Hydro One Networks Inc.
7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5680
Cell: (416) 568-5534
frank.dandrea@HydroOne.com

Frank D'Andrea
Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL, RESS AND COURIER

April 23, 2020

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

Dear Ms. Long,

EB-2018-0275 – NRLP's 2020-2024 Transmission Revenue Cap IR Application - Draft Revenue Requirement and Charge Determinant Order

On April 9th, 2020, the Ontario Energy Board ("**OEB**") issued its decision (the "**Decision**") on the 2020-2024 transmission revenue requirements for Niagara Reinforcement Limited Partnership ("**NRLP**") in the above-noted proceeding, accepting the settlement proposal as filed.[1] Pursuant to the Decision please find the following documents attached:

a) Exhibits including a draft revenue requirement order;
b) Customer bill impacts;
c) An accounting order for the Earning Sharing Mechanism ("**ESM**") Deferral Account;
d) The audited NRLPDA foregone revenue calculation for the September 1, 2019 to December 31, 2019 period with explicit details on the calculation; and
e) A detailed calculation of foregone revenue for the period January 1, 2020 to June 30, 2020.

1. Revenue Requirement and Charge Determinants

The OEB's approved 2020 base revenue requirement is $8.66 million effective January 1, 2020[2], as set out in Exhibit 1.0. As outlined in the Decision[3], NRLP does not have any customer delivery points supplied directly from its assets, and as such NRLP does not have charge determinants for setting Uniform Transmission Rates ("**UTRs**").

[1] EB-2018-0275 Settlement Proposal, March 6, 2020.
[2] EB-2018-0275 Decision, April 9, 2020, p 9.
[3] EB-2018-0275 Decision, April 9 2020, p 5.

2. Other OEB Determinations

The Decision accepted the settlement proposal which provided for the following:

- Revenue Cap Index ("**RCI**") equal to the proposed inflation factor multiplied by 50% minus the Settlement Capital Adjustment Factor
- Adjustment of Base Revenue Requirement by the RCI for determining the 2021 to 2024 Base Revenue Requirement;
- Update of long-term debt into revenue requirement for 2021, to incorporate any changes in the actual debt rates resulting from the refinancing of the long-term debt due in 2020
- Discontinuance of the Foregone Revenue Deferral Account once the foregone revenue has been recovered through the UTRs; and
- Creation of an ESM Deferral Account.

3. Disposition of NRLPDA Balances

The Decision accepted NRLP's request to clear the portion of the NRLPDA related to foregone 2019 revenue requirement as part of the final 2020 UTRs. The audited balance of the NRLPDA, per the audited financial statements, is $4.50M[4]. The financial statements are provided as Exhibit 6 of this submission. The corresponding calculation for this amount was previously provided in interrogatory responses already on record at Table 2 of Exhibit I, Tab 1, Schedule 20 of this record. For convenience, an excerpt with the final costs is included below.

NRLPDA Reconciliation ($millions)

OM&A	0.19
Transition Costs	1.39
Depreciation	0.80
Return on Debt	0.83
Return on Equity	1.22
Income Tax	0.06
Total	**4.50**

4. 2020 Foregone Revenue Calculation

The decision requests a detailed calculation of foregone revenue for the period January 1, 2020 to June 30, 2020. The proposed methodology to calculate the 2020 foregone revenue associated with the change in rates revenue requirement is provided in Exhibits 3.1 and 3.2. NRLP highlights that the $1.9M in foregone revenue calculated in Exhibit 3.2 *does not* account for the foregone revenue associated with any change in the approved UTR load forecast for 2020, which is almost entirely driven by the approved load forecast for Hydro One. Therefore, the final foregone revenue to be collected can only be provided once Hydro One's 2020 load forecast is approved as part of the OEB's Decision in EB-2019-0082.

[4] Note 6 on Page 10 of the NRLP 2019 Financial Statements provided in Exhibit 6.0.

5. UTR Calculations

The Decision determined that NRLP's approved 2020 revenue requirement will be incorporated into the 2020 final UTRs. The 2020 UTRs were declared interim by the OEB in a Decision (EB-2019-0296) issued December 19, 2019. When the 2020 UTRs are declared final, any forgone revenue for NRLP between September 1, 2019 and the implementation date of the final 2020 UTRs will be recovered by NRLP during the period between the implementation date of the final 2020 UTRs and December 31, 2020.[5]

Therefore, NRLP will provide a calculation of the foregone revenue to be included in the 2020 UTRs as part of the process for approving final 2020 UTRs.

6. Bill Impacts

The 2020 rates revenue requirement will result in a 0.8% increase on average transmission rates, and a total bill impact of 0.04% (5 cents per month) for a typical Hydro One Residential (R1) customer consuming 750 kW per month and, similarly, a total bill impact of 0.03% (11 cents per month) for a typical Hydro One energy-billed General Service (GS < 50 kW) customer consuming 2,000 kWh per month. Further information on the 2020 bill impact calculations is provided in Exhibit 4 of this submission.

7. Accounting Orders

The Transmission Accounting Orders that the OEB made effective as of January 1, 2020, originally provided at Exhibit J-1-1, Attachment 1 and 2 of the Settlement Proposal, have been included at Exhibit 5 of this submission. For ease of reference, NRLP has also included the Accounting Order entitled NRP Transmission Line Revenue Requirement Deferral Account provided at Exhibit J-1-1, Attachment 3 of the Settlement Proposal, which will be closed once the foregone revenue has been recovered through Uniform Transmission Rates.

If you have any questions regarding this submission, please contact Eryn MacKinnon at regulatory@hydroone.com.

Sincerely,

Frank D'Andrea

Frank D'Andrea
Submitting on behalf of NRLP

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[5] EB-2018-0275 Decision, April 9, 2020, p 9.

Supporting Material

The detailed information supporting the determination of the revenue requirement and charge determinants are provided in the attached Exhibits:

EXHIBIT		**TITLE**
1.0		Approved 2020 Revenue Requirement
2.0		2020 Rates Revenue Requirement by Rate Pool
3.0		Illustrative Calculations of 2020 Foregone Revenue
	3.1	2020 Uniform Transmission Rates for Foregone Revenue Calculation
	3.2	Monthly Foregone Revenue Calculation
4.0		2020 Bill Impacts
5.0		Accounting Orders
	5.1	Accounting Order for Earning Sharing Mechanism Deferral Account
	5.2	Accounting Order for Tax Rate and Rule Changes Variance Account
	5.3	Accounting Order for NRP Transmission Line Revenue Requirement Deferral Account
6.0		2019 Niagara Reinforcement LP Audited Financial Statements

NRLP
Implementation of Decision with Reasons on EB-2018-0275

Revenue Requirement Summary

($ millions)	Supporting Reference	NRLP Proposed					Settlement Impact					OEB Approved[2,3]				
		2020[1]	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
OM&A	Exhibit 1.1	0.85	-	-	-	-	-	-	-	-	-	0.85	-	-	-	-
Depreciation	Exhibit 1.2	1.59	-	-	-	-	-	-	-	-	-	1.59	-	-	-	-
Return on Debt	Exhibit 1.4	2.14	-	-	-	-	-	-	-	-	-	2.14	-	-	-	-
Return on Equity	Exhibit 1.4	4.02	-	-	-	-	-	-	-	-	-	4.02	-	-	-	-
Income Tax	Exhibit 1.5	0.06	-	-	-	-	0.00	-	-	-	-	0.06	-	-	-	-
Base Revenue Requirement		**8.66**	**8.82**	**8.98**	**9.14**	**9.30**	**0.00**	**(0.13)**	**(0.26)**	**(0.40)**	**(0.54)**	**8.66**	**8.69**	**8.71**	**8.74**	**8.77**
Deduct: External Revenues and Other	Exhibit 1.6	4.50	-	-	-	-	-	-	-	-	-	4.50	-	-	-	-
Rates Revenue Requirement		**13.16**	**8.82**	**8.98**	**9.14**	**9.30**	**0.00**	**(0.13)**	**(0.26)**	**(0.40)**	**(0.54)**	**13.16**	**8.69**	**8.71**	**8.74**	**8.77**

Note 1: Proposed revenue requirement updated in Exhibit I, Tab 1, Schedule 17
Note 2: 2021 to 2024 base revenue requirement is forecasted according to the Revenue Cap methodology using half the OEB-approved inflation factor (I) of 1.8% less a productivity factor (X) of 0.0% and less a settlement capital adjustment factor (SCAF) of 0.6% : (0.5 x I) -SCAF.

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OM&A

($ millions)	Supporting Reference	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020	2021	2022	2023	2024
OM&A	*See supporting details below*	0.85	-	0.85	-	-	-	-

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Rate Base and Depreciation

($ millions)	Supporting Reference	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Rate Base	*See supporting details below*[1]	117.84	-	117.84
Depreciation		1.59	-	1.59

OEB Decision Impact Supporting Details	**Reference**	**Detailed Calculation**		
Working Capital Adjustment				
Rate Base Details				
Utility plant (average)				
Gross plant at cost		119.43		119.43
Less: Accumulated depreciation		(1.59)		(1.59)
Add: CWIP				-
Net utility plant		117.84	-	117.84
Working capital				
Cash working capital	(a)	-		
Materials & supplies inventory		-		
Total working capital		-	-	-
Total Rate Base		117.84	-	117.84

Note 1: NRLP clarifies that $119.43M is the gross plant at cost that has been added to the in-service additions of NRLP.
The actual average rate base for 2020 is 117.84M as documented in Table 5 of Exhibit A, Tab 3, Schedule 1.
NRLP believes this most appropriately reflects the orders of the OEB found at page 7 of the Decision.

NRLP
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Capital Expenditures

($ millions)	Supporting Reference	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Capital expenditures			-	-

NRLP
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Capital Structure and Return on Capital

($ millions)	Supporting Reference	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Return on Rate Base				
Rate Base		$ 117.84	$ -	$ 117.84
Capital Structure:				
Third-Party long-term debt		0.0%	-	0.0%
Deemed long-term debt		56.0%	-	56.0%
Short-term debt		4.0%	-	4.0%
Common equity		40.0%	-	40.0%
Capital Structure:				
Third-Party long-term debt				
Deemed long-term debt		$ 65.99	$ -	$ 65.99
Short-term debt		$ 4.71	$ -	$ 4.71
Common equity		$ 47.14	$ -	$ 47.14
		$ 117.84	**$ -**	**$ 117.84**
Allowed Return:				
Third-Party long-term debt		3.05%	-	3.05%
Deemed long-term debt		3.05%	-	3.05%
Short-term debt		2.75%	-	2.75%
Common equity		8.52%	-	8.52%
Return on Capital:				
Third-Party long-term debt		$ -	**$ -**	$ -
Deemed long-term debt		$ 2.01	**$ -**	$ 2.01
Short-term debt		$ 0.13	**$ -**	$ 0.13
Total return on debt		**$ 2.14**	**$ -**	**$ 2.14**
Common equity		**$ 4.02**	**$ -**	**$ 4.02**

Niagara Reinforcement Limited Partnership
Cost of Long-Term Debt Capital
Test Year (2020)
Year ending December 31

Line No.		Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered ($Millions)	Premium Discount and Expenses ($Millions)	Net Capital Employed Total Amount ($Millions)	Net Capital Employed Per $100 Principal Amount (Dollars)	Effective Cost Rate	Total Amount Outstanding at 12/31/2019 ($Millions)	Total Amount Outstanding Forecast at 12/31/2020 ($Millions)	Avg. Monthly Averages ($Millions)	Carrying Cost ($Millions)	Projected Average Embedded Cost Rates
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1		18-Sep-19	3.21%	30-Apr-20	66.88	0.00	66.88	100.00	3.21%	66.88	0.00	20.58	0.66	
2		30-Apr-20	2.33%	30-Apr-25	22.00	0.11	21.89	99.50	2.44%	0.00	22.00	15.23	0.37	
3		30-Apr-20	2.66%	30-Apr-30	22.00	0.11	21.89	99.50	2.72%	0.00	22.00	15.23	0.41	
4		30-Apr-20	3.31%	30-Apr-50	22.00	0.11	21.89	99.50	3.34%	0.00	22.00	15.23	0.51	
5	**Subtotal**									66.88	66.00	66.27	1.95	
6	Treasury OM&A costs												0.02	
7	Other financing-related fees												0.05	
8	**Total**									66.88	66.00	66.27	2.02	3.05%

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Income Tax

($ millions)	Supporting Reference	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Income Taxes	*See supporting details below*	0.06	-	0.06

Income Tax Supporting Details

Rate Base	Exhibit 1.2	(a)	117.84	117.84
Common Equity Capital Structure		(b)	40.0%	40.0%
Return on Equity	Exhibit 1.4	(c)	8.52%	8.52%
Return on Equity		(d) = a x b x c	4.02	4.02
Regulatory Income Tax		(e)	0.06	0.06
Regulatory Net Income (before tax)		(f) = d + e	4.08	4.08
Timing Differences		(g) Note 1	(7.45)	(7.45)
Taxable Income		(h) = f + g	(3.37)	(3.37)
Allocation of Taxable income		(i) Note 3	(1.83)	(1.83)
Losses Carried Forward to Future Years		(j)	1.83	1.83
Taxable Income Allocated to Taxable Partners		(k) = i + j	-	-
Tax Rate		(l)	26.50%	26.50%
Income Tax		(m) = k x l	-	-
Add: Corporate Minimum Tax		(n) Note 4	0.06	0.06
Regulatory Income Tax		(o) = m + n	0.06	0.06

Note 1. Book to Tax Timing Differences		
Depreciation	1.59	1.59
CCA	(9.04)	(9.04)
Other Timing Differences	-	-
Total Timing Differences	(7.45)	(7.45)

NRLP
Implementation of Decision with Reasons on EB-2018-0275

Deferral and Variance Accounts

($ millions)	Supporting Reference	NRLP Proposed Total	NRLP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Deferral and Variance Accounts Disposition	*See supporting details below*	*4.50*	4.50	-	4.50

Deferral and Variance Accounts Details
H1-01-01 ; H1-01-02

Foregone Revenue Deferral Account [1]			4.50		4.50
Total		**-**	**4.50**		**4.50**

Note 1: Updated deferral account disposition amount (from $6.38M to $4.498M). The difference is documented in Exhibit I, Tab 1, Schedule 20 and is now an audited balance.

Niagara Limited Reinforcement Partnership

Implementation of Decision with Reasons on EB-2018-0275

2020 Revenue Requirement by Rate Pool

	2020 Rate Pool Revenue Requirement ($)			
($ millions)	**Network**	**Line Connection**	**Transformation Connection**	**Uniform Transmission Rates Revenue Requirement**
OM&A	849,524	0	0	849,524
Depreciation	1,591,666	0	0	1,591,666
Income Tax	61,288	0	0	61,288
Return on Capital	6,159,689	0	0	6,159,689
Total Revenue Requirement	8,662,167	0	0	8,662,167
NRP Transmission Line Revenue Deferral Account (NRLPDA)	4,498,426	0	0	4,498,426
Rates Revenue Requirement	13,160,593	0	0	13,160,593

Note 1: Revenue requirement as per Exhibit 1.0

Niagara Limited Reinforcement Partnership
Implementation of Decision with Reasons on EB-2018-0275

2020 Interim Uniform Transmission Rates and Revenue Disbursement Allocators**(Excluding NRLP 2020 Foregone Revenue)**
(for Period January 1, 2020 to December 31, 2020)

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$4,548,772	$1,134,471	$2,304,848	$7,988,092
CNPI	$2,646,322	$659,997	$1,340,883	$4,647,201
H1N SSM	$23,244,093	$5,797,114	$11,777,707	$40,818,914
H1N	$905,380,457	$225,803,345	$458,753,350	$1,589,937,152
B2MLP	$32,464,151	$0	$0	$32,464,151
NRLP	$13,160,593	$0	$0	$13,160,593
All Transmitters	$981,444,388	$233,394,927	$474,176,788	$1,689,016,103

Transmitter	Total Annual Charge Determinants (MW)**			
	Network	Line Connection	Transformation Connection	
FNEI	230.410	248.860	73.040	
CNPI	522.894	549.258	549.258	
H1N SSM	3,498.236	2,734.624	635.252	
H1N	244,924.157	236,948.242	202,510.123	
B2MLP	0.000	0.000	0.000	
NRLP	0.000	0.000	0.000	
All Transmitters	249,175.697	240,480.984	203,767.673	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates ($/kW-Month)	**3.94**	**0.97**	**2.33**	
FNEI Allocation Factor	**0.00463**	**0.00486**	**0.00486**	
CNPI Allocation Factor	**0.00270**	**0.00283**	**0.00283**	
H1N SSM Allocation Factor	**0.02368**	**0.02484**	**0.02484**	
H1N Allocation Factor	**0.92250**	**0.96747**	**0.96747**	
B2MLP Allocation Factor	**0.03308**	**0.00000**	**0.00000**	
NRLP Allocation Factor	**0.01341**	**0.00000**	**0.00000**	
Total of Allocation Factors	1.00000	1.00000	1.00000	

** The sum of 12 monthly charge determinants for the year.

Note 1: FNEI Rates Revenue Requirement and Charge Determinants per Board Decision and Order on EB2016-0231 dated January 18, 2018.
Note 2: CNPI Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2015-0354 dated January 14, 2016.
Note 3: H1N SSM 2020 Rates Revenue Requirement and Charge Determinants per OEB Decision EB-2019-0266 dated December 17, 2019.
Note 4: H1N 2020 Rates Revenue Requirement and Charge Determinants per OEB Decision ond Order on Interim Rates EB-2019-0296 dated December 19, 2019. Final 2020 H1N Rates Revenue Requirement and Charge Determinants will be revised as per EB-2019-0082.
Note 5: B2M LP 2020 Revenue Requirement per OEB Decision and Order on Interim Rates EB-2019-0296 dated December 19, 2019.
Note 6: Calculated data in shaded cells.
Note 7: NRLP 2020 Revenue Requirement per OEB Decision and Order EB-2018-0275 April 9, 2020.

2020 Foregone Revenue Calculations (NRLP)

Table 1. HONI Transmission Approved Interim Charge Determinant Forecast for the Year 2020, After Deducting the Load Impact of CDM and Embedded Generation (MW)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,086	20,563	20,273	18,078	19,388	21,982	22,839	21,934	20,202	18,239	19,540	20,800	244,924
Line Connection	20,143	19,733	19,312	17,385	19,007	20,938	22,166	21,145	19,652	18,034	18,882	20,552	236,948
Transformation Connection	17,268	16,977	16,649	14,792	16,308	18,014	19,108	18,100	17,146	14,832	15,866	17,451	202,510

Table 2. Monthly Charge Determinant Share of Annual Total

% Share	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	8.61%	8.40%	8.28%	7.38%	7.92%	8.98%	9.32%	8.96%	8.25%	7.45%	7.98%	8.49%	100.00%
Line Connection	8.50%	8.33%	8.15%	7.34%	8.02%	8.84%	9.35%	8.92%	8.29%	7.61%	7.97%	8.67%	100.00%
Transformation Connection	8.53%	8.38%	8.22%	7.30%	8.05%	8.90%	9.44%	8.94%	8.47%	7.32%	7.83%	8.62%	100.00%

Table 3. 2020 Interim UTR Charge Determinant (including all Transmitters)

Charge Determinant	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	21,452	20,920	20,625	18,392	19,725	22,364	23,235	22,315	20,553	18,555	19,879	21,161	249,176
Line Connection	20,444	20,027	19,600	17,644	19,290	21,250	22,496	21,460	19,945	18,302	19,164	20,858	240,481
Transformation Connection	17,375	17,083	16,753	14,884	16,409	18,126	19,226	18,212	17,252	14,924	15,965	17,559	203,768

Table 4. Interim 2020 UTR

	$/kw-month	NRLP Revenue Allocators
Network	3.92	0.00960
Line Connection	0.97	0.00000
Transformation Connection	2.33	0.00000

Table 5. 2020 Revenue at 2020 Interim UTR and 2019 Charge Determinants ($M) (3*4)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	0.8	0.8	0.8	0.7	0.7	0.8	0.9	0.8	0.8	0.7	0.7	0.8	9.4
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Total	**0.8**	**0.8**	**0.8**	**0.7**	**0.7**	**0.8**	**0.9**	**0.8**	**0.8**	**0.7**	**0.7**	**0.8**	**9.4**
						4.6							

Table 6. Proposed 2020 UTR (Approved Interim 2020 UTR, updated for NRLP's approved 2020 revenue requirement)

	$/kw-month	NRLP Revenue Allocators
Network	3.94	0.01341
Line Connection	0.97	0.00000
Transformation Connection	2.33	0.00000

Table 7. 2020 Revenue at Proposed 2020 UTR and 2020 Charge Determinants ($M) (3*6)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	1.1	1.1	1.1	1.0	1.0	1.2	1.2	1.2	1.1	1.0	1.1	1.1	13.2
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Total	**1.1**	**1.1**	**1.1**	**1.0**	**1.0**	**1.2**	**1.2**	**1.2**	**1.1**	**1.0**	**1.1**	**1.1**	**13.2**
						6.5							

Table 8. 2020 Forgone Revenue (Rev at Proposed Rates - Rev at Interim Rates) ($M) (7-5)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Total
Network	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	3.8
Line Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transformation Connection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**3.8**

Foregone Revenue for January 1, 2020 to June 30, 2020: $ 1,877,287

Note: The above foregone revenue calculation does not account for the foregone revenue associated with any change in the approved UTR load forecast for 2020 (almost entirely driven by the approved load forecast for Hydro One). Once Hydro One’s load forecast is approved as part of the OEB’s Decision in EB-2019-0082, tables 1, 2, 3, 5, 6, 7 and 8 will be updated.

Table 1: Average Bill Impacts on Transmission and Distribution-connected Customers (Excluding 2020 Foregone Revenue)

Description	**2019**	**2020**
Rates Revenue Requirement ($M)[1]	$0.0	$13.2
Net Impact on Average Transmission Rates[2]		0.8%
Transmission as a % of Tx-connected customer's Total Bill		8.2%
Estimated Average Bill impact for a Tx-Connected Customer		0.06%
Transmission as a % of Dx-connected customer's Total Bill		6.8%
Estimated Average Bill impact for a Dx-Connected Customer		0.05%

[1] *2020 Rates Revenue Requirement per Exhibit 1.0*

[2] *The NRLP 2020 rates revenue requirement represents 0.8% of the total revenue requirement across all transmitters.*

	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 May 1, 2018[3]	$124.30	$389.14
RTSR included in R1 Customer's Bill (based on 2019 Interim UTR)	$11.94	$25.21
Estimated 2020 Monthly RTSR[4]	$11.99	$25.31
2020 increase in Monthly Bill	**$0.05**	**$0.11**
2020 increase as a % of total bill	*0.04%*	*0.03%*

[3] Total bill including HST, based on time-of-use commodity prices and distribution rates effective May 1, 2018 (implemented July 1, 2019) approved per Distribution Rate Order EB-2017-0049 (includes impacts of all applicable components of the Fair Hydro Plan).

[4] The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 1.

Transmission Accounting Order – ESM Deferral Account

The "Earnings Sharing Mechanism ("ESM") Deferral Account" shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points in any year of the five-year term through NRLP's transmission revenue. NRLP shall use a methodology which is similar to what is outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE shall use the actual mid-year rate base for that period. The ROE calculation shall be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income. The portion of NRLP owned by Hydro One is subject to tax - this cost will be included as part of the calculation of ROE.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2020. NRLP shall record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	**Account Description**
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the five-year term.

USofA #	**Account Description**
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate Payer Benefit

To record interest improvement on principal balance of ESM deferral account.

Transmission Accounting Order – Tax Rate and Rule Changes Variance Account

NRLP proposes the establishment of a new "Tax Rate and Rule Changes Variance Account" to track the revenue requirement impact of legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB in NRLP's 2020 to 2024 transmission rates.

The account will be established as Account 1592, PILS and Tax Variances for 2006 and Subsequent Years effective January 1, 2020. NRLP will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	**Account Description**
DR: 1592	PILS and Tax Variances for 2006 and Subsequent Years
CR: 4110	Transmission Services Revenue

Initial entry to record the revenue requirement impact of legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB.

USofA #	**Account Description**
DR: 1592	PILS and Tax Variances for 2006 and Subsequent Years
CR: 6035	Other Interest Expense

To record interest improvement on the principal balance of the tax rate and rule changes variance account.

TRANSMISSION ACCOUNTING ORDER

NRP Transmission Line Revenue Requirement Deferral Account

NRLP proposes the establishment of a new "NRP Transmission Line Revenue Requirement Deferral Account" to capture the preliminary revenue requirement relating to the operation associated with this project before such time that a S.78 Revenue Requirement application can be approved by the OEB and the associated Revenue Requirement can be included in the Uniform Transmission rates ("UTR") rates.

The account will be established as Account 1508, Other Regulatory Assets – Sub Account "NRP Transmission Line Revenue Requirement Deferral Account" effective September 1, 2019 to December 31, 2019. NRLP will record interest on the balance in the sub-account using the prescribed interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this account:

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub account "NRP Transmission Line Revenue Requirement Deferral Account"
Cr: 4110	Transmission Service Revenue

To record the revenue related to NRLP's 2019 Interim Revenue Requirement for the NRP transmission facilities.

Dr: 1508	Other Regulatory Assets – Sub account "NRP Transmission Line Revenue Requirement Deferral Account"
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the "NRP Transmission Line Revenue Requirement Deferral Account".

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Niagara Reinforcement Limited Partnership

Opinion on the Financial Statements

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

- the balance sheet as at December 31, 2019;
- 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, 2019 of the Entity are prepared, in all material respects, in accordance with the financial reporting framework in Note 2 to 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.

Other Matter - Comparative Information

The comparative information as at December 31, 2018 and for the period from September 19, 2018 to December 31, 2018 is unaudited. Accordingly, we do not express an opinion on it.

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 of these 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 13, 2020

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the year ended December 31, 2019 and the period from September 19, 2018 to December 31, 2018

(thousands of Canadian dollars)	Year ended December 31, 2019 *Audited*	Period from September 19 to December 31, 2018 *Unaudited*
Revenues *(Note 6)*	4,488	—
Costs		
Operation, maintenance and administration	1,574	—
Depreciation	792	—
	2,366	—
Income before financing charges	**2,122**	**—**
Financing charges *(Note 8)*	823	—
Net income and comprehensive income	**1,299**	**—**

See accompanying notes to Financial Statements.

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP
BALANCE SHEETS
At December 31, 2019 and 2018

December 31 *(thousands of Canadian dollars)*	2019 *Audited*	2018 *Unaudited*
Assets		
Current assets:		
Inter-company receivable *(Note 8)*	—	1
Other assets	20	—
	20	1
Property, plant and equipment *(Note 3)*	118,631	—
Other long-term assets:		
Regulatory assets *(Note 6)*	4,498	—
Total assets	**123,149**	**1**
Liabilities		
Current liabilities:		
Inter-company payable *(Note 8)*	1,520	—
Accrued liabilities	66	—
Accrued interest *(Note 8)*	833	—
	2,419	—
Long-term liabilities:		
Notes payable *(Notes 4, 8)*	71,658	—
Total liabilities	**74,077**	**—**
Subsequent Events (Note 10)		
Partners' equity *(Note 7)*	49,072	1
Total liabilities and partners' equity	**123,149**	**1**

See accompanying notes to Financial Statements.

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

Christopher Lopez
Sole Director

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY
For the year ended December 31, 2019 and the period from September 19, 2018 to December 31, 2018

Year ended December 31, 2019

Audited (thousands of Canadian dollars, except number of units) (Note 7)	Number of units	Unit value
January 1, 2019	1,000	1
Contributions by partners	47,771,000	47,772
Net income and comprehensive income		1,299
December 31, 2019	**47,772,000**	**49,072**

Period from September 19 to December 31, 2018

Unaudited (thousands of Canadian dollars, except number of units)	Number of units	Unit value
September 19, 2018	—	—
Contributions by partners	1,000	1
December 31, 2018	**1,000**	**1**

See accompanying notes to Financial Statements.

NIAGARA REINFORCEMENT LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2019 and the period from September 19, 2018 to December 31, 2018

(thousands of Canadian dollars)	Year ended December 31, 2019 *Audited*	Period from September 19 to December 31, 2018 *Unaudited*
Operating activities		
Net income	1,299	—
Adjustments for non-cash items:		
Depreciation	792	—
Regulatory assets	(4,498)	—
Changes in non-cash balances related to operations *(Note 9)*	879	(1)
Net cash used in operating activities	**(1,528)**	**(1)**
Financing activities		
Notes payable issued	71,658	—
Contributions by partners	47,772	1
Inter-company payable	1,521	—
Net cash from financing activities	**120,951**	**1**
Investing activities		
Transfer of assets	(119,423)	—
Net cash used in investing activities	**(119,423)**	**—**
Net change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	**—**	**—**

See accompanying notes to Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Niagara Reinforcement Limited Partnership (NRLP or the Partnership) was formed on September 19, 2018, under the laws of the Province of Ontario (Province). At December 31, 2019, NRLP was 74.8% owned by Hydro One Networks Inc. (Hydro One Networks) and 0.1% owned by Hydro One Indigenous Partnerships GP Inc. (HOIP GP or the General Partner), collectively, the Hydro One Partners, and 25% owned by the Six Nations of the Grand River Development Corporation (Six Nations) and 0.1% owned by the Mississaugas of the Credit First Nation (Mississaugas FN). Hydro One Partners are owned, directly or indirectly, by Hydro One Inc. (Hydro One), which is wholly owned by Hydro One Limited. At December 31, 2018, NRLP was wholly owned by Hydro One Partners.

The Partnership owns a new 230 kV transmission line (Niagara Line) in the Niagara region. The Niagara Line enables generators in the Niagara area to connect to the load centres of the Greater Toronto and Hamilton areas. Hydro One Networks maintains and operates the Niagara Line in accordance with an operation and management services agreement. On September 12, 2019, the Ontario Energy Board (OEB) granted NRLP a transmission licence and granted Hydro One Networks leave to sell the applicable Niagara Line assets to NRLP.

On September 18, 2019, the applicable Niagara Line assets were transferred from Hydro One Networks to NRLP for $119,430 thousand and operation of the line was contracted to Hydro One Networks. This transfer was financed with a $71,658 thousand interest-bearing note payable to B2M Trust, a subsidiary of Hydro One, and the issuance of NRLP partnership units totalling $47,772 thousand. Subsequently, on the same date, Hydro One Networks sold to the Six Nations and to the Mississaugas FN, through a trust, a 25.0% and 0.1%, respectively, equity interest in NRLP for total consideration of $11,991 thousand, representing the fair value of the equity interest sold.

In addition, the Mississaugas FN had an option to purchase an additional 19.9% equity interest in NRLP from Hydro One Networks at a price based on the value of the Niagara Line assets on the date of closing, subject to certain conditions. On December 31, 2019, the Mississaugas FN exercised the option. The transaction closed on January 31, 2020. See Note 10 - Subsequent Events for additional information.

NRLP 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 B2M GP Inc. and changed its name to Hydro One Indigenous Partnerships GP Inc. effective September 19, 2018. HOIP GP holds the general partner interests and carries out the general partner responsibilities of NRLP. See Note 10 - Subsequent Events for the change of general partner on January 1, 2020.

The electricity rates of the Partnership are regulated by the OEB.

Rate Setting

On September 26, 2019, the OEB approved NRLP's request to establish a deferral account to record NRLP's 2019 revenue requirement prior to its inclusion in the Uniform Transmission Rates. On October 25, 2019, NRLP filed its revenue cap incentive rate application for 2020-2024. The OEB decision is pending. On December 19, 2019, the OEB approved NRLP's proposed 2020 revenue requirement of $9 million as interim effective January 1, 2020.

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 Niagara Line assets had occurred at the beginning of the year in which the transfer occurred and (2) the comparative period 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 Niagara Line assets on September 18, 2019. 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 13, 2020, 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 10 – 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 on-going 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. Significant estimates relate to regulatory assets and liabilities, asset impairments, and contingencies. Actual results may differ significantly from these estimates.

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 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. The regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The Partnership has not recorded any regulatory liabilities. The Partnership continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets in setting future rates. If, at some future date, the Partnership judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations prospectively from the date the Partnership's assessment is made, unless the change meets the requirements for a subsequent event adjustment.

Revenue Recognition

Revenues predominantly consist of transmission tariffs, which are collected through OEB-approved Uniform Transmission Rates (UTR) 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.

Income Taxes

NRLP, 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. Tax on NRLP's net income is borne by Hydro One Networks and HOIP GP through the allocation of taxable income. The Six Nations and Mississaugas FN are tax exempt entities and as such, are not subject to tax.

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 replacements of 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 assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Depreciation

The cost of property, plant and equipment is depreciated on a straight-line basis based on 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	80 years
Depreciation Rates - Range	1.3% - 1.4%
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, impairment exists when the carrying value exceeds the sum of the 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 NRLP's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the 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, 2019, 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, except inter-company receivable which are measured at the lower of cost or fair value. Inter-company receivable is classified as loans and receivables. The Partnership considers the carrying amount of inter-company receivable to be a reasonable estimate of fair value because of the short time to maturity of this instrument. The Partnership estimates the expected credit losses for all accounts receivable balances, which are recognized as adjustments to the allowance for doubtful accounts. Accounts receivable are written-off against the allowance when they are deemed uncollectible. All financial instruments 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 5 - Fair Value of Financial Instruments and Risk Management.

3. PROPERTY, PLANT AND EQUIPMENT

December 31, 2019 *Audited (thousands of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Total
Transmission	119,423	792	118,631
	119,423	792	118,631

4. NOTES PAYABLE

Notes payable consist of two promissory notes payable to B2M Trust. The notes were issued on September 18, 2019, with a total face amount of $71,658 thousand, maturing in September 2024. The following table presents the balances of the promissory notes at December 31, 2019 and 2018:

December 31 *(thousands of dollars)*	2019 *Audited*	2018 *Unaudited*
Floating-rate note payable at OEB approved short-term debt rate	4,777	—
Floating-rate note payable at OEB approved long-term debt rate	66,881	—
	71,658	—

5. 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, 2019 and 2018, the carrying amounts of 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, 2019 is as follows:

December 31, 2019 *Audited (thousands of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Notes payables	71,658	71,658	—	71,658	—
	71,658	71,658	—	71,658	—

The fair values of the floating-rate note payables 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 year ended December 31, 2019.

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 promissory notes contain floating interest rates that are at the OEB approved short-term and long-term debt rates. 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 impact to the Partnership's net income for the year ended December 31, 2019.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2019, there were no significant concentrations of credit risk with respect to any class of financial assets. The Partnership's revenue is earned from a broad base of customers. As a result, the Partnership did not earn a significant amount of revenue from any individual customer.

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 the 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.

6. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. No regulatory liabilities have been recorded. NRLP has recorded the following regulatory assets:

December 31 *(thousands of dollars)*	2019 *Audited*	2018 *Unaudited*
Regulatory assets:		
NRP transmission line revenue requirement deferral account	4,498	—
Total regulatory assets	4,498	—
Less: current portion	—	—
	4,498	—

NRP Transmission Line Revenue Requirement Deferral Account

On September 26, 2019, the OEB approved NRLP's request to establish a deferral account to record the Partnership's 2019 revenue requirement prior to its inclusion in the Uniform Transmission Rates. The account records the revenue associated with the transmission assets that provided service to Ontario ratepayers during the last four months of 2019. $4,488 thousand was recorded as revenue in 2019, with a corresponding regulatory asset. The remaining balance in the regulatory account represents accumulated interest. In its 2020-2024 rate application, NRLP has requested to adjust its revenue requirement over a one-year period commencing January 1, 2020 by the balance in this account.

7. PARTNERS' EQUITY

NRLP is authorized to issue an unlimited number of partnership units. The units are voting and participate equally in profits, losses and capital distributions of NRLP. Any units issued by NRLP must be first offered to the existing partners in proportion to their ownership interests. At December 31, 2019, NRLP had 47,772,000 units issued and outstanding (2018 – 1,000).

As the Six Nations and Mississaugas FN are tax exempt entities, 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, 2019 and 2018, partners' equity was allocated to the Six Nations, Mississaugas FN and the Hydro One Partners as follows:

Year ended December 31, 2019 *Audited (thousands of dollars, except number of units)*	Six Nations	Mississaugas FN	Hydro One Partners	Total
Number of units - December 31, 2019	11,943,000	47,772	35,781,228	47,772,000
Partners' equity - January 1, 2019	—	—	1	1
Contributions by partners	11,943	48	35,781	47,772
Net income and comprehensive income	325	1	973	1,299
Partners' equity - December 31, 2019	**12,268**	**49**	**36,755**	**49,072**

Period from September 19 to December 31, 2018 *Unaudited (thousands of dollars, except number of units)*	Six Nations	Mississaugas FN	Hydro One Partners	Total
Number of units - December 31, 2018	—	—	1,000	1,000
Partners' equity - September 19, 2018	—	—	—	—
Contributions by partners	—	—	1	1
Net income and comprehensive income	—	—	—	—
Partners' equity - December 31, 2018	**—**	**—**	**1**	**1**

On January 31, 2020, Mississaugas FN purchased an additional 19.9% equity interest in NRLP. See Note 10 - Subsequent Events for additional information.

8. RELATED PARTY TRANSACTIONS

The Partnership is 74.9% indirectly owned by Hydro One, 25% owned by the Six Nations and 0.1% owned by the Mississaugas FN. Hydro One is owned by Hydro One Limited. The Province is a shareholder of Hydro One Limited with approximately 47.3% ownership at December 31, 2019.

Hydro One and Subsidiaries

Hydro One and its subsidiaries pay for expenses of the Partnership which are reimbursed by the Partnership. Amounts due to or from Hydro One and its subsidiaries by the Partnership are included in the inter-company receivable and inter-company payable. At December 31, 2019, the Partnership had an inter-company payable balance of $1,520 thousand (2018 – inter-company receivable of $1 thousand).

Notes payable totalling $71,658 thousand (2018 – $nil) are due to B2M Trust. Interest expense on these notes in 2019 was $833 thousand (2018 – $nil). At December 31, 2019, NRLP had accrued interest payable to B2M Trust of $833 thousand (2018 – $nil).

9. STATEMENTS OF CASH FLOWS

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

(thousands of dollars)	Year ended December 31, 2019 *Audited*	Period from September 19 to December 31, 2018 *Unaudited*
Other assets	(20)	—
Accrued liabilities	66	—
Accrued interest	833	—
	879	—

10. SUBSEQUENT EVENTS

Ownership Structure

On January 1, 2020, the partners of NRLP appointed Hydro One Indigenous Partnerships Inc. (HOIP), a subsidiary of Hydro One, as the new general partner for NRLP. On the same day, HOIP GP transferred its 0.1% interest in NRLP to HOIP for $48 thousand, and HOIP GP was wound up into Hydro One Networks.

On January 31, 2020, Hydro One Networks sold to the Mississaugas FN, through a trust, a 19.9% equity interest in NRLP for total consideration of $9,433 thousand. Following this transaction, Hydro One Partners' interest in the equity portion of NRLP was reduced to 55%, with the Six Nations and the Mississaugas FN owning 25% and 20%, respectively, of the equity interest in NRLP.