

**EB-2015-0026 B2M LP
2015-19 Transmission Rates Application
BOARD STAFF INTERROGATORIES
June 15, 2015**

Interrogatories listed by Exhibit number

1.0 Exhibit A Summary

1.0-Staff-1

Ref: Exhibit A/Tab2/Schedule 1/p. 1

B2M LP has applied for transmission revenue requirement and rates on a 5 year cost of service basis. Please provide the rationale for not applying for a two year period, given that a typical transmission rates application is for two years, including that of Hydro One Networks Inc. Transmission.

1.0-Staff-2

Ref: Exhibit A/Tab4/Schedule 1/p. 2

At 2.1, Annual Adjustment Mechanisms at line 14, B2M LP indicates that it proposes an annual adjustment for changes in the Cost of Capital and working capital. In the following paragraphs, Cost of Capital is explained but the concept of Working Capital updates is not addressed. Please provide additional detail on the annual adjustments sought for Working Capital.

1.0-Staff-2a

Ref: Exhibit A/Tab4/Schedule 1/p. 2

B2M LP has applied for approval of a revenue requirement for each of five years. Under what circumstances might B2M apply for its revenue requirement to be re-set earlier than the expiry of its approved rate term?

1.0-Staff-3

Ref: Exhibit A/Tab4/Schedule 1/p. 3

At 2.1.3, B2M LP indicates that it proposes an annual adjustment for Other Third Party Pass Through Charges. Please provide additional detail on these pass through charges with specific examples of the charges and how changes would arise.

1.0-Staff-4

Ref: Exhibit A/Tab4/Schedule 1/p. 4

At 2.2 B2M LP indicates that it proposes four outcome measures:

- System Average Interruption Frequency;
 - System Average Interruption Duration;
 - Average System Availability; and
 - NERC Vegetation Compliance.
- a) Why has B2M LP not provided an outcome measure with a focus on improving operational efficiency? For instance, as noted in the B2M LP's values (Exhibit A, Tab 5, Schedule 1/p. 5) section 5.0, continuous improvement and innovation are highlighted.
- b) In addition, in Table 2 on page 6 of the same exhibit, the Five Year Vision for Productivity and Cost-Effectiveness is to achieve top-quartile unit costs in transmission against utility comparables. Why would B2M LP not report as an outcome, unit costs as indicated?

1.0-Staff-5

Ref: Exhibit A/Tab7/Schedule 1/p. 2

B2M LP indicates that it did not undertake a capital investment planning process or a regional planning process. Does B2M LP take part in or plan to take part in, any regional planning processes? Why or why not?

1.0-Staff-6

Ref: Exhibit A/Tab10/Schedule 1/p. 3

B2M LP quotes the Affiliate Relations Code, and indicates that where a utility provides a service, resource product or use of an asset to an affiliate, the utility shall charge no less than the greater of (i) the market price of that service, product, resource or use of asset and (ii) the utility's fully-allocated cost to provide that service, product, resource or use of asset.

In Table 2 on page 4, B2M LP shows the fees payable to Hydro One in each year. Please provide the proportion of costs determined under the market price or under the fully allocated cost criteria.

1.0-Staff-7

Ref: Exhibit A/Tab10/Schedule 1/p. 4

For the fees payable to Hydro One as shown in Table 2; were these annual amounts removed from Hydro One transmission's cost of service (EB-2014-0140) for the 2015 and 2016 rate years? If not, please provide an explanation of how these amounts relate to the Hydro One cost of service for 2015 and 2016.

1.0-Staff-8

Ref: Exhibit A/Tab11/Schedule 1

The B2M LP Financial Statements for 2014 show, on page 3, that B2M LP received \$1,657,000 in revenue in 2014. What was the source of this revenue?

2.0 Exhibit B Cost of Capital

2.0-Staff-9

Ref: Exhibit B1/Tab 1/Schedule1/p. 2

B2M LP indicates that.. "Following the transfer of assets, B2M LP issued a note bearing Hydro One Transmission's weighted average debt rate. This note is to be replaced during 2015 with debt issued by B2M LP to Hydro One Inc. or an affiliate." Why does B2M LP expect this debt issue to occur? How will this impact the applied for debt rates in this application?

3.0 Exhibit C1 Cost of Service

3.0-Staff-10

Ref: Exhibit C1/Tab 1/Schedule1/p. 1

Table 1 shows that Income Taxes grow from \$0.4 million in 2015, 2016 and 2017 to \$0.9 million in 2018 and \$1.1 million in 2019. What is the primary reason for these increases in 2018 and 2019?

3.0-Staff-11

Ref: Exhibit C1/Tab 2/Schedule1/p. 2

B2M LP indicates that all of the costs included in the Service Level Agreement are costs that would have been incurred by Hydro One Transmission had the assets not transferred to B2M LP.

- a) Please confirm that all costs would, in fact, have been incurred by Hydro One Transmission and that the Hydro One transmission approved revenue requirements for 2015 and 2016 (EB-2014-0140) was reduced by these amounts.

- b) How will the forecast costs for 2017, 2018 and 2019 be addressed in relation to Hydro One transmission as Hydro One does not yet have rate approval for those years?

3.0-Staff-12

Ref: Exhibit C1/Tab 2/Schedule1/p. 4

Table 1 on page 2 of this exhibit shows that O&M costs are forecast to increase from \$0.5 million in 2017 to \$1.8 million in 2018. On page 4, B2M LP indicates that line clearing and brush control is performed on a 6 year cycle and that the next cycle is planned to occur in 2018.

Is the 2018 increase in costs solely due to line clearing/brush control? Given that the B2M LP Asset is very recently constructed, why would line clearing/brush control costs be so high in 2018?

How do B2M LP's line clearing and brush control costs compare to those of Hydro One Transmission?

3.0-Staff-13

Ref: Exhibit C1/Tab 2/Schedule1/p. 5

Table 2 shows that Managing Director's Office costs are \$0.5 million in 2015 but drop to \$0.2 million in subsequent years. Why are the Managing Director costs so high in the first year, considering that the regulatory costs are already accounted for separately at \$0.3 million for 2015?

3.0-Staff-14

Ref: Exhibit C1/Tab 5 Tax Rulings

What are the cost savings due to the tax rulings B2M LP has received? If B2M LP did not have recourse to these tax rulings, what would B2M LP's tax bill be in each year for which it has applied for a revenue requirement? What is the present value of all expected tax advantages from these rulings over the life of the asset? (Please provide a rationale for the discount rate chosen in arriving at the present value).

3.0-Staff-15

Ref: Exhibit C2/Tab 3/Schedule2/p. 1

B2M LP indicates that the Federal and Ontario Income Tax Returns will be filed when available. When are these Tax Returns expected to be filed?

4.0 Exhibit D1 Rate Base

5.0 Exhibit E1 Revenue Requirement

5.0-Staff-16

Ref: Exhibit E1/Tab 1/Schedule1/p. 1

B2M LP proposes an approved revenue requirement of \$43.4 million for 2015, while in the Board's E-2014-0330 decision, issued on December 11, 2014 a revenue requirement of \$40.6 million was approved on an interim basis for 2015.

What are the primary drivers for the \$2.8 million increase in revenue requirement?

5.0-Staff-17

Ref: Exhibit E1/Tab 1/Schedule2/p. 1

B2M LP describes the Start Up and Development Costs for which it is requesting recovery and provides a Table on page 2.

Table 1

Total Start-Up and Development Costs

Description	
Legal Costs for SON	4.3
Legal Costs for Hydro One	1.8
Inergi Setup Costs	0.6
Hydro One Initial Costs	1.0
Total Start-up Costs	7.7

(\$ Million)

Please provide a more detailed break-down of each of the 4 cost categories, up to the materiality level of \$200,000, and rationale for each item.

5.0-Staff-18

Ref: Exhibit E1/Tab 1/Schedule2/p. 1

B2M LP describes the Start Up and Development Costs for which it is requesting recovery and provides a Table on page 2. It appears that these are prior period costs. Was a deferral account granted, at any time, to record these costs? If not, by what OEB precedent or principle is B2M proposing to recover these costs?

5.0-Staff-19

Ref: Exhibit E1/Tab 1/Schedule1/p. 1

B2M LP proposes to dispose of these Start Up and Development Costs over the 4 year period from 2016 to 2019. What is the total interest cost of disposing these amounts over 5 years?

6.0 Exhibit F1 Regulatory Asset Accounts Requested

6.0-Staff-20

Ref: Exhibit F1/Tab 1/Schedule1/p. 1

B2M LP requests an Unplanned Capital Spending Account to record unplanned capital spending outside of the Company's control. This would include such items as: New government directives or legislation, material changes to codes or standards, or material unforeseen weather events.

Why did B2M LP request such an account if a Z factor treatment of such events is available to the Company?

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