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BY EMAIL AND RESS

December 8, 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 – Application Update

Hydro One Networks Inc. on behalf of B2M Limited Partnership (B2MLP) is submitting B2MLP's annual transmission revenue cap index application for 2022 along with prefiled evidence in support of the application. This version of the application and prefiled evidence has been updated to reflect the inflation factor set out in the OEB's November 18, 2021 Decision and Order in EB-2021-0212.

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

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke". The signature is written in a cursive, flowing style.

Kathleen Burke

APPLICATION SUMMARY

1.0 INTRODUCTION

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

The 2022 transmission revenue requirement of \$33,652,083 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 an
8 industry-specific inflation factor. At the time this Application was originally filed, the OEB had not
9 yet released the inflation factor applicable for revenue requirement applications beginning
10 January 1, 2022. On November 18, 2021 the OEB issued updated inflation factors to be used for
11 2022 rate adjustment applications, setting the 2022 electricity transmission factor at 2.5%.
12 B2MLP has updated its application based on the 2.5% factor.

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 of
23 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 annual
4 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)	2.50
Productivity Factor (X)	(0.00)
Settlement Capital Adjustment Factor (SCAF)	(0.60)
Total Revenue Cap Index (RCI)	1.90

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8 In the OEB's Decision and Order for B2MLP's 2021 revenue requirement, and discussed in Exhibit
9 A-3-1, the OEB directed B2MLP to update the basis for its calculation of its 2021 base revenue
10 requirement for the impact of a rate change to its long-term debt rate resulting from financing
11 that would fall due for refinancing in 2020. This update reduced B2MLP's long-term debt rate
12 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 the
14 OEB for the years 2021 to 2024. Since the OEB approved the long-term debt rate for the years
15 2021 to 2024, there is no long-term debt adjustment to the 2021 base revenue requirement
16 calculation shown in Table 2. For completeness, Exhibit A-3-1, Attachment 1 is included in this
17 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

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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 1.019	\$33,652,083

2

* RCI from Table 1 above.

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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 \$33,652,083 as shown in Table 3
 11 below. B2MLP does not have charge determinants for setting Uniform Transmission Rates (UTRs)
 12 as it does not have any customer delivery points supplied directly from its assets. As previously
 13 approved by the OEB, the B2MLP revenue requirement is allocated to the provincial Network rate
 14 pool only, as all its assets serve the transmission network with no transformation or individual
 15 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	\$33,652,083	-	-	\$33, 652,083
2022 Deferral & Variance Accounts Disposition²	-	-	-	-
2022 Rates Revenue Requirement	\$33, 652,083	-	-	\$33, 652,083

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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 not available at time of initial filing of this application

6 B2M LP's proposed 2022 rates revenue requirement represents a 4.0% reduction from the
 7 approved 2021 rates revenue requirement, which incorporated a one-year disposition of forgone
 8 revenue and interest rates to the approved 2021 rates revenue requirement.⁶ B2MLP's rates
 9 revenue requirement represents 1.9% of the total revenue requirement across all transmitters.⁷
 10 As such, the proposed 2022 rates revenue requirement results in a net impact of -0.08% on
 11 average transmission rates. A summary of the average bill impact as a result of the 2022 rates
 12 revenue requirement relative to the approved 2021 rates revenue requirement is presented in
 13 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	\$ 33,652,083
% Change in Rates Revenue Requirement over prior year		-4.0%
% 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 -4.0% = -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 (RTSR-
 7 N), which reflects the changes in UTRs since the current RTSRs were determined⁸, as detailed in
 8 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

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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>	-0.006%	-0.004%

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