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Frank D'Andrea

Vice President
Regulatory Affairs

BY COURIER

April 30, 2018

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

Dear Ms. Walli,

EB-2017-0380 – B2M LP Update to 2018 Transmission Revenue Requirement – B2M LP Responses to Board Staff Submission

Please find attached an electronic copy of responses provided by B2M Limited Partnership (“B2M LP”) to Board Staff’s Submission of April 18, 2018. That submission focused on 3 main points so the response herein is structured to address each of those points directly.

1. 2017 Forgone Revenue Deferral Account

In part 1 of their submission, Staff noted that, “...B2M LP’s proposed 2017 forgone revenue calculation of the amount of \$1.1 million to be recovered from customers ... is reasonable and should be approved for recovery...”

B2M LP concurs with Staff’s recommendation.

2. Income Tax Proxy

B2M LP acknowledges Staff’s reference to the December 29, 2015 decision stating that there was no expectation for updating tax parameters except those directly related to the updates of the cost of capital parameters. While B2M LP intended to provide the most up to date and accurate numbers for consideration, B2M LP recognizes that the changes requested for the inclusion of start-up costs in revenue and CMT are outside of the scope of the cost of capital parameter adjustments. Therefore, B2M LP accepts Staff’s recommendations and agrees to remove changes related to those 2 items.



3. 2018 Excess Revenue

The requested Revenue Requirement for 2018 is less than the amount previously included in 2018 UTRs on an interim basis. Following the recalculation for the tax items in point 2 above, the difference is \$1.6M. B2M LP believes that Staff's assertion remains valid that the amount of excess revenue garnered by B2M LP in 2018 is immaterial to the overall UTR network rate pool and thus the excess amount should be tallied and provided as a credit during the parameter adjustment for 2019 rates. This is expected to be filed in late 2018. B2M LP will make that adjustment and file accordingly.

Finally, for convenience and efficiency, B2M LP has proactively recalculated the DRO. The updated exhibits are attached. If the panel determines that Staff's submission and B2M LP's response are reasonable and approves the amounts therein, we offer the attached exhibits as final versions.

Ultimately, the Revenue Requirement for 2018 in the attached DRO is recalculated as \$35.9M. B2M LP requests the Board approve this amount.

An electronic copy has been filed using the Board's Regulatory Electronic Submission System. Two (2) hard copies will be sent to the Board shortly.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea
Submitting on behalf of B2M LP

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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
		2018	2018	2018	2018	2018
OM&A	Exhibit 1.1	2.5	(0.1)	2.4	-	2.4
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	6.0	-	6.0	(0.5)	5.5
Return on Equity (Note 2)	Exhibit 1.4	20.2	(0.1)	20.0	(1.9)	18.1
Income Tax	Exhibit 1.5	0.9	(0.5)	0.4	(0.4)	0.1
Foregone Revenue	Exhibit 2.0	-	-	-	1.1	1.1
Base Revenue Requirement		38.2	(0.7)	37.5	(1.6)	35.9
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		38.2	(0.7)	37.5	(1.6)	35.9

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 November 23, 2017.

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	Revised
		2018	2018	2018
OM&A		2.5	(0.1)	2.4

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	Revised
		2018	2018	2018
Rate Base	See supporting details below	502.4	-	502.4
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	(45.3)
Add: CWIP	-
Net utility plant	<u>502.4</u>
Working capital	
Cash working capital	-
Materials & supplies inventory	-
Total working capital	<u>-</u>
Total Rate Base	<u><u>502.4</u></u>

B2M LP Inc.

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

Capital Expenditures

(\$ millions)

Capital expenditures

Supporting Reference	B2M LP Proposed	OEB Decision Impact	Revised
	2018	2018	2018
	-	-	-

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

Capital Structure and Return on Capital

(\$ millions)	Supporting Reference	B2M LP Proposed 2018	OEB Decision Impact 2018	OEB Approved 2018	Cost of Capital Update 2018	Revised 2018
					Note 1	Note 1
Return on Rate Base						
Rate Base	Exhibit 1.2	\$ 502.4	\$ -	\$ 502.4	\$ -	\$ 502.4
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	\$ 281.3	\$ -	\$ 281.3	\$ -	\$ 281.3
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 20.1	\$ -	\$ 20.1	\$ -	\$ 20.1
Common equity		\$ 200.9	\$ -	\$ 200.9	\$ -	\$ 200.9
		\$ 502.4	\$ -	\$ 502.4	\$ -	\$ 502.4
Allowed Return:						
Third-Party long-term debt	Exhibit 1.4.1	1.79%	0.00%	1.79%	0.00%	1.79%
Deemed long-term debt	Exhibit 1.4.1	1.79%	0.00%	1.79%	0.00%	1.79%
Short-term debt		4.71%	0.00%	4.71%	(2.42%)	2.29%
Common equity		10.03%	(0.07%)	9.96%	(0.96%)	9.00%
Return on Capital:						
Third-Party long-term debt		\$ 5.0	\$ -	\$ 5.0	\$ 0.0	\$ 5.0
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 0.9	\$ -	\$ 0.9	\$ (0.5)	\$ 0.5
Total return on debt		\$ 6.0	\$ -	\$ 6.0	\$ (0.5)	\$ 5.5
Common equity		\$ 20.2	\$ (0.1)	\$ 20.0	\$ (1.9)	\$ 18.1

Note 1: The Cost of Capital is updated to reflect OEB approved parameters issued on November 23, 2017.

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
								12/31/2017	12/31/2018	Average		
30-Jun-15	1.64%	30-Apr-20	293.3	1.0	287.9	99.64	1.72%	288.9	285.1	287.0	4.9	
								288.9	285.1	287.0	4.9	
											0.1	
											0.1	
								Total		287.0	5.2	1.79%

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	
	2018	2018	2018	2018	2018	
Income Taxes	See supporting details below	0.9	(0.5)	0.4	(0.3)	0.1

Income Tax Supporting Details

Rate Base	Exhibit 1.2	(a) \$	502.4	\$	-	502.4	-	502.4
Common Equity Capital Structure		(b)	40.0%			40.0%	0.0%	40.0%
Return on Equity	Exhibit 1.4	(c)	10.03%			9.96%	-0.96%	9.0%
Return on Equity		(d) = a x b x c	20.1		(0.1)	20.0	(1.9)	18.1
Regulatory Income Tax		(e) = l	0.9			0.4	(0.4)	0.1
Regulatory Net Income (before tax)		(f) = d + e	21.0		(0.1)	20.4	(2.3)	18.1
Timing Differences		(g) Note 1	(15.9)		-	(15.9)	-	(15.9)
Add Other Taxable Revenue		Note 2	-			0.1		0.1
Taxable Income		(h) = f + g	5.1		(0.1)	4.6	(2.3)	2.3
Opening Loss Carry Forward			(0.4)			(1.3)		(1.3)
Taxable Income Allocated to Taxable Partners	Note 3		3.7			3.2		1.5
Closing Loss Carry Forward			-			-		-
Tax Rate		(i)	26.50%			26.50%	-	26.50%
Income Tax		(j) = h x i	0.9		-	0.4	(0.4)	0.1
Add: Corporate Minimum Tax		(k) Note 4	(0.0)		-	(0.0)	0.0	-
Regulatory Income Tax		(l) = j + k	0.9		-	0.4	(0.4)	0.1

	B2M LP Proposed 2018	OEB Decision Impact 2018	OEB Approved 2018	Cost of Capital Update 2018	Revised 2018
Note 1. Book to Tax Timing Differences					
Depreciation	6.8	-	6.8	-	6.8
CCA	(22.7)	-	(22.7)	-	(22.7)
Other Timing Differences	-	-	-	-	-
Total Timing Differences	<u>(15.9)</u>	-	<u>(15.9)</u>	-	<u>(15.9)</u>
Note 2. Other Taxable Revenue					
Add: Managing Director Costs			0.1		0.1
Less: 20(1)(e) Deductions			(0.0)		(0.0)
Add: Setup Costs recovered in Rates			<u>-</u>		<u>-</u>
			0.1		0.1
Note 3. Amount to Allocate to Taxable Partners					
Taxable Income	5.1		4.6		2.3
Less Income Tax in Rates	(0.9)		(0.4)		(0.1)
Multiply by Ownership Share of Taxable Partners	65.81%		65.81%		65.81%
Taxable Income Allocated to Taxable Partners	2.8		2.7		1.5
Add Taxes in Rates	<u>0.9</u>		<u>0.4</u>		<u>0.1</u>
Taxable Income Allocated to Taxable Partners	3.7		3.2		1.5

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.