. Exhibit I, Tab 2, Schedule 1, Page 4, Table 2 refers to the 1.6% increase in **rates** revenue requirement, whereas Exhibit A, Tab 3, Schedule 1, Table 4 refers to the 1.4% increase in **base** revenue requirement.

- b) Not Applicable.

- c) All revenue requirement figures in the referenced exhibits had been rounded to the nearest \$100,000. Providing one additional decimal place will help explain the difference:

The 2020 base revenue requirement (\$35.73 million) is increased by 1.4% to determine the 2021 base revenue requirement (\$36.23 million), as described in Exhibit A, Tab 3, Schedule 1. A deduction of \$0.1 million (\$55,379) for the

1 disposition of regulatory accounts is applied to the 2020 base revenue requirement to  
2 determine the 2020 rates revenue requirement of \$35.67 million, as described in  
3 Exhibit E, Tab 1, Schedule 1, Table 1. No disposition of regulatory accounts is  
4 proposed in 2021. As such, the 2021 base and rates revenue requirements are the  
5 same.

6

7 The resulting increase in **Base** and **Rates** revenue requirements are calculated below:

8

9 2021 **Base** revenue requirement \$36.23 M / 2020 **Base** revenue requirement \$35.73  
10 M = 1.014, or a 1.4% increase.

11

12 2021 **Rates** revenue requirement \$36.23 M / 2020 **Rates** revenue requirement \$35.67  
13 M = 1.016, or a 1.6% increase.

**VECC INTERROGATORY # 1**

**Reference:**

A/T3/S1/Section 5.4

**Interrogatory:**

- a) Does B2M directly employ any operation, administrative or executive staff?
- b) Is the Managing Director of Hydro One Indigenous Partnerships GP Inc. the sole person accountable for B2M's operations and responsibilities as listed at B-1-3 Attachment 1, page 13?

**Response:**

- a) B2M LP has no employees.
- b) The Managing Director of HOIP is accountable for B2M LP's day-to-day operations, which includes managing the work covered under the Service Level Agreement.



**VECC INTERROGATORY # 2**

**Reference:**

A/T3/S1/Table 8

**Interrogatory:**

- a) Please explain why B2M had planned for a large increase in OM&A in 2018 (\$2.4 million) and why a significantly lower amount was actually spent (\$1.4 million).
- b) Does the older section of B2M line pose any material additional uncertainty to the OM&A forecast of the Utility?

**Response:**

- a) The 2018 forecast was prepared in 2015 (EB-2015-0026). The variance in 2018 is predominately attributed to shifts in the timing of the execution of the Transmission Rights-of-Way Maintenance work program. The timing of the forestry services work varied compared to the plan (refer to Exhibit F-2-1 p 3).
- b) No, uncertainty will be mitigated by the replacement of the defective insulators on the older section of line.

**VECC INTERROGATORY # 3**

**Reference:**

A/T3/S1/pg.15

**Interrogatory:**

- a) Between 2015 and 2018 what portion of OM&A related activities performed by Hydro One employees and what portion was performed by non-Hydro One contract or direct employees?

**Response:**

- a) Essentially all of the work related to the OM&A expenses incurred between 2015 and 2018 was provided by Hydro One employees with the exception of auditing services and website services.

**VECC INTERROGATORY # 4**

**Reference:**

A/T4/S1/Table 1

**Interrogatory:**

- a) Please update Table 1 (Derivation of Inflation Factor) so as to calculate the inflation factor based on Statistics Canada's most recent 8 quarters of data (i.e. Q1 & Q2 2019, 2018 and Q3 & Q4 2017).

**Response:**

- a) B2M LP will update the inflation factor once the OEB issues the inflation factor for distributors.

**VECC INTERROGATORY # 5**

**Reference:**

A/T4/S1/

**Interrogatory:**

- a) Please explain what incentives are incorporated into the revenue requirement plan to optimize OM&A spending by B2M.

**Response:**

- a) B2M LP's 2020 Test year OM&A reflects lower spending relative to its 2015-2019 OEB-approved levels. Furthermore, B2M LP's OM&A programs are provided by a service level agreement, resulting in minimal overhead as well as qualified and flexible resources when needed, allowing B2M LP to remain cost efficient.

This has resulted in lower 2020 OM&A which is lower than the funding needed in 2021-2024. In 2021-2024 OM&A spending will follow the six-year vegetation cycle and is expected to increase due to forestry and other OM&A expenses due to higher work volumes, similar to the historical trend. The difference between 2020 OM&A and what is needed during the 2021-2024 period will be found by managing within the revenue requirement envelope according to the Revenue Cap framework and RCI factor however this requires B2M LP to be disciplined in managing its future costs and is not without its risks.

## VECC INTERROGATORY # 6

### **Reference:**

B/T1/S3/pg. 1 -2 & B/T1/S3/Attachment 1 page 10

### **Interrogatory:**

- a) Please describe more fully the older section of line that B2M owns. Specifically what is the length of this section, does it contain older towers (how many) and conductors? Does this section form a “weak” link in the B2M path? If so, please explain how maintenance for this section differs for the remaining and newer portions of B2M’s transmission line.
- b) Please amend Table 2 (Asset Service Profile) to show the old section as separate from the newer sections of plant.

### **Response:**

- a) The section in question is approximately 37 circuit kilometers in length and includes 77 towers and 510 insulator strings. This section represents approximately 10% of B2M LP’s assets and was built between 1980 and 1983. The conductor and steel structure assets along this section are in good condition and the defective insulators are scheduled to be replaced in 2019. As a result, this section is not considered to be a weak link. The maintenance strategy for this section of line is the same as the maintenance strategy on the remainder of the B2M LP circuit.
- b) Please see below for the updated Asset Service Profile.

**Table 1 - Asset Service Profile**

Asset Type	Asset Installation from 1980-1983		Asset Installation from 2012		Total Quantity	Total Average Age (years)	Expected Service Life (Years)
	Quantity	Average Age (years)	Quantity	Average Age (years)			
Conductors	37 km	37	315 km	7	352 km	10	90
Steel Towers	77 towers	39	633 towers	7	710 towers	10	80
Insulators	510 strings	39	4590 strings	7	5,100 strings	10	70

Witness: Donna Jablonsky; Jeff Smith

**VECC INTERROGATORY # 7**

**Reference:**

ExB1/S1/T1/TSP Section 3.3 pg. 8

**Interrogatory:**

a) In addition to conductors, insulators and tower structures are there any other assets (categories) under B2M's stewardship?

**Response:**

a) Please refer to Exhibit C-2-4 Fixed Asset Continuity Schedule for a breakdown of all assets owned by B2M LP. Material assets not noted above include land, land rights, and roads and trails.

**VECC INTERROGATORY # 8**

**Reference:**

B/T1/S3/Appendix 1/Table 3, page 11

**Interrogatory:**

- a) Please list the risk factors of circuit interruption. Specifically address how/if insulator failure can lead to line interruption? How have these known risk factors been addressed in B2M's transmission system plan?

**Response:**

- a) The biggest risk factors of circuit interruption are a negative impact on public safety and system reliability. When an insulator fails mechanically, it often results in a conductor drop which is a significant public safety concern. Insulators can also fail electrically which results in sustained forced outages that impact the reliability of the transmission network. For example, in March 2015, an insulator in HONI's transmission network mechanically failed causing the conductor to fall to the ground in a commercial parking lot in Etobicoke. Similarly, in January 2017, an insulator in HONI's transmission network mechanically failed causing the conductor to fall over a roadway in Hamilton. Due to concerns for public safety and system reliability, and as per recommendations from the EPRI study filed in Hydro One's transmission rate case (see EB-2019-0082, Exhibit B-1-1, TSP Section 1.4, Attachment 12), the defective insulators are to be replaced as soon as possible to mitigate the failure risks. Replacement work is scheduled for the second half of 2019 as per the current outage schedule.

**VECC INTERROGATORY # 9**

**Reference:**

A/T3/S1/Section 5.6 & B/T1/S3 & D/T1/S1

**Interrogatory:**

- a) B2M proposes to abandon the SAIFI/SAIDI metrics for its operations. Is average system availability the only metric which will provide an indication of B2M's circuit reliability?
- b) Given B2M's unique asset composition does average system availability provide the same type of information as to asset reliability performance as would SAIFI/SAIDI? If yes, please explain how the notion of duration of an interruption and frequency of interruption of a circuit is distinguished in the measurement of average system availability.

**Response:**

- a) Please refer to I-01-OEB-21.
- b) No, however B2M LP has no delivery points and is unable to calculate SAIDI or SAIFI. B2M LP measures Average System Availability, which does not rely on a delivery point (customer) interruption taking place. System availability provides an indication of the percentage of time a circuit is available per year less the time the equipment was forced from service relative to how much time per year the circuit is expected to be available.



**VECC INTERROGATORY # 10**

**Reference:**

F/T2/S1/pages 5-

**Interrogatory:**

- a) What accounts for the doubling of the Managing Directors Office costs from 100k in 2017 and 2018 to 200k afterwards?

**Response:**

- a) The Managing Directors' Office expenses are not doubling. Exhibit F-2-1 Table 3 misstated the actual costs. The actual expense in both 2017 and 2018 was \$0.17M compared to a plan of \$0.22M. The forecast for 2019 and 2020 is \$0.23M.

Lower expenses in 2017 and 2018 (about \$50K less) versus other years are attributable to fewer and simpler Advisory Committee meetings in those years.

**VECC INTERROGATORY # 11**

**Reference:**

F/T3/S1/pg.1 & F-3-1, Attachment 1

**Interrogatory:**

- a) Please provide a list of the changes made from the 2014 Service Level Agreement to the 2019 Agreement.
- b) Please provide a redline version of the 2019 agreement showing these changes.

**Response:**

- a) There have been no material changes.
- b) Please refer to Attachment 1.

**THIS AGREEMENT FOR OPERATIONS SERVICES AND MANAGEMENT SERVICES** effective as of the ~~17<sup>th</sup>~~ 18<sup>th</sup> day of December, ~~2014~~ 2019.

**BETWEEN:**

**Hydro One Networks Inc.** (~~"Hydro One Networks"~~)

~~and~~

~~B2M~~ Hydro One Indigenous Partnerships GP Inc. (~~"GPco"~~ "HOIP")

~~and~~ -

**B2M Limited Partnership** (~~"BM"~~ "B2M LP") by its general partner ~~B2M GP INC.~~  
Hydro One Indigenous Partnerships GP Inc.

**WHEREAS:**

~~1)BM~~ 1) B2M LP is the transmitter licensed under the *Ontario Energy Board Act* ~~(the "Act")~~,  
1998 to own and operate the second 500KV electric transmission tower line spanning  
 approximately 180 kilometres from the Bruce Power Nuclear Generating Station in  
 Kincardine, Ontario to Hydro One Networks' switchyard in Milton, Ontario (the ~~"BM~~  
"BXM  
Line"), which line went into commercial service in May 2012.

~~2)GPco~~ 2) HOIP is an affiliate of Hydro One Networks within the meaning of the ARC.

~~3)BM~~ 3) B2M LP wishes to subcontract the operation of the BXM Line to Hydro One  
 Networks as further set out herein.

4) B2M LP and Hydro One Networks are parties to an agreement for operations services and  
 management services dated December 17, 2014 (the "2014 Services Agreement") and the they  
 have agreed to terminate the 2014 Services Agreement.

~~4)GPco~~ 5) HOIP wishes to obtain the assistance of Hydro One Networks, from time to time, via a  
 new agreement in connection with certain management functions associated with the  
 transmission business of ~~BM~~ B2M LP.

~~5)5)~~ The ~~Parties~~ parties are entering this Agreement to define their respective rights and obligations  
 with respect to management and operation of the BXM Line.

**NOW THEREFORE** in consideration of the foregoing and the mutual covenants, agreements, terms  
 and conditions contained herein, the ~~Parties~~ parties intending to be legally bound hereby agree as  
 follows:

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## **ARTICLE I: DEFINITIONS**

### **1.1 Defined Terms**

Capitalized terms which are not otherwise defined herein shall have the meaning given to them in the ARC. ~~The~~In addition to terms defined elsewhere in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized terms, wherever used in this Agreement, shall have the following meanings:

"Act" means the *Ontario Energy Board Act, 1998, as amended from time to time*;

"Agreement" means this Agreement and all amendments made hereto by written Agreement between the ~~Parties~~parties in accordance with the terms of this Agreement;

"ARC" means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* issued by the OEB in accordance with the Act, as amended from time to time;

"~~BM~~B2M LP Transmission Licence" means the licence or licences issued to ~~BM~~B2M LP by the OEB pursuant to the Act and in effect from time to time;

"Claims" means all losses, costs, damages, expenses, injuries, liabilities, claims, demands and penalties, including reasonable legal fees, experts' fees and court costs, whether incurred through settlement or otherwise, and interest on each of these items, in each case whether arising prior to or after the termination of this Agreement.

"Connection Facilities Agreement" means the connection facilities agreement ~~which BM LP has or will have entered into with~~dated December 17, 2014 between B2M LP and Hydro One Networks governing the interconnection of the BXM Line with the transmission systems owned and operated by Hydro One Networks;

"Effective Date" shall be the date first written above.

"Fees" means collectively the Operations Fees and the Management Fees;

"Force Majeure Event" means, in relation to a Person, any event or circumstance, or combination of events or circumstances,

~~(i)~~(i) that is beyond the reasonable control of the Person;

~~(ii)~~(ii) that adversely affects the performance by the Person of its obligations under this Agreement; and

~~(iii)~~(iii) the adverse effects of which could not have been reasonably foreseen or prevented, overcome, remedied or mitigated in whole or in part by the Person through the exercise of diligence and reasonable care and includes, but is not limited to, acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo,

revolution, riot, insurrection, civil disobedience or disturbances, vandalism or acts of terrorism, strikes, ~~lockouts,~~

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2

~~restrictive~~lockouts, ~~restnctive~~ work practices or other labour disturbances, unlawful arrests or restraints by government or governmental, administrative or regulatory agencies or authorities unless the result of a violation by the Person of a permit, licence or other authorization or of any applicable law, and acts of God including lightning, earthquake, fire, flood, landslide, unusually heavy or prolonged rain or accumulation of snow or ice or lack of water arising from weather or environmental problems; provided however, for greater certainty, that the lack, insufficiency or non-availability of funds shall not constitute a Force Majeure Event;

**“Good Utility Practice”** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

**“IESO”** means the Independent Electricity System Operator established under the *Electricity Act, 1998*, or its successor;

**“IESO-BMB2M LP Operating Agreement”** means the operating agreement which ~~BMB2M~~ LP has or will enter with the IESO through which the IESO ensures that the BXM Line will be operated in a manner which does not compromise the operation or reliability of the IESO-controlled grid to which the BXM Line is connected;

**“OEB”** means the Ontario Energy Board established pursuant to the Act;

**“Operations Fees”** means the fees for the Operations Services, calculated and adjusted in accordance with this Agreement;

**“Operations Services”** means all services required in order to operate the BXM Line, including without limitation, all operating, maintenance, repair and refurbishment matters and including, without limiting the generality of the foregoing, all services in relation to the monitoring and control of the transmission of electricity across the BXM Line in accordance with the ~~BMB2M~~ LP Transmission Licence and all services required to fulfill all of ~~BMB2M~~ LP's obligations under the Connection Facilities Agreement and the IESO-~~BMB2M~~ LP Operating Agreement;

**“Management Activities”** means the activities to be undertaken by ~~GPee~~HOIP in connection

with the management of transmission business of the ~~BMB~~B2M LP which include:



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~~(i)~~(i) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line, the transmission of electricity thereby and the operation, maintenance, repair and replacement thereof;

~~(ii)~~(ii) obtaining (including preparation of applications therefor and submission thereof) licences, permits, approvals and rates required in connection with the BXM Line and the transmission of electricity thereby;

~~(iii)~~(iii) representation of the ~~BMB~~B2M LP before the OEB;

~~(iv)~~(iv)

the making or filing of declarations, filings and registrations with, or notices to, governmental authorities;

~~(v)~~ (v) filing and managing warranty claims;

~~(vi)~~ (vi) procuring and maintaining the necessary inventory of replacement parts;

~~(vii)~~ (vii) maintaining records for the ~~BMB~~B2M LP;

~~(viii)~~

~~(ix)~~



viii) defending any litigation commenced against the ~~BMB2M~~ LP; and

(ix) such other management ~~activities~~activities associated with running the transmission business of the ~~BMB2M~~ LP.

**“Management Fees”** means the fees for the Management Services, calculated and adjusted in accordance with this Agreement;

**“Management Services”** means services to be provided by Hydro One Networks to ~~GPee~~HOIP to assist ~~GPee~~HOIP with the performance of the Management Activities, which services will be requested in writing by ~~GPee~~HOIP from time to time;

**“Person”** means any natural person, sole proprietorship, partnership, corporation, trust, joint venture, governmental authority, incorporated or unincorporated entity, or incorporated or unincorporated association of any nature; and

**“Taxes”** means any and all applicable federal, state, provincial, or municipal taxes and duties including, but not limited to, sales, use, excise, value added, gross receipts, privilege or other non-recoverable taxes that are mandated or imposed on (i) Hydro One Networks by any jurisdiction or governmental entity in relation to the Operations Services and Management Services (other than taxes that are imposed upon the income, property, payroll or capital of Hydro One Networks), (ii) ~~BMB2M~~ LP (other than taxes that

are imposed upon the income, property, payroll or capital of ~~BMB2M~~ LP or any of the partners of ~~BMB2M~~ LP) , or ~~GPee~~HOIP (other than taxes that are imposed upon the income, property, payroll or capital of ~~GPee~~HOIP).

**“Term”** has the meaning ascribed to this term in Section 9.1 below.

## **ARTICLE II: PROVISION OF OPERATIONS AND MANAGEMENT SERVICES**

2.1 ~~Hydro One Networks shall be the exclusive supplier of Operations Services to BM LP commencing on the effective date of this Agreement, provided that the BM~~ B2M LP may perform any Operations Services or engage another supplier to perform such services if Hydro One Networks is in default in performing its material obligations hereunder or is unable to perform its material obligations hereunder by reason of a Force Majeure Event, to the extent such services are required to ensure the continued operation of the BXM Line.

2.2 ~~GPee~~ HOIP shall be responsible for all Management Activities related to the transmission business of ~~BMB2M~~ LP. ~~GPee~~HOIP may make a request in writing, from time to time, to Hydro One Networks, for Management Services to assist ~~GPee~~HOIP in connection with the Management Activities. Hydro One Networks agrees to provide to ~~GPee~~HOIP those Management Services requested in writing by ~~GPee~~HOIP.

2.3 Hydro One Networks shall at all times provide Operations Services and Management Services in accordance with Good Utility Practice, the ~~BMB2M~~ LP Transmission Licence, the ARC, all other applicable codes, rules, orders and decisions of the OEB, which are binding upon the BXM Line, all applicable law, and provided they are not inconsistent with any of the foregoing, Hydro One

Networks<sup>21</sup> own policies and procedures (which may include government directives), and shall do so in the same manner and to the same extent as it provides similar services in connection with its wholly-owned regulated transmission business. Hydro One Networks shall comply with all applicable laws in providing the Operations Services and Management Services.

2.4 To the extent that Hydro One Networks also provides services similar to the Operations Services or Management Services in respect of its own assets or business, Hydro One Networks will provide such Operations Services and Management Services in a non-discriminatory manner as if it were providing such services to itself or receiving a similar service in relation to its own transmission assets or business. The Fees for such Operations Services and Management Services shall be consistent with the costs incurred by Hydro One Networks for such similar services in relation to Hydro One Networks<sup>21</sup> transmission assets or business activities which are substantially similar to the BXM Line and business activities of ~~BM~~B2M LP.

2.5 Upon expiration ~~of this Agreement~~ or termination of this Agreement ~~for reasons other than the default of BM LP~~, and provided that B2M LP is not in default of paying the

Fees owing hereunder, Hydro One Networks shall provide, at the request of B2M LP, reasonable transition support services to facilitate transition to another operating and management services entity, reimbursable on the basis of the ~~“~~“fully allocated cost<sup>22</sup>” (as defined in the ARC), and otherwise on the terms hereof, for a period of six months following the expiration or effective date of termination of this Agreement, or such shorter period as B2M LP may request. The provisions of this Section 2.5 shall forever survive the termination or expiration of this Agreement.

2.6 Hydro One Networks shall obtain and maintain in force throughout the ~~term~~Term of this Agreement, insurance coverage that a reasonable and prudent Person operating a transmission business of a comparable size and scale of Hydro One Networks would carry as part of its business. Hydro One ~~Network's liability insurance~~Networks shall ~~name BM LP as an additional insured and include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against BM LP. In addition, such liability insurance policy shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by BM LP except in the circumstance where pursuant to Section 2.8, Hydro One Networks chooses to add BM LP as an additional named insured under Hydro One Networks' insurance program.~~

~~2.7 Subject to the provisions of Section 2.8, BM LP shall obtain and maintain in force throughout the term of this Agreement, insurance coverage that a reasonable and prudent transmitter would carry as part of its transmissions business, including, without limitation, property insurance and commercial general liability insurance. Such liability insurance shall name Hydro One Networks as an additional insured, include a cross-liability and severability of interest clause and a waiver of subrogation clause by the insurer against Hydro One Networks. In addition, the insurance policies shall specify that they are primary coverage and not contributory with or in excess of any other insurance that may be maintained by Hydro One Networks. Hydro One Networks will procure such coverage for BM LP as part of the Operations Services. 2.8 Notwithstanding the foregoing and in the alternative, in consultation with BM LP, Hydro One Networks may choose to add~~

~~the BM LP as an additional named insured under Hydro One Networks' add the~~  
~~B2M LP as an additional named insured under Hydro One Networks' insurance~~  
program and allocate to ~~BM~~B2M LP, as Fees, a portion of the premium therefor and  
any incremental costs borne by Hydro One Networks in accommodating the unique  
circumstances of ~~BM~~B2M LP (e.g. reducing deductibles to such reasonable levels  
requested by ~~BM LP~~), ~~provided that the amount of the insurance premium~~  
~~allocated to BM LP as Fees (including any incremental costs) shall not exceed the~~  
~~cost of insurance described in Section 2.7 if it were to be obtained as stand-alone~~  
~~insurance coverage~~B2M LP.

### **ARTICLE III: FEES**

3.1~~BM~~B2M LP shall pay, without duplication, the Operations Fees and all applicable Taxes to Hydro One Networks for the performance of the Operations Services.

3.2~~GPeo~~HOIP shall pay, without duplication, the Management Fees and all applicable Taxes to Hydro One Networks for the performance of the Management Services.

3.3 The Fees for Operations Services and Management Services shall be ~~those costs reasonably incurred by~~ Hydro One Networks ~~in connection with the provision of~~ fully allocated costs of providing the Operations Services and Management Services ~~in the manner and to the extent provided for hereunder and which are allocated to BM LP and GPeo(excluding Hydro One Networks' return on investment on capital), as applicable and~~ in a manner consistent with the ARC.  
~~3.4 Fees may be set with reference to actual or estimated consumption and may be charged on a flat fee or per unit basis. Hydro One Networks, acting reasonably and in consultation with BM LP or GPeo, as applicable, may elect the most convenient bases for setting Fees. Provided that the approach is acceptable to the OEB, Hydro One Networks may allocate a portion of its transmission business-related costs to BM LP, including a portion of certain types of "direct costs" (as defined in the ARC). Hydro One Networks shall, from time to time as required to keep the information current, and in any event, no less frequently than annually, provide BMB2M LP with a breakdown of Hydro One Network's fully allocated costs of providing the Operations Services and the Management Services.~~

#### **3.4 Intentionally deleted.**

3.5~~GPeo~~HOIP shall use commercially reasonable efforts to recover the Fees payable hereunder by ~~BM~~B2M LP and ~~GPeo~~HOIP in the ~~BM~~B2M LP transmission rate revenue requirement submissions to the OEB and representations to be made to the OEB in connection therewith.

### **ARTICLE IV: INVOICING AND PAYMENT**

~~4.1~~4.1 All amounts payable by ~~BM~~B2M LP and ~~GPeo~~HOIP to Hydro One Networks under this Agreement shall be paid in accordance with the invoices rendered by Hydro One Networks to be issued on a periodic basis matching the time period for which ~~BM~~B2M LP receives payments for the transmission of electricity. ~~BM~~B2M LP and ~~GPeo~~HOIP shall pay Hydro One Networks'.

invoices within 30 days of receipt thereof.

## **ARTICLE V: BUDGETS, ACCOUNTS AND RIGHT TO AUDIT**

5.1 Hydro One Networks shall, for each fiscal year of the Term hereof, ~~including any extension of the initial Term (other than the first year of the initial term), provide GPeo~~ provide HOIP with a proposed annual operating, maintenance and capital improvement budget for the subsequent fiscal year of ~~the BMB2M LP (the “Budget”)~~ LP (the “Budget”) at least sixty (60) days prior to the commencement of the next fiscal year. Such annual Budget shall be accompanied by an annual operating plan prepared by Hydro One Networks setting forth the underlying assumptions and plans in connection with the Budget, and setting forth a brief description of any major system repairs anticipated to be required in such fiscal year. ~~GPeo~~HOIP shall ~~LEGAL-1-26407177.4~~<sup>7</sup>

notify Hydro One Networks as soon as reasonably practicable, but no later than thirty~~(30)~~ (30) days after receipt of the Budget, of any questions, comments, objections or suggested modifications which it may have with respect to such proposed Budget, and the parties shall cooperate with each other in developing a mutually acceptable Budget within thirty (30) days thereof. If ~~GPeo~~HOIP fails to raise any questions, comments, objections or suggested modifications to the proposed Budget within thirty (30) days after receipt of the proposed Budget, the proposed Budget shall be deemed to have been approved. ~~The parties acknowledge that they have agreed to an annual Budget for the first fiscal year (or part thereof) of the initial term of this Agreement.~~

5.2 Each Budget will represent Hydro One Networks’ estimate of all fully allocated costs for providing the Operations Services under this Agreement during the period to which the Budget relates, and its estimate of all capital improvements required for providing the Operations Services, during the period to which the Budget relates.

5.3 The parties agree that the Budget may be amended from time to time by mutual agreement to reflect revisions necessitated by unanticipated circumstances including, but not limited to, changes in applicable law, additions or deletions to the scope of the Operations Services hereunder, emergencies and Force Majeure events, provided that Hydro One Networks shall not be required to amend the Budget more frequently than would be required under its normal business and operations practices.

5.4 The Budget shall reflect anticipated costs of Operations Services by Hydro One Networks on a monthly or quarterly basis and shall be organized by categories mutually agreed upon by the parties. If Hydro One Networks becomes aware that the costs of Operations Services for the current fiscal year may exceed the Budget by 5% or more of the total amount of the Budget, Hydro One Networks shall promptly notify ~~GPeo~~HOIP of such anticipated budget overrun and provide ~~GPeo~~HOIP a proposed amendment to the Budget. ~~GPeo~~HOIP shall notify Hydro One Networks as soon as reasonably practicable, but no later than thirty (30) days after receipt of Hydro One Networks’ proposed Budget amendment of any questions, comments, objections or suggested modifications thereto and the parties shall cooperate with each other in developing a mutually acceptable amendment to the Budget. If ~~GPeo~~HOIP fails to raise any questions, comments, objections or

suggested modifications to the proposed Budget amendment within the specified period, Hydro One Networks<sup>21</sup> proposed amendment shall be deemed to have been approved. Hydro One Networks shall not, without the written approval of ~~GPeo~~HOIP amending the Budget or otherwise authorizing such expenditure, perform any further services or incur any further costs that would result in or increase such Budget overrun, except in the case of an emergency as provided in Section 5.7.

5.5 If by the start of any fiscal year the parties are unable to reach agreement concerning the Budget for such year, then, until such time as agreement is reached, the Budget for such year shall be based on the corresponding portions of the Budget for the

preceding fiscal year, adjusted as follows: (i) with respect to items of expense that do not involve capital additions or improvements, to reflect the net change, if any, between the most recently published Ontario Consumer Price Index, published by Statistics Canada, not seasonally adjusted and the corresponding index in effect twelve months prior, and ~~(ii)~~ (ii) with respect to items of expense involving capital additions or improvements, to reflect the net change, if any, between the most recently published Producer Price Index for Capital Equipment, not seasonally adjusted, and the corresponding index in effect twelve months prior.

5.6 In the event that Hydro One Networks determines that a capital improvement, addition, alteration, repair or replacement not included in the Budget that has an impact of more than 5% of the total amount of the Budget should be made to the BXM Line in order to operate the BXM Line safely or comply with any laws, regulations or orders of any governmental authority, including laws, regulations or orders relating to environmental compliance or employee safety, Hydro One Networks shall provide ~~GPeo~~HOIP with a written notice describing the nature of and reason for the improvement, addition, alteration, repair or replacement. Hydro One Networks shall not make any such improvement, addition, alteration, repair or replacement without ~~GPeo~~HOIP's prior consent, which consent shall not be unreasonably withheld or delayed. In the event that ~~GPeo~~HOIP refuses to approve of any such Hydro One Networks recommended improvement, addition, alteration, repair or replacement, Hydro One Networks shall have the option to terminate this Agreement in accordance with Section 9.3

5.7 In the event of an accident or emergency relating to the BXM Line, Hydro One Networks may, without obtaining any approvals of ~~GPeo~~HOIP which might otherwise be required hereunder, take any action, including, but not limited to, committing or expending funds, deemed by Hydro One Networks to be reasonably necessary under the circumstances. As promptly as reasonably practicable after Hydro One Networks establishes control over such accident or emergency, Hydro One Networks shall furnish to ~~GPeo~~HOIP a reasonably detailed written description of the accident or emergency and the manner in which such accident or emergency was handled by Hydro One Networks. Hydro One Networks shall be entitled to compensation for costs incurred pursuant to this Section 5.7 in addition to all other compensation provided for under this Agreement.

5.8 Except as provided by Section 5.7 in the case of an emergency, Hydro One Networks shall

perform all services hereunder in accordance with the annual operating plan accompanying the Budget.

5.9 The parties hereby agree to keep all necessary and proper accounts and records relating to the subject matter hereof. Such accounts and records, including invoices, receipts, time cards and vouchers shall at all reasonable times be open to audit, inspection and copying by each ~~Party~~party to this Agreement. Accounts and records shall be preserved and kept available for audit for a period of six years.

## **ARTICLE VI: LIMITATION OF LIABILITY AND FORCE MAJEURE EVENTS**

6.1 Other than for sums payable under this Agreement, Hydro One Networks shall only be liable to ~~BMB2M~~ LP and ~~GPee~~HOIP and ~~BMB2M~~ LP and ~~GPee~~HOIP shall only be liable to Hydro One Networks for any damages that arise directly out of its gross negligence or willful misconduct in meeting its respective obligations under this Agreement. Notwithstanding the generality of the foregoing, neither party shall be liable to the other party under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

6.2 In any event, except with respect to gross negligence or willful misconduct, the total liability of Hydro One Networks to ~~BMB2M~~ LP and ~~GPee~~HOIP and the total liability of ~~BMB2M~~ LP and ~~GPee~~HOIP to Hydro One Networks in connection with this Agreement whether it arises by statute, contract, tort or otherwise, will not exceed the value of the total amounts payable by ~~BMB2M~~ LP and ~~GPee~~HOIP to Hydro One Networks for the Operations Services and Management Services in the year that such liability is incurred.

6.3 No party shall be liable to the other for any loss, damage or delay, or inability to perform any obligation under this Agreement in whole or in part due to a Force Majeure Event.

6.4~~BM~~ B2M LP will indemnify and save harmless Hydro One Networks providing Operations Services from and against any and all Claims that Hydro One Networks may suffer, sustain or incur in connection with the provision of the Operations Services except to the extent caused or arising from the gross negligence or wilful misconduct of Hydro One Networks.

6.5 If a Force Majeure Event prevents a party from performing any of its obligations under this Agreement, such party shall (1) expeditiously, and without delay, notify the other party of the Force Majeure Event and its good faith assessment of the effect that the Force Majeure Event will. have on its ability to perform any of its obligations, which notice shall be confirmed in writing as soon as reasonably practicable if such immediate notice is not in writing; (2) not be entitled to suspend performance of any of its obligations under the Agreement to any greater extent or for any longer duration than is caused by the Force Majeure Event; (3) use commercially reasonable efforts to mitigate the effects of such Force Majeure Event and to resume full performance of its obligations hereunder; (4) keep the other party informed of such efforts on a continuing basis; and ~~(5)~~ (5) provide written notice to the other party of the resumption of the performance of any obligations affected by the Force Majeure Event.



6.6 Notwithstanding any of the foregoing, settlement of any strike, lockout, or labour dispute constituting a Force Majeure Event shall be within the sole discretion of the party to the Agreement involved in such strike, lockout, or labour dispute and the requirement that a party must use commercially reasonable efforts to mitigate the effects of a Force Majeure Event and resume full performance hereunder shall not apply to strikes, lockouts, or labour disputes.

6.7 The provisions of this Article VI shall forever survive the termination or expiration of this Agreement.

## **ARTICLE VII: DISPUTE RESOLUTION PROCEDURES**

7.1 Any controversy, dispute, difference, question or claim (collectively **"Dispute"**), arising between the parties in connection with the interpretation, performance, construction or implementation of this Agreement that cannot be resolved by a conference of senior officers of Hydro One Networks and ~~GPee~~HOIP shall be settled in accordance with this section. The aggrieved party shall send the other party written notice identifying the Dispute, the amount involved, if any, and the remedy sought. The Presidents from each party shall confer in an effort to resolve the Dispute. If the Presidents are unable to resolve the Dispute within 5 business days after receipt of the written notice of the Dispute, then a ~~Party~~party may refer the Dispute to adjudication in court or, if all ~~Parties~~parties agree, to arbitration before a single arbitrator. Insofar as they do not conflict with this Section 7.1, the Rules for Procedure for Commercial Arbitration of the Arbitration and Mediation Institute of Canada Inc./~~Intemational~~International Chamber of Commerce Rules of Arbitration in effect at the date of commencement of any arbitration held under this Agreement will apply to the arbitration. A ~~Party~~party hereto may enter any judgment upon any award rendered by the arbitrator in any court having jurisdiction. The arbitration will be conducted in English under the *Arbitration Act, 1991* (Ontario) and will take place ~~in either the City of Toronto or such other place as the Parties may agree and~~ at such time and place as the arbitrator may fix. Notwithstanding the foregoing, if the subject matter of any Dispute is also the subject matter of a Dispute under Section 13 of the Limited Partnership Agreement governing the ~~BMB2M~~BMB2M LP, the resolution of the Dispute under the Section 13 of the Limited Partnership Agreement governing ~~the BMB2M~~the BMB2M LP shall govern and be applicable to the resolution of the Dispute under this Agreement and such matter shall not be subject to further arbitration or adjudication under this Agreement.

## **ARTICLE VIII: CONFIDENTIALITY AND INTELLECTUAL PROPERTY**

8.1 Each party (the **"Receiving Party"**) shall maintain in strict confidence this Agreement and the existence and contents thereof and all confidential or proprietary information of the other party, (the **"Disclosing Party"**) or any of the Disclosing Party's directors, officers, employees, consultants, agents or legal, financial or professional advisors (the **"Disclosing Party Representatives"**) (collectively the **"Confidential Information"**). Except as permitted herein, the Receiving Party shall not publish, reproduce, or disclose, either directly or indirectly, the said Confidential Information to any third party and shall not use the said Confidential Information for any purpose other

than for purposes of this Agreement without the prior written consent of the Disclosing Party. The Receiving Party may disclose the Confidential Information only to its partners, shareholder, directors, officers, employees, consultants, agents, professional advisors or lenders (the **"Receiving Party Representatives"**) having

a need to know same and who have undertaken a like obligation to maintain its confidentiality. For greater certainty, Confidential Information includes any and all personal information (as that term is defined in ~~the Freedom of Information and Protection of Privacy Act (Ontario) and~~ the *Personal Information Protection and Electronic Documents Act* (Canada), as they may be amended) and any and all information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator, provided by the Disclosing Party to the Receiving Party for purposes of this Agreement.

8.2 The Receiving Party undertakes to protect and safeguard all Confidential Information in its possession or under its control and received by the Disclosing Party, in the manner described in Schedule "A2" attached hereto. The Disclosing Party may, on reasonable notice, and during regular business hours, audit the information management practices of the Receiving Party to confirm compliance with the terms and conditions of this Article VIII and all applicable statutes, regulations, by-laws, standards and codes, as amended.

8.3 The Receiving Party undertakes to notify the Disclosing Party immediately upon discovery of any unauthorized use and/or disclosure of any of the Disclosing Party's Confidential Information, to co-operate with the Disclosing Party to help regain possession of such Confidential Information, and to prevent its further unauthorized use and/or disclosure.

8.4 The ~~foregoing~~forgoing obligations with respect to confidentiality, use, reproduction, dissemination, publication and non-disclosure herein shall not apply to any information that:

- (i) is previously known to or lawfully in the possession of the Receiving Party ~~prior to the date of disclosure as evidenced by the Receiving Party's written record;~~
- (ii) ~~(ii)~~ is independently known to or discovered by the Receiving Party, without any reference to the information or material;
- (iii) is obtained by the Receiving Party from an arm's length third party having a bona fide right to disclose same and who was not otherwise under an obligation of confidence or fiduciary duty to the Disclosing Party or the Disclosing Party Representatives;

~~(iv)~~



- (iv) is or becomes public knowledge through no fault or omission of, or breach of this Agreement by, the Receiving Party or the Receiving Party Representatives; or
- (v) ~~(v)~~ is required to be disclosed pursuant to a final judicial or governmental order or other legal process, including, without limitation, an order of or legal process involving a regulatory authority such as the Ontario Energy Board.

8.5 The parties acknowledge and agree that the Confidential Information (other than Confidential Information contained in this Agreement which shall be jointly owned by the parties) shall remain the sole and exclusive property of the Disclosing Party that has disclosed the Confidential Information, and the Disclosing Party shall retain all right, title and interest in and to the Confidential Information it has disclosed to the Receiving Party.

8.6 The Receiving Party agrees that it shall keep a record of written Confidential Information furnished to it by the Disclosing Party in a location separate from those locations where the Receiving Party has stored information in respect of other third parties for which it performs work and it shall advise the Disclosing Party of such location.

8.7 All Confidential Information furnished by the Disclosing Party (other than this Agreement), including that portion of the Confidential Information which is contained in analyses, compilations, studies or other documents prepared by the Receiving Party or by the Receiving Party Representatives, is the Disclosing Party's property and will be returned immediately to the Disclosing Party upon its request except that any information, plans, layouts, specifications, descriptions or other information necessary to the continued operation and maintenance of the BXM Line and its parts and components, or to the replacement of any such parts or components, need not be returned and may be used or applied in the continued operation and maintenance of the BXM Line.

8.8 The obligations in this Article VIII shall forever survive the termination or expiration of this Agreement.

## **ARTICLE IX: TERM AND TERMINATION**

9.1 ~~This~~ Except as otherwise specified herein and subject to early termination rights in Sections 5.6, and 9.3, this Agreement shall continue in full force and effect for ~~an initial term of five years and unless terminated in accordance with Section 9.2, shall thereafter be automatically renewed for successive periods of five years upon the same terms and conditions.~~ a term of five years commencing on the Effective Date (the "Term").

9.2 Except for those provisions in the 2014 Services Agreement which survive termination thereof as specified therein, the 2014 Services Agreement is terminated as of the Effective Date.

~~9.2 Either party may terminate this Agreement, effective at the end of the then current five-year term, on at least twelve months' prior written notice.~~

9.3 Hydro One Networks may terminate this Agreement on 60 days' prior written notice in the event that ~~BMB~~B2M LP refuses to approve a capital improvement, addition, alteration, repair or replacement

recommended by Hydro One Networks in accordance with Section 5.6.

9.4 In the event of termination or expiration of this Agreement: (i) Hydro One Networks shall deliver to **GPeeHOIP** all books, records and accounts which it has developed and maintained relating solely to the BXM Line or its operations or the business of **BMB2M** LP and return all property owned by **BMB2M** LP, and (ii) the **Parties** shall take all steps as may be reasonably required to complete any final accounting between them or to provide for the completion of matters contemplated hereunder.

## **ARTICLE X: GENERAL**

10.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

10.2 The rights and obligations of the parties under this Agreement shall at all times be subject to all applicable laws, regulations, orders and directives of any authority of competent jurisdiction, including the OEB, and shall be deemed to be amended to the extent required to comply with same.

10.3 This Agreement constitutes the entire Agreement between the parties with respect to the Operations Services and Management Services and supersedes all prior oral or written representations and Agreements concerning the subject matter of this Agreement.

10.4 This Agreement shall extend to, be binding upon and enure to the benefit of the permitted assigns and the respective successors of **BMB2M** LP, **GPeeHOIP** and Hydro One Networks.

10.5 Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

10.6 If any party determines that in its reasonable discretion that any further instruments or other actions seem necessary or desirable to carry out the terms of this Agreement, the other parties shall execute and deliver all such instruments and do all such actions as such parties agree in their reasonable discretion as necessary or desirable to carry out the terms of this Agreement.

10.7 No delay or failure in exercising any right under this Agreement or any partial or single exercise of any right, will constitute a waiver of that right or any other rights under this Agreement. No consent to a breach of any express or implied term set out in this Agreement constitutes consent to any subsequent breach.

10.8 If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held to be invalid as to any Person, entity or circumstance or is determined to be not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in effect to the maximum extent permitted by law and, all other terms, covenants and conditions of this Agreement and their application shall not be affected, but shall remain in full force and effect and the parties shall be relieved of their respective obligations

under this Agreement only to the extent necessary to comply with the court or government agency holding.

10.9 This Agreement does not and shall not be construed to create or establish a partnership, agency, joint venture, lease, licence or any other relationship between the parties hereto, nor constitute either party as an agent of the other. Neither party hereto shall hold itself out to others by act or omission, contrary to the terms of this Agreement.

10.10 This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by Hydro One Networks except with the prior written consent of ~~BM-LP~~BMLP, in its sole discretion. This Agreement and the rights and obligations hereunder may not be assigned in whole or in part by ~~BM~~B2M LP other than (i) to the transferee of the BXM Line approved by the OEB, or (ii) with the prior written consent of Hydro One Networks, in its sole discretion.

10.11 This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be signed and delivered in any number of counterparts, each of which when signed and delivered is an original, but all of which taken together constitute one and the same instrument. This Agreement and any amendment, supplement, restatement or termination of this Agreement in whole or in part may be delivered by means of facsimile or via e-mail in portable document format (PDF).

*~~{Remainder of page intentionally left blank}~~*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their ~~proper officers~~ representatives duly authorized in that behalf ~~as of this 13<sup>th</sup> day of December, 201~~

**HYDRO ONE NETWORKS  
INC.**



By:

~~Name: Alexander (Sandy) Struthers~~

~~Title: Chief Operating Officer and~~

~~EVP Strategic Planning~~

~~I have the authority to bind the Corporation.~~

~~B2M LIMITED~~

~~\_\_\_\_\_ PARTNERS~~

~~HIP, \_\_\_\_\_ by its general~~

~~partner B2M GP INC.~~

~~By: \_\_\_\_\_ Name: Mike Penstone~~

~~Title:~~

~~I have the authority to bind  
the Corporation.~~

~~B2M GP INC.~~

~~By: \_\_\_\_\_ Name: Mike Penstone~~

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~~I have the authority to bind  
the Corporation.~~

*Operations Agreement between B2MLP and HONI*



~~IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf as of this    day of    U~~

**HYDRO ONE NETWORKS INC.**

---

Name:

By: Title:

Name: Alexander  
(Sandy) Struthers  
Title:

I have the authority to bind the  
~~Corporation~~ corporation.

~~B2M~~ **LIMITED PARTNERSHIP,** by  
its

general partner ~~B2M,~~ HYDRO

By:

Mike Penstone  
ONE INDIGENOUS  
PARTNERSHIPS GP INC.

---

Name: ~~Mike Penstone~~

Title:

I have the authority to bind the  
~~Corporation~~ corporation.

~~B2M~~ HYDRO ONE INDIGENOUS  
PARTNERSHIPS GP INC.

---

By:           X           Name: ~~Mike~~  
~~Penstone~~

Title:

I have the authority to bind the  
~~Corporation~~ corporation.





*Operations  
~~Agreement~~  
between B2M  
UP and HGNL*



## Schedule ~~"A"~~

### Receiving Party Security Safeguards Regarding Confidential Information Received from the Disclosing Party

*The Receiving Party shall protect the Confidential Information by security safeguards appropriate to the sensitivity of the information.*

~~1)~~1) The Receiving Party shall protect the Confidential Information against such risks as loss or theft, unauthorized access, disclosure, copying, use, modification or destruction, through appropriate security measures, regardless of the format in which it is held.

~~2)~~2) All of the Receiving Party's Representatives with access to the Confidential Information shall be contractually required to respect the confidentiality of that information.

~~3)~~3) The Receiving Party acknowledges and agrees that the nature of the safeguards will vary depending on the sensitivity, amount, distribution and format of the information, and the method of storage. The Receiving Party shall ensure that more sensitive information will be safeguarded by a higher level of protection.

~~4)~~4) The Receiving Party shall ensure that methods of protection will include:

~~(a)~~(a) physical measures, for example, locked filing cabinets and restricted access to offices;

~~(b)~~(b) organizational measures, for example, controlling entry to data centers and limiting access to information on a ~~"~~"need-to-know"~~"~~ basis;

~~(c)~~(c) technological measures, for example, the use of passwords and encryption;  
and

~~(d)~~(d) investigative measures, in cases where the Receiving Party has reasonable grounds to believe that the Confidential Information is being inappropriately collected, used or disclosed by anyone whom in law the Receiving Party is responsible.



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Style change	0
Format changed	0
Total changes	540

**VECC INTERROGATORY # 12**

**Reference:**

A/T3/S1/Section 5.8/pg.17

**Interrogatory:**

- a) Please explain the reasons that B2M financed all of its long-term debt on a 5 year term in 2015 rather than taking advantage at that time of historically low rates for long term financing?

**Response:**

- a) Please refer to I-01-OEB-37.

**VECC INTERROGATORY # 13**

**Reference:**

**Interrogatory:**

- a) When is the \$273.5 million debt issuance expected in 2020?
- b) Is this debt issued in the name of Hydro One or B2M?
- c) Please explain how the basis point differential between the various issue terms shown in Table 4 and those shown at G/T1/S1/Schedule 2 page 1 were derived (e.g. 30 year Table 4 of 4.06% vs Schedule 2 of 4.09%)

**Response:**

- a) The \$273.5 million debt issuance is expected to occur close to the maturity date of the existing note on April 30, 2020, depending on market conditions.
- b) As discussed on lines 5 and 6, page 5 of Exhibit G, Tab 1, Schedule 1, B2M LP issues debt to Hydro One Inc. to reflect debt issued by Hydro One Inc. to third party debt investors. See response to I-01-OEB-37 part (a) for copies of the existing notes.
- c) The rates shown in Table 4 are the coupon rates as shown in column (b) of Exhibit G, Tab 1, Schedule 2 page 1. The effective cost rates shown in column (h) are calculated as the effective yield after taking into account actual and estimated premium / discount and expenses shown in column (e), which is discussed on lines 5 to 8, page 10 of Exhibit G, Tab 1, Schedule 1. The effective yield calculation is based on the price per principal amount of the issue shown in column (g).

**VECC INTERROGATORY # 14**

**Reference:**

**Interrogatory:**

- a) Under B2M's preferred proposal of a one-time update to reflect the new cost of debt how would any variance between the embedded cost of debt and the new cost of debt be addressed? For example if the new actual cost of debt is higher than forecast when issued sometime in 2020 but the Board does not adjust the required revenue requirement until the following year (i.e. January 2021) – how is this variance tracked and disposed of?

**Response:**

- a) B2M LP has not requested the variance in debt costs for 2020 to be tracked and disposed of. The 2020 debt cost will be based on the actual cost, to the expiry of the current issue and the forecast rate for the remainder of the year for the new issue.

**VECC INTERROGATORY # 15**

**Reference:**

H/T1/S1, page 4

**Interrogatory:**

- a) What forgone revenues are anticipated in the 2020 to 2024 period that would require the continuance of the similarly named variance account?

**Response:**

- a) B2M LP requests continuance of the forgone revenue deferral account to record forgone revenue in future years when annual rate revenue requirement updates are made throughout the 2020 to 2024 term.

For example if a decision from this proceeding is not received until after Jan 1, 2020, B2M LP would utilize this account for collection of any deferral or variance associated with the timing of the decision. B2M LP would then seek to dispose of any balance as part of the 2021 anniversary submission.

## SUP INTERROGATORY #1

### **Reference:**

Exhibit A Tab 5 Schedule 1 p2, it is stated that:

*“SON FC will receive its share of the net profit from B2M LP without incurring income taxes. The resulting reduction in income taxes serves to decrease the cost of B2M LP’s assets to ratepayers over their life.”*

### **Interrogatory:**

Please estimate the annual decreased cost of B2M LP’s assets to ratepayers due to SON FC receiving its share of the net profit from B2M LP without incurring income taxes:

- a) For each year between 2015 and 2018 (actuals), and
- b) For each year between 2019 until 2024 (forecast).

### **Response:**

The cash tax expenses are minimal and is limited to Ontario Corporate Minimum Tax (OCMT) because of higher allowable tax depreciation (capital cost allowance) in initial years. As tax depreciation is calculated on a declining balance basis and there is negligible forecast capital investment in the near term, the tax expense is expected to increase over time as the tax annual allowable tax depreciation declines in the future years. Consequently, the avoided tax costs (due to SON FC not incurring income taxes) is lower in the initial years and rises over the life of the project.

If SON FC was not tax exempt, the cash tax that would be payable by SON FC and recoverable from rates for each taxation year from 2015 to 2018 are below, which represents the avoided tax costs (i.e. the decreased costs of B2M LP assets to ratepayers)

	2015	2016	2017	2018
Avoided Tax Costs	0.24	0.25	0.56	0.66

The avoided tax expense in 2019 and 2020 is calculated below. Similar avoided tax expenses for the 2020-2024 period are expected to continue and vary based on the income allocated to SON FC each year determined similar to the calculations below.

Witness: Nancy Tran

Filed: 2019-10-25

EB-2019-0178

Exhibit I

Tab 3

Schedule 1

Page 2 of 2

		<b>2019</b>	<b>2020</b>
Allocation of taxable income to the SON		1.91	1.73
Taxed at 26.5%		26.5%	26.5%
Estimated Taxes		0.51	0.46
Taxes in RR (Grossed up for tax)		0.69	0.62
Tax Expense fro SON FC (F-06-01-01-4)		0.00	0.00
Avoided Tax Expense		-0.69	-0.62

Witness: Nancy Tran