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Oded Hubert
Vice President
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BY COURIER

December 1, 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-2016-0349 – B2M LP Updated Revenue Requirement and Supporting Schedules

Please find attached the updated revenue requirement and supporting schedules for B2M LP, reflecting the Revised Cost of Capital parameters released by the Board on October 27, 2016.

The schedules reflect the Board's direction to include the reimbursement of the approved startup costs over a four year period. The 2017 allotment is \$1.925million.

Exhibit	Title
1.0	Revenue Requirement 2015-2019
1.1	Operations, Maintenance & Administration (OM&A) Expenses
1.2	Rate Base
1.3	Capital Expenditures
1.4	Capital Structure and Return on Capital Details
1.4.1	Cost of Long Term Debt Capital
1.5	Income Tax Summary

B2M LP respectfully requests that the Revenue Requirement herein be included in the calculation of the Uniform Transmission Rates.

B2M LP also respectfully notes that there may not be sufficient time to issue an Order or Orders fixing final rates in time to allow a January 1, 2017 implementation. Therefore B2M LP requests that the existing Uniform Transmission Rates ("UTR") as approved for 2016, be declared interim as of January 1, 2017. B2M LP also requests approval to establish a forgone revenue deferral account to record any revenue differences between the 2016 rates revenue requirement on which



the proposed interim UTR are based and the B2M LP's applied-for 2017 rates revenue requirement. We would anticipate that the requested deferral account would capture the forgone revenue between January 1, 2017 and the date when the 2017 UTR are updated and that any deferral account balance would be included in the UTR established for January 1, 2018.

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)

B2M LP Inc.
Update to Implementation of Decision with Reasons on EB-2015-0026

Revenue Requirement Summary

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved	Cost of Capital Update	Revised
		2017	2017	2017	2017	2017
OM&A	Exhibit 1.1	1.2	-	1.2	-	1.2
Transition Costs (Note 1)		1.9	-	1.9	-	1.9
Depreciation	Exhibit 1.2	6.8	-	6.8	-	6.8
Return on Debt	Exhibit 1.4	5.9	-	5.9	(0.5)	5.5
Return on Equity (Note 2)	Exhibit 1.4	20.2	(0.4)	19.8	(1.9)	17.9
Income Tax	Exhibit 1.5	0.4	-	0.4	0.3	0.6
Base Revenue Requirement		36.5	(0.4)	36.0	(2.1)	34.0
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		36.5	(0.4)	36.0	(2.1)	34.0

Note 1: The Decision allowed the \$7.7 million start-up cost to be recovered in rates over a four year period, with \$1.925 million being recovered each year from 2016 to 2019.

Note 2: The Cost of Capital is updated to reflect OEB approved parameters issued on October 27, 2016, and 2017 third-party long-term debt rates.

B2M LP Inc.
 Update to Implementation of Decision with Reasons on EB-2015-0026

OM&A

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
OM&A		1.2	-	1.2

OEB Decision Impact Supporting Details

Adjustments

OEB Decision Reference

No Adjustment

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B2M LP Inc.
 Update to Implementation of Decision with Reasons on EB-2015-0026

Rate Base and Depreciation

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
Rate Base	<i>See supporting details below</i>	509.2	-	509.2
Depreciation		6.8	-	6.8

OEB Decision Impact Supporting Details

Reference

Working Capital Adjustment

Rate Base Details

Utility plant (average)	
Gross plant at cost	547.7
Less: Accumulated depreciation	(38.5)
Add: CWIP	-
Net utility plant	<u>509.2</u>
Working capital	
Cash working capital	-
Materials & supplies inventory	-
Total working capital	-
Total Rate Base	<u><u>509.2</u></u>

B2M LP Inc.
Update to Implementation of Decision with Reasons on EB-2015-0026

Capital Expenditures

	Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
		2017	2017	2017
<i>(\$ millions)</i>				
Capital expenditures		-	-	-

B2M LP Inc.
Update to Implementation of Decision with Reasons on EB-2015-0026

Capital Structure and Return on Capital

(\$ millions)	Supporting Reference	B2M LP Proposed 2017	OEB Decision Impact 2017	OEB Approved 2017	Cost of Capital Update 2017	Revised 2017
Return on Rate Base					Note 1	Note 1
Rate Base	Exhibit 1.2	\$ 509.2	\$ -	\$ 509.2	\$ -	\$ 509.2
Capital Structure:						
Third-Party long-term debt		56.0%	0.0%	56.0%	0.0%	56.0%
Deemed long-term debt		0.0%	0.0%	0.0%	0.0%	0.0%
Short-term debt		4.0%	0.0%	4.0%	0.0%	4.0%
Common equity		40.0%	0.0%	40.0%	0.0%	40.0%
Capital Structure:						
Third-Party long-term debt	Exhibit 1.4.1	\$ 285.1	\$ -	\$ 285.1	\$ -	\$ 285.1
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 20.4	\$ -	\$ 20.4	\$ -	\$ 20.4
Common equity		\$ 203.7	\$ -	\$ 203.7	\$ -	\$ 203.7
		\$ 509.2	\$ -	\$ 509.2	\$ -	\$ 509.2
Allowed Return:						
Third-Party long-term debt	Exhibit 1.4.1	1.80%	0.00%	1.80%	0.00%	1.80%
Deemed long-term debt	Exhibit 1.4.1	1.80%	0.00%	1.80%	(0.00%)	1.80%
Short-term debt		3.97%	0.00%	3.97%	(2.21%)	1.76%
Common equity		9.93%	(0.22%)	9.71%	(0.93%)	8.78%
Return on Capital:						
Third-Party long-term debt		\$ 5.1	\$ -	\$ 5.1	\$ -	\$ 5.1
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 0.8	\$ -	\$ 0.8	\$ (0.5)	\$ 0.4
Total return on debt		\$ 5.9	\$ -	\$ 5.9	\$ (0.5)	\$ 5.5
Common equity		\$ 20.2	\$ (0.4)	\$ 19.8	\$ (1.9)	\$ 17.9

Note 1: The Cost of Capital is updated to reflect OEB approved parameters issued on October 27, 2016, and 2017 third-party long-term debt rates.

B2M LP Inc.

Update to Implementation of Decision with Reasons on EB-2015-0026

Cost of Long-Term Debt Capital

Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered	Premium Discount and Expenses	Total Amount	Price Per \$100 Principal (\$)	Effective Cost Rate	<u>Total Amount Outstanding</u>			Carrying Cost	Embedded Cost Rate		
								12/31/16	12/31/17	Average				
30-Jun-15	1.64%	30-Apr-20	293.3	1.0	287.9	99.64	1.72%	288.9	288.9	288.9	5.0			
								288.9	288.9	288.9	5.0			
												Add: Treasury OM&A Costs	0.1	
												Add: Other Financing Related Fees	0.2	
												Total	5.3	1.80%

B2M LP Inc.

Update to Implementation of Decision with Reasons on EB-2015-0026

Income Tax

(\$ millions)

Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved	Cost of Capital Update	Revised	
	2017	2017	2017	2017	2017	
Income Taxes	See supporting details below	0.4	-	0.4	0.3	0.6

Income Tax Supporting Details

Rate Base	Exhibit 1.2	(a) \$	509.2	\$	-	\$	509.2	\$	-	\$	509.2
Common Equity Capital Structure		(b)	40.0%				40.0%		0.0%		40.0%
Return on Equity	Exhibit 1.4	(c)	9.93%				9.71%		-0.93%		8.78%
Return on Equity		(d) = a x b x c	20.2		-		19.8		(1.9)		17.9
Regulatory Income Tax		(e) = l	0.4		-		0.4		0.3		0.6
Regulatory Net Income (before tax)		(f) = d + e	20.6		-		20.1		(1.6)		18.5
Timing Differences		(g) Note 1	(17.9)		-		(17.9)		-		(17.9)
Add Other Taxable Revenue		Note 2	2.0				2.0				2.0
Taxable Income		(h) = f + g	4.7		-		4.3		(1.6)		2.7
Opening Loss Carry Forward		Note 3	(3.0)				(3.0)				-
Taxable Income		Note 4	3.2				2.9				-
Closing Loss Carry Forward			0.3				(0.0)				-
Tax Rate		(i)	26.50%				26.50%		0.00%		26.50%
Income Tax		(j) = h x i	-		-		-		0.5		0.5
Add: Corporate Minimum Tax		(k) Note 4	0.4		-		0.4		(0.3)		0.1
Regulatory Income Tax		(l) = j + k	0.4		-		0.4		0.3		0.6

	B2M LP Proposed 2017	OEB Decision Impact 2017	OEB Approved 2017	Cost of Capital Update 2017	Revised OEB Approved 2017
Note 1. Book to Tax Timing Differences					
Depreciation	6.8	-	6.8	-	6.8
CCA	(24.7)	-	(24.7)	-	(24.7)
Other Timing Differences	-	-	-	-	-
Total Timing Differences	<u>(17.9)</u>	-	<u>(17.9)</u>	-	<u>(17.9)</u>
Note 2. Other Taxable Revenue					
Add: Managing Director Costs	0.1		0.1		0.1
Less: 20(1)(e) Deductions	(0.02)		(0.02)		(0.02)
Add: Setup Costs recovered in Rates	<u>1.9</u>		<u>1.9</u>		<u>1.9</u>
	2.0		2.0		2.0

Note 3. Loss Carry Forward

The losses from GP Inc. expired when Hydro One exited the PILS regime, we tracked the losses included in rates separately.

The losses included in rates were not eliminated on the exit of the PILS regime.

Instead, the reason there is no losses is because we have been over-earning in B2M for 2015 and 2016.

As there is higher income than what was forecasted & the losses are being utilized faster (resulting in no loss carry forwards for 2017)

Note 4. Amount to Allocate to Taxable Partners

Taxable Income	4.7		4.3		2.7
Less Income Tax in Rates	(0.4)		(0.4)		(0.6)
Multiply by Ownership Share of Taxable Partners	65.81%		65.81%		65.81%
Taxable Income Allocated to Taxable Partners	2.9		2.6		1.3
Add Taxes in Rates	0.4		0.4		0.6
Taxable Income	<u>3.2</u>		<u>2.9</u>		<u>2.0</u>

Note 4. Corporate Minimum Tax

Corporate Minimum Tax ("CMT") is an Ontario Tax at the rate of 2.7% of Accounting Income.

The amount payable is the difference between the CMT calculated at 2.7% of Accounting Income and the Ontario portion of Income Tax at 11.5% of Taxable Income.