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BY EMAIL AND RESS

September 9, 2024

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

Dear Ms. Marconi,

EB-2024-0116 – B2M Limited Partnership ("B2M LP") – 2025-2029 Transmission Revenue Requirement – Interrogatory Responses

In accordance with Procedural Order No.1 issued on July 12, 2024, please find attached an electronic copy of interrogatory responses provided by Hydro One Networks Inc. on behalf of B2M LP.

Interrogatory responses have been assigned Exhibit I and have been addressed in the following order:

Exhibit	Tab	Intervenor
I	1	OEB Staff
I	2	School Energy Coalition
I	3	Association of Major Power Consumers in Ontario

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

Sincerely,

Kathleen Burke

OEB STAFF INTERROGATORY - 01

Reference:
Exhibit A-4-1, Page 1

Preamble:
In the reference above, OEB staff notes that B2M LP proposes to set its revenue requirements for a five-year period using a forecast of OM&A and capital (including tax) costs for each of the five years. Customer protection mechanisms such as an earnings sharing mechanism (ESM) and off-ramps are proposed. No productivity mechanism appears to have been proposed.

OEB staff notes that, in Chapter 3 of the *Filing Requirements For Electricity Distribution* Rate Applications, for the Price Cap Incentive Rate-setting (IR) and Annual IR index rate-setting options, a regulatory review may be triggered if earnings are outside of a dead band of +/- 300 basis points from the OEB-approved return on equity (ROE).

Since B2M LP proposes not to use any type of incentive rate-setting option to set its revenue requirements, annual check-ins and updates to set the revenue requirements for 2026-2029 will not be required if the proposal is approved as filed.

Interrogatory:
Please discuss how an off-ramp mechanism would be monitored and reported to the OEB, in the absence of annual check-ins and updates.

Response:
B2M LP will continue to report ROE to the OEB as part of its annual RRR filings. As a result, the OEB will continue to have the visibility that it currently has such that the OEB can trigger a regulatory review if necessary.

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OEB STAFF INTERROGATORY - 02

Reference:

Exhibit A-4-1, Page 1

Preamble:

In the reference above, B2M LP states that it understands that electricity transmitters are required to choose either Custom IR or a Revenue Cap IR to set revenue requirements.

However, in the current application, B2M LP proposes to set its revenue requirements for a five-year period using a forecast of operating, maintenance and administrative expenses (OM&A) and capital (including tax) costs for each of the five years, which deviates from the Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications.

B2M LP states that its proposal has a number of benefits including:

i. it considers the appropriate framework for single-asset utilities with a declining rate base, providing transparency to ratepayers and lower potential for overearning than a revenue cap index framework, especially in the later years of a rate period; and

ii. it provides appropriate protection for ratepayers and does not disincentivize productivity.

The OEB's Renewed Regulatory Framework (RRF) is intended to move the focus from move the focus from costs and cost recovery to focus on long-term value for money.

Interrogatory:

a) Please confirm that B2M LP's proposed methodology on setting revenue requirements is a five-year annual cost-of-service method. And if not, what is the difference between a five-year annual cost-of-service method and the B2M LP proposal.

b) OEB staff notes that the risk of overearning using a revenue cap index framework may be mitigated by effectively calibrating the formula components. Please comment on whether B2M LP considered such an approach. If so, please provide details on the considered revenue cap index framework (productivity factor, stretch factor and any additional adjustment factors).

Response:

a) B2M LP's proposed methodology is not a traditional cost-of-service methodology. The following features differentiate B2M LP's proposed methodology:

- B2M LP has proposed a five-year term consistent with RRF rate-setting plans. Traditional cost-of-service applications set the revenue requirement for a term of one or two years;

- B2M LP has proposed an Earning Sharing Mechanism consistent with RRF rate-setting and which mitigates the potential for any significant overearning by the transmitter; and

- B2M LP has proposed to set the cost of capital for every year based on the OEB's 2025 cost of capital parameters, with a one-time update in 2025 to update for cost of long-term debt. Traditional cost-of-service applications allowed the cost of capital parameters to be updated more frequently.

b) B2M LP is currently operating under a Revenue Cap Index (2020-2024 rate period). In preparing the Application, B2M LP considered whether to file a rebasing application using the Revenue Cap Index framework. However, as set out in Exhibit A-04-01, B2M LP concluded that the methodology being proposed was the most appropriate.

The primary conclusion was that the characteristics which make the Revenue Cap framework an appropriate option for integrated utilities are not present for single asset utilities like B2M LP. These characteristics include:

- Declining rate base with no capital in-service additions;

- Maintenance work requirements are variable and do not follow a steady profile year-over-year;

- There are few, if any, opportunities to unilaterally achieve productivity improvements from internal operations; and

- Income taxes have a very different payment lifecycle.

Given the above-noted characteristics, B2M LP confirms its view that its proposed revenue setting proposal is more appropriate for all stakeholders.

OEB STAFF INTERROGATORY - 03

Reference:
Exhibit A-4-1, Page 1

Preamble:
In the reference above, B2M LP proposes to set its revenue requirement for a five-year period using a forecast of OM&A and capital (including tax) costs for each of the five years.

B2M LP has suggested that the OEB's Handbook for Utility Rate Applications provides that electricity transmitters are to choose either Custom IR or a Revenue Cap IR. B2M LP further asserts that the RRF was not conceived for a single-asset utility such as B2M LP.

B2M LP believes that its proposal has a number of benefits:

- it considers the appropriate framework for single-asset utilities with a declining rate base, providing transparency to ratepayers and lower potential for overearning than a revenue cap index framework, especially in the later years of a rate period; and

- it provides appropriate protection for ratepayers and does not disincentivize productivity.

Interrogatory:
a) Please provide an annual quantitative analysis for the rate term including the OM&A, depreciation, taxes, rate base, return on equity, short-term debt and long-term debt, comparing the proposed revenue requirement model with the current OEB-approved B2M LP model as well as the current OEB-approved NRLP model showing how the proposed model is beneficial to ratepayers:

   i. please provide the results using an inflation rate of 2% as shown in the application and another calculation using the 2025 OEB inflation rate of 3.7%; and

   ii. please provide the impact over the 5-year rate term as well as on an annual basis.

b) Please provide a quantitative analysis on how the use of the proposed revenue requirement model will impact shareholders over the 5-year period, and what the estimated earnings would be on an annual basis when compared with the current OEB-approved B2M LP model as well as the current OEB-approved NRLP model:

i. please provide the results using an inflation rate of 2% as shown in the application and another calculation using the 2025 OEB inflation rate of 3.7%;

ii. please provide the estimated ESM deferral account balance for each year of the 5-year period; and

iii. please provide the estimated ROE for each year of the 5-year period.

c) Please indicate if an alternative Custom IR formula was considered to align with the RRF requirements:

i. if yes, please indicate the alternative formula that was considered and why it was not proposed; and

ii. if no, please indicate why an alternative that aligns with the RRF was not considered before developing the proposed revenue requirement model.

d) Please quantify how the B2M LP proposal incentivizes productivity.

e) The B2M LP proposal includes an ESM and off-ramps which are typical features for transmitter applications. Please identify all features of the B2M LP proposal that provides for ratepayer protection.

<u>Response:</u>

a)

i.

Scenario 1 - Previously Approved B2M - RCI = 2% - X - SCAF

	2025	**2026**	**2027**	**2028**	**2029**	**Total**
Proposed Revenue Requirement (A)	**38.7**	**38.4**	**39.5**	**39.4**	**37.7**	**193.7**
Components						
OM&A	3.1	3.2	3.2	3.3	3.3	16.1
Depreciation	7.3	7.4	7.5	7.6	7.7	37.5
Return on Debt	9.0	9.1	9.2	9.3	9.5	46.1
Return on Equity	16.8	17.0	17.2	17.5	17.7	86.1
Income Taxes	2.6	2.7	2.7	2.7	2.8	13.5
Total Revenue Requirement (B)	**38.7**	**39.3**	**39.8**	**40.4**	**41.0**	**199.2**
Variance (A-B)	0.0	(0.9)	(0.4)	(1.0)	(3.2)	(5.5)

Scenario 2 - Previously Approved B2M - RCI = 3.7% - X - SCAF

	2025	**2026**	**2027**	**2028**	**2029**	**Total**
Proposed Revenue Requirement (A)	**38.7**	**38.4**	**39.5**	**39.4**	**37.7**	**193.7**
Components						
OM&A	3.1	3.2	3.3	3.4	3.5	16.5
Depreciation	7.3	7.5	7.7	8.0	8.2	38.7
Return on Debt	8.96	9.2	9.5	9.8	10.1	47.6
Return on Equity	16.8	17.3	17.8	18.4	18.9	89.2
Income Taxes	2.6	2.7	2.8	2.9	3.0	14.0
Total Revenue Requirement (B)	**38.7**	**39.9**	**41.1**	**42.5**	**43.8**	**206.0**
Variance (A-B)	0.0	(1.6)	(1.7)	(3.1)	(6.0)	(12.4)

Scenario 3 - Previously Approved NRLP - RCI = 2.0% * 50% - X - SCAF

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	**38.7**	**38.4**	**39.5**	**39.4**	**37.7**	**193.7**
Components						
OM&A	3.1	3.1	3.2	3.2	3.2	15.8
Depreciation	7.3	7.3	7.3	7.4	7.4	36.7
Return on Debt	9.0	9.0	9.0	9.1	9.1	45.2
Return on Equity	16.8	16.8	16.9	17.0	17.0	84.5
Income Taxes	2.6	2.6	2.6	2.6	2.7	13.1
Total Revenue Requirement (B)	**38.7**	**38.9**	**39.1**	**39.2**	**39.4**	**195.3**
Variance (A-B)	0.0	(0.5)	0.4	0.2	(1.6)	(1.9)

Scenario 4 - Previously Approved NRLP - RCI = 3.7% * 50% - X - SCAF

	2025	2026	2027	2028	2029	Total
Proposed Revenue Requirement (A)	**38.7**	**38.4**	**39.5**	**39.4**	**37.7**	**193.7**
Components						
OM&A	3.1	3.2	3.2	3.2	3.3	16.0
Depreciation	7.3	7.4	7.5	7.6	7.7	37.5
Return on Debt	8.96	9.1	9.2	9.3	9.4	46.0
Return on Equity	16.8	17.0	17.2	17.4	17.6	86.0
Income Taxes	2.6	2.7	2.7	2.7	2.8	13.5
Total Revenue Requirement (B)	**38.7**	**39.2**	**39.7**	**40.2**	**40.7**	**198.5**
Variance (A-B)	0.0	(0.8)	(0.3)	(0.9)	(3.0)	(5.0)

b)

Proposed Revenue Requirement Model

	2025	2026	2027	2028	2029
Proposed Revenue Requirement	38.7	38.4	39.5	39.4	37.7
Net Income	16.8	16.5	16.2	15.9	15.7
Estimated ESM	0.0	0.0	0.0	0.0	0.0
Achieved ROE	9.21%	9.21%	9.21%	9.21%	9.21%

Scenario 1 - Previously Approved B2M - RCI = 2% - X - SCAF

	2025	2026	2027	2028	2029
Total Revenue Requirement	38.7	39.3	39.8	40.4	41.0
Net Income	16.8	17.2	16.5	16.8	18.3
Estimated ESM	0.0	0.0	0.0	0.0	0.13
Achieved ROE	9.21%	9.62%	9.26%	9.44%	10.36%

Scenario 2 - Previously Approved B2M - RCI = 3.7% - X - SCAF

	2025	2026	2027	2028	2029
Total Revenue Requirement	38.7	39.9	41.2	42.5	43.8
Net Income	16.8	17.8	17.6	18.5	20.6
Estimated ESM	0.0	0.0	0.0	0.0	1.02
Achieved ROE	9.21%	9.86%	9.75%	10.20%	11.41%

Previously Approved NRLP - RCI = 2.0% * 50% - X - SCAF

	2025	2026	2027	2028	2029
Total Revenue Requirement	38.7	38.9	39.1	39.2	39.4
Net Income	16.8	16.9	15.9	15.8	17.0
Estimated ESM	0.0	0.0	0.0	0.0	0.0
Achieved ROE	9.21%	9.49%	8.98%	9.01%	9.77%

Scenario 4 - Previously Approved NRLP - RCI = 3.7% * 50% - X - SCAF

	2025	2026	2027	2028	2029
Total Revenue Requirement	38.7	39.2	39.7	40.2	40.7
Net Income	16.8	17.2	16.4	16.7	18.1
Estimated ESM	0.0	0.0	0.0	0.0	0.05
Achieved ROE	9.21%	9.60%	9.22%	9.38%	10.27%

c) For clarity, B2M LP does not consider its proposed revenue requirement framework to be a Custom IR framework. B2M LP did consider utilizing a Revenue Cap framework again; please see Interrogatory I-01-02 b). B2M LP did not consider proposing a Custom IR framework because it would be challenging and expensive for B2M LP to meet the minimum standards for a Custom IR framework.[1]

d) As set out in Exhibit A-04-01, the proposed approach does not disincentivize productivity. B2M LP has few, if any opportunities to unilaterally achieve productivity improvement regardless of the revenue requirement framework under which it is operating.

e) The following features provide protection for ratepayers:

- Earnings Sharing Mechanism: Although significant overearning is not expected, B2M LP proposes to share, with customers, 50% of any earnings that exceed the OEB-allowed regulatory return on equity (ROE) by more than 100 basis points in any year of the five-year term.

- Off-ramps: B2M LP proposes to apply the OEB's existing off-ramp mechanism, a trigger mechanism with an annual return on equity dead band of plus or minus 300 basis points, at which point a regulatory review of the revenue requirement arising from B2M LP's five-year Application may be initiated.

- Performance metrics: As detailed in Exhibit D-01-01, B2M LP is proposing several performance measures which align with RRF outcomes. These measures protect customers by providing transparency in respect of the performance of B2M LP's assets. They allow for verification that the assets are operated within the expected parameters and continue to serve the electricity consumers of Ontario effectively.

[1] These standards are summarized in the OEB's Handbook to Utility Rates Applications pages 25-28.

OEB STAFF INTERROGATORY - 04

Reference:

1. Exhibit A-3-1, Page 2
2. Exhibit A-3-1, Page 10
3. Exhibit F-2-1, Pages 4 & 5

Preamble:

In the first reference above, B2M LP states that throughout 2020 to 2024, and over the 2025-2029 test period, it faces increased maintenance costs related to repair of spacer dampers which was initiated in 2020 and will be completed in 2029. B2M LP has been expensing such costs, rather than capitalizing.

In the second reference above, B2M LP states that, in 2019, insulator strings were identified on the older section of line that B2M LP owned as having an elevated risk of failure. These were replaced between 2020 and 2022 resulting in total in-service capital asset additions of $2.7 million.

In the third reference above, B2M LP states that in late 2019, a failure occurred due to broken conductors, which caused a significant outage impacting Bruce Power. This was due to a defective spacer damper. Upon conducting Detailed Helicopter Inspections (DHI) it was observed that many other spacer dampers had similar issues. To ensure reliability and prevent further conductor failures, B2M LP is continuing the unplanned maintenance program until 2029. This program consists of the annual DHIs supplementing thermosvision helicopter patrols to identify high risk line defects requiring immediate mitigation, and prioritization of other defects requiring mitigation within the next 12 months; and specifically identifying spacer dampers requiring repairs over the next 12 months and completing work in a cost-effective manner. B2M LP states that the spacer damper replacement program is expected to cost $1.2 million annually for the 2025 to 2029 rate period.

Interrogatory:

a) Please provide the actual annual amounts spent between 2020 and 2023, and annual amount expected to be spent in 2024, on the spacer damper repairment project.

b) Please confirm the spacer damper repairment costs have been recognized as a part of the Service Level Agreement (SLA) costs, under the maintenance expense (as a part of the OM&A), rather than capitalizing the costs. Please provide the reasons if the costs are capitalized.

c) Comparing the insulator replacement project with the spacer damper repairment project, in terms of costs and project time duration, please provide reasonings on the different accounting treatments on the two projects, whether it is a betterment (which is to capitalize) or a repair (which is to expense), respectively.

d) Please illustrate the expected service life / useful life of a spacer damper. Please illustrate any efficiency and benefit expected by spreading out the spacer damper repairment project in 10 years i.e. between 2020 and 2029, especially if the spacer damper useful life is shorter than 10 years.

Response:

a) Please find the annual amounts in the table below:

Year	2020	2021	2022	2023	2024
	Actual	Actual	Actual	Actual	Forecast
Spacer Damper Expenses	$1.32M	$0.75M	$0.43M	$0.35M	$1.06M

b) Spacer damper repair costs have been recognized as a maintenance expense (OM&A).

c) Insulator replacement is a refurbishment activity that replaces a significant component and extends the service life of the asset resulting in the costs being capitalized. The spacer damper repairs maintain the service life of the asset resulting in the costs being expensed.

d) Spacer dampers are expected to last for the lifetime of the conductor. The repair work undertaken is spread out over 10 years (to be completed in 2029) due to outage and resource limitations. The repair strategy was developed to minimize disruptions to landowners, and is the most efficient from a time, cost and labour perspective. Further information can be found in Interrogatory I-01-11.

OEB STAFF INTERROGATORY - 05

Reference:

1. Exhibit A-3-1, Pages 4 & 8
2. Exhibit F-2-1, Page 3

Preamble:

In the first reference above, B2M LP states that its management and work programs are provided by an SLA with HONI, resulting in minimal overhead as well as qualified and flexible resources when needed, allowing B2M LP to remain cost efficient.

In the first reference above, B2M LP proposes a general 2% inflation in its OM&A budgets.

In the second reference above, the OEB staff notes the total SLA costs consist of:

i. Maintenance expenses;

ii. Shared asset allocation; and

iii. Administrative and corporate expenses.

Interrogatory:

a) Please confirm whether the 2% general inflation assumption is applied to calculate each category of the SLA costs in 2025-2029, and if this inflation assumption is in alignment with the SLA costs calculation approach which HONI has used in determining the 2025-2029 SLA charges to B2M LP.

b) If an alternative SLA cost assumption exists, please provide details of the assumptions, and how the inflationary consideration is being built into the 2025-2029 SLA charges to B2M LP.

c) Other than the inflationary consideration in the SLA charge determination, have HONI and B2M LP identified any efficiency and productivity improvements which would offset inflationary pressure on SLA charges over 2025-2029.

Response:

a) Most OM&A expenditures, including Maintenance expenses from HONI were subject, to a general 2% inflation rate when forecasting future costs.

Administrative and Corporate expenses use specific inflation percentages where applicable but otherwise include a general 2% inflation. Certain costs under Managing Directors office, and other admin are not inflated in the final two years. B2M will manage any variances that arise. Shared asset allocation is not inflated as it is based on a fixed payment schedule. Shared asset allocation is not inflated as it is based on a fixed payment schedule.

b) There were no alternative cost assumptions for the components of the SLA costs.

c) B2M LP's Maintenance expenses are estimated by HONI as part of the planning service that HONI provides. All reasonable attempts are made to coordinate as efficiently as possible when it comes to crew and outage planning. Those costs are provided on a cost basis with no additional margin. Doing otherwise would be a violation of the Affiliate Relationships Code. Beyond that, B2M LP has no ability to independently derive additional efficiencies from the costs.

OEB STAFF INTERROGATORY - 06

Reference:
Exhibit A-3-1, Page 2

Preamble:
In the reference above, with respect to B2M LP'S right-of-way vegetation maintenance program, B2M LP states it expects an increase in forestry expense during certain test years with greater work volumes.

Interrogatory:

a) Please provide, in dollar figures, the annual right-of-way vegetation maintenance program expense budget, between 2024 and 2029.

b) What is the basis of B2M LP'S cost estimates for the right-of-way vegetation maintenance program between 2024 and 2029?

c) Please provide the actual timeline of the right-of-way vegetation maintenance activities between 2020 and 2023, and the actual annual costs.

d) Please clarify if the 2025-2029 forestry expense increase is mainly due to greater work volumes, or if other cost pressures are also present, such as material and supply inflation, labor cost increase, and so on.

e) What percentage of B2M LP'S total 2025-2029 proposed OM&A is for the right-of-way vegetation maintenance program costs?

f) Please comment if any efficiency opportunities have been explored to lower the future right-of-way vegetation maintenance program costs.

Response:

a) Please see Interrogatory I-03-04.

b) B2M LP's forecast costs are based on the cost projections from current programs adjusted for specific projects coming due for each year, and historical costs for these specific projects.

c) Please refer to Interrogatory I-03-04 that specifies the vegetation management activities and the actual spend for each activity completed from 2020 to 2023.

d) Three main factors are contributing to higher vegetation maintenance costs for 2025 to 2029:

- All right-of-way projects for B2M LP are due for their 6-year cyclic Line Clearing and Brush Control activities between 2024 and 2029.

- Increase in the contract fees paid by HONI to carry out vegetation management work.

- Other cost pressures such as the cost of herbicide, which is an oil based product, fluctuates with the price of oil, and has increased over the past few years.

e) The percentage of B2M LP'S total 2025-2029 proposed OM&A that is for the right-of-way vegetation maintenance

2025	**2026**	**2027**	**2028**	**2029**
29.8%	6.3%	50.9%	54.2%	1.0%

f) The right-of-way vegetation management work is optimized per location and for resource efficiency to keep cost per km low. B2M LP continues to utilize technology to further optimize work. B2M LP still requires annual vegetation patrols to meet NERC requirements.

OEB STAFF INTERROGATORY - 07

Reference:
Exhibit A-3-1, Page 4

Preamble:
With respect to B2M LP'S productivity improvement, B2M LP states its main controllable costs are maintenance and a small amount of administration. These costs are a small fraction of the total costs and are significantly less than the non-controllable portions of B2M LP'S costs (cost of capital, depreciation, income tax, operations, corporate allocation). As a result, it is only in respect of a modest portion of OM&A costs that productivity can be achieved.

B2M LP also states that its SLA with HONI has minimal overhead as well as qualified and flexible resources when needed, allowing B2M LP to remain cost efficient; and the SLA integrates HONI's productivity improvements into B2M LP's maintenance operations. As a result of the above, B2M LP receives the benefit of HONI's productivity improvements in B2M LP's maintenance operations, regardless of the regulatory framework under which B2M LP operates.

Interrogatory:

a) Please provide details on how B2M LP forecasts the 2025-2029 annual SLA costs. Do these costs match HONI's SLA income forecasts for the corresponding periods?

b) The SLA covers multi-year services and only renews every a few years. During the terms of the SLAs, does B2M LP review the service offerings, and frequency of service offerings with HONI, to ensure the SLA costs maximize its intended benefits?

c) How is B2M LP ensuring that the OM&A related services provided to it by HONI are appropriate and cost effective?

d) Please provide a few recent examples on how B2M LP exercises its flexibility to add and/or remove services, and change frequency of performing services.

Responses:

a) B2M LP forecasts the 2025-2029 annual SLA costs in one of three ways: i) an allocation of corporate services costs is provided by HONI and this is used in the forecast. The costs are allocated based on the methodology approved in (EB-2021-0110) as outlined in Exhibit F-04-01 of that application, ii) HONI provides planning services to B2M LP and out of those plans come specific estimates for most field work like forestry and lines or iii) there are certain third party costs such as insurance, audit fees, OEB cost assessments and others which B2M LP uses historic experience to estimate the future cost as well as engagement with third party vendors.

The forecasted costs for B2M LP, where the services are procured from HONI, match HONI's income for the corresponding periods. Any differences are captured in HONI variance account (External Station Maintenance, E&CS revenue and Other External revenue)

b) Please see response to part c) below.

c) Services provided by HONI are compared to services provided by third party suppliers where feasible. Reviews are limited however by instances where costs are part of a larger HONI purchase and are not readily procurable in isolation or instances where there is no influence over costs (e.g., OEB Assessments and Intervenor costs).

d) B2M LP exercises its flexibility by procuring services from third parties other than HONI. For example, B2M LP has procured forestry services including brush clearing and herbicide application from First Nations service providers.

OEB STAFF INTERROGATORY - 08

Reference:
1. Exhibit A-3-1, Pages 3 - 4
2. Exhibit A-4-1, Pages 1 - 3

Preamble:
The OEB's Handbook for Utility Rate Applications establishes the expectation that utilities are to demonstrate ongoing continuous improvement in their productivity and cost performance while delivering on system reliability and quality objectives.

In the first reference above, B2M LP states it has few, if any opportunities to unilaterally achieve productivity improvements, regardless of the revenue requirement framework under which it is operating at any given time.

In the second reference above, B2M LP also states its SLA integrates HONI's productivity improvements into B2M LP's maintenance operations, regardless of the regulatory framework under which B2M LP operates.

Interrogatory:
a) Please provide a quantitative analysis of how B2M LP's SLA with HONI integrates HONI's productivity improvements into B2M LP's maintenance operations.

b) Please provide the details of how the SLA affects the management and work programs of B2M LP and costs incurred by HONI in providing these services.

   i. in the response, please provide a list of management and work programs; and

   ii. please explain the role of the SLA in each category of the management and work program listed.

Responses:

a) Productivity initiatives undertaken by HONI are embedded within the services that it performs. The productivity savings rebased in HONI's 2023-2027 Custom IR application (EB-2021-0110, Exhibit B-01-01, Section 1.4) are reflected in the overall operations of the larger program. B2M LP incrementally benefits from overall synergies through various initiatives, including:

- B2M LP's proximity to an existing HONI corridor, which allows for lesser requirements on crew member mobilization and demobilization, while also allowing for combined inspections and maintenance.

- B2M LP's inclusion in HONI's vegetation management programs, which allows the B2M LP to benefit from efficiencies and best practices as developed within the programs.

- B2M LP's access and use of HONI systems, which is more cost effective than managing the B2M LP's own and separate systems.

b) B2M LP owns the Lines portion of circuits B560V and B561M. The diversity of the asset components is low. Therefore, the planned maintenance programs contemplated in the Operations Management Agreement are focused and consist primarily of line patrols and vegetation management. Annually, HONI provides forecasts of the work to be performed within the parameters outlined in Exhibit B-01-03-01.

The Corporate Services SLA includes the administrative services required by B2M LP to be commercially successful. The categories are deliberately broad because the breadth and quantity of certain services provided often depends on the requirement at that time and will vary over time. However, the structure of the SLA allows B2M LP to handle any reasonable fluctuation in services without alterations to rates.

All maintenance program descriptions are specified in Table 4 of B2M LP's Transmission System Plan in Exhibit B-01-03 Attachment 1. HONI is required to charge all expenses on a Fully Allocated Basis. Therefore, the total cost of programs to B2M LP is the same as the total cost to HONI.

HONI generally utilizes internal resources, and equipment to complete maintenance activities for the programs listed in Table 4 of B2M LP's Transmission System Plan in Exhibit B-01-03 Attachment 1. The exception is vegetation management. HONI and B2M LP have contracted First Nations contractors to complete this work.

OEB STAFF INTERROGATORY - 09

Reference:

1. Exhibit A-6-2, Attachment 1 Page 12
2. Exhibit H-1-1, Page 6
3. Exhibit A-3-1, Page 7

Preamble:

In the first reference above, OEB staff notes the regulatory liabilities account shows a $736,000 balance as at December 31, 2023.

In the second reference above, OEB staff notes the ESM principal balance shows $732,119 as at December 31, 2023.

In the third reference above, B2M LP states its regulatory account balances are updated monthly and interest applied to the monthly opening principal balances in the accounts according to the OEB-approved rate.

Interrogatory:

a) Please confirm if the difference ($736,000 versus $732,119) is due to the 2023- year interest.

b) Please clarify how the 2023-year interest is being calculated, given the ESM balance is being calculated at year-end, while B2M LP states the interest is being calculated on monthly opening principal balances.

Responses:

a) Confirmed. The difference between the amount noted in Exhibit A-06-02, Attachment 1, Page 12 of $736,134 (rounded to $736,000) and the principal balance of $732,119 is due to the 2023 closing interest balance of $4,015.

b) Interest is calculated on monthly opening principal balances for each month in 2023. The principal balance in the account throughout 2023 was the 2022 ESM principal amount. Interest calculated on the monthly opening principal balances for each month in 2024 will be calculated on the principal balances of both the 2022 and 2023 ESM amounts. The ESM calculation is performed at year end due to the nature of the account.

OEB STAFF INTERROGATORY - 10

Reference:
Exhibit A-6-3, Page 1

Preamble:
In the reference above, B2M LP provides the 2023-year reconciliation between audited financial statements and regulatory financial statements.

Interrogatory:
Please provide such reconciliations for 2020-2022, with an explanation for each adjusted item in those years.

Responses:
Please see reconciliations for 2020-2022 at Attachments 1-3 to this response. Please see Attachment 4 to this response for the 2021 audited financial statements.

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RECONCILIATION OF REGULATORY FINANCIAL RESULTS WITH AUDITED FINANCIAL STATEMENTS (2020)

	Total per Exhibit I-01-10-04 ($K) (a)	Adjustments ($K) (b)	Utility Income ($K) (c)
Revenues			
Revenues	33,667	0	33,667
Costs			
Operation, maintenance, and administration	2,776	0	2,776
Depreciation	7,387	0	7,387
Income before financing charges and income tax expense	**23,504**	**0**	**23,504**
Financing charges[1]	6,463	1,144	7,608
Income tax expense[2]	0	809	809
Net Income	**17,041**	**(1,953)**	**15,088**

[1]Interest adjustment for deemed debt.

[2]Current tax provision for the purposes of calculating regulated ROE.

RECONCILIATION OF REGULATORY FINANCIAL RESULTS WITH AUDITED FINANCIAL STATEMENTS (2021)

	Total per Exhibit A-06-02-02 ($K) (a)	Adjustments ($K) (b)	Utility Income ($K) (c)
Revenues			
Revenues	33,702	0	33,702
Costs			
Operation, maintenance, and administration	1,984	0	1,984
Depreciation	6,901	0	6,901
Income before financing charges and income tax expense	**24,817**	**0**	**24,817**
Financing charges[1]	6,981	(137)	6,844
Income tax expense[2]	0	1,273	1,273
Net Income	**17,836**	**(1,135)**	**16,701**

[1]Interest adjustment for deemed debt.

[2]Current tax provision for the purposes of calculating regulated ROE.

RECONCILIATION OF REGULATORY FINANCIAL RESULTS WITH AUDITED FINANCIAL STATEMENTS (2022)

	Total per Exhibit A-06-02-01 ($K) (a)	Adjustments ($K) (b)	Utility Income ($K) (c)
Revenues			
Revenues[1]	35,352	75	35,427
Costs			
Operation, maintenance, and administration	1,642	0	1,642
Depreciation	6,879	0	6,879
Income before financing charges and income tax expense	**26,831**	**75**	**26,906**
Financing charges[2]	6,823	(70)	6,753
Income tax expense[3]	0	1,930	1,930
Net Income	**20,008**	**(1,785)**	**18,223**

[1] Adjustment is 2022 ESM sharing amount.

[2]Interest adjustment for deemed debt.

[3]Current tax provision for the purposes of calculating regulated ROE.

B2M LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2021

To the Partners of B2M Limited Partnership.

Opinion

We have audited the financial statements of B2M Limited Partnership (the Entity), which comprise:

- the balance sheet as at December 31, 2021;
- the statement of operations and comprehensive income for the year then ended;
- the statement of partners' equity for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended December 31, 2021 of the Entity are prepared, in all material respects, in accordance with the financial reporting framework described in Note 2 in the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting framework described in Note 2 in the financial statements; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 17, 2022

B2M LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020

Year ended December 31 *(thousands of Canadian dollars)*	**2021**	**2020**
Revenues *(Notes 8, 10)*	33,702	33,667
Costs		
Operation, maintenance and administration	1,984	2,776
Depreciation and asset removal costs *(Note 4)*	6,901	7,387
	8,885	10,163
Income before financing charges	**24,817**	**23,504**
Financing charges *(Note 10)*	6,981	6,463
Net income and comprehensive income	**17,836**	**17,041**

See accompanying notes to Financial Statements.

B2M LIMITED PARTNERSHIP
BALANCE SHEETS
At December 31, 2021 and 2020

As at December 31 *(thousands of Canadian dollars)*	**2021**	**2020**
Assets		
Current assets:		
Cash and cash equivalents	8,073	8,643
Inter-company receivable *(Note 10)*	5,349	5,392
Accounts receivable *(Notes 7, 10)*	3,007	2,691
Regulatory assets *(Note 8)*	—	2,032
Other assets	18	18
	16,447	18,776
Long-term assets:		
Property, plant and equipment *(Note 5)*	478,754	485,114
Total assets	**495,201**	**503,890**
Liabilities		
Current liabilities:		
Inter-company payable *(Note 10)*	5,688	5,688
Accrued liabilities	430	319
Accrued interest *(Note 10)*	2,488	2,532
	8,606	8,539
Long-term liabilities:		
Notes payable *(Notes 6, 7, 10)*	293,663	299,941
Total liabilities	**302,269**	**308,480**
Subsequent Events (Note 12)		
Partners' equity *(Note 9)*	192,932	195,410
Total liabilities and partners' equity	**495,201**	**503,890**

See accompanying notes to Financial Statements.

On behalf of Hydro One Indigenous Partnerships Inc., in its capacity as general partner of B2M Limited Partnership:

Christopher Lopez
Sole Director

B2M LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY
For the years ended December 31, 2021 and 2020

Year ended December 31, 2021	**Class A Units**		**Class B Units**		**Total**	
(thousands of Canadian dollars, except number of units) (Note 9)	**Number of units**	**Unit value**	**Number of units**	**Unit value**	**Number of units**	**Unit value**
January 1, 2021	188,579,358	175,085	22,000,000	20,325	210,579,358	195,410
Distributions to partners		(18,273)		(2,041)		(20,314)
Net income and comprehensive income		16,064		1,772		17,836
December 31, 2021	**188,579,358**	**172,876**	**22,000,000**	**20,056**	**210,579,358**	**192,932**

Year ended December 31, 2020	**Class A Units**		**Class B Units**		**Total**	
(thousands of Canadian dollars, except number of units) (Note 9)	**Number of units**	**Unit value**	**Number of units**	**Unit value**	**Number of units**	**Unit value**
January 1, 2020	188,579,358	177,852	22,000,000	20,655	210,579,358	198,507
Distributions to partners		(5,970)		(654)		(6,624)
Change in cash advances to partners		(12,139)		(1,375)		(13,514)
Net income and comprehensive income		15,342		1,699		17,041
December 31, 2020	**188,579,358**	**175,085**	**22,000,000**	**20,325**	**210,579,358**	**195,410**

See accompanying notes to Financial Statements.

B2M LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

Year ended December 31 *(thousands of Canadian dollars)*	**2021**	**2020**
Operating activities		
Net income	17,836	17,041
Adjustments for non-cash items:		
Depreciation	6,859	7,185
Regulatory assets and liabilities	2,032	(2,087)
Changes in non-cash balances related to operations *(Note 11)*	(249)	1,369
Net cash from operating activities	**26,478**	**23,508**
Financing activities		
Notes payable issued	—	299,941
Notes payable repaid	(6,278)	(299,941)
Distributions paid to partners	(6,800)	(6,624)
Cash advances paid to partners	(13,514)	(13,514)
Change in inter-company receivable	43	(3,460)
Change in inter-company payable	—	4,058
Net cash used in financing activities	**(26,549)**	**(19,540)**
Investing activities		
Capital expenditures - property, plant and equipment	(499)	(2,000)
Net cash used in investing activities	**(499)**	**(2,000)**
Net change in cash and cash equivalents	(570)	1,968
Cash and cash equivalents, beginning of year	8,643	6,675
Cash and cash equivalents, end of year	**8,073**	**8,643**

See accompanying notes to Financial Statements.

1. DESCRIPTION OF THE BUSINESS

B2M Limited Partnership (B2M LP or the Partnership) was formed on March 22, 2013, under the laws of the Province of Ontario (Province). B2M LP is 65.71% owned by Hydro One Networks Inc. (Hydro One Networks) and 0.1% owned by Hydro One Indigenous Partnerships Inc. (HOIP or the General Partner), collectively, the Hydro One Partners, and 34.19% owned by the Chippewas of Nawash First Nation and the Chippewas of Saugeen First Nation, collectively referred to as the Saugeen Ojibway Nation (SON). Hydro One Networks and HOIP are wholly-owned subsidiaries of Hydro One Inc. (Hydro One), which is a wholly-owned subsidiary of Hydro One Limited.

B2M LP is managed by the General Partner. The General Partner was incorporated on March 22, 2013, under the *Business Corporations Act* (Ontario) under the name of Hydro One B2M LP Inc. and changed its name to Hydro One Indigenous Partnerships Inc. effective November 19, 2019. HOIP was appointed as the new general partner for B2M LP on January 1, 2020 and holds the general partner interests and carries out the general partner responsibilities of B2M LP. On the same day, Hydro One Indigenous Partnerships GP Inc., the prior general partner of B2M LP, was wound up into Hydro One Networks.

The principal business of the Partnership is the operation, management and maintenance of an electricity transmission line (Bruce to Milton Line) in southwestern Ontario, from the Bruce Power facility in Kincardine to Hydro One's Milton Switching Station in the Town of Milton.

The electricity rates of the Partnership are regulated by the Ontario Energy Board (OEB).

Rate Setting

On July 31, 2019, B2M LP filed a transmission rate application for 2020-2024. On January 16, 2020, the OEB approved the 2020 base revenue requirement of $33.25 million, and a revenue cap escalator index for 2021 to 2024. On September 15, 2020, B2M LP filed its revenue cap index adjustment with the OEB, seeking approval of a 2021 base revenue requirement of $33.02 million beginning January 1, 2021. On November 26, 2020, the OEB issued its decision approving B2M's application.

On July 30, 2020, the OEB issued its decision for Uniform Transmission Rates (UTRs). The 2020 UTRs that were put in place on an interim basis on January 1, 2020 continued for the remainder of 2020 in light of the COVID-19 pandemic (COVID-19 or the pandemic). On December 17, 2020, the OEB issued its decision for UTRs effective January 1, 2021. The 2021 transmission rates pool revenue requirement represents a 6.3% increase from the 2020 approved amount and a 0.6% increase on the total bill for a typical residential customer.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared and presented in accordance with the accounting policies summarized below and in Canadian dollars. These policies are consistent with United States (US) Generally Accepted Accounting Principles (GAAP), with the exception that (1) the financial statements were not prepared as though the transfer of the Bruce to Milton Line transmission assets had occurred at the beginning of the year in which the transfer occurred and (2) the comparative year information was not retrospectively adjusted, as required under US GAAP, for common control transactions. These financial statements have been prepared to provide the financial position, results of operations and cash flows of the Partnership from the date of the transfer of the Bruce to Milton Line transmission assets on December 16, 2014. As a result, the financial statements may not be suitable for any other purpose.

The Partnership performed an evaluation of subsequent events through to March 17, 2022, the date these financial statements were available to be issued, to determine whether any events or transactions warranted recognition and disclosure in these financial statements. See Note 12 - Subsequent Events.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made with any adjustments being recognized in results of operations in the period they arise.

Since late March 2020, the impact of the pandemic has been reflected in the Partnership's financial statements. The Partnership has analyzed the impact of the pandemic on its estimates and assumptions that affect its financial results as at and for the year ended December 31, 2021 and has determined that there was no material impact.

As the duration of the pandemic remains uncertain, the Partnership continues to assess its impact to the Partnership's financial results and operations.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated entity. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. Regulatory assets represent certain amounts receivable from future electricity customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. Regulatory liabilities generally represent amounts that are refundable to electricity customers in future rates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

Revenues predominantly consist of transmission tariffs, which are collected through OEB-approved UTRs which are applied against the monthly peak demand for electricity across the Partnership's high-voltage network. OEB-approved UTRs are based on an approved revenue requirement that includes a rate of return. The transmission tariffs are designed to recover revenues necessary to support the Partnership's transmission system with sufficient capacity to accommodate the maximum expected demand which is influenced by weather and economic conditions. Revenues are recognized as electricity is transmitted and delivered to customers.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable represent earned revenue for electricity transmitted and delivered to customers and receivable from the Independent Electricity System Operator (IESO). Trade accounts receivable are recorded at the amount reported by the IESO. No allowance for doubtful accounts is recognized with respect to trade accounts receivable as there is no risk of loss associated with such amounts.

Income Taxes

B2M LP, as a limited partnership, is not a taxable entity for federal and provincial income tax purposes. Accordingly, no current or deferred tax expenses are recognized in the Partnership's financial statements.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the balance sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, and information technology. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Transmission assets include those used for the transmission of high-voltage electricity, including transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems.

Easements include rights to use portions of licensed properties of Hydro One Networks for the purpose of operating and maintaining the Bruce to Milton Line transmission assets.

Depreciation

The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated remaining service life of each asset category. The average service life and depreciation rates for the Partnership's assets are as follows:

Average Service Life	77
Depreciation Rates - Range	1.0% - 4.2%
Depreciation Rates - Average	1.3%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, that are normally retired, is charged to accumulated depreciation with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Partnership evaluates whether the carrying value of such assets has been impaired. For such long-lived assets, the Partnership evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

The carrying costs of B2M LP's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. As at December 31, 2021, no asset impairment had been recorded.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost. Accounts receivable and inter-company receivable are classified as loans and receivables. The Partnership considers the carrying amount of accounts receivable and inter-company receivable to be a reasonable estimate of fair value because of the short time to maturity of these instruments. No allowance for doubtful accounts is recognized with respect to all accounts receivable as there is no risk of loss associated with such amounts. All financial instrument transactions are recorded at trade date.

The Partnership determines the classification of its financial assets and liabilities at the date of initial recognition. The Partnership designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Partnership's risk management policy disclosed in Note 7 - Fair Value of Financial Instruments and Risk Management.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following tables present Accounting Standard Updates (ASUs) issued by the Financial Accounting Standards Board that are applicable to B2M LP:

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact
ASU 2020-10	October 2020	The amendments are intended to improve the Codification by ensuring the guidance required for an entity to disclose information in the notes of financial statements are codified in the disclosure sections to reduce the likelihood of disclosure requirements being missed.	January 1, 2021	No impact upon adoption

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated Impact
ASU 2021-10	November 2021	The update addresses the diversity on the recognition, measurement, presentation and disclosure of government assistance received by business entities.	January 1, 2022	Under assessment

4. DEPRECIATION AND ASSET REMOVAL COSTS

Year ended December 31 *(thousands of dollars)*	2021	2020
Depreciation of property, plant and equipment	6,859	7,185
Asset removal costs	42	202
	6,901	7,387

5. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2021 *(thousands of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	432,224	43,237	2	388,989
Easements	96,721	6,956	—	89,765
	528,945	50,193	2	478,754

As at December 31, 2020 *(thousands of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	431,406	37,334	321	394,393
Easements	96,721	6,000	—	90,721
	528,127	43,334	321	485,114

6. NOTES PAYABLE

Notes payable consist of promissory notes payable to B2M Trust, a subsidiary of Hydro One. The following table presents the balances of the promissory notes at December 31, 2021 and 2020:

As at December 31 *(thousands of dollars)*	2021	2020
1.78% note payable due February 2025	97,333	101,787
Floating-rate note payable due February 2025[1]	19,582	20,000
2.18% note payable due February 2030	100,380	101,787
2.73% note payable due February 2050	76,368	76,367
	293,663	299,941

[1] The interest rate is the OEB approved short-term debt rate of 2.75% (2020 - 2.75%) .

In 2021, B2M LP repaid promissory notes totaling $6,278 thousand (2020 - $299,941 thousand) and issued promissory notes totaling $nil (2020 - $299,941 thousand).

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

The Partnership classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities the Partnership has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2021 and 2020, the carrying amounts of cash and cash equivalents, accounts receivable, inter-company receivable, and inter-company payable are representative of fair value because of the short-term nature of these instruments.

Fair Value Hierarchy

The fair value hierarchy of financial liabilities at December 31, 2021 and 2020 is as follows:

As at December 31, 2021 *(thousands of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Notes payable	293,663	288,816	—	288,816	—

As at December 31, 2020 *(thousands of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Notes payable	299,941	313,411	—	313,411	—

The fair values of the fixed-rate notes payable are based on unadjusted period-end market price for the same or similar debt of the same remaining maturity. The fair values of the floating-rate notes payable are the same as the carrying values because the interest rates are referenced to the OEB demand short-term and long-term debt rates.

There were no transfers between any of the fair value levels during the years ended December 31, 2021 and 2020.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Partnership's business.

Market Risk

Market risk refers primarily to the risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Partnership is exposed to fluctuations in interest rates as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Partnership's regulated return on equity has been approved until 2024. The Partnership is not currently exposed to commodity price risk or foreign exchange risks.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would have resulted in no significant impact to the Partnership's net income for the years ended December 31, 2021 and 2020.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2021 and 2020, all of the trades accounts receivable was recorded as a result of earning revenues from the IESO. The Partnership does not recognize allowance for doubtful accounts with respect to trade accounts receivable from the IESO as there is no risk of loss associated with such amounts.

Liquidity Risk

Liquidity risk refers to the Partnership's ability to meet its financial obligations as they come due. The Partnership meets its short-term liquidity requirements through cash on hand as well as the inter-company receivable and inter-company payable with Hydro One and funds from operations. The short-term liquidity available to the Partnership should be sufficient to fund normal operating requirements.

8. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. B2M LP has not recorded any regulatory assets or liabilities during the year:

As at December 31 *(thousands of dollars)*	2021	2020
Regulatory assets:		
Foregone revenue deferral	—	2,032
Total regulatory assets	—	2,032
Less: current portion	—	(2,032)
	—	—

Foregone Revenue Deferral

As at December 31, 2020, the foregone revenue deferral account was primarily made up of the difference between revenue earned by B2M LP under the approved UTRs based on OEB-approved 2020 rates revenue requirement and load forecast, and the revenues earned under interim 2020 UTRs. The foregone revenue, which was inclusive of accrued interest and the prior year foregone revenue deferral balance, was collected from ratepayers over a one-year period ending December 31, 2021.

9. PARTNERS' EQUITY

B2M LP is authorized to issue an unlimited number of Class A and Class B units. The Class A and Class B units are voting and participate equally in profits, losses and capital distributions of B2M LP. The Class A and Class B units are equal with respect to all rights, benefits obligations and limitations provided under the Limited Partnership Agreement. Any units issued by B2M LP must be first offered to the existing partners in proportion to their ownership interests. At December 31, 2021 and 2020, B2M LP had 188,579,358 Class A units issued and outstanding, and 22,000,000 Class B units issued and outstanding.

As the SON is a tax exempt entity, the amount of income or loss corresponding to taxes recovered in transmission rates is allocated to the taxable partners, Hydro One Partners, and the remaining balance is allocated to all partners in proportion to their ownership interests.

At December 31, 2021 and 2020, partners' equity was allocated to the SON and the Hydro One Partners as follows:

Year ended December 31, 2021 *(thousands of dollars, except number of units)*	SON	Hydro One Partners	Total
Class A Units			
Class A - number of units - December 31, 2021	50,000,000	138,579,358	188,579,358
Class A unit value - January 1, 2021	46,193	128,892	175,085
Distributions to partners	(4,638)	(13,635)	(18,273)
Net income and comprehensive income	4,026	12,038	16,064
Class A unit value - December 31, 2021	**45,581**	**127,295**	**172,876**
Class B Units			
Class B - number of units - December 31, 2021	22,000,000	—	22,000,000
Class B unit value - January 1, 2021	20,325	—	20,325
Distributions to partners	(2,041)	—	(2,041)
Net income and comprehensive income	1,772	—	1,772
Class B unit value - December 31, 2021	**20,056**	**—**	**20,056**
Total partners' equity			
Number of units - December 31, 2021	72,000,000	138,579,358	210,579,358
Partners' equity - January 1, 2021	66,518	128,892	195,410
Distributions to partners	(6,679)	(13,635)	(20,314)
Net income and comprehensive income	5,798	12,038	17,836
Partners' equity - December 31, 2021	**65,637**	**127,295**	**192,932**

Year ended December 31, 2020 *(thousands of dollars, except number of units)*	SON	Hydro One Partners	Total
Class A Units			
Class A - number of units - December 31, 2020	50,000,000	138,579,358	188,579,358
Class A unit value - January 1, 2020	46,942	130,910	177,852
Distributions to partners	(1,485)	(4,485)	(5,970)
Change in cash advances to partners	(3,125)	(9,014)	(12,139)
Net income and comprehensive income	3,861	11,481	15,342
Class A unit value - December 31, 2020	**46,193**	**128,892**	**175,085**
Class B Units			
Class B - number of units - December 31, 2020	22,000,000	—	22,000,000
Class B unit value - January 1, 2020	20,655	—	20,655
Distributions to partners	(654)	—	(654)
Change in cash advances to partners	(1,375)	—	(1,375)
Net income and comprehensive income	1,699	—	1,699
Class B unit value - December 31, 2020	**20,325**	**—**	**20,325**
Total partners' equity			
Number of units - December 31, 2020	72,000,000	138,579,358	210,579,358
Partners' equity - January 1, 2020	67,597	130,910	198,507
Distributions to partners	(2,139)	(4,485)	(6,624)
Change in cash advances to partners	(4,500)	(9,014)	(13,514)
Net income and comprehensive income	5,560	11,481	17,041
Partners' equity - December 31, 2020	**66,518**	**128,892**	**195,410**

10. RELATED PARTY TRANSACTIONS

The Partnership is 65.81% indirectly owned by Hydro One and 34.19% owned by the SON. Hydro One is owned by Hydro One Limited. The Province is a shareholder of Hydro One Limited with approximately 47.2% ownership at December 31, 2021. The IESO is a related party to the Partnership because it is controlled or significantly influenced by the Province. The following is a summary of the Partnership's related party transactions during the years ended December 31, 2021 and 2020:

Year ended December 31 *(thousands of dollars)*			
Related Party	**Transaction**	**2021**	**2020**
IESO	Revenues for transmission services	33,702	33,667
B2M Trust	Notes payable issued	—	299,941
	Notes payable repaid	6,278	299,941
	Interest expense on notes payable	7,011	6,538
Hydro One Networks	Distributions and cash advances paid	13,614	13,478
	Services received - costs incurred	2,371	4,900
HOIP	Distributions and cash advances paid	21	21
SON	Distributions and cash advances paid	6,679	6,639

The amounts due to and from related parties at December 31, 2021 and 2020 are as follows:

As at December 31 *(thousands of dollars)*	**2021**	**2020**
Accounts receivable[1]	3,007	2,691
Inter-company receivable[2]	5,349	5,392
Inter-company payable[2]	5,688	5,688
Notes payable, including current portion	293,663	299,941
Accrued interest	2,488	2,532

[1] Entire accounts receivable balance is due from IESO.

[2] Amounts due to or from Hydro One and its subsidiaries, Hydro One Networks and HOIP, by the Partnership are included in the inter-company receivable and inter-company payable balances, and include expenses paid and amounts collected by Hydro One and its subsidiaries that relate to the Partnership.

11. STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 *(thousands of dollars)*	**2021**	**2020**
Accounts receivable	(316)	37
Other assets	—	(18)
Accrued liabilities	111	(61)
Accrued interest	(44)	1,411
	(249)	1,369

12. SUBSEQUENT EVENTS

Cash Advances

On January 17, 2022, cash advances in the amount of $4,505 thousand were paid to partners, of which $4,046 thousand and $459 thousand were paid to Class A and Class B unit holders, respectively.

OEB STAFF INTERROGATORY - 11

Reference:

1. Exhibit B-1-3, Attachment 1, Pages 11 & 12
2. Exhibit C-1-1, Page 6

Preamble:

In the first reference above, B2M LP states that a critical failure occurred in December 2019 due to a broken conductor, which caused an outage impacting Bruce Power. This failure was due to a defective spacer damper. Upon conducting Detailed Helicopter Inspections (DHIs), it was observed that many other spacer dampers had similar issues. To ensure reliability and prevent further conductor failures, HONI undertook a multi-year and multi-faceted maintenance program to identify and repair defective spacer dampers. The program is expected to last until 2029. Depending on outage availability, the cost can fluctuate from year to year, but it is estimated to be approximately $1.2 million per year on average for the next 5 years.

In the second reference above, B2M LP states that in 2020, it received approval for $3.0 million in capital expenditures to address defective insulators on the older section of its transmission line. From 2020 to 2022, B2M LP incurred $2.7 million in capital expenditures for these new assets, which were placed in-service.

Interrogatory:

a) Please clarify, if the spacer damper replacement project and the defective insulators replacement project are both to address the same issue as relates to the critical failure occurred in late 2019. If so, please explain:

   i. between the two projects, what is B2M LP's rationale that the spacer damper replacement project has a span of nine years, which is still on-going and will continue to carry out annually until 2029; while the defective insulators have been replaced between 2020 and 2022; and

   ii. why the urgency of replacing spacer dampers is much lower than the insulators replacement.

b) The B2M LP states that the spacer damper replacement project is to ensure reliability and prevent further conductor failures:

i. please describe the consequence of premature and unpredictable failure of the insulators;
ii. what is the probability of failure each year in 2025-2029, considering the project is on-going until 2029; and

iii. why do the spacer dampers need to be replaced before they fail? What are the criteria to determine whether a spacer damper will need to be replaced within the year?

c) Was there alternative timeline (as opposed to a long span between 2020 and 2029) to replacing the spacer dampers? If so, why is the proposed approach recommended?

d) How many spacer dampers will be replaced each year? Has B2M LP factored in inflationary pressure on spacer damper cost, as well as the possible supply chain challenge over 2025-2029, into the project timeline?

e) What is the cost to replace each spacer damper, including labor and material?

f) Please describe the key activities to identify insulators that are at a higher risk to fail (over 2025-2029), and if there is any failure prevention strategy being adopted since the 2019 failure.

Responses:

a)

i. The 2019 failure caused by a defective spacer damper is unrelated to insulator defects. The defective insulators are found on the older section of the transmission line. The nature of the insulator defects posed a known safety risk across the entire population resulting in more urgent replacement. Spacer dampers are being repaired in a programmatic manner to prevent conductor failures. Please see response to b) below for additional details.

ii. The critical dampers that had defects have already been repaired. To ensure reliability and prevent further conductor failures, HONI proactively undertook a multi-year and multi-faceted maintenance program to repair defective spacer dampers. The program is expected to last until 2029.

b)

i. Regarding spacer dampers, the highest risk mode of failure is the wear of the conductor strands due to loose spacer damper keepers, which leads to the conductor breaking and dropping. This is what happened in late 2019, when the issue was first identified, and it resulted in a costly outage for Bruce Power. Depending on the failure's location, there are also safety concerns.

ii. If the current proactive approach to repairing spacer dampers is followed, the probability of failures over the next 5 years is medium/low.

iii. Spacer dampers need to be repaired before they fail because loose keepers cause conductor wear and premature breaking that can pose a safety risk and cause unplanned outages that are costly. Proactively repairing spacer dampers in a programmatic manner reduces the above-mentioned risks.

c) A shorter timeline was considered but not pursued due to limited outage windows available to work on these 500kV circuits. Therefore, the strategy specified in part f) below is being implemented.

d) The number of spacer dampers forecasted to be repaired each year is based on evenly distributing the remaining dampers that need to be repaired between 2025 and 2029. However, actual number of dampers repaired will depend on available outage windows each year. Mobilization and labor costs are the predominant factors impacting spacer damper repair costs. B2M LP did not factor in inflationary pressure on spacer damper cost, or possible supply chain challenges over 2025-2029, into the project timeline.

e) For the 2020-2023 period, the average cost to repair a spacer damper was roughly $1,000 each. The unit cost varies significantly depending on mobilization costs, and the scope of repair work identified for each damper during inspection.

f) Regarding spacer dampers, HONI, on behalf of B2M LP, is conducting detailed helicopter inspections on a yearly basis and identifying and categorizing all visible defects. Defects are then scheduled for repair accordingly. High risk defects may prompt a forced outage, but usually maintenance work occurs during yearly planned outages.

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OEB STAFF INTERROGATORY - 12

Reference:

1. Exhibit D-1-1, Page 3
2. Exhibit F-2-1, Pages 3 & 6

Preamble:

OEB staff notes the 2023-year maintenance expenses as calculated by OEB staff ($0.9856 million) are different than the B2M LP stated amount ($1.1 million) in the Total SLA Costs table under Exhibit F, Tab 2, Schedule 1, page 3.

OEB staff re-performs the maintenance expenses calculation

	2023	2024	2025	2026	2027	2028	2029
Performance Measure - Maintenance Cost ($K) per circuit kilometer **(A)**	2.8	4.9	4.9	3.6	6.9	7.4	3.4
Circuit kilometer (kms)[1] **(B)**	352	352	352	352	352	352	352
Maintenance Expenses ($M), OEB staff calculates (A)*(B)	**0.9856**	**1.7248**	**1.7248**	**1.2672**	**2.4288**	**2.6048**	**1.1968**

Exhibit Reference: D-1-1, page 3, Table 1 - B2M LP Performance Measures

Total SLA Costs ($M)

	2023	2024	2025	2026	2027	2028	2029
Maintenance Expenses, B2M LP states	**1.1**	**1.7**	**1.7**	**1.3**	**2.4**	**2.6**	**1.2**
Shared Asset Allocation	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Administrative and Corporate Expenses	0.6	0.5	0.5	0.6	0.6	0.6	0.6
Total SLA Costs	**2.00**	**2.50**	**2.60**	**2.20**	**3.30**	**3.50**	**2.10**

Exhibit Reference: F-2-1, page 3, Table 2 - Total SLA Costs ($M

[1] B2M LP states the circuit kms refer to total route kms multiplied by number of circuits per km. For B2M LP, this is 176 kms x 2 circuits = 352 kms.

Interrogatory:

a) Please confirm the calculation method used for the Maintenance Cost ($K) per circuit kilometer performance measure and whether the measure is calculated as maintenance expenses / 352 kms. Please clarify the discrepancy between the OEB staff calculated amount for 2023 and the B2M LP stated amount.

b) Please comment on whether B2M LP has done any external benchmarking to the Maintenance Cost ($K) per circuit kilometer performance measure, in terms of:

i. the maintenance expenses are largely derived from the SLA costs. The calculation and allocation of the expenses can be largely impacted by the way HONI drafts the SLA with B2M LP. Please clarify if B2M LP has control on the measure performance, and whether and how the performance measure is the appropriate, objective measure to track B2M LP's operational excellence outcome;

ii. if the measure target in 2025-2029 still tracks the appropriate industry performance benchmark, noting the trend of Maintenance Cost ($K) per circuit kilometer performance measure shows dramatic fluctuation from year to year, i.e., it experienced ups and downs over the historical years, whether this measure was, and will still be comparable to the industry trend; and

iii. please provide a table comparing total OM&A costs and line OM&A costs to similar transmitters in Ontario. As part of this table please provide a column comparing OM&A as a percentage of total costs for each transmitter and $/km of line.

Responses:

a) B2M LP confirms the calculation method used for the Maintenance Cost ($K) per circuit kilometer performance measure is calculated as maintenance expenses / 352 kms. 2023 Maintenance Cost was $1.1M. The Maintenance Cost per circuit kilometer was incorrectly reported as $2.8k. It should be $1.1M / 352 kms = $3.0K[2].

b) B2M LP has not conducted external benchmarking to the Maintenance Cost ($K) per circuit kilometer performance measure and thus cannot comment on the subsequent questions.

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[2] Actual 2023 Maintenance cost when rounded up to the nearest $0.1M results in $1.1M. When actual 2023 maintenance expenses are divided by 352 kms, Maintenance Cost / Circuit Kilometer is $3.0k / km for 2023.

OEB STAFF INTERROGATORY - 13

Reference:
Exhibit D-1-1, Pages 2 - 3

Preamble:
In the reference above, B2M LP states it is proposing to continue to track its performance by utilizing most of the measures approved by the OEB in proceeding EB-2015-0026, and the settlement agreement in EB-2019-0178. Below is the list of performance measures:

- Transmission System Average Interruption Frequency (T-SAIFI) B2MLP
- Contribution;
- Transmission System Average Interruption Duration (T-SAIDI) B2MLP
- Contribution;
- Average System Availability;
- NERC Vegetation Compliance; and
- Maintenance Cost per Circuit Kilometer.

Interrogatory:
Please confirm if B2M LP proposes to continue to use all of the measures approved by the OEB in proceeding EB-2015-0026, and the settlement agreement in EB-2019-0178? Or, if any measure will be discontinued? As B2M LP states most (not all) measures will continue to track its performance.

Responses:
B2M LP confirms that all of the measures approved by the OEB in the settlement agreement for proceeding EB-2019-0178 will be used.

B2M LP used the word “most” as a result of the fact that the SAIDI and SAIFI metric utilized in proceeding EB-2015-0026 changed to $SAIDI_{B2MContribution}$ & $SAIFI_{B2MContribution}$ as per OEB Settlement in EB-2019-0178. This was because 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, Return on Equity (ROE) was discontinued as a performance measure metric. ROE is reported yearly pursuant to the OEB’s RRR process.

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OEB STAFF INTERROGATORY - 14

<u>Reference:</u>
Exhibit E-1-1, Page 4

<u>Preamble:</u>
In the reference above, B2M LP states that the OEB-approved 2020-year total revenue requirement is $32.6 million.

OEB staff notes the OEB-approved 2020-year total revenue requirement is $33.2 million (EB-2019-0178)

<u>Interrogatory:</u>
Please confirm the source and accuracy of $32.6 million as the OEB-approved 2020-year total revenue requirement.

<u>Responses:</u>
$32.6 million revenue requirement is from EB-2020-0226 where 2020 Base Revenue Requirement was adjusted to incorporate the change resulting from the refinancing of B2M LP's debt which reduces long-term debt rate from original forecast of 2.59% to 2.34%.

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OEB STAFF INTERROGATORY - 15

Reference:

1. Exhibit F-6-1, Pages 2-3 and 6
2. Exhibit F-6-1, Attachment 2 in excel

Preamble:

In the first reference above, with respect to Ontario Corporate Minimum Tax (OCMT), B2M LP states the OCMT is designed to impose a minimum tax based on financial statement income calculated without most tax adjustments. The OCMT paid in the year can be applied to reduce taxes payable in future year. B2M LP recovered the OCMT expense from customers in the historical years and have utilized the maximum allowable OCMT credits to reduce regulatory income tax expenses and taxes payable in the test years. These credits are expected to be fully utilized prior to the start of the test period, resulting in an increase to the overall regulatory income tax expense during the test period.

In the second reference above, B2M LP provides as an excel attachment for the calculation of bridge year (2024) and test years (2025-2029) OCMT amounts. OEB staff notes the OCMT payable amounts are projected to be $0 for all years, and this is the same case for all partners.

Interrogatory:

a) Please confirm the amount of OCMT credits applied for each of the historical years. Please confirm in which year(s) the OCMT credits were incurred.

b) Please confirm the expected OCMT rates in 2024, and 2025-2029, and whether the same tax rate applies to all partners.

c) Please confirm the OCMT payable amounts are expected to be $0 in 2024,and 2025-2029, and if this is the same case for all partners regardless of their tax status.

d) Please clarify if any partner will expect to incur OCMT payable and receive OMCT tax credits in the future. If so, please provide the proposal regarding how to utilize these tax credits.

e) Please explain how the 2024-2029 OCMT payable amounts are being projected, given the OCMT computation?.

Responses:

a) The OCMT credits were incurred in 2015-2020, and were fully applied in 2021-2023 as follows (in millions of dollars):

	2021	2022	2023
OCMT credits applied (Please refer to Exhibit F-06-01 Attachment 1)	$0.37	$0.46	$0.57

b) The expected OCMT rate in 2024 and 2025-2029 is 2.7%, and the same tax rate is applied to all taxable Hydro One partners. SON Financial Corporation is a tax-exempt entity and is not subject to OCMT.

c) Confirmed. The OCMT payable amounts are expected to be $0 in 2024 and 2025-2029 for all partners.

d) B2M LP partners are not expected to incur any OCMT payable in the future. OCMT is a minimum annual tax and is payable to the extent it exceeds Ontario income tax payable for a tax year. B2M LP is expected to be in a taxable income position in the future with the Ontario income tax payable exceeding the OCMT payable.

e) OCMT is paid to the extent that it exceeds Ontario income tax payable for a tax year. As such, the net 2024-2029 OCMT payable amounts are calculated as the greater of zero and the residual amount from subtracting the Ontario income tax payable (11.5% of Regulatory Taxable Income) from the gross OCMT payable (2.7% of Regulatory Net Income).

OEB STAFF INTERROGATORY - 16

Reference:
Exhibit F-6-1, Page 4

Preamble:
In the reference above, B2M LP states it is imperative that the net income before tax (NIBT) be adjusted for amounts that have been included (or deducted) for accounting purposes that are not income (or deductible) for tax return purposes.

Interrogatory:
Other than the capital cost allowance (CCA) deduction versus accounting depreciation example, what are the other examples on amounts that have been included (or deducted) for accounting purposes that are not income (or deductible) for tax return purposes in 2024, and 2025-2029?

Responses:
The CCA deduction and the accounting depreciation addback are the only book to tax adjustments in 2024, and 2025-2029.

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OEB STAFF INTERROGATORY - 17

Reference:
1. EB-2019-0178, OEB Staff 39 Interrogatory Response
2. C-01-01-03_2020-2025 Fixed Asset Excel

Preamble:
In the first reference above, in its 2020-2024 revenue requirement application (EB-2019-0178), B2M LP forecasted nil capital additions from 2020 to 2024 and therefore, it did not expect accelerated CCA to apply to new additions. When asked whether B2M LP planned to implement accelerated CCA for tax purposes and if there were capital additions in the next five years, B2M LP responded that in accordance with the tax legislation, B2M LP would implement accelerated CCA for tax purposes.

In the second reference above, B2M LP shows capital additions totaling $2.7 million for the years 2020 through 2025. The entire amount is capitalized to CCA Class 47.

Interrogatory:
a) Please confirm whether B2M LP applied accelerated CCA to the $2.7 million capital additions in class 47. Please provide the CCA claimed on its tax returns filed.

b) What would be the impact on the related tax expense if the $2.7 million capital additions were forecasted in last revenue requirement application?

c) B2M LP forecasted $0 capital additions from 2025 to 2029 and therefore, there will be no accelerated CCA to apply to new additions. What is B2M LP's opinion regarding the tax benefit that B2M LP receives from the application of the reduced accelerated CCA if there are capital additions in the next five years?

Responses:
a) B2M LP applied accelerated CCA to the capital additions in class 47. The CCA claimed on the tax returns is as follows (in millions of dollars):

	2020	2021	2022	Total
Normal CCA Claimed	19.39	17.97	16.60	53.97
Accelerated CCA Claimed	0.15	0.07	0.01	0.23
Total CCA Claimed on the tax returns	19.54	18.04	16.62	54.20

b) If the $2.7 million capital additions were forecasted in the last revenue requirement application, the tax impact over the three years would be immaterial with the total tax expense reduced by $0.06 million ($60,000) as follows:

In $ millions	2020	2021	2022	Total
Increase in tax additions (based on assumed additions per Exhibit C-01-01-03)	1.68	0.82	0.17	2.67
Increase in CCA claim @ 12% (Including Accelerated CCA)	0.20	0.10	0.02	0.32
Reduction in taxable income allocated to taxable partners*	(0.15)	(0.07)	(0.01)	(0.23)
Reduction in tax expense @ 26.5%	(0.04)	(0.02)	(0.00)	(0.06)

* The actual taxable income allocation percentage differs slightly from the ownership percentage of 65.81%. Please refer to the response at Interrogatory I-01-18 for details.

c) If there were capital additions in the 2025-2029 period, the materiality of the tax benefit that B2M LP receives from the application of the accelerated CCA would be dependent on the amount of capital additions. However, the incremental costs associated with these capital additions including return on equity, return on debt, and depreciation expense are not included in the forecast and would more than offset any potential accelerated CCA benefit.

OEB STAFF INTERROGATORY - 18

Reference:

1. Exhibit F-6-1, Pages 1 & 2
2. Exhibit F-6-1, Attachment 2 in excel
3. Exhibit A-5-1, Pages 1 & 2

Preamble:

In the first reference above, B2M LP states that Saugeen Ojibway Nation Finance Corporation (SON FC) and its shareholders are not subject to corporate income tax. Therefore, the taxable income allocated to SON FC will not be subject to income tax.

In the second reference above, the excel attachment for calculation of test year utility income taxes and capital cost, the OEB staff notes the percentage allocation of taxable income to each partner does not agree to the ownership percentage of each partner as indicated in the description of partnership.

Partner	Ownership % (Reference 3)	Allocation % for tax purposes*
Hydro One Networks Inc.	65.7%	72.3%
Hydro One Indigenous Partnership Inc.	0.1%	0.1%
SON Financial Corporation	34.2%	27.6%

*Calculated from the second reference , Allocated Taxable Income divided by Total Taxable Income

Interrogatory:

a) Please confirm if the percentage allocation of taxable income differs from the partnership ownership percentage is due to SON FC's tax status. If not, please explain.

b) If B2M LP confirms (a), please provide the related adjustment(s) made, to arrive each partner's share of taxable income.

c) Please update the relevant evidence, as applicable.

Responses:

a) Confirmed. The percentage allocation of taxable income differs from the partnership ownership percentage due to SON FC's tax-exempt status. Any taxes recovered in the revenue requirement are first allocated to HONI and HOIP Inc. as the taxable partners to cover their tax expense. The remaining net income (i.e., after allocating the revenue relating to taxes to Hydro One taxable partners) is then allocated to all partners based on ownership percentage.

b) Please see below for the calculation of the taxable income based on the principles noted in a) above (using test year 2025 from Exhibit F-06-01, Attachment 2 in Excel as an example):

Allocation of taxable income		**HONI**	**HOIP Inc.**	**SON FC**
Taxable income of partnership	A	12.7	12.7	12.7
Less: Revenue Requirement for taxes		(2.4)	(2.4)	(2.4)
Taxable income to be allocated (prorata)		10.2	10.2	10.2
Ownership percentage		65.7%	0.1%	34.2%
Pre-tax taxable income allocated to partners		6.7	0.0	3.5
Add: Revenue Requirement for taxes		2.4	0.0	-
Allocation of taxable income	B	9.1	0.0	3.5
% Allocation of taxable income	B / A	72.3%	0.1%	27.6%

c) As noted in a) and b) above, no update to the evidence is required.

OEB STAFF INTERROGATORY - 19

Reference:
Exhibit F-5-1, Pages 1 & 2

Preamble:
In the reference above, since the 2020 historical year, OEB staff notes that B2M LP has adjusted its annual depreciation expense twice:

i. from $7.4 million annually in 2020, to $6.9 million annually between 2021 and 2024; and

ii. from $6.9 million annually in 2024 to $7.3 million annually between 2025 and 2029.

B2M LP states that it has made those annual depreciation rate adjustments by adopting the two respective independent depreciation studies conducted by:

i. Foster Associates Inc. (Foster), for Hydro One Network Inc.'s (HONI) 2020-2022 Transmission Revenue Requirement application (EB-2019-0082). And the OEB accepted the depreciation study for the purposes of determining B2M LP's depreciation rates and depreciation expense for the 2020 to 2024 rate period; and

ii. Alliance Consultant Group (Alliance), for HONI.'s 2023 to 2027 Custom IR application (EB-2021-0110) for its transmission, distribution, and common assets as the basis for its transmission and distribution depreciation and amortization expenses from 2023 to 2027, while adjusting for B2M LP's depreciation reserves to calculate B2M LP's depreciation rate and depreciation expense.

Interrogatory:
OEB staff notes that the Foster study and the Alliance study have resulted in adjustments on B2M LP's annual depreciation expense at opposite directions, specifically:

i. the Foster study results in an overall slower depreciation rate and/or lower annual depreciation expense; and

while the Alliance study results in a faster depreciation rate and/or higher annual depreciation expense.

Please explain why the two studies reach different opinions, given that during the two studies (between 2020 and 2024), B2M LP's overall asset composition stays relatively stable i.e., with minimum or no capital investment incurred during 2020-2024.

Responses:

For 2020 to 2024, B2M LP used the same depreciation rates calculated from the depreciation study conducted by Foster for HONI's 2020-2022 Transmission Revenue Requirement application (EB-2019-0082). At that time, under the assumption that an independent study for B2M LP would not render materially different rates from HONI, this approach was taken so that B2M LP could save costs from not having to conduct a unique depreciation study. Foster agreed that this approach would not create a material difference.

For the current application, B2M LP leveraged part of the depreciation study conducted by Alliance for HONI's 2023-2027 Custom IR application (EB-2021-0110). The unadjusted (full life) depreciation rates from that study were used as the base and adjusted to account for B2M LP's depreciation reserves to calculate the new depreciation rates. This method provides more accuracy while still being cost effective.

OEB STAFF INTERROGATORY - 20

Reference:
Exhibit F-5-1, Pages 7 & 8

Preamble:
In the reference above, OEB staff notes the annual managing director's office expense actual has been $0.1 million per year from 2020 to 2023.

B2M LP forecasts the annual managing director's office expense will increase to $0.2 million per year in 2024 – 2025 and will again increase to $0.3 million per year in 2026 – 2029.

Interrogatory:
a) Since B2M LP has no employees, please describe who employs the managing director.

b) Please explain why the managing director's office expense is forecast to increase significantly over the 2025-2029 period. Please outline any steps being taken to mitigate the cost increase.

c) Please confirm if B2M LP has ability to control the managing director's office expense.

Responses:
a) The Managing Director is a Hydro One employee who is retained on a part-time basis by B2M LP.

b) The Managing Director's office expense is forecast to increase in line with the rate of inflation over the 2025-2029 period.

c) B2M LP has the ability to determine the activities that are funded by this category and has allocated funding to meet the needs of the Partnership. The primary purpose of the Managing Director's office is to ensure that the partners and First Nations communities are informed and engaged in the partnership and its activities. B2M LP believes the forecasted cost is a reasonable amount of funding to carry out the important activities of the Managing Director's office. These activities are set out at Exhibit F-02-01, pages 9-10.

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OEB STAFF INTERROGATORY - 21

Reference:

1. Exhibit F-2-1, Pages 3 & 6
2. Exhibit F-3- 1, Page 2

Preamble:

Total SLA Costs ($M)

	2023	2024	2025	2026	2027	2028	2029
Maintenance Expenses	1.1	1.7	1.7	1.3	2.4	2.6	1.2
Shared Asset Allocation	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Administrative and Corporate Expenses	0.6	0.5	0.5	0.6	0.6	0.6	0.6
Total SLA Costs	**2.00**	**2.50**	**2.60**	**2.20**	**3.30**	**3.50**	**2.10**

Exhibit Reference: F-2-1, page 3, Table 2 - Total SLA Costs ($M)

In the first reference above, B2M LP breaks down the SLA costs into three categories:

i. Maintenance Expenses;
ii. Shared Asset Allocation; and
iii. Administrative and Corporate Expenses.

With respect to the administrative and corporate expenses including operating services, B2M LP states that such expenses include operating services such as monitoring/control of the transmission system, including alarm monitoring, asset monitoring, and minor control and so on.

In the second reference above, B2M LP states its SLA with HONI covers services including:

i. **Operations Services** – monitoring and control of the transmission system, in accordance with the requirements of B2M LP's transmission licence and all services required to fulfill all of B2M LP's obligations under its Connection Agreement and the IESO-B2M LP operating requirements;

ii. **Maintenance Services** – all maintenance, repair and refurbishment services, in accordance with the requirements of B2M LP's transmission licence and all services required to fulfill all of B2M LP's obligations under its Connection Agreement and the IESO-B2M LP operating requirements; and

iii. **Administrative and Corporate Services** – some corporate and administrative services provided by HONI, including finance and regulatory support, tax advice and returns preparation, treasury, communications and government relations, legal advice, real estate support, corporate security services, and First Nations support.

Interrogatory:

a) Please provide, in dollar amount, how much of the shared asset allocation costs are incurred for:
   i. operations services purpose; and
   ii. administrative and corporate services purpose.

b) Please provide what percentage of the total SLA costs are related to:
   i. direct employee salaries and wages;
   ii. employee salaries and wages overhead;
   iii. contractor service fees;
   iv. direct supplies and materials; and,
   v. others.

c) Please clarify if the shared asset allocation and the administrative and corporate expenses contain an indirect portion that contributes to the maintenance function of B2M LP's transmission system. For instance, certain monitoring activities need to be in place to identify the maintenance and repairment works that are in need, and such activity expenses maybe recorded under administrative and corporate expenses according to B2M LP. Please provide explanation on how those indirect, supporting activity costs are being categorized under the different SLA costs categories.

Responses:

a) The Shared Asset Allocation cost is broken down between operations services purpose and administrative and corporate services purpose as follows:

Categories	Shared Asset Allocation Cost ($M)
Operations and Maintenance services purpose	$0.1 M
Administrative and corporate services purpose	$0.2 M
Total	**$0.3 M**

b)

	2023	2024	2025	2026	2027	2028	2029
Direct employee salaries and wage	0%	0%	0%	0%	0%	0%	0%
Employee salaries and overhead	43%	43%	43%	51%	38%	35%	51%
Contractor service fees	21%	11%	12%	0%	21%	25%	0%
Direct supplies and materials	3%	2%	2%	1%	3%	3%	1%
Others*	33%	44%	43%	48%	38%	37%	48%
Total SLA costs	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

* Others - primarily consists of fleet, internal and external equipment

c) The shared asset allocation contains the indirect portion of costs that contribute to the maintenance of the line. Specifically, the use of HONI's systems is utilized to manage work, program spending, as well as to identify and mitigate defects. The administrative and corporate costs do include operating services that are described in detail in Exhibit F-02-01.

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OEB STAFF INTERROGATORY - 22

Reference:

Exhibit F-2-1, Pages 1-10

Preamble:

In the reference above, B2M LP states that there are various cost increase pressures in 2025-2029 – some are due to specific programs and projects that are carried out, while others are due to general inflationary pressure.

Interrogatory:

a) Please provide a sensitivity analysis to illustrate, with every one percent change on inflation rate assumption, what is the dollar impact to the annual OM&A costs.

b) Please provide inflation assumption parameters used in OM&A cost forecasts for 2025-2029, including specifying:

  i. which OM&A expenses are subject to the general 2% inflation rate as proposed by B2M LP; and
  ii. which OM&A expenses are subject to a specific inflation percentage that is different than the 2% general inflation rate as proposed by B2M LP.

Responses:

a) The following sensitivity analysis has been undertaken on a best effort basis by applying a 1% increase to the applicable inflation assumption resulting in the following impacts shown in the below table:

	2025	2026	2027	2028	2029
Total OM&A Impact ($M)	0.0	0.0	0.1	0.1	0.1

b) Please see Interrogatory I-01-05.

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OEB STAFF INTERROGATORY - 23

Reference:
1. Exhibit F-2-1, Page 2
2. Exhibit F-3-1, Page 3

Preamble:
In the first reference above, in the summary of OM&A table, OEB staff notes:

i. in 2020-2023, the annual actual total OM&A exceeds the planned value by $1.6 million, $0.8 million, $0.4 million, and $1,2 million, respectively; and

ii. in 2024, the forecasted total OM&A exceeds the planned value by $1.8 million.

B2M LP states that the planned values reflect the 2020 test year values approved by the OEB as part of the previous revenue requirement application (EB-2019-0178), as escalated by the approved Revenue Cap Index (RCI) values.

In the second reference above, it states 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.

Interrogatory:
a) Please provide any action plans B2M LP had taken in 2020-2023 to mitigate the OM&A overrun.

b) Considering that the OM&A costs are largely being charged from SLA costs:

   i. please provide any relevant terms and references in the SLA which address the potential cost overrun issue;

   ii. are the SLA charges subject to price ceilings, i.e., if the actual costs go beyond certain percentages of the agreed-upon SLA cost structure, will B2M LP be protected from extra costs; and

   iii. in the situation of OM&A overrun, what's the internal control in place, and what is the governance and approving process on the portion of the SLA costs above the budget.

Responses:

a) Higher OM&A over the 2020-2023 period was predominantly the result of repairs undertaken on defective spacer dampers on the transmission line. This repair work was unplanned and emerged following an equipment failure. B2M LP disagrees with the characterization that this is a cost overrun; rather this was incremental funding to respond to an emergent need. A description of this program and efforts to mitigate costs is included in Exhibit B-01-03, Attachment 1, Page 11.

b)

i. The cost of the unplanned repair work on the spacer dampers was outside of the budget. Therefore, the SLA terms do not specifically apply.

ii. Please see response to part i). SLA terms do not apply and as such, there were no predefined ceilings with respect to the required repair work.

iii. Expenditures in excess of the budget cannot be incurred without the approval of B2M LP except in an emergency.

OEB STAFF INTERROGATORY - 24

Reference:

1. Exhibit F-3-1, Page 1
2. Exhibit F-2-1, Pages 5 & 6
3. Exhibit B-1-3, Attachment 1, Page 4

Preamble:

In the first reference above, B2M LP states that as the term of the SLA expires at the end of 2024, a renewed agreement will be developed for the next five-year period, with substantially the same terms and conditions.

In the second reference above, B2M LP states that it is charged transfer pricing by HONI for the use of certain shared assets. The transfer pricing charges include major fixed assets and intangible assets usage, as well as minor fixed assets usage. HONI forecasts a charge amount of $0.3 million per year mainly related to B2M LP's use of HONI's SAP system, an enterprise-wide system that integrates work management, finance, supply chain and other enterprise software.

OEB staff notes that the shared cost allocation at $0.3 million per year for the SAP system only started since 2023.

In the third reference above, B2M LP states that the majority of its OM&A expenses (accounting for approximately 83% of the average annual OM&A expense for 2025-2029) are for services provided by HONI through an SLA.

Interrogatory:

a) Please provide a list of the changes made from the 2019 SLA to the proposed 2025 agreement, along with the necessary rationale/explanation.

b) Please confirm that, other than the existing SLA, there have been no additional service level agreements generated since the filing of B2M LP's last cost of service application:

   i. if this is the case, please clarify and provide any reference in the current SLA about the $0.3 million shared asset allocation starting 2023, as 2023 year is still within the 2019-2024 SLA timeframe and the $0.3 million costs were not charged in years prior to 2023; and

   ii. if this is not the case, please explain and provide a copy of any additional service level agreements that have been generated since then.

c) Given the significance of the SLA costs in B2M LP's OM&A budget, please discuss how it is determined which services will be undertaken by HONI via the SLA and which will be acquired through non-affiliates, including the determination of which option is most cost effective.

Responses:

a) Changes made from the 2019 SLA to the proposed 2025 agreement include

- movement of Operating services from a direct billed variable service in the Operations Agreement to a fixed charge in the SLA.

- addition of shared asset allocation charge.

b) The only additional SLA activity beyond the existing one described in evidence was an agreement signed to move the effective date from December 17 to December 31, 2019. This was done for administrative reasons and there were no material changes to the agreement.

   i. The shared asset allocation was added due to Shared Asset Allocation Study conducted by Black & Veatch for HONI's 2023 to 2027 Custom IR Application (EB-2021-0110, Exhibit E-04-08, Attachment 1), which determined B2M LP's share was $0.3M per year. Previously, HONI assumed that B2M LP's share of shared asset allocation was immaterial, thus B2M LP was not included in HONI's prior Shared Asset Allocation Study. Please also see the Interrogatory I-03-06.

   ii. Please see Exhibit F-03-01, Section 3.2.

c) Confirmed

OEB STAFF INTERROGATORY - 25

Reference:

1. Exhibit G-1-1, Page 1
2. Exhibit A-3-1, Page 15

Preamble:

With respect to B2M LP's determination on its cost of capital, B2M LP intends to update the 2025 to 2029 revenue requirements based on the OEB's release of its 2025 cost of capital parameters to reflect:

i. the OEB-prescribed 2025 ROE and short-term debt rates; and

ii. it proposes to use a long-term debt rate based on B2M LP's forecast debt refinancing in 2025, using the September 2024 Consensus Forecast. The ROE and short-term debt rate parameters will remain fixed over the five-year rate term.

Interrogatory:

a) Please provide the information source of the September 2024 Consensus Forecast and whether the forecasted 2025 long-term debt re-financing rate is based on fixed rate(s), or it is based on floating rate(s) which link to prime rate(s).

b) Given that there is currently uncertainly in 2025 long-term debt re-financing rate(s), please provide a sensitivity analysis to quantify what is the dollar impact on 2025 base revenue requirement with every one percent cost rate change for the 2025 long-term debt re-financing.

Responses:

a) The information source for the September 2024 Consensus Forecast is Consensus Economics Inc., which performs a monthly survey of major banks and forecasting institutions. The Consensus Forecast refers to the average of such survey results for each item surveyed. The September 2024 Consensus Forecast is scheduled to be released by Consensus Economics Inc. on September 12, 2024. The forecasted 2025 long-term debt re-financing rate is based on a fixed rate financing.

b) For every 1% cost rate change for the 2025 long term debt re-financing, the 2025 base revenue requirement will change by $0.70 M.

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OEB STAFF INTERROGATORY - 26

Reference:

1. Exhibit G-1-1, Page 1
2. Exhibit A-3-1, Pages 15 &16

Preamble:

In the first reference above, B2M LP proposes, for the 2026 revenue requirement year, a one-time update will be made to the cost of long-term debt to reflect the actual market rate achieved on the long-term debt it will issue in 2025.

In the second reference above, B2M LP states its proposal will allow actual debt issuances made to refinance maturing debt in 2025 to be reflected in the 2026 revenue requirement and through to the end of the rate term.

Interrogatory:

a) Please confirm the approximate timing when B2M LP will provide the cost of long term debt update to the OEB.

b) Please confirm, for the B2M LP's proposal, the actual 2025 long-term debt refinancing cost rate(s) will only impact base revenue requirements in 2026-2029, by B2M LP doing a one-time update. And please confirm if the 2025 base revenue requirement will not be updated to reflect the 2025 re-financing rate.

c) Under B2M LP's proposal of a one-time update to reflect the 2025 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 much lower than forecast, but B2M LP does not adjust downwards the 2025 base revenue requirement, how will this variance be tracked?

Responses:

a) At the time of the Draft Rate Order (DRO) in this proceeding, B2M LP intends to update the 2025 to 2029 revenue requirements based on the OEB's release of its 2025 cost of capital parameters.

Regarding the one-time update to the cost of long-term debt to reflect the actual market rate achieved on the long-term debt it will issue in 2025 (as described in Exhibit G-01-01), B2M LP issues debt to Hydro One Inc. to reflect debt issued by Hydro One Inc. to third-party public debt investors. The exact timing of debt issued by Hydro One Inc. to third-party investors is uncertain and is dependent on market conditions and investor receptivity. Therefore, the timing of the 2026 – 2029 revenue requirement update application in 2025, to reflect the one-time update to the cost of long-term debt, is not known at this time.

b) The actual 2025 long-term debt refinancing cost rate(s) will only impact base revenue requirements in 2026-2029. The 2025 base revenue requirement will not be updated to reflect the 2025 re-financing rate.

c) B2M LP's proposal for a one-time update to reflect the 2025 new cost of debt and no variance account request, is consistent with EB-2020-0226.

OEB STAFF INTERROGATORY - 27

Reference:

1. Exhibit H-1-1, Pages 1 & 2
2. Exhibit A-6-1, Attachment 3
3. Exhibit H-1-1, Pages 5 & 6

Preamble:

In the first reference above, B2M LP proposes to dispose of its ESM deferral account balance. In calculating the projected interest up to December 31, 2024 as part of the ESM balance to be disposed, B2M LP states the projected interest for 2024 is calculated by applying interest on the December 31, 2023 principal balance, using the OEB's quarterly prescribed interest rates for deferral and variance accounts.

In the second reference above, B2M LP states that, for it to record earnings exceed the regulatory ROE, it shall use a methodology which the ROE calculation is based on normalized revenue. It also states, the share of B2M LP owned by Hydro One is subject to tax, and this tax cost will be included as part of the calculation of ROE.

In the third reference above, B2M LP states the ratepayers' share of the excess earnings are grossed up for the associated tax impact. The tax grossed-up principal amount is determined in a formula as: P / (0.735 – P) x 0.658 + P, where P is before tax grossed-up principal sharing with ratepayers.

Interrogatory:

a) Please update the deferral and variance account carrying charges with the Q3 and Q4 2024 prescribed interest rates.

b) Please provide a list of items where the revenues of the year(s) have been normalized between 2020 and 2023. Please list the items by the nature, the dollar amount, the % impact of this item on the achieved ROE for the year and rationale of why this item needs to be adjusted. Please provide these items by year.

c) OEB staff notes that NRLP's 2025-2029 application included a computation of its ESM balance for 2020 through 2023. Please provide a similar computation for B2M LP's historical years of 2020-2023.

d) Please confirm whether B2M LP calculated a tax gross up for the annual amount added to the ESM account. And if not, why.

Responses:

a) The Q4 2024 prescribed interest rate has not yet been released by the OEB. B2M LP will use the assumption that the prescribed interest rate will be the same as Q3 2024 (5.2%). Please see Attachment 1 to this response for the updated continuity schedule.

b) The revenues for the years 2020-2021 have not had any normalization adjustments in the calculation of the achieved ROE. For the years 2022-2023, revenues have been normalized for the ESM amounts recorded in those years. When amounts are recorded in the ESM regulatory account, there is an equal amount deducted from revenue. The normalization adjustment adds this amount back into revenue to be included in the ROE calculation. The amounts for 2022 and 2023 are $74,768 and $657,350, respectively, as shown in Exhibit H-01-01, Page 6.

c) Please see Exhibit H-01-01, Page 6 for the computation of B2M LP's ESM balance for 2020 through 2023.

d) Confirmed, B2M LP calculated a tax gross up for the annual amount added to the ESM account.

		2020									
Account Description	Account Number	Opening Principal Amounts as of Jan-1-20	Transactions Debit / (Credit) during 2020	Board-Approved Disposition during 2020	Principal Adjustments during 2021	Closing Principal Balances as of Dec 31-20	Opening Interest Amounts as of Jan-1-20	Interest Jan-1 to Dec-31-20	Interest Disposition during 2020- instructed by Board	Interest Adjustments during 2021	Closing Interest Balance as at Dec 31 -20 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508				2,023,523	2,023,523				8,309	8,309
Tax Rate and Rule Changes Variance Account	1592										-
Earnings Sharing Mechanism (ESM) Deferral Account	2435										-
Total Regulatory Accounts Seeking Disposition – Group 2					**2,023,523**		**-**		**-**	**8,309**	**8,309**
Total Regulatory Accounts Not Seeking Disposition – Group 2											

Note: Adjustment in 2023 was a pencil adjustment reflecting activity in 2022 due to a correction that was needed to remove an amount initially included in the calculation for 2022 ESM that should not have been included.

Account Description	Account Number	2021 Opening Principal Amounts as of Jan-1-21	Transactions Debit / (Credit) during 2021	Board-Approved Disposition during 2021	Principal Adjustments during 2022	Closing Principal Balances as of Dec 31-21	Opening Interest Amounts as of Jan-1-21	Interest Jan-1 to Dec-31-21	Interest Disposition during 2021- instructed by Board	Interest Adjustments during 2022	Closing Interest Balance as at Dec 31 -21 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	2,023,523		2,023,523		(0)	8,309	6,185	14,510		(16)
Tax Rate and Rule Changes Variance Account	1592					-					-
Earnings Sharing Mechanism (ESM) Deferral Account	2435					-					-
Total Regulatory Accounts Seeking Disposition – Group 2		**2,023,523**	**-**	**2,023,523**		**(0)**	**8,309**	**6,185**	**14,510**	**-**	**(16)**
Total Regulatory Accounts Not Seeking Disposition – Group 2											

Account Description	Account Number	2022 Opening Principal Amounts as of Jan-1-22	Transactions Debit / (Credit) during 2022	Board-Approved Disposition during 2022	Principal Adjustments during 2023	Closing Principal Balances as of Dec 31-22	Opening Interest Amounts as of Jan-1-22	Interest Jan-1 to Dec-31-22	Interest Disposition during 2022- instructed by Board	Interest Adjustments during 2023	Closing Interest Balance as at Dec 31 -22 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	(0)				(0)	(16)	16			-
Tax Rate and Rule Changes Variance Account	1592					-					0
Earnings Sharing Mechanism (ESM) Deferral Account	2435	0	(95,489)		20,721	(74,768)	0	-			0
Total Regulatory Accounts Seeking Disposition – Group 2		**(0)**	**(95,489)**	**-**		**(74,768)**	**(16)**	**16**	**-**	**-**	**-**
Total Regulatory Accounts Not Seeking Disposition – Group 2											

Account Description	Account Number	2023									
		Opening Principal Amounts as of Jan-1-23	Transactions Debit / (Credit) during 2023	Board-Approved Disposition during 2023	Principal Adjustments during 2024	Closing Principal Balances as of Dec 31-23	Opening Interest Amounts as of Jan-1-23	Interest Jan-1 to Dec-31-23	Interest Disposition during 2023-instructed by Board	Interest Adjustments during 2024	Interest Balance as at Dec 31 -23 balance
Group 2 Accounts											
Foregone Revenue Deferral Account	1508	(0)				(0)	-	(0)			(0)
Tax Rate and Rule Changes Variance Account	1592					-					-
Earnings Sharing Mechanism (ESM) Deferral Account	2435	**(74,768)**	(657,351)		-	(732,119)	-	(4,015)			(4,015)
Total Regulatory Accounts Seeking Disposition – Group 2		**(74,768)**	**(657,351)**	**-**	**-**	**(732,119)**	**-**	**(4,015)**	**-**	**-**	**(4,015)**
Total Regulatory Accounts Not Seeking Disposition – Group 2											

Account Description	Account Number	2024							
		Principal Disposition during 2024 - instructed by OEB	Interest Disposition during 2024 - instructed by OEB	Principal Adjustments during 2024	Closing Principal Balances as of Dec 31-23 Adjusted for Dispositions during 2024	Closing Interest Balances as of Dec 31-23 Adjusted for Dispositions during 2024	Projected Interest from Jan 1, 2024 to December 31, 2024 on Dec 31 -23 balance adjusted for disposition during 2024	Total Interest	Total Claim
Group 2 Accounts									
Foregone Revenue Deferral Account	1508				(0)	(0)	(0)	(0)	**(0)**
Tax Rate and Rule Changes Variance Account	1592						-	-	**-**
Earnings Sharing Mechanism (ESM) Deferral Account	2435				(732,119)	(4,015)	(39,132)	(43,147)	**(775,265)**
Total Regulatory Accounts Seeking Disposition – Group 2					**(732,119)**	**(4,015)**	**(39,132)**	**(43,147)**	**(775,265)**
Total Regulatory Accounts Not Seeking Disposition – Group 2									

Account Description	Account Number	2.1.7 RRR Accounts To Dispose Yes/No	As of Dec 31-23	Variance RRR vs. 2023 Balance (Principal + Interest)
Group 2 Accounts				
Foregone Revenue Deferral Account	1508	**No**		
Tax Rate and Rule Changes Variance Account	1592	**No**		
Earnings Sharing Mechanism (ESM) Deferral Account	2435	**Yes**	(736,134)	(0)
Total Regulatory Accounts Seeking Disposition – Group 2				
Total Regulatory Accounts Not Seeking Disposition – Group 2				

OEB STAFF INTERROGATORY - 28

Reference:
Exhibit H-1-1, Pages 1 - 5

Preamble:
B2M LP proposes the continuance of the three regulatory accounts it currently has:

- Account 1508 – sub account Foregone Revenue Deferral Account
- Account 1592 – sub account Tax Rate and Rule Changes Variance Account
- Account 2435 – ESM Deferral Account

Interrogatory:
Given that B2M LP proposes no annual update between 2026 and 2029,

a) In the event that B2M LP wants to establish a new deferral or variance account, how does it propose to do so during its rebasing term?

b) In the event that any of the regulatory accounts has a balance for disposal, please confirm when the account balance disposition will be requested of the OEB?

Responses:
a) B2M LP does not expect to have the need to establish a new deferral or variance account during the rebasing term. In the event that a new deferral or variance account is needed, B2M LP would propose to file a standalone application to request the account.

b) B2M LP expects to bring forward regulatory account balances for disposal at its next rebasing.

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OEB STAFF INTERROGATORY - 29

Reference:

1. EB-2024-0063, Notice, March 6, 2024
2. EB-2024-0063, OEB Letter, April 22, 2024

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, among others:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over rate term)?

19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approve rate term, and if so, how?

Interrogatory:

a) Please confirm that B2M LP proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

Responses:

b) B2M LP will determine its approach to implementing the OEB's Decision in the generic cost of capital proceeding (EB-2024-0063) when that decision is issued.

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OEB STAFF INTERROGATORY - 30

Reference:

EB-2024-0063, OEB Letter, July 26, 2024

Preamble:

On July 26, 2024, the OEB issued a letter and accounting order regarding prescribed interest rates and the deemed short-term debt rate (DSTDR).

Interrogatory:

a) Please confirm whether B2M LP will use the 2025 DSTDR to be set in October2024 on an interim basis.

b) Please confirm that the B2M LP will follow all other direction included in the OEB's Letter and Accounting Order issued on July 26, 2024, including the establishment of a new variance account for the DSTDR.

Responses:

a) Confirmed.

b) Confirmed, B2M LP will establish a new variance account for the DSTDR.

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OEB STAFF INTERROGATORY - 31

Reference:

1. Amended Application Cover Letter
2. Exhibit H-1-1, Attachment 1, Page 3 of the Excel

Preamble:

On July 31, 2024, Hydro One, on behalf of B2M LP, submitted an amendment to the OEB to reflect an update to the depreciation expense and subsequent changes to the components of the revenue requirements requested for approval in the application.

Following the July 31, 2024 update, OEB staff notes a $20,721 adjustment is being made in the ESM deferral account in 2022. B2M LP states there is no impact on the ESM total requested for disposition, as this adjustment was previously included under the 2023 principal adjustment.

As a result of B2M LP's proposed approach, annual updates to set the revenue requirements for 2026-2029 will not be required. Only one update is proposed to the cost of long-term debt in 2025 as stated in the original application. Once the 2025 update for cost of long-term debt is complete (impacting 2026-2029 revenue requirements), B2M LP's 2026, 2027, 2028 and 2029 revenue requirements will be final. As a result, the OEB can use these final revenue requirements approved to set 2026, 2027, 2028 and 2029 Uniform Transmission Rates (UTRs).

Interrogatory:

a) Please explain why the OEB was not notified to expect this update.

b) Please explain what triggered the need for the updated study.

c) Are there currently other studies ongoing about which the OEB has not been notified? Please identify and describe any such updates.

d) Please clarify what the $20,721 adjustment made to the 2022 year is for, and why it does not impact the EMS principal amount in 2023.

e) B2M LP has stated that an advantage of utilizing the proposed approach to determine annual revenue is that annual updates would not be required. However, this update provided has altered the revenue requirement during the proceeding.

i. Are there further updates to depreciation expected during the 5-year term?

ii. What assurances are B2M LP providing that this type of unexpected update will not occur again during the 5-year term?

f) Please provide the updated UTRs calculation showing the differences between the original evidence and the amended evidence. As part of this request, please use the updated 2024 UTRs issued by the OEB on June 27, 2024.

Responses:

a) B2M LP filed the amended as-filed evidence accompanied by a cover letter providing an explanation for the amendments. Inadvertently, B2M LP did not notify the OEB in advance of filing the amended as-filed evidence. However, subsequently upon filing the amended as-filed evidence, B2M LP wrote to the OEB Case Manager offering to discuss the reason for the amendment. B2M LP will ensure to notify the OEB in advance of further amendments, if any.

b) B2M LP sought to confirm with Alliance Consultant Group (Alliance) that the depreciation rates used in this application, as originally filed, were appropriate. Alliance advised that the rates should be modified. This triggered the need for B2M LP to amend the application to utilize the modified rates recommended by Alliance.

c) No.

d) The initial 2022 ESM calculation was performed and recorded in February 2023 for inclusion in the 2023 Hydro One Limited financial statements. Following the audit of the B2M LP financial statements and preparation of the RRR/ROE submission in the second quarter of 2023, the ESM calculation was trued up. The true-up adjustment was recorded in 2023, as the 2022 books were closed. This was a consistent approach to prior years. To maintain consistency with other DVA schedules submitted for other Hydro One entities, this adjustment is now reflected within the 2022 fiscal year section of the DVA. The same amount was deducted from the transactions for 2023, leaving the same ending principal balance at the end of 2023.

e)

i. B2M LP's revenue requirement framework proposal is for a one-time update in 2025 to the cost of long-term debt to reflect the actual market rate achieved on the long-term debt it will issue in 2025 and then set the 2026 - 2029 revenue requirement. B2M LP has not proposed to update depreciation during the rate period.

ii. Please see e) i) above.

f) The updated UTRs calculation using the updated 2024 UTRs issued by the OEB on June 27, 2024 (EB-2024-0183), is summarized in the table below:

		Original B2M LP Evidence			**Amended B2M LP Evidence**		
	Calculation	**Network**	**Line Connection**	**Transformation Connection**	**Network**	**Line Connection**	**Transformation Connection**
B2M LP Proposed 2025 UTR Revenue Requirement ($)	A	36,988,112	-	-	37,972,298	-	-
All Other Transmitters approved 2024 UTR Revenue Requirement ($)	B	1,419,538,244	218,001,720	621,916,870	1,419,538,244	218,001,720	621,916,870
Total UTR Revenue Requirement ($)	C=A+B	1,456,526,356	218,001,720	621,916,870	1,457,510,542	218,001,720	621,916,870
Total Annual Charge Determinants (MW)	D	237,801.119	230,076.195	193,968.592	237,801.119	230,076.195	193,968.592
Proposed 2025 Uniform Transmission Rates ($/kW-Month)	E=C/D	**6.12**	**0.95**	**3.21**	**6.13**	**0.95**	**3.21**

Note 1: B2M LP's proposed 2025 UTR revenue requirement in Original Evidence as per Exhibit E-01-01 filed on May 23, 2024.
Note 2: B2M LP's proposed 2025 UTR revenue requirement in Amended Evidence as per Exhibit E-01-01 filed on July 31, 2024.
Note 3: All other transmitters' approved 2024 UTR revenue requirement and charge determinants as per OEB Decision and Order on 2024 Uniform Transmission Rates Update dated June 27, 2024 (EB-2023-0222)
Note 4: B2M LP does not affect the UTRs for Line Connection and Transformation Connection.

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SCHOOL ENERGY COALITION - 01

Reference:
Exhibit A-4-1, Page 4

Interrogatory:
Please confirm that the current Hydro One Networks Inc. transmission approved stretch factor is 0.15%.

Response:
Confirmed. Pursuant to the EB-2021-0110 approved settlement proposal, the current HONI Transmission X-factor is 0.15%.

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SCHOOL ENERGY COALITION - 02

Reference:
Exhibit F-2-1, Page 3

Interrogatory:
Please provide a breakdown of the B2M LP's OM&A expenses in each year between 2020 and 2029, into the following categories:

a) Labour provided by Hydro One Networks Inc.
b) Other Labour
c) Non-Labour provided by Hydro One Networks Inc.
d) Other Non-Labour

Responses:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
	Act	**Act**	**Act**	**Act**	**Bridge**[1]	**Fcst**	**Fcst**	**Fcst**	**Fcst**	**Fcst**
Labour – HONI	1.2	1.0	1.1	1.0	1.2	1.2	1.3	1.4	1.4	1.2
Labour - Other	-	-	-	-	-	-	-	-	-	-
Non-Labour HONI	1.1	0.5	0.3	0.5	1.2	1.2	1.0	1.4	1.4	1.0
Non-Labour Other	0.5	0.5	0.2	0.7	0.8	0.7	0.5	1.2	1.3	0.6
Total OM&A	**2.8**	**2.0**	**1.6**	**2.5**	**3.1**	**3.1**	**2.7**	**3.9**	**4.1**	**2.8**

[1] Forecast

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SCHOOL ENERGY COALITION - 03

Reference:
Exhibit F-2-1, Page 3 - 5

Interrogatory:
Please provide a more detailed explanation, including specific basis and underlying assumptions, for the forecast 2024 to 2029 maintenance expenses.

Response:
The forecasted 2024-2029 Spacer Damper Repair costs are estimated based on the costs incurred so far (2020-2023) using the chosen strategy of defect correction. The major assumptions are that sufficient outages will be available; labour/equipment rates remain stable; number and severity of defects remain consistent with historical levels. Please see Interrogatory I-01-11 part b) for details on spacer damper repair strategy and assumptions.

Other forecasted lines maintenance costs are in accordance with HONI's established strategy for types and frequency of maintenance, as described in Table 4 of Exhibit B-01-03 Attachment 1. They include preventive cyclical activities, as well as demand driven work that could result from defects found during patrols or caused by external factors (i.e. extreme weather, vehicle collisions, etc.). Given that this is a relatively newly constructed steel tower line, demand costs are not expected to be significant during the rate period.

The vegetation management program is a 6-year cycle program with a mid-cycle condition patrol and an annual patrol required by NERC. The forecast is based on historical project costs for B2M LP and are built on HONI's established practices and standards to carry out each program.

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SCHOOL ENERGY COALITION - 04

Reference:
Exhibit F-2-1

Interrogatory:
Has Hydro One Networks Inc. undertaken or participated in any compensation benchmarking studies since those filed in EB-2021-0110? If so, please provide copies.

Response:
B2M LP does not possess any compensation benchmarking studies performed by HONI. Further, it is inappropriate that any HONI-related study be obtained in the context of B2M LP's revenue requirement application.

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SCHOOL ENERGY COALITION - 05

Reference:
Exhibit F-3-1, Attachment 1

Interrogatory:
Please provide the amounts paid or forecast to be paid to Hydro One Networks Inc. pursuant to the SLA for each year between 2020 and 2029, broken down by,

i. Operational Fees,
ii. Management Fees, and
iii. any other payments.

Response:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
	Act	**Act**	**Act**	**Act**	**Bridge**	**Fcst**	**Fcst**	**Fcst**	**Fcst**	**Fcst**
Operation Fees	2.2	1.3	0.8	1.1	1.8	1.8	1.3	2.5	2.7	1.3
Management Fees	0.2	0.3	0.5	0.6	0.4	0.5	0.5	0.5	0.5	0.5
Other Payments	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total SLA	**2.4**	**1.6**	**1.3**	**2.0**	**2.5**	**2.6**	**2.2**	**3.3**	**3.5**	**2.1**

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SCHOOL ENERGY COALITION - 06

Reference:

1. Exhibit F-6-1, Attachment 2
2. Exhibit A-5-1, Page 2

Interrogatory:

The evidence is that Hydro One Networks Inc. has a 65.7% ownership interest (as a LP) in B2M LP. Yet, B2M LP appears to allocate Hydro One Networks Inc. 72.3% of the annual forecast taxable income for income tax expense purpose (Ln 8/Ln 11). Please explain why.

Response:

Please see the response at Interrogatory I-01-18.

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SCHOOL ENERGY COALITION - 07

Reference:
Exhibit G-1-1, Pages 4-5

Interrogatory:
With respect to the long-term debt

a) The evidence is that B2M LP issues debt to Hydro One Inc. to reflect Hydro One's debt issued to third-party investors. Does Hydro One Inc. issue debt specifically for B2M LP or is B2M LP allocated a portion of a larger debt issuance?

b) Please update the forecast February 2025 debt issuance based on the most recent available information (i.e. Consensus Forecast, new issues spreads, etc.).

c) Please explain why B2M LP is replacing a 5-year debt issuance with a 10-year debt issuance and why that is reasonable

d) Please provide Hydro One Networks Inc.'s current actual average long-term debt rate.

Response:
a) B2M LP is allocated a portion of a larger Hydro One Inc. debt issuance.

b) The interest rate forecast for the February 2025 debt issuance based on the most recent available information, which is the July 2024 Consensus Forecasts and the average of indicative new issue spreads for July 2024, is 4.364% (compared to the January forecast of 4.348%).

c) B2M LP is replacing a 5-year debt issuance with a 10-year debt issuance that matures in 2035 because it currently has a 2030 maturity, which was a 10-year debt issuance five years ago. A 10-year debt issuance in 2025 will reduce refinancing risk by creating debt maturities in 2030, 2035 and 2050.

d) Hydro One Inc. issues debt on behalf of Hydro One Networks Inc. Hydro One Inc's, average long-term debt rate as at June 30, 2024 is 4.3%, and is reflective of $15.1 billion of long-term debt issued between 2000 and 2024 and is comprised of debt maturing between 2025 and 2064.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 01

Reference:

Exhibit I-2-1, Page 4

Interrogatory:

Please provide the bill impacts for a typical industrial customer and provide all assumptions.

Response:

Consistent with Exhibit I-02-01, Page 4 (referenced section of the evidence in the interrogatory) which provides bill impacts for typical Hydro One distribution-connected customers, the following table provides the impact for an average Hydro One distribution-connected General Service greater than 50 kW customer based on Hydro One Distribution consumption levels.

	Calculation[1]	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
B2M LP's Rates Revenue Requirement ($M)[2]	A	36.396	37.972	38.393	39.456	39.359	37.747
B2M LP's 2024 Rates Revenue Requirement as % of UTR Network Revenue Requirement[3]	B	2.650%					
Estimated Net Impact on RTSR-Network[4]	$C=(A/A_{PY}-1)*B_{2024}$		0.115%	0.029%	0.073%	-0.007%	-0.109%
Average Hydro One Distribution GS>50kW Customer Consuming 34,334 kWh and 110 Peak kW per Month							
		2024	2025	2026	2027	2028	2029
RTSR Network Charge ($) [5],[6]	D=DPY*(1+ C)	331.661	332.042	332.139	332.383	332.361	332.000
RTSR Connection Charge ($) [5],[7],[8]	E	259.754	259.754	259.754	259.754	259.754	259.754
Total RTSR Charge ($)	F=D+E	591.415	591.796	591.893	592.137	592.115	591.754
Estimated Change in RTSR Network Charge ($) [8]	G=C*DPY		0.381	0.098	0.244	(0.022)	(0.361)
Total Bill ($) [9]	H=HPY+D	7,787.026	7,787.406	7,787.504	7,787.747	7,787.726	7,787.365
Increase as a % of Total bill	I=G/HPY		0.005%	0.001%	0.003%	0.000%	-0.005%

[1] Inputs are current year (CY) unless otherwise denoted (e.g. PY refers to the value from the previous year). Calculations are for 2025-2029 values.

[2] B2M LP's 2024 rates revenue requirement per Decision and Rate Order, EB-2023-0129, Decision and Order, September 7, 2023, and the 2025-2029 rates revenue requirement as per Exhibit E-01-01.

[3] Represents B2M LP's approved revenue disbursement allocator based on the approved Total 2024 UTR Network Revenue Requirement of $1,373,508,207 as per OEB Decision and Rate Order, EB-2023-0222, 2024 Uniform Transmission Rates Update-Schedule A, January 18, 2024.

[4] The calculation of net impact on Hydro One Distribution's RTSR Network is B2M LP's change in rates revenue requirement relative to its share of the total 2024 UTR Network revenue requirement.

[5] Hydro One Distribution's currently approved RTSRs are based on the Preliminary 2024 UTRs, EB-2023-0222, September 28, 2023.

[6] Represents the approved 2024 RTSR Network ($/kW) effective January 1, 2024 per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the GSd approved loss factor, multiplied by the monthly demand charge determinant (i.e. 110 kW).

[7] Represents the approved 2024 RTSR Connection ($/kW) effective January 1, 2024 approved per the OEB Decision and Rate Order, EB-2023-0030, December 14, 2023, multiplied by the GSd approved loss factor, multiplied by the monthly demand charge determinant (i.e. 110 kW).

[8] B2M LP's rates revenue requirement is wholly allocated to the Network rate pool. As a result, B2M LP's rates revenue requirement impacts RTSR-N, and not RTSR-C.

[9] Total 2024 bill including HST, based on time-of-use commodity price effective November 1, 2023 and distribution rates effective January 1, 2024 approved per Distribution Rate Order EB-2023-0030, dated December 14, 2023, 2025-2029 total bills reflect the year over year estimated change in RTSR-N, and does not account for corresponding adjustments for HST.

ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 02

Reference:

Exhibit A-3-1, Page 11

Interrogatory:

B2M LP is proposing to continue to track its performance by utilizing most of the measures approved by the OEB in proceeding EB-2015-0026, and the Settlement Agreement in EB-2019-0178.

a) Please identify any measures previously approved by the OEB that are no longer utilized and explain why.

b) Please discuss any new measures that were reviewed and not proposed and explain why.

Response:

a) Please see Interrogatory I-01-13.

b) No new measures were reviewed and not proposed.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 03

Reference:
Exhibit A-4-1, Page 4

Preamble:
B2M LP is proposing, consistent with the Handbook, that the OEB's Z-factor mechanism be available over the term of this five-year Application.

Interrogatory:
At this point in time, is B2M LP aware of any future events on the horizon that would necessitate the use of the Z-factor mechanism over the 5-year term.

Response:
B2M LP is not currently aware of future events on the horizon that would necessitate the use of the Z-factor mechanism over the 5-year term.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 04

Reference:
Exhibit B-1-3, Attachment 1, Page 13

Interrogatory:
With respect to each of the maintenance activities in Table 4:

a) Please provide the historical actuals for each of the years 2020 to 2024.

b) Please provide the forecast budget for each of the years 2025 to 2029.

c) Please provide actual unit costs where applicable for each of the years 2020 to 2024 and show the calculation

d) Please provide forecast unit costs where applicable for each of the years 2025 to 2029 and show the calculation.

Response:
a) and b):

The table below outlines the historical and forecast spend by maintenance activity for 2020 to 2029.

			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asset	**Maintenance**	**Frequency**	**Actual**	**Actual**	**Actual**	**Actual**	**Plan**	**Plan**	**Plan**	**Plan**	**Plan**	**Plan**
Overhead Transmission Lines	Detailed Helicopter Inspections	1 year	$0.07M	$0.11M	$0.10M	$0.10M	$0.12M	$0.12M	$0.12M	$0.12M	$0.13M	$0.13M
	Ground Patrol	12 years	$0.13M									
	Thermovision	1 year	$0.02M	$0.01M	$0.01M	$0.02M	$0.03M	$0.03M	$0.03M	$0.03M	$0.03M	$0.03M
Total Lines			**$0.22M**	**$0.11M**	**$0.11M**	**$0.12M**	**$0.15M**	**$0.15M**	**$0.15M**	**$0.15M**	**$0.16M**	**$0.16M**
Transmission Rights of Way	Line Clearing	6 years		$0.05M	$0.02M	$0.01M	$0.04M	$0.03M		$0.07M	$0.08M	
	Brush Control	6 years	$0.33M	$0.29M	$0.20M	$0.56M	$0.44M	$0.45M		$1.09M	$1.32M	
	Condition Patrol	6 years		$0.01M	$0.01M		$0.02M		$0.02M	$0.02M	$0.01M	
	Property Owner Notifications	6 years	$0.02M	$0.04M	$0.04M	$0.02M	$0.01M	$0.02M	$0.05M	$0.06M		
	Annual Vegetation Patrol[1]	1 year	$0.00M	$0.00M	$0.00M	$0.00M	$0.00M	$0.01M	$0.01M	$0.01M	$0.01M	$0.01M
Total Vegetation			**$0.35M**	**$0.39M**	**$0.27M**	**$0.59M**	**$0.51M**	**$0.51M**	**$0.08M**	**$1.25M**	**$1.42M**	**$0.01M**
Total Lines and ROW Maintenance[2]			**$0.57M**	**$0.50M**	**$0.38M**	**$0.71M**	**$0.66M**	**$0.66M**	**$0.23M**	**$1.40M**	**$1.58M**	**$0.17M**

[1] Annual Vegetation Patrol had expenditures each year however they round to zero in the table.
[2] The total excludes the spacer damper repair expenditures.

c) and d):

Below are the accomplishments for maintenance activities that meet the materiality threshold for B2M LP.

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Maintenance	**Frequency**	**Actual**	**Actual**	**Actual**	**Actual**	**Plan**	**Plan**	**Plan**	**Plan**	**Plan**	**Plan**
Brush Control (Hectares)	6 years	180	437	54	347	197	194	0	428	498	0

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 05

Reference:
Exhibit F-2-1, Page 3

Preamble:
The Unplanned Maintenance Program was initiated in 2020 and is expected to be complete by end of 2029. For 2025 to 2029 rate period, this program is expected to cost $1.2M annually.

Interrogatory:
Please provide the actual costs for each of the years 2020 to 2023 and the forecast costs for 2024.

Response:
Please see Interrogatory I-01-04.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 06

Reference:
Exhibit F-2-1, Page 3

Interrogatory:
Please explain why there are no Shared Asset Allocation costs in 2020-2022.

Response:
There are no Shared Asset Allocation costs in 2020-2022 because B2M LP was not included in the previous Shared Asset Allocation study and calculation for Hydro One, as the B2M LP share was assumed to not be material. However, in the most recent Shared Asset Allocation study conducted by Black & Veatch (EB-2021-0110, Exhibit E-04-08, Attachment 1) filed as part of Hydro One’s 2023 to 2027 Custom IR Application, B2M LP was included, and the Shared Asset Allocation cost was determined to be $0.3M per year.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 07

Reference:
Exhibit F-2-1, Page 4

Interrogatory:
a) Please provide Overhead Transmission Lines maintenance costs for each of the years 2020 to 2029.

b) Please provide Transmission ROW maintenance costs for each of the years 2020 to 2029.

Response:
a) Please Interrogatory I-03-04.

b) Please Interrogatory I-03-04.

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ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO INTERROGATORY - 08

Reference:
Exhibit F-2-1, Page 8

Interrogatory:
a) Please explain why insurance costs doubled between 2024 and 2025.

b) Please explain the increase Managing Director's Office in 2024 compared to 2023 actuals.

Response:
a) Insurance costs have generally increased since 2020 due to market conditions. Material impacts come from several factors including:

   a. Inflation,
   b. COVID,
   c. Reinsurance pricing pressures, and
   d. High loss ratios.

   Premiums were below market during this time and insurers have gradually implemented increases to catch up to the market over the last couple of years. Increases are expected to stabilize in 2025.

b) Exhibit F-02-01 provides a listing of the tasks and events that are covered by the Managing Directors Office. Primarily, it is associated with conducting meetings and community outreach. The costs for 2020-2024 were submitted for consideration as part of the 2019 application. For the 2020-2022 period, meeting arrangements were changed due to the COVID-19 epidemic, which was unforeseen when the 2019 application was submitted. Meetings were not held in person and in-person community outreach was halted. As a result, many of those forecasted costs did not arise. For 2023, community meetings remained constrained and infrequent.

   In 2024, community outreach is returning. The Managing Director has presented in–person to the community and organized multiple visits to meet with Council and other officials. Furthermore, there will be additional costs in making certain individuals, including community members where possible, available for meetings and other matters.

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