

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Cell: (416) 903-5240
Oded.Hubert@HydroOne.com

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

An electronic copy has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT

Oded Hubert

Submitting on behalf of B2M LP

Enc.

cc. EB-2015-0026 Intervenors (electronic)

**Revenue Requirement
 (\$ Millions)**

Components	Filed	Approved					Reference
	2015	2015	2016	2017	2018	2019	
OM&A	1.8	0.9	1.2	1.2	2.4	1.5	Exhibit C1, Tab 2, Schedule 1 (reflects \$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	

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

Average Transmission Rate Base
 (\$ Millions)

Description	Test Years				
	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

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

Line No.	Particulars	2016			
		(\$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

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

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/15 (\$Millions)	at 12/31/16 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(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	
3		Treasury OM&A costs										0.1	
4		Other financing-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

B2M LP

Line No.	Particulars	2016
		(b)
	<u>Determination of Taxable Income</u>	
1	Regulatory Net Income (before tax)	19.3
2	Book to Tax Adjustments:	
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)
	<u>Allocation of Taxable Income</u>	
7	B2M GP Inc.	(0.2)
8	Hydro One B2M LP Inc.	(0.0)
9	The SON	0.0
10	Total	(0.2)
	<u>Tax Rates</u>	
11	Federal Tax	% 15.00
12	Provincial Tax	% 11.50
13	Total Tax Rate	% 26.50

B2M GP Inc

Line No.	Particulars	2016
		(b)
	<u>Determination of Income Taxes</u>	
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
	<u>Loss Continuity Schedule</u>	
6	Closing Losses Carryforward	(4.8)
7	Losses (Incurred)/Utilized during the year	(0.2)
8	Closing Losses Carryforward	(5.0)
	<u>Determination of Corporate Minimum Tax</u>	
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
17	Total Taxes Expense for B2M GP Inc.	0.3

Hydro One B2M LP Inc

Line No.	Particulars	2016
		(b)
	<u>Determination of Income Taxes</u>	
1	Allocation of Taxable Income from Hydro One B2M LP	(0.000)
2	Loss Carryforward	<u>0.000</u>
3	Taxable Income after loss carryforward	0.000
4	Tax Rate	% <u>26.50</u>
5	Sub Total	0.000
6	Additional Taxes due to Negative ACB	<u>0.003</u>
7	Income Tax Expense	<u>0.003</u>
	<u>Loss Continuity Schedule</u>	
8	Closing Losses Carryforward	(0.005)
9	Losses (Incurred)/Utilized during the year	<u>(0.000)</u>
10	Closing Losses Carryforward	(0.006)
	<u>Determination of Corporate Minimum Tax</u>	
11	Allocation of Accounting Income from B2M LP	0.019
12	Corporate Minimum Tax Rate	% <u>2.70</u>
13	Corporate Minimum Tax Potentially Applicable	0.001
14	Ontario Income Tax	<u>0.001</u>
15	Corporate Minimum Tax Payable	<u>0.000</u>
16	Total Taxes Expense for Hydro One B2M LP Inc	<u>0.003</u>

SON FC

Line No.	Particulars	2016
		(b)
	<u>Determination of Income Taxes</u>	
1	Allocation of Taxable Income from B2M LP	0.0
2	Tax Rate	<u>0.00</u>
3	Income Tax Expense	<u>0.0</u>
	<u>Determination of Corporate Minimum Tax</u>	
4	Allocation of Accounting Income from B2M LP	6.5
5	Corporate Minimum Tax Rate	% <u>0.00</u>
6	Corporate Minimum Tax Payable	<u>\$ 0.0</u>
7	Total Taxes Expense for SON FC	<u>\$ 0.0</u>

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.

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.