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Kathleen Burke
Director, Applications Delivery
Regulatory Affairs

BY EMAIL AND RESS

August 26, 2021

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

Dear Ms. Long:

EB-2021-0187 – B2M Limited Partnership (B2MLP) – Application for 2022 Transmission Revenue Requirement

Hydro One Networks Inc., on behalf of B2M Limited Partnership (B2M LP), is submitting B2MLP's annual Transmission Revenue Cap IR Application (the Application) for 2022 and prefiled evidence in support of the Application.

An electronic copy of the application and evidence has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen Burke".

Kathleen Burke

EXHIBIT LIST

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A				ADMINISTRATION
A	1	1		Exhibit List
A	2	1		Application
A	2	1	1	Certification of Evidence
A	3	1		Summary of OEB Directives and Compliance with Previous Proceedings
A	3	1	1	2021 Long-Term Debt Rate
A	4	1		Application Summary

- 1 3. In the OEB’s Decision and Order for B2MLP’s revenue cap incentive rate-setting (IR)
2 application (EB-2019-0178), the OEB approved the proposed revenue cap IR
3 methodology and determined that this framework would be used to determine B2MLP’s
4 revenue requirement for the years 2021 through 2024.¹
5
6 4. This is an Application for B2MLP’s 2022 transmission revenue requirement determined
7 formulaically, using the Revenue Cap Index methodology approved in EB-2019-0178.
8
9 5. B2MLP hereby applies to the Board for an Order approving a total revenue requirement
10 of \$33,486,960 for 2022, to be effective on January 1, 2022, along with an amendment
11 to the 2022 Uniform Transmission Rates to allow for recovery of this amount.
12
13 6. B2MLP is not requesting approval to disburse any deferral and variance account
14 balances in this Application.
15
16 7. Approval of the 2022 rates revenue requirement does not materially impact the total
17 bill for a typical Hydro One medium density residential (R1) customer consuming 750
18 kWh monthly, or for a typical Hydro One General Service Energy less than 50 kW (GSe <
19 50 kW) customer consuming 2,000 kWh monthly. More information regarding the
20 monthly bill impacts may be found in Exhibit A-4-1.
21
22 8. In preparing this Application, Hydro One has been guided by the OEB’s *Filing*
23 *Requirements for Electricity Transmission Rate Applications*.
24
25 9. The written evidence filed with the OEB may be amended from time to time prior to the
26 OEB’s final decision on the Application.

¹ EB-2019-0178, Decision and Order, B2M Limited Partnership, Application for approval of electricity transmission revenue requirements for the period commencing January 1, 2020, and for each following year through to December 31, 2024, January 16, 2020, pp.20-21

1 **NOTICE AND FORM OF HEARING REQUESTED**

2
3 10. The Application materials may be viewed on the internet at the following address:
4 www.b2mlp.ca/rate-applications.

5
6 11. The persons affected by this Application are all persons affected by Ontario's Uniform
7 Transmission Rates. It is impractical to set out their names and addresses because they
8 are too numerous.

9
10 12. B2MLP requests, in accordance with sections 6(4) and 21(4)(b) of the Ontario Energy
11 Board Act, 1998, that this Application be disposed of without a hearing, and hereby
12 provides its consent to same. B2MLP submits that in accordance with the requirements
13 of section 21(4)(b) no person will be adversely affected in a material way by the
14 outcome of this proceeding.

15
16 **PROPOSED EFFECTIVE DATE**

17
18 13. B2MLP requests that the OEB's rate order be effective January 1, 2022. In order to
19 address the possibility that the requested rate order cannot be made effective by that
20 time, B2MLP requests an interim order making its current transmission revenue
21 requirement and charges effective on an interim basis as of January 1, 2022, and
22 continue the Foregone Revenue Deferral Account to recover any differences between
23 the interim rates and the final rates effective January 1, 2022, based on the OEB's
24 Decision and Order herein.

1 **CONTACT INFORMATION**

2

3 14. B2MLP requests that a copy of all documents filed with the Board by each party to this
4 application be served on the Applicant and the Applicant's counsel, as follows:

5

6 **For the Applicant:**

7

Ms. Eryn Mackinnon

8

Senior Regulatory Coordinator – Regulatory Affairs

9

Hydro One Networks Inc.

10

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19 **The Applicant's Counsel:**

20

Michael Engelberg

21

Assistant General Counsel

22

Hydro One Networks Inc.

23

24

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483 Bay Street

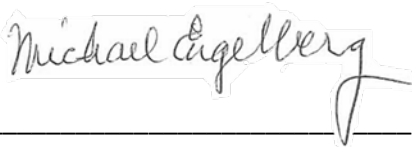
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Toronto, Ontario M5G 2P5

1 Telephone: (416) 277-4692
2 Fax: (416) 345-6972
3 Email: mengelberg@HydroOne.com
4

5 **DATED** at Toronto, Ontario, this 26th day of August, 2021.
6

7 By its counsel,

8 
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10

11 Michael Engelberg

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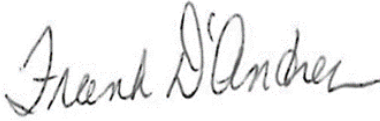
CERTIFICATION OF EVIDENCE

TO: ONTARIO ENERGY BOARD

The undersigned, Frank D’Andrea, being Hydro One Network Inc.’s (HONI) Vice-President Reliability Standards and Chief Regulatory Officer, hereby certifies for and on behalf of B2MLP that:

- 1. B2MLP has engaged HONI to prepare and submit this Application on its behalf;
- 2. I am a senior officer of HONI;
- 3. This certificate is given pursuant to Chapter 1 of the Ontario Energy Board's *Filing Requirements for Electricity Transmission Applications*;
- 4. The evidence submitted herein is accurate, consistent and complete to the best of my knowledge; and
- 5. The evidence submitted does not contain any personal information filed herein (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB’s *Rules of Practice and Procedure*.

DATED this 26th day of August, 2021.



FRANK D’ANDREA

1 **2. EB-2020-0251 – 2021 UNIFORM TRANSMISSION RATES & UPDATE**

2
3 In EB-2020-0251, the OEB approved the 2021 UTR rate schedules along with B2MLP’s 2021
4 revenue requirement of \$33,024,615, foregone revenue of \$2,023,523, and interest of \$14,510,
5 for a total 2021 UTR revenue requirement of \$35,062,648.

6
7 The OEB denied B2MLP’s request to track any difference between the most recently posted OEB
8 prescribed quarterly interest rate and the actual quarterly interest rate in 2021, finding it
9 unlikely that differences between the current and future period interest rates will meet the
10 materiality threshold for B2MLP.

11
12 The 2021 revenue requirement forms the basis for the calculation of the 2022 revenue
13 requirement in this Application.

14
15 **3. EB-2019-0178 – B2M LIMITED PARTNERSHIP APPLICATION FOR 2020- 2024 RATES**

16
17 B2MLP filed an application to the OEB for approval of base transmission revenue requirement
18 for 2020. The proposal was to set its 2020 base transmission revenue requirement through an
19 incentive rate-setting framework, which took the form of a revenue cap index mechanism.

20
21 In its Decision and Order, the OEB approved the incentive rate-setting framework, including a
22 Settlement Capital Adjustment Factor (SCAF) of 0.6%, and a productivity factor of 0.0% for
23 determining B2MLP’s rates in 2020 and indicated that it expects B2MLP to continue to use this
24 Board-approved framework throughout the OEB-approved rebasing period (i.e. from 2021
25 through 2024) by filing annual revenue cap applications.²

² Ibid, pp.20-21

1 The OEB-approved incentive rate-setting framework, SCAF, and productivity factors used in this
2 Application for calculating the 2022 revenue requirement.

3
4 **3.1 LONG-TERM COST OF DEBT UPDATE & SETTING THE ADJUSTED 2020 BASE REVENUE**
5 **REQUIREMENT**

6
7 The OEB directed B2MLP to update the long-term debt rate to reflect the actual cost of long-
8 term debt that will apply in 2020 as part of the first annual update of rates in 2021 (EB-2020-
9 0226). In its 2020 rates application, B2MLP acknowledged it had long-term debt financing that
10 would fall due for refinancing in 2020. As outlined in the Settlement Proposal and approved by
11 the OEB, the OEB directed B2MLP to incorporate the changes from the 2020 refinancing of the
12 long-term debt into its revenue requirement update for 2021.³

13
14 In EB-2020-0226, B2MLP provided the breakdown of the debt instruments supporting the long-
15 term debt for the 2021 B2MLP Revenue Requirement Application as Exhibit A-4-1, Attachment
16 1. The impact of this update reduced the cost of long-term debt from the original forecast of
17 2.59% down to 2.34%. This adjustment was necessary to establish an adjusted 2020 base
18 revenue requirement for determining the 2021 base revenue requirement as contemplated by
19 the decision in EB-2019-0178.

20
21 This Application, and as noted above in section 1, Exhibit A-3-1, Attachment 1, provides the
22 breakdown of the 2.34% long-term debt rate used to calculate the 2022 revenue requirement.

³ Ibid, p. 35

APPLICATION SUMMARY

1.0 INTRODUCTION

This Schedule describes B2MLP's 2022 transmission revenue requirement application (the "Application").

The 2022 transmission revenue requirement of \$33,486,960 has been determined formulaically, using the Revenue Cap IR methodology approved in EB-2019-0178.

B2MLP is requesting that the OEB approve the total rates revenue requirement to be effective on January 1, 2022.

Approval of the 2022 rates revenue requirement does not materially impact the total bill for a typical Hydro One medium density residential (R1) customer consuming 750 kWh monthly, or for a typical Hydro One General Service Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly. More information regarding the monthly bill impacts may be found below in Section 4.2.

2.0 CUSTOM REVENUE CAP INDEX ADJUSTMENT

In the Decision for B2MLP's Revenue Cap IR Application (EB-2019-0178), the OEB accepted the Revenue Cap IR methodology approach for adjusting B2MLP's transmission revenue requirement for the rate periods 2021 through 2024.

The approved formula for the Revenue Cap IR for the test year t+1 is equal to the revenue in year t inflated by the Revenue Cap Index (RCI) set out below as:

$$RCI = I - X - SCAF$$

Where:

1 “I” is the Inflation Factor, based on Hydro One Networks Inc.’s custom weighted two-
2 factor input price index;
3 “X” is the Productivity Factor, which includes a Stretch Factor; and
4 “SCAF” is the Settlement Capital Adjustment Factor, which was approved by the OEB to
5 be equal to 0.6%.

6
7 In its Decision and Order for B2MLP’s 2020 revenue requirement, the OEB approved the use of
8 an industry-specific inflation factor. At the time of filing this Application, the OEB has not yet
9 released the inflation factor applicable for revenue requirement applications beginning January
10 1, 2022. B2MLP will be providing an update to the revenue requirement calculation for 2022
11 rates once it is released. Currently, the inflation rate used is 2.0%, which was the OEB-approved
12 industry-specific inflation rate for 2021 applications effective January 1, 2021.

13
14 In B2MLP’s 2020 Revenue Cap IR Application proceeding EB-2019-0178, the OEB approved a
15 productivity factor of 0.0%.¹ The OEB approved this productivity factor for the duration of
16 B2MLP’s OEB-approved revenue cap framework in this rebasing cycle i.e. from 2020 through
17 2024.

18
19 In B2MLP’s 2020 Revenue Cap IR Application proceeding, EB-2019-0178, the OEB approved a
20 settlement capital adjustment factor, or SCAF, of 0.6%, which the Settlement Agreement
21 explained is established to “account for B2M LP’s circumstances wherein the rate base of the
22 company, and the resulting capital costs, generally decline over time” and a productivity factor
23 of 0.0%.² The OEB approved this Settlement Factor for the duration of B2MLP’s OEB-approved
24 Revenue Cap Framework i.e. through 2024.

¹ As included in the Settlement Agreement - EB-2019-0178 - Exhibit J-1-1, p. 6

² EB-2019-0178 - Exhibit J-1-1, p.7

1 Table 1 below summarizes the RCI, by component that B2MLP is proposing to use to determine
2 the total revenue requirement for ratemaking purposes for 2022. The Inflation Factor in Table 1
3 below will be updated annually. B2MLP's RCI adjustment and components, apart from the
4 annual update for inflation, will remain unchanged throughout the 2021-2024 term.

5

6

Table 1 – 2022 Custom Revenue Cap Index (RCI) by Component (%)

Custom Revenue Cap Index by Component (%)	2022
Inflation Factor (I)	2.00
Productivity Factor (X)	(0.00)
Settlement Capital Adjustment Factor (SCAF)	(0.60)
Total Revenue Cap Index (RCI)	1.40

7

8 In the OEB's Decision and Order for B2MLP's 2021 revenue requirement, and discussed in
9 Exhibit A-3-1, the OEB directed B2MLP to update the basis for its calculation of its 2021 base
10 revenue requirement for the impact of a rate change to its long-term debt rate resulting from
11 financing that would fall due for refinancing in 2020. This update reduced B2MLP's long-term
12 debt rate from the original forecast of 2.59% to 2.34%, which in-turn, reduced the 2020 revenue
13 requirement to \$33,024,615.³ The updated cost of B2MLP's long-term debt was approved by
14 the OEB for the years 2021 to 2024. Since the OEB approved the long-term debt rate for the
15 years 2021 to 2024, there is no long-term debt adjustment to the 2021 base revenue
16 requirement calculation shown in Table 2. For completeness, Exhibit A-3-1, Attachment 1 is
17 included in this Application to show the derivation of the 2.34% long-term debt rate.

³ EB-2020-0226 – Decision and Order, An application for electricity transmission revenue requirement beginning January 1, 2021, November 26, 2020

1

Table 2 – 2022 Base Revenue Requirement

Year	Formula	Base Revenue Requirement
2021	OEB-Approved B2MLP Rates Revenue Requirement	\$33,024,615 ⁴
2022	2022 Base Revenue Requirement x 2021 RCI*= \$33,024,615 x 1.014	\$33,486,960

2

* RCI from Table 1 above.

3

4 **3.0 DEFERRAL AND VARIANCE ACCOUNTS**

5 B2MLP is not requesting approval to disburse any additional deferral and variance account
 6 balances beyond those amounts approved by the OEB in the EB-2019-0178 application.

7

8 **4.0 RATES**

9 **4.1 RATES REVENUE REQUIREMENT AND CHARGE DETERMINANTS BY RATE POOL**

10 The proposed 2022 rates revenue requirement for B2MLP is \$33,486,960 as shown in Table 3
 11 below. B2MLP does not have charge determinants for setting Uniform Transmission Rates
 12 (UTRs) as it does not have any customer delivery points supplied directly from its assets. As
 13 previously approved by the OEB, the B2MLP revenue requirement is allocated to the provincial
 14 Network rate pool only, as all its assets serve the transmission network with no transformation
 15 or individual customer services.⁵

16

17

Table 3 – 2022 Rates Revenue Requirement by Rate Pool

	Network	Line Connection	Transformation Connection	UTR Revenue Requirement
2022 Base Revenue Requirement¹	\$33,486,960	-	-	\$33,486,960
2022 Deferral & Variance Accounts Disposition²	-	-	-	-
2022 Rates Revenue Requirement	\$33,486,960	-	-	\$33,486,960

18

¹ As per Table 2

19

² As per Section 3

⁴ Ibid

⁵ Most recently approved in the OEB's Decision and Order in EB-2021-0176.

1 **4.2 BILL IMPACTS**

2 An update to the estimated average transmission cost as a percentage of the total bill for a
 3 transmission and a distribution-connected customer is presented in Table 4.

4

5 **Table 4 – Estimated Transmission Cost as a Percentage of Total Electricity Market Costs**

	Cost Component	¢/kWh	Source*
A	Commodity	12.58	IESO Monthly Market Report December 2019 (YTD Weighted Average Rate)
B	Wholesale Market Service Charges	0.39	IESO Monthly Market Report December 2019
C	Wholesale Transmission Charges	1.06	IESO Monthly Market Report December 2019
D	Distribution Service Charges	3.02	2019 Yearbook of Electricity Distributors
E	Total Monthly Cost for Tx-connected customers	14.03	E=A+B+C
F	Total Monthly Cost for Dx-connected customers	17.05	F=A+B+C+D
G	<i>Transmission as % of Total Cost for Tx-connected customers</i>	7.6%	G=C/E
H	<i>Transmission as % of Total Cost for Dx-connected customers</i>	6.2%	H=C/F

* 2020 Yearbook of Electricity Distributors is not yet available

6 B2M LP's proposed 2022 rates revenue requirement represents a 4.5% reduction from the
 7 approved 2021 rates revenue requirement, which incorporated a one-year disposition of
 8 forgone revenue and interest rates to the approved 2021 rates revenue requirement.⁶ B2MLP's
 9 rates revenue requirement represents 1.9% of the total revenue requirement across all
 10 transmitters.⁷ As such, the proposed 2022 rates revenue requirement results in a net impact of
 11 -0.08% on average transmission rates. A summary of the average bill impact as a result of the
 12 2022 rates revenue requirement relative to the approved 2021 rates revenue requirement is
 13 presented in Table 5.

⁶ EB-2020-0251 - Decision and Rate Order for 2021 Uniform Transmission Rates issued on December 17, 2020

⁷ B2M LP's UTR revenue requirement divided by all transmitters' rates revenue requirement (\$35,062,648/ \$ 1,879,548,293=1.9%), per EB-2021-0176 - Decision and Rate Order Schedule A for 2021 Uniform Transmission Rates and Revenue Disbursement Allocators issued on June 24, 2021

1 **Table 5 – Average Bill Impacts on Transmission and Distribution - Connected Customers**

	2021*	2022**
Rates Revenue Requirement	\$ 35,062,648	\$ 33,486,960
% Change in Rates Revenue Requirement over prior year		-4.5%
% Impact of load forecast change		0.0%
Net Impact on Average Transmission Rates***		-0.08%
Transmission as a % of Tx-connected customer's Total Bill		7.6%
Estimated Average Transmission Customer Bill impact		-0.006%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
Estimated Average Distribution Customer Bill impact		-0.005%

* 2021 Rates Revenue Requirement per Decision EB-2021-0176 dated June 24, 2021

** 2022 Rates Revenue Requirement per Table 3

*** The calculation of net impact on transmission rates accounts for B2MLP's 2021 rates revenue requirement as 1.9% of the total rates revenue requirement across all transmitters (1.9% x -4.5% = -0.08%) based on EB-2021-0176 2021 UTR Order, Schedule A dated on June 24, 2021

2 As discussed in Section 4.1, B2MLP's rates revenue requirement is wholly allocated to the
 3 Network rate pool. Subsequently, the total bill impact for a typical Hydro One medium density
 4 residential (R1) customer consuming 750 kWh monthly and a typical Hydro One General Service
 5 Energy less than 50 kW (GSe < 50 kW) customer consuming 2,000 kWh monthly is determined
 6 based on the forecast change in the customer's Network Retail Transmission Service Rates
 7 (RTSR-N), which reflects the changes in UTRs since the current RTSRs were determined⁸, as
 8 detailed in Table 6 below.

⁸ Hydro One's current 2021 RTSRs are based on the 2020 Interim UTRs per EB-2019-0296, Decision and Rate Order dated December 19, 2019

1

Table 6 - 2022 Total Bill Impacts for Distribution-Connected Customers

	Typical Medium Density (HONI R1) Residential Customer Consuming 750 kWh per Month	Typical General Service Energy less than 50 kW (HONI GSe < 50kW) Customer Consuming 2,000 kWh per Month
Total Bill as of Jul 1, 2021 ¹	\$127.23	\$400.10
RTSR included in 2021 Bill ²	\$12.51	\$26.52
<i>Estimated 2021 Monthly RTSR³</i>	\$12.52	\$26.56
<i>Estimated 2022 Monthly RTSR³</i>	\$12.52	\$26.54
2022 Change in Monthly Bill	(\$0.01)	(\$0.02)
<i>2022 change as a % of total bill</i>	-0.007%	-0.005%

¹Total bill including HST, based on time-of-use commodity prices effective May 1, 2021 and distribution rates effective July 1, 2021 approved per Distribution Rate Order EB-2020-0194, dated May 27, 2021

²The approved 2021 RTSR is based on the 2020 Ontario Interim Uniform Transmission Rate Schedules EB-2019-0296, issued on December 19, 2019

³The impact on RTSR-N is assumed to be the net impact on average transmission rates, adjusted for B2MLP's 2021 Network rate pool revenue disbursement allocator (2.994%) per 2021 Uniform Transmission Rates (UTRs) Schedule A EB-2021-0176, effective July 1, 2021