



# Ontario Energy Board Commission de l'énergie de l'Ontario

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## **FINAL ORDER**

**EB-2015-0026**

## **B2M LIMITED PARTNERSHIP 2016 TRANSMISSION REVENUE REQUIREMENT**

**BEFORE: Emad Elsayed**  
Presiding Member

**Ken Quesnelle**  
Vice Chair and Member

**Ellen Fry**  
Member

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**January 14, 2016**

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## 1 INTRODUCTION AND SUMMARY

B2M Limited Partnership (B2M LP) is one of five licensed electricity transmitters in Ontario that recover their revenues through Ontario's uniform transmission rates (UTR). The Ontario Energy Board (OEB) approves the revenue requirements and charge determinants of the individual transmitters and uses them to calculate the UTR.

The OEB issued a decision on December 29, 2015 (the Decision) approving revenue requirements for each of 2015, 2016, 2017, 2018 and 2019, and ordered B2M LP to file exhibits reflecting the OEB's findings in the Decision. The OEB had previously approved an interim 2015 revenue requirement for B2M LP. The filing for the 2016 revenue requirement was to include an update to the cost of capital to reflect the OEB's 2016 cost of capital parameters, and an adjustment consistent with the calculation of the difference between the interim and final 2015 revenue requirement.

B2M LP was also to file a draft accounting order for the Tax Rate and Rule Changes deferral account as approved in the Decision.

B2M LP filed its draft 2016 revenue requirement and accounting order documents on January 7, 2016. Intervenors and OEB staff did not object to the B2M LP filings.

This decision approves the 2016 revenue requirement as filed by B2M LP on January 7, 2016 and approves the accounting order.

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This decision approves the 2016 revenue requirement as filed by B2M LP on January 7, 2016 and approves the accounting order.

### 3 2016 REVENUE REQUIREMENT AND CHARGE DETERMINANTS

B2M LP requested approval of a final 2016 revenue requirement to recover the amount as approved in the Decision, updated to reflect the OEB's approved 2016 cost of capital parameters and adjusted for the difference between the final 2015 revenue requirement and the interim revenue requirement previously set by the OEB.

In support of its application, B2M LP provided supporting exhibits incorporating a long term debt rate of 1.8%. B2M LP's submission also contained a short term debt rate of 1.65% and return on equity of 9.19% as approved by the OEB for 2016 in accordance with the OEB cost of capital update<sup>1</sup>. On the basis of the 2016 parameters, the revised 2016 cost of capital for B2M LP is reduced from \$29.4 million to \$24.5 million. This revision results in a 2016 base revenue requirement of \$34.8 million. The base revenue requirement includes a recovery of \$1.9 million each year over 4 years for the costs to establish the B2M LP partnership.

B2M LP also provided a calculation of the approved 2015 final revenue requirement compared to the interim 2015 revenue requirement set by the OEB on December 11, 2014. This amount, to be refunded to transmission customers in 2016, is \$1.8 million. This difference stems largely from a reduction in the cost of capital due to a new note issued by B2M LP reflecting an actual 5-year note issued by Hydro One Inc. to third party public debt investors in the second quarter of 2015.

The components of the total proposed 2016 revenue requirement of \$33.0 million is shown below:

**Table 1: Revenue Requirement**

<b>Particulars</b>	<b>Amount</b>
2016 BASE REVENUE REQUIREMENT	\$ 34.8 MILLION
DEDUCT: 2015 REVENUE RECOVERY	\$ 1.8 MILLION
2016 TOTAL RATES REVENUE REQUIREMENT	\$ 33.0 MILLION

<sup>1</sup> Ontario Energy Board Letter, October 15, 2015 Re: Cost of Capital Parameter Updates for 2016 Applications

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B2M LP has only one asset, the Bruce to Milton transmission facility, the costs for which are recovered only from the network pool. As determined in the proceeding, B2M LP does not have any customer delivery points supplied directly from the B2M LP assets, and as such the B2M LP charge determinant for the purpose of setting the UTR is zero. The revenue requirement will therefore be recovered entirely from the network pool.

### **Findings**

The OEB finds that B2M LP has accurately reflected the OEB's Decision and has made the correct updates to its cost of capital, reflecting the OEB's cost of capital parameter updates of October 15, 2015. The OEB approves B2M LP's 2016 final revenue requirement and charge determinants as proposed. The OEB also accepts the calculation of the difference between the 2015 final revenue requirement and the interim 2015 revenue requirement and has reduced the 2016 revenue requirement accordingly.

The OEB approves the use of the approved amounts for the calculation of the 2016 UTR and resulting transmission revenue shares. The 2016 UTR will be issued in a separate decision, incorporating the 2016 revenue requirements and charge determinants of the other 4 transmitters in the UTR pool.

The OEB expects B2M LP to file for a final 2017 revenue requirement later in 2016 when the final cost of capital parameters are released by the OEB.

## **4 2016 ACCOUNTING ORDER**

B2M LP filed a draft accounting order for the Tax Rate and Rule Changes deferral account as approved in the Decision.

### **Findings**

The OEB approves the accounting order for Tax Rate and Rule changes as attached as Appendix A.

## 5 ORDER

### THE BOARD ORDERS THAT:

1. The B2M LP Revenue Requirement for 2016, \$32,965,146, and the allocation of these revenues to the network rate pool, is approved.
2. The B2M LP accounting order for Tax Rate and Rule Changes is approved and attached as Appendix A.

**DATED** at Toronto January 14, 2016

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary



**APPENDIX A**

**B2M LP  
TRANSMISSION**

**EB-2015-0026**

**DECISION AND RATE ORDER  
TAX RATE AND RULE CHANGES ACCOUNTING ORDER**

**JANUARY 14, 2016**

## 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.

### 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.