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Vice President  
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BY COURIER

April 26, 2017

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 Response to Interrogatories and Updated Revenue Requirement and Supporting Schedules**

B2M LP submitted a Draft Rate Order on Dec 1, 2016 and subsequently received interrogatories from Board Staff. Accompanying this letter please find B2M LP's responses to the interrogatories as well as the following updated Exhibits:

<b>Exhibit</b>	<b>Title</b>
1.0	Revenue Requirement 2015-2019
1.5	Income Tax Summary

All other Exhibits are unchanged from the original Dec 1, 2016 submission.

The revision adjusts the income tax calculation in the revenue requirement to reflect the Board's direction from the Cost of Service decision on December 29, 2015. The change and the rationale for the change are explained in the interrogatory responses.

B2M LP respectfully requests that its Draft Rate Order be updated with the Revenue Requirement included in the updated schedule and that amount be included in the calculation of the Uniform Transmission Rates.



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)

1                                    **Ontario Energy Board (OEB) INTERROGATORY #1**

2  
3                    **Interrogatory**

4  
5                    **Exhibit 1.4.1 – Cost of Long Term Debt Capital**

6  
7                    This exhibit shows the embedded long term debt rate has not changed from that shown in  
8                    B2M LP's 2015-2019 application (EB-2015-0026), i.e. 1.80%. Please confirm that no  
9                    additional debt has been issued since June 30, 2015.

10  
11                   **Response**

12  
13                   Confirmed. No new debt has been issued on behalf of B2M LP since June 30, 2015.

**Ontario Energy Board (OEB) INTERROGATORY #2**

**Interrogatory**

**Exhibit 1.5 – Income Tax Summary**

In the Decision and Order for EB-2015-0026<sup>1</sup>, the OEB approved income tax for B2M LP of \$0.4M for 2017. This included a (\$3.0M) loss carry forward. In this application, B2M LP has recalculated the income tax, resulting in an increase to \$0.6M. The approved \$0.4M for 2017 included a loss carry forward of (\$3.0M), which has not been included in the \$0.6M. In Note 3 of this exhibit, B2M LP states that the loss carry forward was not included because B2M LP has been over-earning in 2015 and 2016.

- a) Please provide justification for revising the PILs from \$0.4M to \$0.6M, given that the OEB Decision and Order did not provide for PILs adjustment. Rather, the Decision stated:  
“The OEB finds that the taxes / PILs component of the revenue requirement for 2015 to 2019 to be appropriate.”<sup>2</sup>  
and  
“B2M LP shall make an application in each of 2016, 2017 and 2018 to adjust its revenue requirement for the following year consistent with the OEB updated cost of capital parameters...”<sup>3</sup>
- b) Please explain why rate payers should pay more in 2017 because B2M LP has over earned in 2015 and 2016?
- c) Please recalculate the taxes and revenue requirement without removing the loss carry forward from 2017.
- d) Please provide a detailed explanation of Note 3, specifically the expiry of losses carried forward, and how they relate to the exit of the ‘PILs regime’.

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<sup>1</sup> Decision and Order, EB-2015-0026, December 29, 2015

<sup>2</sup> *Ibid.*, page 21

<sup>3</sup> *Ibid.*, page 23

1 **Response**

2  
3 a) The fundamental reason for the change in taxes is the reduction in Loss Carry  
4 Forward amounts available to defer Net Income for Tax purposes. The filing  
5 forecasted a Loss Carry Forward Amount of approximately \$3M whereas actual  
6 results show that B2MLP now has no such losses available. The creation of the  
7 partnership provided significant tax benefits to rate payers over the life of the asset.  
8 The intention in filing for the revised amount was to reflect actual tax results.

9  
10 The reference [Note 3] taken from Page 23 of the *Decision and Order* included in  
11 part a) of the question above is correct. The Decision allowed for an annual  
12 adjustment to B2MLP's Revenue Requirement to account for the OEB's updated  
13 Cost of Capital parameters. However, the Decision did not specifically allow for an  
14 adjustment for actual income taxes except where the change in income tax is  
15 specifically due to the prescribed change in the Cost of Capital Parameters.

16  
17 B2MLP has provided, as Attachment 1 with this response, revised versions of Exhibit  
18 1.0 and Exhibit 1.5 of its Draft Rate Order with the originally contemplated Loss  
19 Carry Forwards reinstated. As a result, changes in income tax are solely related to the  
20 reduction in allowed ROE resulting from the updated Cost of Capital Parameters.  
21 The net result is a slight (\$37k) reduction in total recoverable income tax.

22  
23 B2MLP requests that its Draft Rate Order be updated with the revised Exhibits  
24 attached.

25  
26  
27 b) See answer to a) above.

28  
29 c) See answer to a) above.

30  
31 d) See answer to a) above.

**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	(0.0)	0.3
Base Revenue Requirement		<b>36.5</b>	<b>(0.4)</b>	<b>36.0</b>	<b>(2.4)</b>	<b>33.7</b>
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		<b>36.5</b>	<b>(0.4)</b>	<b>36.0</b>	<b>(2.4)</b>	<b>33.7</b>

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

Income Tax

(\$ millions)

Income Taxes

Supporting Reference	B2M LP Proposed 2017	OEB Decision Impact 2017	OEB Approved 2017	Cost of Capital Update 2017	Revised 2017
<i>See supporting details below</i>	0.4	-	0.4	(0.0)	0.3

**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	(0.0)	0.3
Regulatory Net Income (before tax)		(f) = d + e	20.6	-	20.1	(1.9)	18.2
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	(1.9)	2.4
Opening Loss Carry Forward	Note 3		(3.0)		(3.0)		(3.0)
Taxable Income Allocated to Taxable Partners	Note 4		3.2		2.9		1.7
Closing Loss Carry Forward			0.3		(0.0)		(1.3)
Tax Rate		(i)	26.50%		26.50%	0.00%	26.50%
Income Tax		(j) = h x i	-	-	-	0.0	0.0
Add: Corporate Minimum Tax		(k) Note 4	0.4	-	0.4	(0.0)	0.3
Regulatory Income Tax		(l) = j + k	0.4	-	0.4	(0.0)	0.3

	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>-</u>	<u>(17.9)</u>	<u>-</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	2.4
Less Income Tax in Rates	(0.4)	(0.4)	(0.3)
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	0.3
Taxable Income Allocated to Taxable Partners	3.2	2.9	1.7

Note 4. Corporate Minimum Tax

Corproate 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.