#### Hydro One Networks Inc.

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#### **Oded Hubert**

Vice President Regulatory Affairs



## BY COURIER

January 7, 2016

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-2015-0026 – B2M LP Final Revenue Requirement Supporting Schedules and Draft Accounting Order – Tax Rate and Rule Changes Variance Account

Please find attached final revenue requirement and supporting schedules reflecting the Ontario Energy Board's ("the Board") December 29, 2015 Decision on the 2015 – 2019 revenue requirements for B2M LP.

The schedules reflect the Board's direction to reduce the 2016 revenue requirement by the \$1.8 million reflecting the difference between the interim and final 2015 revenue requirement and update to reflect the Board's 2016 cost of capital parameters. The 2018 and 2019 revenue requirement has been reduced to reflect the Board's disallowance of \$50,000 in OM&A costs to encourage productivity.

A draft accounting order for the Tax Rate and Rule Changes Variance Account is also provided.

Exhibit	Title
1.0	Revenue Requirement 2015-2019
1.1	Rate Base
1.2	Capital Structure and Return on Capital Details
1.2.1	Cost of Long Term Debt Capital 2016
1.3	Income Tax Summary
2.0	Draft Accounting Order - Tax Rate and Rule Changes Variance Account



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Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

Submitting on behalf of B2M LP

Enc.

cc. EB-2015-0026 Intervenors (electronic)

# Revenue Requirement (\$ Millions)

	Filed		Approved				
Components	2015	2015	2016	2017	2018	2019	Reference
OM&A	1.8	0.9	1.2	1.2	2.4	1.5	Exhibit C1, Tab 2, Schedule 1 (reflects
OWA	1.0	0.9	1.2	1.2	2.4	1.5	\$50k reduction in 2018 & 2019)
Depreciation	6.8	6.8	6.8	6.8	6.8	6.8	Exhibit C2, Tab 2, Schedule 1
Income Taxes	0.4	-1.6	0.3	0.4	0.4	1.1	Exhibit 1.3
Cost of Capital	29.8	34.5	24.5	25.7	26.0	25.7	Exhibit 1.2 and 1.2.1
Start-Up and Development Costs Recovery	0.0	0.0	1.9	1.9	1.9	1.9	Exhibit E1, Tab 1, Schedule 2
Total Revenue Requirement	38.7	40.5	34.8	36.0	37.5	37.1	
Less: 2015 Revenue Recovery Reconciliation			1.8				
Total Rates Revenue Requirement for UTR	38.7	40.5	33.0	36.0	37.5	37.1	

<sup>\*</sup> For UTR purposes, the unrounded 2016 Rates Revenue Requirement is \$32,965,146

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# Average Transmission Rate Base (\$ Millions)

Description		Test Years							
Description	2015	2016	2017	2018	2019				
Gross Plant									
Transmission Corridor Licence	123.2	123.2	123.2	123.2	123.2				
Towers and Fixtures	281.4	281.4	281.4	281.4	281.4				
Conductors and Devices	143.1	143.1	143.1	143.1	143.1				
Total Gross Plant	547.7	547.7	547.7	547.7	547.7				
Accumulated Depreciation	(24.9)	(31.7)	(38.5)	(45.3)	(52.1)				
Net Plant In Service	522.8	516.0	509.2	502.4	495.6				
Working Capital	0.0	0.0	0.0	0.0	0.0				
Total Rate Base	522.8	516.0	509.2	502.4	495.6				

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# Summary of Cost of Capital Test Year (2016) Utility Capital Structure Year Ending December 31

		2016						
Line No.	Particulars	(\$M)	%	Cost Rate (%)	Return (\$M)			
		(a)	(b)	(c)	(d)			
1	Long-term debt	288.9	56.0%	1.80%	5.2			
2	Short-term debt	20.6	4.0%	1.65%	0.3			
3	Total debt	309.6	60.0%	1.79%	5.5			
4	Common equity	206.4	40.0%	9.19%	19.0			
5	Total rate base	516.0	100.0%	4.75%	24.5			

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## Cost of Long-Term Debt Capital Test Year (2016) Year ending December 31

					Premium	Net Capital	Employed						
				Principal	Discount		Per \$100		Total Amoun	Outstanding			Projected
				Amount	and	Total	Principal		at	at	Avg. Monthly	Carrying	Average
Line	Offering	Coupon	Maturity	Offered	Expenses	Amount	Amount	Effective	12/31/15	12/31/16	Averages	Cost	Embedded
No.	Date	Rate	Date	(\$Millions)	(\$Millions)	(\$Millions)	(Dollars)	Cost Rate	(\$Millions)	(\$Millions)	(\$Millions)	(\$Millions)	Cost Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(1)	(m)
1	30-Jun-15	1.640%	30-Apr-20	288.9	1.0	287.9	99.64	1.72%	293.0	293.0	293.0	5.0	
2		Subtotal							293.0	293.0	293.0	5.0	
2									293.0	293.0	293.0		
3		Treasury OM	I&A costs									0.1	
4		Other financi	ng-related fees									0.2	
5		Total							293.0	293.0	293.0	5.3	1.80%

#### Calculation of Utility Income Taxes Test Year (2016) Year Ending December 31 (\$ Millions)

SUMMARY OF TAX EXPENSE	
	2016
B2M GP Inc	0.3
Hydro One B2M LP Inc.	0.0
SON FC	-
Total	0.3
Total	0.3

#### B2M LP

Determination of Taxable Income	B2M L	P	
Determination of Taxable Income	Line		
Determination of Taxable Income   19.3	No.	Particulars	
1   Regulatory Net Income (before tax)   19.3     2   Book to Tax Adjustments:   28.8     3   Depreciation and amortization   6.8     4   Capital Cost Allowance   (26.8)     5   Total Adjustments   (20.0)     6   Regulatory Taxable Income/(Loss) before Loss Carry Forward   (0.6)     7   BZM GP Inc.   (0.2)     8   Hydro One BZM LP Inc.   (0.0)     9   The SON   0.00     10   Total   (0.0)     10   Total   (0.0)     12   Provincial Tax   % 11.50     12   Provincial Tax   % 11.50     13   Total Tax Rate   % 26.50     14   Allocation of Taxable Income from BZM LP   (0.2)     2   Line   No.   Particulars   (0.2)     2   Loss Carryforward   0.0     4   Tax Rate   % 26.50     5   Income Tax Expense   (0.0)     6   Closing Losses Carryforward   (4.8)     7   Losses (Incurred)/Utilized during the year   (0.2)     8   Closing Losses Carryforward   (3.0)     9   Accounting Income Altocated to GP Inc.   12.8     10   Corporate Minimum Tax Patentially Applicable   (3.3)     10   Corporate Minimum Tax Potentially Applicable   (3.3)     10   Corporate Minimum Tax Potentially Applicable   (3.3)     10   Corporate Minimum Tax Payable   (3.3)     10   Corporate Minimum Tax Payable   (3.3)     10   Corporate Minimum Tax Payable   (3.3)     11   Copping CMT Credit Carryforward   (3.3)     12   Control Corporate Minimum Tax Payable   (3.3)     13   Control Corporate Minimum Tax Payable   (3.3)     14   Opening CMT Credit Carryforward   (3.3)     15   CMT Credit Incurred (Iutilized)   (3.3)     16   Closing CMT Credit Carryforward   (3.6)     17   Closing CMT Credit Carryforward   (3.6)     18   Closing CMT Credit Carryforward   (3.6)     19   Corporate Minimum Tax Payable   (3.6)     10   Corporate Minimum Tax Payable   (3.6)     10   Corporate Minimum Tax Payable   (3.6)     11   Copporate Minimum Tax Payable   (3.6)     12   Control Corporate Minimum Tax Payable   (3.6)     13   Copporate Minimum Tax Payable   (3.6)     14   Opening CMT Credit Carryforward   (3.6)     15   CMT Credit Carryforward   (3.6)     16   Closing CMT C		Determination of Tayahla Income	(b)
Book to Tax Adjustments: 3   Depreciation and amortization   6.8		<u>Determination of Taxable income</u>	
Depreciation and amortization   6.8   (26.8)	1	Regulatory Net Income (before tax)	19.3
Depreciation and amortization   6.8   (26.8)	2	Book to Tay Adjustments:	
Total Adjustments		•	6.8
6         Regulatory Taxable Income/(Loss) before Loss Carry Forward         (0.6)           Allocation of Taxable Income         (0.2)           8         Hydro One B2M LP Inc.         (0.0)           9         The SON         0.0           10         Total         (0.2)           Tax Rates           11         Federal Tax         % 15.00           12         Provincial Tax         % 11.50           13         Total Tax Rate         % 26.50           BZM GP Inc           Line         No.         Particulars         (b)           Determination of Income Taxes         (b)           1         Allocation of Taxable Income from B2M LP         (0.2)           2         Loss Carryforward         0.2           3         Taxable Income after loss carryforward         0.0           4         Tax Rate         % 26.50           5         Income Tax Expense         0.0           6         Closing Losses Carryforward         (4.8)           7         Loss Continuity Schedule           6         Closing Losses Carryforward         (5.0)           9         Accounting Income Allocated to GP Inc.         (5.0)           10	-		
Allocation of Taxable Income   (0.2)	5	Total Adjustments	(20.0)
Allocation of Taxable Income   (0.2)	6	Regulatory Taxable Income/(Loss) before Loss Carry Forward	(0.6)
7 B2M GP Inc.         (0.2)           8 Hydro One B2M LP Inc.         (0.0)           9 The SON         0.0           10 Total         (0.2)           Tax Rates           11 Federal Tax         % 15.00           12 Provincial Tax         % 11.50           13 Total Tax Rate         % 26.50           B2M GP Inc           Line           No.         Particulars         2016           Determination of Income Taxes         (b)           1 Allocation of Taxable Income from B2M LP         (0.2)           2 Loss Carryforward         0.2           3 Taxable Income after loss carryforward         0.0           4 Tax Rate         % 26.50           Income Tax Expense         0.0           Loss Continuity Schedule         (4.8)           6 Closing Losses Carryforward         (4.8)           7 Losses (Incurred)/Utilized during the year         (0.2)           8 Closing Losses Carryforward         (5.0)           9 Accounting Income Allocated to GP Inc.         12.8           10 Corporate Minimum Tax Rate         % 2.70           11 Corporate Minimum Tax Payable         0.3           12 Ontario Income Tax         0.0           1			
Record   R	7		(0.2)
The SON			
Tax Rates			
Tederal Tax	10	Total	(0.2)
Tederal Tax			
12		Tax Rates	
12			
Total Tax Rate			
Determination of Income Taxes   1			
Line No.         Particulars         2016           Determination of Income Taxes           1         Allocation of Taxable Income from B2M LP         (0.2)           2         Loss Carryforward         0.2           3         Taxable Income after loss carryforward         0.0           4         Tax Rate         % 26.50           5         Income Tax Expense         0.0           Loss Continuity Schedule         (4.8)           6         Closing Losses Carryforward         (4.8)           7         Losses (Incurred)/Utilized during the year         (0.2)           8         Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9         Accounting Income Allocated to GP Inc.         12.8           10         Corporate Minimum Tax Rate         % 2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward <td< td=""><td></td><td></td><td></td></td<>			
No.         Particulars         2016           Determination of Income Taxes         (b)           1         Allocation of Taxable Income from B2M LP         (0.2)           2         Loss Carryforward         0.2           3         Taxable Income after loss carryforward         0.0           4         Tax Rate         % 26.50           5         Income Tax Expense         0.0           6         Closing Losses Carryforward         (4.8)           7         Losses (Incurred)/Utilized during the year         (0.2)           8         Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax         (5.0)           Determination of Corporate Minimum Tax         12.8           10         Corporate Minimum Tax Rate         % 2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6	B2M G	P Inc	
Determination of Income Taxes	Line		
Determination of Income Taxes   1	No.	Particulars	
1       Allocation of Taxable Income from B2M LP       (0.2)         2       Loss Carryforward       0.2         3       Taxable Income after loss carryforward       0.0         4       Tax Rate       % 26.50         5       Income Tax Expense       0.0         Loss Continuity Schedule       (4.8)         6       Closing Losses Carryforward       (6.2)         7       Losses (Incurred)/Utilized during the year       (0.2)         8       Closing Losses Carryforward       (5.0)         Determination of Corporate Minimum Tax       (5.0)         9       Accounting Income Allocated to GP Inc.       12.8         10       Corporate Minimum Tax Rate       % 2.70         11       Corporate Minimum Tax Potentially Applicable       0.3         12       Ontario Income Tax       0.0         13       Corporate Minimum Tax Payable       0.3         14       Opening CMT Credit Carryforward       0.3         15       CMT Credit Incurred/(utilized)       0.3         16       Closing CMT Credit Carryforward       0.6		Determination of Income Taxes	(D)
Loss Carryforward   0.2		<u> </u>	
3 Taxable Income after loss carryforward         0.0           4 Tax Rate         % 26.50           5 Income Tax Expense         0.0           Loss Continuity Schedule         (4.8)           6 Closing Losses Carryforward         (0.2)           7 Losses (Incurred)/Utilized during the year         (0.2)           8 Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9 Accounting Income Allocated to GP Inc.         12.8           10 Corporate Minimum Tax Rate         % 2.70           11 Corporate Minimum Tax Potentially Applicable         0.3           12 Ontario Income Tax         0.0           13 Corporate Minimum Tax Payable         0.3           14 Opening CMT Credit Carryforward         0.3           15 CMT Credit Incurred/(utilized)         0.3           16 Closing CMT Credit Carryforward         0.6			
4 Tax Rate         % 26.50           5 Income Tax Expense         0.0           Loss Continuity Schedule         (4.8)           6 Closing Losses Carryforward         (0.2)           7 Losses (Incurred)/Utilized during the year         (0.2)           8 Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9 Accounting Income Allocated to GP Inc.         12.8           10 Corporate Minimum Tax Rate         % 2.70           11 Corporate Minimum Tax Potentially Applicable         0.3           12 Ontario Income Tax         0.0           13 Corporate Minimum Tax Payable         0.3           14 Opening CMT Credit Carryforward         0.3           15 CMT Credit Incurred/(utilized)         0.3           16 Closing CMT Credit Carryforward         0.6			
Loss Continuity Schedule			
6         Closing Losses Carryforward         (4.8)           7         Losses (Incurred)/Utilized during the year         (0.2)           8         Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9         Accounting Income Allocated to GP Inc.         12.8           10         Corporate Minimum Tax Rate         %         2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6	5	Income Tax Expense	0.0
6         Closing Losses Carryforward         (4.8)           7         Losses (Incurred)/Utilized during the year         (0.2)           8         Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9         Accounting Income Allocated to GP Inc.         12.8           10         Corporate Minimum Tax Rate         %         2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6		Loss Continuity Schedule	
8         Closing Losses Carryforward         (5.0)           Determination of Corporate Minimum Tax           9         Accounting Income Allocated to GP Inc.         12.8           10         Corporate Minimum Tax Rate         % 2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6	6		(4.8)
Determination of Corporate Minimum Tax     9			(0.2)
9         Accounting Income Allocated to GP Inc.         12.8           10         Corporate Minimum Tax Rate         %         2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6	8	Closing Losses Carryforward	(5.0)
10         Corporate Minimum Tax Rate         %         2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6		Determination of Corporate Minimum Tax	
10         Corporate Minimum Tax Rate         %         2.70           11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6	0	A	10.0
11         Corporate Minimum Tax Potentially Applicable         0.3           12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6			
12         Ontario Income Tax         0.0           13         Corporate Minimum Tax Payable         0.3           14         Opening CMT Credit Carryforward         0.3           15         CMT Credit Incurred/(utilized)         0.3           16         Closing CMT Credit Carryforward         0.6			
14 Opening CMT Credit Carryforward 0.3 15 CMT Credit Incurred/(utilized) 0.3 16 Closing CMT Credit Carryforward 0.6		Ontario Income Tax	
15 CMT Credit Incurred/(utilized) 0.3 16 Closing CMT Credit Carryforward 0.6	13	Corporate Minimum Tax Payable	0.3
15 CMT Credit Incurred/(utilized) 0.3 16 Closing CMT Credit Carryforward 0.6			
16 Closing CMT Credit Carryforward 0.6			
17 Total Taxes Expense for B2M GP Inc. 0.3	10	Closing Civit Credit Callylorward	0.0
	17	Total Taxes Expense for B2M GP Inc.	0.3

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#### Hydro One B2M LP Inc

Line			
No.	Particulars		2016
			(b)
	Determination of Income Taxes		
1	Allocation of Taxable Income from Hydro One B2M LP		(0.000)
2	Loss Carryforward		0.000
3	Taxable Income after loss carryforward		0.000
4		% _	26.50
5	Sub Total		0.000
6 7	Additional Taxes due to Negative ACB Income Tax Expense	_	0.003 <b>0.003</b>
,	income rax expense	-	0.003
	Loss Continuity Schedule		
8	Closing Losses Carryforward		(0.005)
9	Losses (Incurred)/Utilized during the year	_	(0.000)
10	Closing Losses Carryforward		(0.006)
	Debugging to a Common Minimum Trans		
	Determination of Corporate Minimum Tax		
11	Allocation of Accounting Income from B2M LP		0.019
12		%	2.70
13	Corporate Minimum Tax Potentially Applicable		0.001
14	Ontario Income Tax	_	0.001
15	Corporate Minimum Tax Payable	_	0.000
16	Total Taxes Expense for Hydro One B2M LP Inc	_	0.003
	· · · · · · · · · · · · · · · · · · ·	=	
SON F	·c		
Line	Dorder Law		0040
No.	Particulars	-	2016 (b)
	Determination of Income Taxes		(D)
1	Allocation of Taxable Income from B2M LP		0.0
2	Tax Rate	_	0.00
3	Income Tax Expense	_	0.0
	Determination of Corporate Minimum Tax		
	Sold in mind of Sol port of immind in Tax		
4	Allocation of Accounting Income from B2M LP		6.5
5		%_	0.00
6	Corporate Minimum Tax Payable	\$_	0.0
7	Total Taxes Expense for SON FC	<u>.</u> –	0.0
•	Total Taxoo Expondo foi Ooit i O	*=	0.0

Filed: 2016-01-07 EB-2015-0026

Draft Rate Order

Exhibit 2.0

Page 1 of 2

Transmission Accounting Order
Tax Rate and Rule Changes Variance Account

B2M Limited Partnership will establish a new tax variance account, "Tax Rate and Rule

Changes Variance Account". The account would track the impact of:

• Differences that result from a legislative or regulatory change to the tax rates or rules

compared to costs approved by the Board as part of 2015 to 2019 Transmission Rates; and

• Differences that result from a change in or a disclosure of, a new assessment or

administrative policy that is published in the public tax administration or interpretation

bulletins by relevant federal or provincial tax authorities.

The variance would be recorded in account 1592 - PILs and Tax Variances for 2006 and

Subsequent Years. This is in accordance with the guidance provided in the Accounting

Procedures Handbook.

B2M Limited Partnership proposes to establish the new account effective January 1, 2015 for the

test years 2015 - 2019.

B2M Limited Partnership will record interest on any balance in the account using the interest

rates set by the Board. Simple interest would be calculated on the opening monthly balance of

the account until the balance is fully disposed.

Filed: 2016-01-07 EB-2015-0026 Draft Rate Order Exhibit 2.0 Page 2 of 2

# Attachment A Proposed Accounting Entries

USofA # Account Description

# **Tax Rate and Rule Changes Variance Account**

Dr/Cr: 6110 Income Taxes

Dr/Cr: 2294 Accrual for Taxes, "Payment in Lieu of Taxes", etc.

To record preliminary recognition of impact of Tax Rate and/or Rule Changes.

Dr/Cr: 6110 Income Taxes

Dr/Cr: 1592 PILs and Tax Variances for 2006 and Subsequent Years

To record the variance between Board-approved and actual Taxes. This entry reverses the impact

of the Tax Rate/Rule Change booked in the entry above.

Dr/Cr: 1592 PILs and Tax Variances for 2006 and Subsequent Years

Dr/Cr: 6035 Other Interest Expense

To record interest improvement on the principal balance of the Tax Rate and Rule Changes

Variance Account.