

**BY EMAIL AND RESS**

September 4, 2025

Mr. Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Mr. Murray,

**EB-2025-0147 and EB-2025-0148 – B2M LP and NRLP Annual Tx Rate Applications – Response to OEB Clarification Questions**

Hydro One Networks Inc. (Hydro One), on behalf of B2M LP and NRLP, is writing to respond to clarification questions provided by OEB staff in their email dated August 28, 2025.

**1. Implementation of EB-2024-0063 Outcomes**

OEB Staff Question:

In response to OEB Staff Interrogatories, Staff-29 (EB-2024-0116, August 20, 2024) and Staff-14 (EB-2024-0117, September 9, 2024), B2M LP and NRLP indicated that they would determine their approach to implementing the outcomes of the OEB's generic cost of capital proceeding (EB-2024-0063) once the decision is issued.

On July 26, 2024, and October 31, 2024, the OEB issued the Accounting Orders establishing three variance accounts related to 2025 cost of capital parameters, namely: deemed short-term debt rate (DSTDR), deemed long-term debt rate (DLTDR) and Return on Equity (ROE). These variance accounts are to record the difference between the revenue requirement at interim and final cost of capital parameters.

Please confirm whether B2M LP and NRLP intend to implement any outcomes from EB-2024-0063, including changes to ROE, deemed capital structure, or cost of debt, during the 2026–2029 rate term?

- If yes, please provide a plan regarding these three cost of capital variance accounts.
- If not, please explain the rationale.

Hydro One's Response:

As part of the OEB-approved Settlement Proposals in EB-2024-0116 and EB-2024-0117, Issue 11 outlined B2M LP's<sup>1</sup> and NRLP's<sup>2</sup> approach to the Generic Cost of Capital, as follows:

"Notwithstanding the Generic Cost of Capital Proceeding, the Parties agreed that: (i) the 2025 to 2029 cost of common equity and short-term debt rate will be based on the OEB's 2025 cost of capital parameters to be published in the fourth quarter of 2024; (ii) the 2025 long-term debt rate will be based on actual debt issuances maturing in 2025, 2030 and 2050 and a forecast debt issue for the refinancing of the 2025 maturity using the Government of Canada bond yield forecast from the September 2024 Consensus Forecast; and (iii) the 2026 to 2029 long-term debt rate will be based on actual debt issuances. This 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.

There will be no further updates to cost of capital parameters throughout the term, except one application in 2025 to update the cost of long-term debt based on actual issuances in 2025. This will update and set the revenue requirements, effective on January 1 each year, for the remaining term from 2026 through to 2029.

B2M LP's deemed capital structure for rate-making purposes is 60% debt and 40% common equity of utility rate base. The 60% debt component is comprised of 4% deemed short-term debt and 56% long-term debt."

B2M LP and NRLP have reflected the OEB-approved Settlement Proposal in its one-time Update Application for the 2026 – 2029 Revenue Requirement.

---

<sup>1</sup> Decision and Order, EB-2024-0116, B2M Limited Partnership, Filed November 21, 2024. P. 31.

<sup>2</sup> Decision and Order, EB-2024-0117, Niagara Reinforcement Limited Partnership, Filed November 21, 2024. P. 31.

## 2. Cost of Capital Variance Accounts

### OEB staff Question:

In response to OEB Staff Interrogatories, Staff-30 (EB-2024-0116, August 20, 2024) and Staff-15 (EB-2024-0117 September 9, 2024), B2M LP and NRLP confirmed they would use the 2025 DSTDR and establish a new variance account.

- Please confirm whether B2M LP and NRLP have established variance accounts for the DSTDR, DLTD and ROE, as directed by the OEB in its July 26, 2024 Accounting Order?
- Please provide a plan of the disposition for these accounts.
- Please explain how B2M LP and NRLP plan to mitigate generating significant balances in the variance account(s) and minimize intergenerational equity.

### Hydro One's Response:

B2M LP's and NRLP's Interrogatory responses have been superseded by the OEB-approved Settlement Proposal, outlined in Issue 11, and provided in the preceding OEB question. Therefore, these variance accounts have not been established.

An electronic copy of the response has been submitted by Hydro One on behalf of B2M LP and NRLP, using the Board's Regulatory Electronic Submission System.

Sincerely,



Kathleen Burke

Cc: Muhammad Yunus, P. Eng.,