



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

DECISION AND ORDER

EB-2016-0349

B2M LIMITED PARTNERSHIP

**Application for electricity transmission revenue
requirement effective January 1, 2017**

BEFORE: Emad Elsayed
Presiding Member

June 29, 2017

1 INTRODUCTION AND SUMMARY

B2M Limited Partnership (B2M LP) filed an application with the Ontario Energy Board (OEB) on December 1, 2016, seeking approval for changes to its electricity transmission revenue requirement, to be effective January 1, 2017.

In its June 8, 2017 B2M LP decision and order¹ (the Revenue Requirement Decision), the OEB approved B2M LP's application, as updated through B2M LP's interrogatory responses.

This Decision and Order primarily outlines the steps required to implement the Revenue Requirement Decision.

¹ EB-2016-0349 B2M LP June 8, 2017 Decision and Order

2 THE PROCESS

B2M LP's application was filed on December 1, 2016 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) and under the OEB's *Filing Requirements for Electricity Transmission Applications*. B2M LP requested approval for changes to its electricity transmission revenue requirement to be effective January 1, 2017.

On June 8, 2017, the OEB approved B2M LP's application, as updated through B2M LP's interrogatory responses, and issued the Revenue Requirement Decision.

On page 7 of the Revenue Requirement Decision, the OEB approved the total revenue requirement for B2M LP of \$33.7M to be included in the calculation of the Uniform Transmission Rates (UTRs), effective January 1, 2017. The OEB also approved the Forgone Revenue deferral account. The OEB directed B2M LP to file with the OEB a draft accounting order for this deferral account.

On June 15, 2017, in response to the OEB's order in the Revenue Requirement Decision, B2M LP filed the draft accounting order relating to the OEB approved Forgone Revenue deferral account. B2M LP also filed the final exhibits relating to the Revenue Requirement Decision. On June 20, 2017, the OEB received a submission from OEB staff stating that these documents reflect the findings in the Revenue Requirement Decision. The Society of Energy Professionals, the only intervenor in this proceeding, did not make a submission. B2M LP did not file a reply submission.

Outlined below in this Decision and Order are the steps required to implement the Revenue Requirement Decision.

The evidence in this case can be found on the OEB's website, www.oeb.ca under File Number EB-2016-0349.

3 FINDINGS

The OEB agrees with OEB staff and finds that the final exhibits and draft accounting order are in keeping with the terms of the Revenue Requirement Decision. In particular:

- a) The total revenue requirement for B2M LP to be included in the calculation of the UTRs effective January 1, 2017 is confirmed as \$33.7M, as per the OEB's findings in the Revenue Requirement Decision. The supporting detail for this revenue requirement has been appropriately reflected in the final exhibits submitted by B2M LP on June 15, 2017.
- b) The OEB's findings relating to the Forgone Revenue deferral account have been appropriately reflected in the draft accounting order submitted by B2M LP on June 15, 2017.

4 IMPLEMENTATION AND ORDER

THE OEB ORDERS THAT:

1. The total revenue requirement for B2M LP to be included in the calculation of the UTRs effective January 1, 2017 is confirmed as \$33.7M, on the basis of the calculations filed by B2M LP and set out in Appendix A.
2. B2M LP shall establish the Forgone Revenue deferral account in accordance with Appendix B, effective January 1, 2017.

DATED at Toronto, **June 29, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

Decision and Order

B2M Limited Partnership

EB-2016-0349

Dated: June 29, 2017

B2M LP Inc.
Update to Implementation of Decision with Reasons on EB-2015-0026

Revenue Requirement Summary

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved	Cost of Capital Update	Revised
		2017	2017	2017	2017	2017
OM&A	Exhibit 1.1	1.2	-	1.2	-	1.2
Transition Costs (Note 1)		1.9	-	1.9	-	1.9
Depreciation	Exhibit 1.2	6.8	-	6.8	-	6.8
Return on Debt	Exhibit 1.4	5.9	-	5.9	(0.5)	5.5
Return on Equity (Note 2)	Exhibit 1.4	20.2	(0.4)	19.8	(1.9)	17.9
Income Tax	Exhibit 1.5	0.4	-	0.4	(0.0)	0.3
Base Revenue Requirement		36.5	(0.4)	36.0	(2.4)	33.7
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		36.5	(0.4)	36.0	(2.4)	33.7

Note 1: The Decision allowed the \$7.7 million start-up cost to be recovered in rates over a four year period, with \$1.925 million being recovered each year from 2016 to 2019.

Note 2: The Cost of Capital is updated to reflect OEB approved parameters issued on October 27, 2016, and 2017 third-party long-term debt rates.

B2M LP Inc.
 Update to Implementation of Decision with Reasons on EB-2015-0026

OM&A

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
OM&A		1.2	-	1.2

OEB Decision Impact Supporting Details

Adjustments

OEB Decision Reference

No Adjustment

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B2M LP Inc.
 Update to Implementation of Decision with Reasons on EB-2015-0026

Rate Base and Depreciation

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
Rate Base	See supporting details below	509.2	-	509.2
Depreciation		6.8	-	6.8

OEB Decision Impact Supporting Details

Reference

Working Capital Adjustment

Rate Base Details

Utility plant (average)	
Gross plant at cost	547.7
Less: Accumulated depreciation	(38.5)
Add: CWIP	-
Net utility plant	<u>509.2</u>
Working capital	
Cash working capital	-
Materials & supplies inventory	-
Total working capital	<u>-</u>
Total Rate Base	<u><u>509.2</u></u>

B2M LP Inc.
 Update to Implementation of Decision with Reasons on EB-2015-0026

Capital Expenditures

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
Capital expenditures		-	-	-

B2M LP Inc.
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Capital Structure and Return on Capital

(\$ millions)	Supporting Reference	B2M LP Proposed 2017	OEB Decision Impact 2017	OEB Approved 2017	Cost of Capital Update 2017	Revised 2017
Return on Rate Base					Note 1	Note 1
Rate Base	Exhibit 1.2	\$ 509.2	\$ -	\$ 509.2	\$ -	\$ 509.2
Capital Structure:						
Third-Party long-term debt		56.0%	0.0%	56.0%	0.0%	56.0%
Deemed long-term debt		0.0%	0.0%	0.0%	0.0%	0.0%
Short-term debt		4.0%	0.0%	4.0%	0.0%	4.0%
Common equity		40.0%	0.0%	40.0%	0.0%	40.0%
Capital Structure:						
Third-Party long-term debt	Exhibit 1.4.1	\$ 285.1	\$ -	\$ 285.1	\$ -	\$ 285.1
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 20.4	\$ -	\$ 20.4	\$ -	\$ 20.4
Common equity		\$ 203.7	\$ -	\$ 203.7	\$ -	\$ 203.7
		\$ 509.2	\$ -	\$ 509.2	\$ -	\$ 509.2
Allowed Return:						
Third-Party long-term debt	Exhibit 1.4.1	1.80%	0.00%	1.80%	0.00%	1.80%
Deemed long-term debt	Exhibit 1.4.1	1.80%	0.00%	1.80%	(0.00%)	1.80%
Short-term debt		3.97%	0.00%	3.97%	(2.21%)	1.76%
Common equity		9.93%	(0.22%)	9.71%	(0.93%)	8.78%
Return on Capital:						
Third-Party long-term debt		\$ 5.1	\$ -	\$ 5.1	\$ -	\$ 5.1
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 0.8	\$ -	\$ 0.8	\$ (0.5)	\$ 0.4
Total return on debt		\$ 5.9	\$ -	\$ 5.9	\$ (0.5)	\$ 5.5
Common equity		\$ 20.2	\$ (0.4)	\$ 19.8	\$ (1.9)	\$ 17.9

Note 1: The Cost of Capital is updated to reflect OEB approved parameters issued on October 27, 2016, and 2017 third-party long-term debt rates.

B2M LP Inc.

Update to Implementation of Decision with Reasons on EB-2015-0026

Cost of Long-Term Debt Capital

Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered	Premium Discount and Expenses	Total Amount	Price Per \$100 Principal (\$)	Effective Cost Rate	<u>Total Amount Outstanding</u>			Carrying Cost	Embedded Cost Rate
								12/31/16	12/31/17	Average		
30-Jun-15	1.64%	30-Apr-20	293.3	1.0	287.9	99.64	1.72%	288.9	288.9	288.9	5.0	
								288.9	288.9	288.9	5.0	
											0.1	
											0.2	
										288.9	5.3	1.80%

B2M LP Inc.
Update to Implementation of Decision with Reasons on EB-2015-0026

Income Tax

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved	Cost of Capital Update	Revised
		2017	2017	2017	2017	2017
Income Taxes	See supporting details below	0.4	-	0.4	(0.0)	0.3

Income Tax Supporting Details

Rate Base	Exhibit 1.2	(a) \$	509.2	\$	-	\$	509.2	\$	-	\$	509.2
Common Equity Capital Structure		(b)	40.0%				40.0%		0.0%		40.0%
Return on Equity	Exhibit 1.4	(c)	9.93%				9.71%		-0.93%		8.78%
Return on Equity		(d) = a x b x c	20.2		-		19.8		(1.9)		17.9
Regulatory Income Tax		(e) = l	0.4		-		0.4		(0.0)		0.3
Regulatory Net Income (before tax)		(f) = d + e	20.6		-		20.1		(1.9)		18.2
Timing Differences		(g) Note 1	(17.9)		-		(17.9)		-		(17.9)
Add Other Taxable Revenue		Note 2	2.0				2.0				2.0
Taxable Income		(h) = f + g	4.7		-		4.3		(1.9)		2.4
Opening Loss Carry Forward		Note 3	(3.0)				(3.0)				(3.0)
Taxable Income Allocated to Taxable Partners		Note 4	3.2				2.9				1.7
Closing Loss Carry Forward			0.3				(0.0)				(1.3)
Tax Rate		(i)	26.50%				26.50%		0.00%		26.50%
Income Tax		(j) = h x i	-		-		-		0.0		0.0
Add: Corporate Minimum Tax		(k) Note 4	0.4		-		0.4		(0.0)		0.3
Regulatory Income Tax		(l) = j + k	0.4		-		0.4		(0.0)		0.3

	B2M LP Proposed 2017	OEB Decision Impact 2017	OEB Approved 2017	Cost of Capital Update 2017	Revised OEB Approved 2017
Note 1. Book to Tax Timing Differences					
Depreciation	6.8	-	6.8	-	6.8
CCA	(24.7)	-	(24.7)	-	(24.7)
Other Timing Differences	-	-	-	-	-
Total Timing Differences	<u>(17.9)</u>	-	<u>(17.9)</u>	-	<u>(17.9)</u>
Note 2. Other Taxable Revenue					
Add: Managing Director Costs	0.1		0.1		0.1
Less: 20(1)(e) Deductions	(0.02)		(0.02)		(0.02)
Add: Setup Costs recovered in Rates	<u>1.9</u>		<u>1.9</u>		<u>1.9</u>
	2.0		2.0		2.0

Note 3. Loss Carry Forward

The losses from GP Inc. expired when Hydro One exited the PILS regime, we tracked the losses included in rates separately.

The losses included in rates were not eliminated on the exit of the PILS regime.

Instead, the reason there is no losses is because we have been over-earning in B2M for 2015 and 2016.

As there is higher income than what was forecasted & the losses are being utilized faster (resulting in no loss carry forwards for 2017)

Note 4. Amount to Allocate to Taxable Partners

Taxable Income	4.7		4.3		2.4
Less Income Tax in Rates	(0.4)		(0.4)		(0.3)
Multiply by Ownership Share of Taxable Partners	65.81%		65.81%		65.81%
Taxable Income Allocated to Taxable Partners	2.9		2.6		1.3
Add Taxes in Rates	0.4		0.4		0.3
Taxable Income Allocated to Taxable Partners	3.2		2.9		1.7

Note 4. Corporate Minimum Tax

Corporate Minimum Tax ("CMT") is an Ontario Tax at the rate of 2.7% of Accounting Income.

The amount payable is the difference between the CMT calculated at 2.7% of Accounting Income and the Ontario portion of Income Tax at 11.5% of Taxable Income.

Appendix B

Decision and Order

B2M Limited Partnership

EB-2016-0349

Dated: June 29, 2017

PROPOSED ACCOUNTING ENTRIES

This account records the differences between revenue earned by B2M LP under the interim 2017 rates set at the 2016 Uniform Transmission Rates (UTR) level, and the revenues that would have been received under the approved 2017 UTR. The account will capture the foregone revenue from January 1, 2017 to the date when the approved 2017 UTR are reflected in the revenue earned by B2M LP. The accounting entries to be recorded are as follows:

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “Forgone Revenue Deferral Account”
Cr: 4110	Transmission Services Revenue

To record the differences between revenue earned by B2M LP under the interim 2017 rates and the revenues that would have been received under the approved 2017 UTR.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “Forgone Revenue Deferral Account”
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “Forgone Revenue Deferral Account”.