



Ontario
Energy
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BY E-MAIL

November 3, 2020

Eryn MacKinnon
Senior Regulatory Coordinator
Hydro One Networks Inc.
483 Bay Street, 7th Floor South Tower
Toronto ON M5G 2P5
regulatory@HydroOne.com

Dear Ms. Mackinnon:

**Re: Supplementary OEB Staff Questions
B2M Limited Partnership
Application for 2021 Transmission Rates
Ontario Energy Board File Number: EB-2020-0226**

Further to your responses to OEB staff questions received on October 23, 2020, OEB staff requires additional clarification on your application and has prepared the attached supplementary questions for you. Your responses will help OEB staff to further process your application.

OEB staff would appreciate your responses by November 10, 2020. This letter, the supplementary questions and your responses will be included as part of the record of this proceeding.

Please direct any questions relating to this application to the Case Manager, Andrew Pietrewicz, Project Advisor, at 416-440-7642 or Andrew.Pietrewicz@oeb.ca.

Yours truly,

Original signed by
Andrew Pietrewicz



Supplementary OEB Staff Questions

B2M Limited Partnership

Application for 2021 Transmission Rates

EB-2020-0226

November 3, 2020

Question 5

Reference: B2MLP reply to OEB Staff Questions, response to question #2, pages 1 – 3.

Preamble: B2MLP proposes an updated weighted average long-term debt rate of 2.34%, which is used to adjust the 2020 starting Revenue Requirement on which B2MLP's 2021 Base Revenue Requirement is calculated. The rate represents the weighted average rate of debt that was refinanced in 2020 – it is not blended with any long-term debt costs from prior periods.

OEB staff notes that in its reply to OEB staff questions¹, NRLP - which like B2MLP, is also incorporating a one-time update to its long-term debt into its 2021 transmission rates application – has proposed a weighted average of NRLP's previously approved deemed long-term debt rate of 3.05% (for four months) and NRLP's refinanced debt rate of 2.34% (for 8 months). Please see NRLP's full response to OEB staff question #2 attached at Appendix A for reference.

In this regard, OEB staff notes a seeming difference in the approach taken by B2MLP to that taken by NRLP (both affiliates of Hydro One and both having the same refinanced long-term debt rates effective April 30, 2020) with respect to adjusting the long-term cost of debt for 2021-2024 to reflect the actual market rate achieved on the long-term debt issued in 2020. NRLP has proposed a weighted average of its new debt and previous debt, B2MLP has proposed a weighted average of its new debt only.

Question:

- a. Please explain why the approach taken by B2MLP to determine its updated long-term debt rate differs from that used by NRLP and, if applicable, why this different approach is appropriate.
- b. Please provide Table 1 (or an adapted version of it if more practical) from B2MLP's October 23, 2020 reply to OEB staff question #2 in the form of a live, workable Microsoft Excel spreadsheet.

¹ Niagara Reinforcement Limited Partnership EB-2020-0225, Reply to OEB staff questions, October 23, 2020.

Question 6

Reference: B2MLP reply to OEB Staff Questions, response to question #2, page 2, Table 1.

Question: OEB staff was unable to replicate the \$679,364 value at the reference above (“long-term debt rate adjustment for 2021 revenue requirement calculation [...]”). Please provide the numbers and calculations that underlie the \$679,364 value in a spreadsheet table at a resolution that will allow OEB staff to trace the calculations. Please include the principal amount of debt and debt rates on which the long-term debt adjustment was calculated.

Attachment A:

Response provided by NRLP on October 23, 2020 to OEB staff Question #2 in the matter of NRLP's 2021 transmission rates application (EB-2020-0225)

OEB STAFF QUESTION #2

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Reference:

Exhibit A/Tab 3/Schedule 1, page 2 of 2, Table 1 - Adjusted Weighted Average of Long Term Debt Rate;

Exhibit A/Tab 4/Schedule 1, page 4 of 9, Table 2 – 2021 Base Revenue Requirement

Question:

Please further clarify how NRLP’s debt refinancing in 2020 results in the revenue requirement proposed by NRLP for 2021 and how it results in a reduction of \$311,396 compared to NRLP’s approved 2020 revenue requirement.

Response:

In responding to this question, NRLP has recognized that there are minor typos in Table 2 of Exhibit A, Tab 4, Schedule 1 that require correction.

Specifically, the long-term debt rate adjustment for the 2021 revenue requirement calculation should be \$311,393 not \$311,396. This results in an immaterial change to the adjusted 2020 base revenue requirement of \$3, and should read as \$8,350,774 not \$8,350,771. Lastly, the RCI is currently displayed as 1.03%¹ in the table and should actually be expressed as 1.003 for the purposes of the calculation. The typos are limited to this Table and do not impact any other component of the Application. An update to this Table is provided below identifying the rows that have been modified and will also be updated in the Application and Evidence.

¹ Should be 0.03%

Table 2 – 2021 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2020	OEB-approved revenue requirement	\$8,662,167 ²
	Less: long-term debt rate adjustment for 2021 revenue requirement calculation	\$311,393
2020	Base reset for reduction in long-term debt rate ³ (impact of long-term debt rate being updated for 2021 to 2024)	\$8,350,774 ⁴
2021	2020 Base Revenue Requirement x RCI* = \$8,350,774 x 1.003	\$8,375,826

* RCI from Table 1.

With respect to the question posed, as discussed at Exhibit A, Tab 3, Schedule 1, Page 2, at the time of filing NRLP’s initial revenue requirement application reviewed under docket EB-2018-0275, NRLP did not have any actual existing debt at third-party market rates. Thus, NRLP used the OEB’s deemed long-term debt rate for debt up to April 29, 2020, and a forecast of the debt refinancing scheduled for April 30, 2020.

Given the aforementioned, NRLP had forecast a weighted average cost of long-term debt of 3.05% for 2020 which was agreed to by all parties in the Settlement Agreement⁵. It was also agreed by all parties that NRLP will use a forecast amount for 2020 and then incorporate any changes resulting from the refinancing of the debt into its revenue requirement update for 2021⁶. The OEB directed the same as part of its decision and order⁷.

After refinancing of the debt, an updated weighted average LTD rate for 2020 was calculated using the rates included in the new financing. This calculation reduced the previously approved cost of long-term debt from 3.05% to 2.58%. The calculation supporting the updated weighted average LTD rate for 2020 is provided at Exhibit A, Tab 3, Schedule 1, page 2 of 2, Table 1. For clarity, the calculation for the weighted average long-term debt rate for 2020 is detailed below:

² OEB-Approved 2020 Base Revenue Requirement utilizing deemed LTD rate of 3.05%

³ Refer to Exhibit A, Tab 3, Schedule 1, and Exhibit A, Tab 3, Schedule 1, Attachment 1 for the calculation of the 2021 LTD rate.

⁴ Adjusted 2020 Base Revenue Requirement utilizing weighted average LTD rate of 2.58% as described in Exhibit A, Tab 3, Schedule 1.

⁵ EB-2018-0275 – Exhibit J, Tab 1, Schedule 1 – Page 26 of 33 – Filed March 6, 2020

⁶ Ibid – Page 7 of 33 – Filed March 6, 2020

⁷ EB-2018-0275 - Decision and Order - Page 4 – Issued April 9, 2020

1 (OEB-deemed LTD rate x months of year + refinanced LTD rate x months
2 of year) / 12 months = weighted average long-term debt rate for 2020.

3
4 $(3.05\% \times 4 \text{ months}^8 + 2.34\% \times 8 \text{ months}) / 12 \text{ months} = 2.58\%$

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6 As described in Exhibit A, Tab 4, Schedule 1, Table 2, the updated weighted average LTD
7 rate for 2020 of 2.58% results in an adjustment that reduces the 2020 base revenue
8 requirement by \$311,393. The adjusted base revenue requirement for 2020 is \$8,350,774.
9 This base revenue requirement is the starting point to formulaically apply the RCI for 2021
10 and in each subsequent year through to 2024.

11
12 As described in Exhibit A, Tab 4, Schedule 1, Table 2, applying the NRLP specific RCI of
13 1.003 to the adjusted base revenue requirement for 2020 of \$8,350,774, results in 2021
14 base revenue requirement of \$8,375,826 for 2021.

⁸ NRLP used the OEB's deemed long-term debt rate for debt up to April 29, 2020