



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

DECISION AND ORDER

EB-2020-0226

B2M LIMITED PARTNERSHIP

**Application for electricity transmission revenue requirement
beginning January 1, 2021**

BEFORE: Cathy Spoel
Presiding Commissioner

Pankaj Sardana
Commissioner

November 26, 2020

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1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the application filed by B2M Limited Partnership (B2MLP) for 2021 transmission rates effective January 1, 2021, pursuant to section 78 of the *Ontario Energy Board Act, 1998* (OEB Act).

The OEB sets rates for rate-regulated electricity transmitters in Ontario by setting a revenue requirement for each transmitter. Transmitter revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

B2MLP owns a 176km 500kV double circuit transmission line that connects the Bruce nuclear complex to the Milton switching station. B2MLP is an OEB-licensed electricity transmitter.

In the OEB's Decision and Order on B2MLP's 2020 transmission revenue cap incentive rate-setting (Revenue Cap IR) application¹, the OEB approved the proposed Revenue Cap IR methodology and established that it would be used to determine B2MLP's base transmission revenue requirement for the years 2021 through 2024. The methodology adjusts B2MLP's revenue requirement by a revenue cap index comprised of inflation, less a productivity factor, stretch factor and a settlement capital adjustment factor.

B2MLP's application for 2021 transmission rates is approved for the reasons set out below. The OEB is disposing of this proceeding without a hearing, pursuant to section 21(4)(b) of the OEB Act. The OEB has determined that no person will be adversely affected in a material way by the outcome of the proceeding, and B2MLP has consented to the disposition of the proceeding without a hearing.

As a result of the OEB's findings in this Decision and Order, B2MLP's 2021 revenue requirement will be 0.7% lower compared to the revenue requirement approved for 2020. This decrease will result in no difference to monthly bills at two decimal places before taxes (i.e. a \$0.00 change), effective January 1, 2021. The total bill impact for a typical medium density residential (Hydro One R1) customer consuming 750 kWh monthly is a change of 0.00% or \$0.00 per month. The total bill change for a typical General Service Energy less than 50 kW (Hydro One GSe < 50 kW) customer consuming 2,000 kWh monthly will be 0.00% or \$0.00 per month.

¹ EB-2019-0178, Decision and Order, January 16, 2020

2 THE PROCESS

B2MLP filed its Revenue Cap IR application on September 15, 2020 under section 78 of the OEB Act and in accordance with Chapter 2 of the OEB's Filing Requirements for Electricity Transmission Applications. This is the first application filed by B2MLP for a rate adjustment to its revenue requirement using the Revenue Cap IR methodology approved by the OEB in 2020, which determined that the approved methodology would be used to determine B2MLP's revenue requirement for the years 2021 through 2024.

On October 7, 2020, B2MLP filed a letter with the OEB to provide its consent to the OEB's disposition of this proceeding without a hearing.

B2MLP's application was supported by pre-filed written evidence. OEB staff filed clarification questions about B2MLP's evidence on October 14, 2020; B2MLP filed its responses on October 23, 2020. OEB staff filed supplementary clarification questions on November 3, 2020; B2MLP filed its response on November 6, 2020.

At the time of filing B2MLP's application, the OEB had not yet released the inflation factor applicable to applications for approval of revenue requirements effective January 1, 2021. B2MLP indicated in its application that it would file an update to the revenue requirement calculation for 2021 rates once that inflation factor was released. On November 19, 2020, B2MLP filed an update to the revenue requirement calculation for its 2021 rates, incorporating the inflation factor released by the OEB on November 9, 2020.

As noted above, this proceeding is being disposed of without a hearing pursuant to section 21(4)(b) of the OEB Act.

3 STRUCTURE OF THE DECISION

The OEB addresses the following issues in this Decision and Order, and provides reasons for approving or denying B2MLP's proposals relating to each of them:

- Revenue Cap Adjustment and Bill Impacts
- Deferral and variance accounts
- Disposition of the proceeding without a hearing

4 REVENUE CAP ADJUSTMENT AND BILL IMPACTS

This B2MLP application requests OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved Revenue Cap IR methodology, in which the revenue requirement for the Test Year +1 is equal to the revenue requirement in the Test Year, inflated by a Revenue Cap Index (RCI).

The RCI approved by the OEB for B2MLP includes an industry-specific inflation factor, productivity factor and settlement capital adjustment factor. The RCI is expressed as:

$$RCI = I - X - SCAF$$

Where: “I” is the Inflation Factor; “X” is the Productivity Factor, which includes a Stretch Factor; and “SCAF” is the Settlement Capital Adjustment Factor.

The proposed Inflation Factor is 2.0%, which is the OEB-approved industry-specific inflation rate for 2021 applications, effective January 1, 2021. The Inflation Factor will be updated annually.

The proposed Productivity Factor is 0.0%, which was approved by the OEB in B2MLP’s 2020 Revenue Cap IR application for use during B2MLP’s OEB-approved revenue cap framework between 2020 and 2024.

The Settlement Capital Adjustment Factor is 0.6%, as approved by the OEB in B2MLP’s 2020 Revenue Cap IR application, for use between 2020 and 2024.

The components of the Revenue Cap IR adjustment formula applicable to B2MLP are shown in Table 1. They result in a total proposed RCI of 1.4%.

Table 1: Components of the Revenue Cap IR Adjustment Formula

Components		Amount
Inflation Factor (I)		2.0%
Productivity Factor (X)	Productivity	(0.0)%
	Stretch	(0.0)%
Settlement Capital Adjustment Factor (SCAF)		(0.6)%
Total Revenue Cap Index (RCI)		1.4%

In addition to the Revenue Cap IR adjustment formula above, B2MLP has incorporated changes resulting from the refinancing of its debt into its proposed 2021 revenue requirement, in accordance with OEB direction in B2MLP's 2020 Revenue Cap IR application. B2MLP acknowledged in its 2020 application that it had long-term debt financing that would fall due for refinancing in 2020. The OEB directed B2MLP to incorporate any changes resulting from the 2020 refinancing into its revenue requirement update for 2021. The update reflects B2MLP's actual weighted long-term debt rate that it will incur throughout the 2021 revenue requirement year and the balance of the OEB-approved RCI duration. B2MLP's updated weighted long-term debt rate is the average of B2MLP's current debt issuances - it is not blended with any long-term debt costs from prior periods. The update reduces B2MLP's long-term debt rate from the original forecast of 2.59% to 2.34%. Details on the long-term debt instruments that support B2MLP's application are provided at Schedule A to this Decision and Order.

The update to B2MLP's long-term debt rate, in turn, reduces the 2020 Revenue Requirement on which B2MLP's 2021 Base Revenue Requirement is calculated. As shown in Table 2, the updated long-term debt rate reduces B2MLP's 2021 starting revenue requirement (i.e. revenue requirement before the Revenue Cap IR formula is applied) by \$679,364 compared to the approved 2020 base revenue requirement.

B2MLP's revenue requirement for the 2021 rate year is then determined by applying the proposed RCI of 1.4% to B2MLP's adjusted 2020 base Revenue Requirement. The result is a proposed 2021 revenue requirement of \$33.02 Million, which is \$223,403 or 0.7% lower than B2MLP's OEB-approved 2020 revenue requirement of \$33.25 Million.

Table 2 - Revenue Requirement by Year

Year	Formula	Base Revenue Requirement
2020	OEB-Approved 2020 Rates Revenue Requirement	\$33,192,514
	Add back: Prior OEB-approved Regulatory Asset – Forgone Revenue	\$55,504
2020	OEB-Approved 2020 Base Revenue Requirement	\$33,248,018
	Less: long-term debt rate update for 2021 revenue requirement calculation	\$(679,364)
2021	Adjusted 2020 Base Revenue Requirement (incorporates long-term debt rate update)	\$32,568,654
2021	Adjusted 2020 Base Revenue Requirement x 2021 RCI = \$32,568,654 x (1+1.4%)	\$33,024,615

Transmission rates have been established on a uniform basis for all transmitters in Ontario since April 30, 2002. B2MLP's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

The B2MLP revenue requirement is allocated to the provincial Network rate pool only, as all its assets serve the transmission network with no transformation or individual customer services. Table 3 summarizes B2M LP's proposed 2021 revenue requirement by transmission rate pool.

Table 3 – B2MLP's 2021 Revenue Requirement by Transmission Rate Pool

Transmitter	Network	Line Connection	Transformation Connection	Total
B2MLP	\$33,024,615	\$0	\$0	\$33,024,615

B2MLP's revenue requirement represents approximately 2% of the total revenue requirement across all transmitters, based on the approved 2020 UTR. B2MLP estimates that its proposed 2021 revenue requirement will result in a 0.01% reduction to average transmission rates.

The total bill impacts for a typical medium density residential (Hydro One R1) customer consuming 750 kWh monthly and a typical General Service Energy less than 50 kW (Hydro One GSe < 50 kW) customer consuming 2,000 kWh monthly have been estimated based on the forecast increase in the customers' Retail Transmission Service Rates (RTSR). The estimated impact on the total monthly bill for these customers is approximately \$0.00, as detailed in Table 4.

B2MLP has requested that its proposed revenue requirement be reflected in rates effective January 1, 2021. If implementation cannot occur by then, B2MLP has requested that its existing transmission rates be made effective on an interim basis as of January 1, 2021 and that its Forgone Revenue Deferral Account be continued to recover any differences between the interim rates and the final rates effective January 1, 2021.

Table 4 - Typical Customer Monthly Bill Impacts

	Typical Medium Density (HONI R1) Residential Customer 750 kWh	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer 2,000 kWh
Total Bill as of Jan. 1, 2020	\$126.53	\$386.88
RTSR included in 2020 Customer's Bill (based on 2019 Final UTR)	\$12.27	\$25.87
Estimated 2020 Monthly RTSR	\$12.47	\$26.31
2020 increase in Monthly Bill	\$0.21	\$0.45
2020 increase as a % of total bill	0.16%	0.12%
Estimated 2021 Monthly RTSR	\$12.47	\$26.31
2021 increase in Monthly Bill	(\$0.00)	(\$0.00)
2021 increase as a % of total bill	0.00%	0.00%

Findings

The OEB finds that B2MLP, pursuant to the refinancing of its long-term debt in 2020, has updated its cost of long-term debt with its actual cost of long-term debt in accordance with the OEB's direction in B2MLP's previous application. B2MLP has incorporated changes resulting from its 2020 long-term debt refinancing into its revenue requirement update for 2021, and the revised cost of B2MLP's long-term debt appropriately reflects the company's cost of long-term debt for the years 2021 to 2024.

The OEB finds that the revenue requirement proposed by B2MLP to provide transmission service in 2021 is in accordance with parameters set by the OEB, and that the corresponding bill impacts are reasonable. The OEB approves a 2021 revenue requirement with an effective date of January 1, 2021.

5 DEFERRAL AND VARIANCE ACCOUNTS

B2MLP has not requested approval to disburse any additional deferral and variance account balances beyond those amounts approved by the OEB in B2MLP's 2020 Revenue Cap IR application. In its Decision on that application, the OEB approved a forgone revenue balance of \$55,504 (credit to customers) resulting in a 2020 rates revenue requirement of \$33,192,514. The OEB's 2020 Decision also provided that B2MLP's Forgone Revenue Deferral Account will be discontinued after the disposition of the balance in the account.

Since the OEB's Decision in B2MLP's 2020 Revenue Cap IR application, the OEB determined in its 2020 UTR Decision² that the approved interim 2020 UTRs would remain in place for the remainder of 2020. The OEB also approved the continued use of B2MLP's Forgone Revenue Deferral Account along with the accrual of interest on the account's balance at the interest rate prescribed by the OEB and updated quarterly.

B2MLP has indicated in its application for 2021 rates that its full year 2020 forgone revenue and accrued interest shall be submitted for disposition as part of the process for establishing 2021 UTRs. B2MLP expects to file these amounts and supporting schedules at the time of the 2021 UTR rate setting process, as requested by the OEB in the 2020 UTR Decision.

Findings

The OEB finds B2MLP's proposal to submit its 2020 forgone revenue and accrued interest for disposition as part of the 2021 UTR rates setting process is in accordance with direction provided by the OEB.

² EB-2020-0180, Decision and Order, July 31, 2020

6 DISPOSITION OF THE PROCEEDING WITHOUT A HEARING

Section 21(4)(b) of the OEB Act provides that the OEB may dispose of a proceeding without a hearing if:

(a) no person requests a hearing within a reasonable time set by the Board after the Board gives notice of the right to request a hearing; or

(b) the Board determines that no person, other than the applicant, appellant or licence holder will be adversely affected in a material way by the outcome of the proceeding and the applicant, appellant or licence holder has consented to disposing of a proceeding without a hearing.

Findings

The OEB is disposing of this application without a hearing. The OEB finds that no person will be adversely affected in a material way by the outcome of the proceeding, because the change proposed by B2MLP to its revenue requirement (a) represents a reduction to its 2020 OEB approved revenue requirement; and (b) will not affect customer bills in a material way.

B2MLP's proposed 2021 base revenue requirement represents a 0.7% reduction compared to its 2020 base revenue requirement previously approved by the OEB (i.e. a less than 1% difference). It is estimated that the proposed change will result in no difference to customer bills at two decimal places (i.e. a \$0.00 change).

As additional context, the OEB notes that the Revenue Cap IR methodology used by B2MLP to determine its proposed 2021 revenue requirement was approved by the OEB in B2MLP's 2020 Revenue Cap IR proceeding. This includes the Revenue Cap Index formula itself (inflation, productivity, Settlement Capital Adjustment Factor) as well as the need for a one-time update to B2MLP's long-term debt rate to be incorporated into B2MLP's proposed 2021 revenue requirement. The OEB finds that B2MLP's 2021 rates application is in accordance with the OEB's Decision in B2MLP's 2020 Revenue Cap IR proceeding, which established the Revenue Cap IR methodology to be used by B2MLP between 2021 and 2024.

The OEB also reiterates that B2MLP has consented to disposing of a proceeding without a hearing.

7 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. B2MLP's 2021 revenue requirement is approved as filed, with an effective date of January 1, 2021. B2MLP's resultant revenue requirement will be included in the OEB's determination of the 2021 Interim Uniform Transmission Rates for Ontario.

DATED at Toronto November 26, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
DECISION AND ORDER
B2M LIMITED PARTNERSHIP
EB-2020-0226
NOVEMBER 26, 2020

**Schedule A:
B2MLP Cost of Long-Term Debt Capital
2021
Year ending December 31
EB-2020-0226**

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/2020 (\$Millions)	at 12/31/2021 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	30-Apr-20	1.780%	28-Feb-25	101.8	0.4	101.4	99.63	1.86%	101.8	101.8	101.8	1.9	
2	30-Apr-20	2.180%	28-Feb-30	101.8	0.4	101.4	99.58	2.23%	101.8	101.8	101.8	2.3	
3	30-Apr-20	2.730%	28-Feb-50	76.4	0.4	75.9	99.42	2.76%	76.4	76.4	76.4	2.1	
4		Subtotal							279.9	279.9	279.9	6.3	2.24%
5		Treasury OM&A costs										0.1	
6		Other financing-related fees										0.2	
7		Total							279.9	279.9	279.9	6.6	2.34%