



BY EMAIL and WEB POSTING

October 28, 2021

To: All Rate-regulated Electricity Distributors and Transmitters
All Rate-regulated Natural Gas Utilities
Ontario Power Generation Inc.
All Registered Intervenors in 2022 Cost-based Applications
All Other Interested Parties

Re: 2022 Cost of Capital Parameters

The Ontario Energy Board (OEB) has determined the values for the Return on Equity (ROE) and the deemed Long-Term (LT) and Short-Term (ST) debt rates for use in 2022 cost-based applications as described below. The ROE and the deemed LT and ST debt rates are collectively referred to as the cost of capital parameters. The updated cost of capital parameters are calculated based on the formulaic methodologies documented in the [Report of the Board on the Cost of Capital for Ontario's Regulated Utilities](#), issued December 11, 2009.

Cost of Capital Parameters for 2022 Cost-Based Rates

For cost-based rates (cost of service and custom incentive rate-setting (custom IR)) that have an effective date commencing in 2022, the OEB has updated the cost of capital parameters based on: (i) the September 2021 survey from Canadian banks for the spread over the Bankers' Acceptance rate of short-term loans for R1-low or A (A-stable) commercial utility customers, for the ST debt rate; and (ii) data three months prior to January 1, 2022 from the Bank of Canada, Investment Industry Regulatory Organization of Canada, *Consensus Forecasts*, and Bloomberg LP, for all cost of capital parameters.

The OEB has determined that the updated cost of capital parameters for cost-based rates that have an effective date commencing in 2022 are:

Cost of Capital Parameter	Value for Applications for rate changes in 2022
ROE	8.66%
Deemed LT debt rate	3.49%
Deemed ST debt rate	1.17%

Detailed calculations of the cost of capital parameters may be referenced in a separate document titled “Appendix 1 – 2022 Cost of Capital Parameter Calculations”.

The OEB considers the cost of capital parameter values shown in the above table, and the relationships between them, to be reasonable and representative of market conditions at this time.

The OEB updates cost of capital parameters for setting rates once per year. For this reason, the cost of capital parameters above will be applicable for cost-based rates that have an effective date commencing in 2022.

The OEB monitors macroeconomic conditions and may issue updated parameters if economic conditions materially change. An applicant or intervenors can also file evidence in individual rate hearings in support of different cost of capital parameters due to the specific circumstances, but must provide a strong rationale and supporting evidence for departing from the OEB’s policy.

All queries on the cost of capital parameters should be directed to the OEB’s Industry Relations hotline, at 1-877-632-2727 or industryrelations@oeb.ca.

Yours truly,

Original Signed By

Christine E. Long
Registrar