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BY EMAIL AND RESS

November 6, 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 Supplementary Questions - Responses

Hydro One Networks Inc. on behalf of B2M Limited Partnership (“B2M LP”), is submitting responses to the Ontario Energy Board (“OEB”) staff supplementary questions received November 3, 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 black ink, appearing to read "Joanne Richardson".

Joanne Richardson

cc. Andrew Pietrewicz

1 **SUPPLEMENTARY OEB STAFF QUESTIONS #5**
2

3 **Reference:**

4 B2MLP reply to OEB Staff Questions, response to question #2, pages 1 – 3.
5

6 **Preamble:**

7 B2MLP proposes an updated weighted average long-term debt rate of 2.34%, which is used
8 to adjust the 2020 starting Revenue Requirement on which B2MLP’s 2021 Base Revenue
9 Requirement is calculated. The rate represents the weighted average rate of debt that was
10 refinanced in 2020 – it is not blended with any long-term debt costs from prior periods.
11

12 OEB staff notes that in its reply to OEB staff questions¹, NRLP - which like B2MLP, is
13 also incorporating a one-time update to its long-term debt into its 2021 transmission rates
14 application – has proposed a weighted average of NRLP’s previously approved deemed
15 long-term debt rate of 3.05% (for four months) and NRLP’s refinanced debt rate of 2.34%
16 (for 8 months). Please see NRLP’s full response to OEB staff question #2 attached at
17 Appendix A for reference.
18

19 In this regard, OEB staff notes a seeming difference in the approach taken by B2MLP to
20 that taken by NRLP (both affiliates of Hydro One and both having the same refinanced
21 long-term debt rates effective April 30, 2020) with respect to adjusting the long-term cost
22 of debt for 2021-2024 to reflect the actual market rate achieved on the long-term debt
23 issued in 2020. NRLP has proposed a weighted average of its new debt and previous debt,
24 B2MLP has proposed a weighted average of its new debt only.
25

26 **Question:**

- 27 a) Please explain why the approach taken by B2MLP to determine its updated long-term
28 debt rate differs from that used by NRLP and, if applicable, why this different approach
29 is appropriate.
30
- 31 b) Please provide Table 1 (or an adapted version of it if more practical) from B2MLP’s
32 October 23, 2020 reply to OEB staff question #2 in the form of a live, workable
33 Microsoft Excel spreadsheet.

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

1 **Response:**

2 a) B2MLP is a separate regulated entity, with a different ownership interests (i.e. LP
3 parties) and a different ownership structure. B2MLP and NRLP are operated and
4 managed, as much as possible, at arm's length from each other by Hydro One and in
5 accordance with the OEB's ARC and other operational regulation (e.g. IESO, NPCC
6 etc.).

7
8 B2MLP has used the approach outlined in the B2MLP's October 23, 2020 reply to
9 OEB staff question #2 as to how it determined its long-term debt rate, as it maintains
10 this rate is the most appropriate. The approach B2MLP has proposed, reflects B2MLP's
11 actual weighted long-term date rate it will incur throughout all of the 2021 revenue
12 requirement year and the balance of the OEB-approved RCI duration (i.e. up to 2024).
13 This approach also happens to be the least cost option to ratepayers, of the two
14 alternatives outlined, and would produce sustainable future benefits to ratepayers in
15 each subsequent year through to 2024, relative to the other alternative.

16
17 The rationale provided by NRLP to determine its approach should be adjudicated on
18 the merits of its stand-alone rationale and circumstances, and not leveraged to B2MLP,
19 another separate regulated entity whose previous OEB-approved revenue requirement
20 decision pertains only to B2MLP.

21
22 For more information on the rationale used by NRLP, please refer to the responses
23 provided in NRLP's EB-2020-0225 application materials.

24
25 b) B2MLP submits that the updated long term debt rate is most appropriate as discussed
26 in part a) above.

27
28 Table 1 below illustrates the difference in revenue requirement using the updated LTD
29 rate of 2.34% (as filed) versus the blended rate of 2.43%. The results indicate that
30 either alternative provides a reduction in the 2020 adjusted base revenue requirement
31 and corresponding 2021 base revenue requirement after applying the utility-specific
32 RCI. A live excel spreadsheet is provided as Attachment 1.

Year	Formula	Base Revenue Requirement	Base Revenue Requirement
		(Rate using the Refinanced Long-Term Debt) ^[1]	(Rate using the 2020 Weighted Average Long-Term Debt Rate)
2020	OEB-Approved Base Revenue Requirement ^[2]	33,248,018	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)	
	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%	32,959,478	33,188,649
	Difference		(229,172)
	[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.		

1

1 **SUPPLEMENTARY OEB STAFF QUESTIONS #6**
2

3 **Reference:**

4 B2MLP reply to OEB Staff Questions, response to question #2, page 2, Table 1.
5

6 **Question:**

7 OEB staff was unable to replicate the \$679,364 value at the reference above (“long-term
8 debt rate adjustment for 2021 revenue requirement calculation [...]”). Please provide the
9 numbers and calculations that underlie the \$679,364 value in a spreadsheet table at a
10 resolution that will allow OEB staff to trace the calculations. Please include the principal
11 amount of debt and debt rates on which the long-term debt adjustment was calculated.
12

13 **Response:**

14 Please refer to Attachment 1 of B2MLP’s OEB Staff Questions Response #5 for a live
15 working excel model. It will allow OEB Staff to track the calculation referenced above.