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BY EMAIL AND RESS

October 23, 2020

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-2020-0226 – B2M Limited Partnership’s 2021 Transmission Revenue Requirement Application – OEB Staff Questions - Responses

Hydro One Networks Inc. on behalf of B2M Limited Partnership (“B2M LP”), is submitting responses to the Ontario Energy Board (“OEB”) staff questions received October 14, 2020 on B2M LP’s 2021 Transmission Revenue Cap IR Application.

An electronic copy has been submitted using the Board’s Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joanne Richardson", written in a cursive style.

Joanne Richardson

cc. Andrew Pietrewicz

OEB STAFF QUESTION #1

Reference:

Exhibit A/Tab 4/Schedule 1/Attachment 1, page 1 of 1 (Table: B2M LP Cost of Long-Term Debt Capital 2021 Year ending December 31)

Question:

OEB staff was unable to replicate the calculations shown in columns (g), (h), (l) and (m) of the table (lines 1,2,3,4 and 7).

If the results do not align because of rounding, please confirm and provide the table at a resolution (i.e. at the right number of decimal places) that will allow OEB staff to trace the calculations. If rounding is not to blame, please clarify.

Response:

B2M LP confirms that the results do not align because of rounding. Please see Attachment 1 to this response for the Excel file of the above-referenced prefiled evidence, Exhibit A, Tab 4, Schedule 1, Attachment 1.

OEB STAFF QUESTION #2

Reference:

Exhibit A/Tab 4/Schedule 1, page 4 of 8, footnotes 6 and 7

Question:

B2M LP indicates that its cost of long-term debt has decreased from its forecast of 2.59% to 2.34%, that this decrease has been incorporated into the calculation of B2M LP's base 2021 revenue requirement, and that it drives a reduction of approximately \$679,364 from B2M LP's approved 2020 revenue requirement.

Please explain how B2M LP's debt refinancing in 2020 results in the revenue requirement proposed by B2M LP for 2021 and how it results in a reduction compared to B2M LP's approved 2020 revenue requirement.

- For example, please clarify whether the 2.34% above describes the weighted average cost of long-term debt for 2020 (i.e. including the contribution of long-term debt for the months prior to refinancing/April 30, 2020) or does it describe only the refinanced debt?
- If the 2.34% represents a "blended" or weighted average cost of long-term debt for 2020, please comment on whether/how the blending of the refinanced debt with the debt which existed in the months prior to April 30, 2020 results in lower costs to ratepayers compared to a scenario in which only the cost of the refinanced debt was used.

Response:

The 2.34% describes only the weighted average cost of the long-term debt that was refinanced in 2020.

The Excel file provided as Attachment 1 to OEB Staff Questions Response #1 provides the detail regarding how the weighted long-term rate was derived. The weighted long-term debt rate in Attachment 1, is **not** blended with any long-term debt costs from prior periods. It is the average of B2MLP's current debt issuances. The use of the current long-term rate results in an annual ratepayer benefit of \$229,173. For more information, please refer to Table 1 below which illustrates how the benefit is calculated.

Table 1 – 2021 Base Revenue Requirement Calculation – Alternative Calculation Comparison

Year	Formula	Base Revenue Requirement (Rate using the Refinanced Long-Term Debt)¹	Base Revenue Requirement (Rate using the 2020 Weighted Average Long-Term Debt Rate)
2020	OEB-Approved Base Revenue Requirement	\$33,248,018 ²	\$33,248,018
	Less: long-term debt rate adjustment for 2021 revenue requirement calculation in prefiled evidence at 2.34% (12 months at refinanced rate)	\$(679,364) ³	
	Less: long-term debt rate adjustment for 2021 revenue requirement calculation in prefiled evidence at 2.43%. Calculated as the weighted average of; 4 months @ 2.59% (the ‘old’ rate) and, 8 months @ 2.34% (the refinanced, or ‘new’ rate)		(\$452,910)
2021	Base Revenue Requirement for 2020 reset for the reduction in the long-term Debt rate	\$32,568,654	\$32,795,108
2021	2020 Base Revenue Requirement x 2021 RCI = \$32,568,654 x 1.2%	\$32,959,477	\$33,188,650
	Benefit to Customers		\$229,173

³ As shown in Table 1 above, using the 2020 refinanced debt rate for the 12-month period
⁴ results in a “Base Revenue Requirement for 2020 reset for the reduction in the long-term

¹ This is the calculation that is included in B2MLP’s 2021 revenue requirement application.

² Prefiled Evidence - Exhibit A, Tab 4, Schedule 1, Table 2.

³ Ibid.

1 Debt rate” of \$32,568,654. Applying the 2021 RCI results in a 2021 revenue requirement
2 of \$32,959,477.

3
4 Whereas, if the blended rate of 2.43% was used to determine the 2020 “Base Revenue
5 Requirement for 2020 reset for the reduction in the long-term Debt rate” the result would
6 have been \$32,795,108. Applying the 2021 RCI would result in a 2021 revenue
7 requirement of \$33,188,650.

8
9 Using the refinanced 2020 long-term debt rate, as provided in the Application, results in a
10 benefit to customers in 2021 of \$229,173. Additionally, this benefit will have a sustained
11 impact on B2MLP’s revenue requirement for periods beyond 2021 where the Revenue Cap
12 IR mechanism is used to set rates (i.e. up until the next rebasing year).

OEB STAFF QUESTION #3

Reference:

Exhibit A/Tab 4/Schedule 1, page 8 of 8

Question:

B2M LP notes that OEB approved a regulatory asset (forgone revenue) balance of \$55,504 (credit to customers) in its Decision on EB-2019-0178.

Please clarify the status/outlook of this balance and how B2M LP proposes to dispose of it. Please also clarify how, if at all, the disposition of the balance was impacted by the OEB's 2020 UTR Decision (EB-2020-0180) which determined that approved interim 2020 UTRs would remain in place for the remainder of 2020?

Please also confirm the status/outlook of the associated Forgone Revenue Deferral Account.

- As context:

- OEB staff notes that the OEB's Revenue Requirement and Charge Determinant Order on EB-2019-0178 provided that B2M LP's Forgone Revenue Deferral Account will be discontinued after the disposition of the balance in the account.
- OEB staff also notes that the OEB approved the continued use of Account 1508, Other Regulatory Assets – Sub Account - Foregone Transmission Revenue Deferral Account, for B2M LP in its Decision on 2020 UTRs.

Response:

As mentioned above, B2MLP has a \$55,504 regulatory liability owing to customers as a result of a prior year foregone revenue over-recovery. The 2020 UTRs were not updated by the OEB. Therefore, B2M has not had the opportunity to dispose of the \$55,504 balance. Consequently, B2MLP anticipates that when it files its 2020 foregone revenue amounts at the time of the 2021 UTR rate-setting process, it will also include this refund to customers in that amount.

The OEB's Revenue Requirement and Charge Determinant Order on EB-2019-0178 which provided that B2MLP's Forgone Revenue Deferral Account would be

1 discontinued after disposition of the balance was provided prior to the OEB's decision
2 that the 2020 UTR's would not be updated. This decision could not have been anticipated
3 at the time the OEB provided its decision on B2MLP's 2020 revenue requirement. As
4 such this has effectively created additional foregone revenue for B2MLP.

5
6 The OEB's July 31, 2020 UTR Decision (EB-2020-0180) stated that the 2020 Ontario
7 Uniform Transmission Rates Schedule, approved on an interim basis for January 1, 2020
8 would remain in place on an interim basis for the remainder of 2020. As such, the
9 revenue requirement that is being collected under the interim 2020 UTR for B2MLP does
10 not include any foregone revenue amounts for 2020.

11
12 B2MLP will continue to maintain the OEB approved pre-2020 forgone revenue balance
13 until a decision is rendered by the Board during the 2021 UTR rate-setting process and
14 UTR rates are updated. B2MLP anticipates that process will also accommodate 2020
15 foregone revenue amounts.

16
17 Consequently, B2MLP anticipates that it will file for recovery of the foregone revenue
18 amount associated with the OEB approved B2MLP 2020 revenue requirement of
19 \$33,192,514 as shown in Table 2 of the 2020 UTR Decision (EB-2020-0180), in addition
20 to the regulatory deferral account liability described above.

OEB STAFF QUESTION #4

Reference:

Exhibit A/Tab 4/Schedule 1, pages 2 through 7 of 8

- **Table 1** - 2021 Custom Revenue Cap Index (RCI) by Component (%) (page 3)
- **Table 2** - 2021 Base Revenue Requirement (page 4)
- **Table 3** - 2021 Rates Revenue Requirement by Rate Pool (page 5)
- **Table 4** - Estimated Transmission Cost as a Percentage of Total Electricity Market Costs (page 6)
- **Table 5** - Average Bill Impacts on Transmission and Distribution-Connected Customers (page 6)
- **Table 6** - 2021 Total Bill Impacts for Distribution-Connected Customers (page 7)

Question:

B2M LP notes that at the time of filing its Application, the OEB had not yet released the inflation factor applicable for revenue requirement applications beginning January 1, 2021. B2M LP states that it will file an update to the revenue requirement calculation for 2021 rates once that inflation factor is released.

Please confirm that B2M LP will also update Tables 1 through 6 referenced above once the new inflation factor is released.

Response:

Confirmed. B2M LP notes that Table 4 - Estimated Transmission Cost as a Percentage of Total Electricity Market Costs - will not require an update as it is not impacted by any changes to the inflation factor.