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**mccarthy
tétrault**

October 24, 2014

VIA RESS AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

RE: EB-2014-0330 – B2M LP Filing for Interim Rates

We are writing on behalf of B2M Limited Partnership ("B2M LP"). Enclosed for filing is B2M LP's application for its initial rate to be established on an interim basis. B2M LP requests approval of an interim rate equal to the amount that would have otherwise been charged by Hydro One Networks for the Bruce to Milton Assets. Rates charged to rate payers will be unaffected by this Application.

In light of these circumstances, B2M LP requests expedited consideration of this Application. Timely consideration is needed so that this transaction may close on or before December 31, 2014. Existing federal income tax rulings issued to partners of B2M LP and previously filed with the Board will expire on December 31, 2014. Parties are therefore seeking to avoid any delay that could arise if approval of this Application is not granted within this calendar year. Board approval of a rate for B2M LP is a condition precedent which must be satisfied in order for the transaction to close.

Given these circumstances, and in particular, the interim nature of the relief sought and the lack of any change to rates charged to rate payers, B2M LP submits that Board consideration of this application may proceed without further procedural steps, such as a public newspaper notification requirement or an interrogatory process. While B2M LP fully expects these steps to be appropriate for its final rates application (which will be filed in 2015), the present application is for interim approval and by design is intended to not cause any change in the level of rates currently charged to rate payers.

Yours truly,

McCarthy Tétrault LLP

Per:


for Gordon M. Nettleton

GMN/mpf

cc: Michael Penstone, B2M GP Inc.
Colin J. Salter, Pape Salter Teillet LLP

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, SO 1998, c 15, Sch B (the “**Act**”);

AND IN THE MATTER OF an application made by B2M Limited Partnership by its general partner, B2M GP Inc. (“**B2M GP**”) to the Ontario Energy Board (the “**OEB**” or the “**Board**”) for interim rate orders made pursuant to sections 78(3) and 21(7) of the Act.

B2M LIMITED PARTNERSHIP

INTERIM RATE APPLICATION

October 24th, 2014

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

1.0 INTRODUCTION

1.1 B2M Limited Partnership (“**B2M LP**”) hereby makes application pursuant to sections 78(3) and 21(7) of the Act for approval of its initial rate on an interim basis. The interim rate is proposed to commence coincident with the transfer of certain transmission assets comprising the Bruce to Milton Transmission Project assets (the “**Transferred Assets**”) to B2M LP from Hydro One Networks Inc. (“**HONI**”).

1.2 The interim rate is designed to recover revenue equal to the costs of the assets and their related OM&A expenses as recovered by HONI. The sum of the interim rate when added to the adjusted HONI rate will be equivalent to the total rate currently charged by HONI thus resulting in no change in the overall current transmission rates charged to customers while the interim rate is in effect.

1.3 B2M LP is requesting that Uniform Transmission Rate Allocators (“**UTR**”) be established effective January 1st, 2015 on an interim basis in anticipation of a Cost of Service filing in 2015 for approval of final rates.

2.0 BACKGROUND

2.1 On November 28, 2013, B2M LP received approvals pursuant to sections 60 and 86(1)(b) for transmitter licensing authority and conditional leave to purchase the Transferred Assets from its affiliate, HONI.¹ On January 17, 2014, B2M LP advised the Board that all conditions of the November 28th Order were satisfied.²

2.2 The limited partners of B2M LP will ultimately be B2M GP Inc (“**GPCo**”), Hydro One B2M LP Inc (“**HO LPCo**”) and SON LPCo.³ Each of the Chippewas of Nawash First Nation and Chippewas of Saugeen First Nation (“**SON**”) own the outstanding shares in SON LPCo. The contemplated transaction provides SON LPCo., as bare trustee for the SON, with a minority ownership interest in B2M LP formed to own and operate the Transferred Assets.

2.3 Ongoing discussions amongst SON LPCo and its lending institutions have occurred in respect of the minority ownership interest financing. SON LPCo has now advised B2M LP that all acceptable

¹ OEB Decision and Order EB-2013-0078, EB-2013-0079 and EB-2013-0080 issued on November 28, 2013 (“**November 28th Order**”). See also OEB Electricity License ET 2013 0078 issued to B2M LP allowing it to own and operate the Transferred Assets under the specified license terms and conditions.

² Letter dated January 17, 2014 to the Board from B2M LP (HONI Compliance Filing 20140117).

³ 1893080 Ontario Inc. carrying on business as SON LPCo.

financing arrangements will soon be in place, and they are now ready to proceed with the transaction. Part of the financing arrangement includes a guarantee by the Government of Ontario under the Aboriginal Loan Guarantee Program. The execution of this guarantee will be completed upon confirmation of a favourable decision by the Board in this proceeding at which time all required funds will be released by creditors to SON. In the unlikely event that a financing matter arises during the consideration of this application that becomes a cause of delay to the efficient closing of the transaction, B2M LP will advise the Board of the situation and will update the relief sought as required.

2.4 The parties expect that all remaining commercial preconditions will be met to allow the transaction to close on or before December 31, 2014. This timing is optimal because i) current federal tax rulings expire on December 31, 2014, ii) having the transaction close at the end of a month is desirable to allow for a straight-forward allocation of revenue by the IESO, and iii) this would allow the interim rate to coordinate with the anticipated rate change requested for January 1, 2015 by HONI Transmission in EB-2014-0140⁴.

2.5 An approved rate order for B2M LP based on a favourable Board decision in respect of this application is the final condition precedent to closing of the transaction with the SON. Should this favourable decision be received, the parties expect to be in a position to have the transaction close on or before December 31, 2014. Regardless, this application seeks to commence revenue for B2M LP on January 1, 2015.

2.6 As indicated in prior applications, SON and Hydro One engaged for over 6 years in a process that allowed the BxM Project to be developed, approved and implemented in a timely way, while protecting SON's interests. The closure of this transaction will ensure that SON can finally realize the benefits of this partnership.

3.0 INTERIM RATE RELIEF

3.1 Currently, the revenue collected for service provided by the Transferred Assets is included as part of the Uniform Transmission Rate ("UTR") and is paid to HONI by the Independent Electricity System Operator ("IESO"). B2M LP has previously received approval to purchase the Transferred Assets. Upon closing of the described transaction, B2M LP requires rate authorization for transmission service provided by the Transferred Assets. This entails a re-allocation of that portion of revenue from the UTR that

⁴ Along with its application for rates, a settlement agreement was filed with the Board by HONI Transmission on September 22, 2014 wherein all intervenors agreed to a settlement on all issues. HONI awaits the Board's approval of that settlement agreement. Any changes proposed by HONI arising from a Board Cost of Capital update, will be reflected.

otherwise would have been paid to HONI by the IESO for the Transferred Assets. B2M LP's design of the interim rate to be neutral is intended to allow for expeditious consideration of the application.

3.2 **Exhibit A** provides detailed information concerning the revenue requirement to be recovered from the applied-for interim rate. As noted, this amount is equal to the amount HONI currently recovers for transmission service provided by the Transferred Assets as part of the UTR subject to potential changes for ROE and debt costs as approved for Hydro One Transmission in its current application EB-2014-0140. The amount of the revenue requirement will not change during the period in which interim rates are in effect and until final rates are determined.

3.3 The Cost of Service rate application, to be filed in 2015, will seek approval of final rates for the period commencing on the date interim rates take effect. This application will include information concerning required start-up costs, reduced tax costs, and forecasts of B2M LP's future incremental operating and capital costs over the period in which final rates are to be in effect.

3.4 All calculations and proposed adjustments to be made to HONI's revenue requirement resulting from the transaction are detailed in **Exhibits A-F** attached. B2M LP can advise that this interim rate application has been reviewed by HONI. A signed letter from the Chief Financial Officer of HONI supporting this application and its contents is attached as **Exhibit G**.

4.0 ATTACHMENTS

4.1 The following Exhibits/Appendices are included and form part of this application:

- (a) **Exhibit A:** Annualized Revenue Requirement for 2015
- (b) **Exhibit B:** Details of Operating, Maintenance and Administration Expenses
- (c) **Exhibit C:** Schedule of Assets to be Sold to B2M LP
- (d) **Exhibit D:** Continuity of Rate BaseG
- (e) **Exhibit E:** Current Transmission Rates and Revenue Disbursement Allocators
- (f) **Exhibit F:** Revised Transmission Rates and Revenue Disbursement Allocators
- (g) **Exhibit G:** Letter from CFO of HONI supporting this Application

5.0 RELIEF REQUESTED

5.1 Based on the foregoing, B2M LP hereby applies for:

- (a) Authorization pursuant to sections 78(3) and 21(7) of the Act to allow for the recovery of revenue by B2M LP equivalent to the amount shown in Exhibit A until such time as final rates are determined by the Board;
- (b) Board Direction provided to the IESO to allocate and provide B2M LP with revenues collected from the revised UTRs as shown in Exhibit F;
- (c) Interim rates to be made effective January 1st, 2015; and
- (d) Such other relief as B2M LP may request and the Board determines to be just and reasonable.

6.0 CONCLUSION

6.1 The relief sought in this application will be effective for a short duration and in any event will not cause a change to the total UTR anticipated to be in effect for 2015. In light of these circumstances, B2M LP respectfully requests approval of the sought relief on an expedited basis in order to allow the anticipated transactions to be completed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED DATED THIS 24th DAY OF OCTOBER 2014.

ORIGINAL SIGNED BY GORDON NETTLETON

Gordon M. Nettleton
Counsel to B2M Limited Partnership

7.0 CONTACT DETAILS

7.1 All correspondence with respect to this matter should be provided to the following:

Gordon M. Nettleton
Counsel to B2M Limited Partnership
4000, 421 – 7 Avenue SW
Calgary AB T2P 4K9
Email: gnettleton@mccarthy.ca

Mike Penstone
Managing Director, B2M GP Inc.
185 Clegg Road
Markham, ON L6G 1B7
Email: mike.penstone@b2mlp.ca

B2M Limited Partnership
Annualized Revenue Requirement for 2015

(\$ Millions)			Annualized
Line No.	Particulars		2015
			(\$Mn)
	Cost of Service		
1	Operating, Maintenance & Administrative		0.9
2	Depreciation & Amortization		7.2
3	Total Return on Capital		35.7
4	Income Taxes		-1.4
5			
6	Total revenue requirement		<u>42.4</u>
7			
8			
9	Annualized Rate Base for 2015 ¹		522.9
10			
11	Return on Capital ²		
12	Return on Long Term Debt	5.02%	14.7
13	Return on Short Term Debt	3.19%	0.7
14	Return on Equity	9.71%	<u>20.3</u>
15	Total Return on Capital		<u>35.7</u>
16			
17	Calculation of Income Taxes ³		
18	Return on Equity		20.3
19	Add: Depreciation		7.2
20	Less: Capital Cost Allowance		<u>-31.3</u>
21	Taxable Income		-3.8
22	Simple Tax on Income	26.50%	<u>-1.0</u>
23	Net Income Taxes after Gross-Up		<u>-1.4</u>

Notes:

1 See Exhibit C for further details on Rate Base composition

2 Returns on Capital are taken from Exhibit B Tab 1 Schedule 1 of EB-2014-0140 and are subject to change consistent with the Board decision for Hydro One Transmission

3 The tax calculations are performed using HONI methodology and variables. The circumstances for B2M LP will be included in a subsequent filing and

B2M Limited Partnership
 Details of Operating, Maintenance and Administration Expenses
 Annualized OM&A Amounts for 2015 Test Year

Line No.	Particulars	2015 (\$Mn)
	Cost of Service	
1	Helicopter and Thermal Patrols	0.019
2	Forestry	0.148
3	Line Operating Cost - B560V	0.248
4	Line Operating Cost - B561M	0.249
5	Corporate Cost Allocation	0.229
6		
7	Total OM&A Costs	<u>0.893</u>
8		
11		
14	The Corporate Cost Allocation includes:	
15	Finance, Treasury and Corporate Controller Expenses	0.105
16	Real Estate Support	0.022
17	Regulatory and Legal Counsel	0.063
18	Corporate Communications	0.029
19	Security	<u>0.010</u>
20		0.229

B2M Limited Partnership
Schedule of Assets to be Sold to B2MLP
As of January 1, 2015

<u>Line No.</u>	<u>USoA</u>	<u>Particulars</u>	<u>NBV</u> <u>(\$Mn)</u>
1	1705	Land	12.2
2			
3	1706	Land-Rights	96.8
4			
5	1720	Towers and Fixtures	270.5
6			
7	1730	Overhead Lines	136.0
8			
9	1745	Roads and Trails	10.9
10			
11		Total NBV	<u>526.4</u>

B2M Limited Partnership
Continuity of Rate Base

<u>Line No.</u>	<u>Particulars</u>	<u>NBV 1-Jan-15 (\$Mn)</u>	<u>Depreciation 2015 ¹ (\$Mn)</u>	<u>NBV 31-Dec-15 (\$Mn)</u>	<u>Average Rate Base (\$Mn)</u>
12	Land	12.2	0.0	12.2	12.2
13					
14	Land-Rights	96.8	-1.0	95.8	96.3
15					
16	Towers and Fixtures	270.5	-3.7	266.8	268.6
17					
18	Overhead Lines	136.0	-2.2	133.8	134.9
19					
20	Roads and Trails	10.9	-0.2	10.7	10.8
21					
22	Total NBV	<u>526.4</u>	<u>-7.2</u>	<u>519.2</u>	<u>522.8</u>
23					
24	Working Capital Allowance ²				0.048
25					
26	Total Rate Base				<u>522.9</u>

1 Depreciation Rates are consistent with HONI Transmission rates filed in EB-2014-0140

2 Working Capital Allowance is derived using HONI percentages on OM&A and is equal to approximately \$48,000

B2M Limited Partnership
 Current Uniform Transmission Rates and Revenue Disbursement Allocators
 Network Pool ¹

Line No.	Transmitter	Revenue Requirement 2015 ² (\$)	Revenue Allocator 2015 ² (%)
	Current Network Pool		
1	First Nations Energy Inc	\$ 3.830	0.00401
2	Canadian Niagara Power Inc	2.792	0.00293
3	Great Lakes Power Transmission	22.994	0.02410
4	Hydro One Networks	924.519	0.96896
5			
6	Total of All Transmitters	<u>954.136</u>	<u>1.00000</u>
7			
8			
9			Charge
10			Determinants
11	<u>Transmitter</u>		<u>2014</u>
12			(MW)
13	Current Network Pool		
14	First Nations Energy Inc		187.120
15	Canadian Niagara Power Inc		583.420
16	Great Lakes Power Transmission		3,445.341
17	Hydro One Networks		246,888.000
18			
19	Total of All Transmitters		<u>251,103.881</u>
21			
22	Total Revenue Requirement	\$Mn	954.136
23	Total Charge Determinants	MW	251,103.881
24			
25	Current Network Rate	\$/kW - Month	<u>3.80</u>

1 B2MLP only contributes to the Network Pool

2 The Revenue Requirements and Charge Determinants are estimates taken from Section II Appendix C of the Rates Application in EB-2014-0140 filed September 16, 2014 and are subject to change based

B2M Limited Partnership
Revised Uniform Transmission Rates and Revenue Disbursement Allocators
for Rates Effective January 1, 2015
Network Pool

Line No.	Transmitter	Revenue Requirement 2015 (\$)	Revenue Allocator 2015
	Revised Network Pool		
1	First Nations Energy Inc	3.830	0.00401
2	Canadian Niagara Power Inc	2.792	0.00293
3	Great Lakes Power Transmission	22.994	0.02410
4	Hydro One Networks	882.151	0.92455
5	B2M Limited Partnership	42.368	0.04440
6			
7	Total of All Transmitters	<u>954.136</u>	<u>1.00000</u>
8			
9			
10			Charge
11			Determinants
12	<u>Transmitter</u>		<u>2014</u>
13			
14	Revised Network Pool		
15	First Nations Energy Inc	MW	187.120
16	Canadian Niagara Power Inc		583.420
17	Great Lakes Power Transmission		3,445.341
18	Hydro One Networks		246,888.000
20	B2M Limited Partnership ¹		0.000
21			
22	Total of All Transmitters		<u>251,103.881</u>
23			
24	Total Revenue Requirement	\$Mn	954.136
25	Total Charge Determinants	MW	251,103.881
26			
27	Proposed Network Rate	\$/kW - Month	<u>3.80</u>

1 Forecast load is unchanged and for this exhibit remains within the Network Pool

The attributable amount of load will be broken out in the cost of service application to be filed by B2M LP in 2015

Hydro One Networks Inc.

8th Floor South Tower
483 Bay Street
Toronto, ON
www.HydroOne.com

Tel: 416-345-6140
Fax: 416-345-6058

Sandy.Struthers@HydroOne.com

Sandy Struthers

Chief Administrative Officer and Chief Financial Officer



October 24, 2014

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

Dear Ms. Walli:

Re: Position of Hydro One Networks on the Application for Interim Rates by B2M LP

I have reviewed the application for an Interim Rate produced for B2M LP Inc. as part of EB-2014-0330.

I understand that the proposal encompasses the removal of a portion of costs from Hydro One Networks Transmission Revenue Requirement equal to the amount attributable to the Bruce by Milton Project assets. The proposed amount is \$42.4 million.

I understand that this amount of cost will in turn be sought for recovery by B2M LP and, upon a favourable decision from the Board, the revenue associated with the recovery of these costs will be provided to B2M LP through reallocation of the revenues associated with the Uniform Transmission Rate.

Hydro One Networks Transmission agrees with the amount of cost to be removed and supports B2M LP's application to the Board for recovery of these costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Struthers", with a long horizontal line extending from the end of the signature.

Sandy Struthers
Chief Administrative Officer and Chief Financial Officer
Hydro One Networks Inc.

cc/ Mike Penstone, Gordon Nettleton