



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

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## **DECISION AND ORDER**

**EB-2016-0349**

### **B2M LIMITED PARTNERSHIP**

**Application for electricity transmission revenue requirement  
effective January 1, 2017**

**BEFORE: Emad Elsayed**  
Presiding Member

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**June 8, 2017**

## 1 INTRODUCTION AND SUMMARY

B2M Limited Partnership (B2M LP) filed an application with the Ontario Energy Board (OEB) on December 1, 2016, seeking approval for changes to its electricity transmission revenue requirement, to be effective January 1, 2017.

The OEB sets rates for electricity transmitters in Ontario by setting a revenue requirement for each transmitter. These individual revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that recover the revenue requirements uniformly from ratepayers across the province.

In its December 29, 2015 Decision and Order in B2M LP's 2015-2019 Transmission Revenue Requirement application, the OEB approved B2M LP's 2017 revenue requirement of \$36.0 M<sup>1</sup> (OEB approved 2017 revenue requirement) and provided for annual updates for the cost of capital. In its December 1, 2016 application, B2M LP requested an updated 2017 revenue requirement of \$34.0M<sup>2</sup>. As a result of B2M LP's interrogatory responses and associated adjustments, the resulting 2017 revenue requirement (revised 2017 revenue requirement) is \$33.7M<sup>3</sup>. In its May 25, 2017 reply submission, B2M LP requested approval of its application as updated through its interrogatory responses. Similarly, in its cover letter to its interrogatory responses, B2M LP requested 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.

The 2016 UTRs currently in place were declared interim<sup>4</sup> until the 2017 UTRs are approved.

The OEB approves B2M LP's application, as updated through B2M LP's interrogatory responses.

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<sup>1</sup> EB-2015-0026 B2M LP January 7, 2016 Draft Rate Order, Exhibit 1.0, page 1

<sup>2</sup> EB-2016-0349 B2M LP December 1, 2016 Application, Draft Rate Order, Exhibit 1.0, page 1

<sup>3</sup> EB-2016-0349 B2M LP April 26, 2017 Response to Interrogatories – Updated Revenue Requirement Summary, Draft Rate Order, Exhibit 1.0, page 1

<sup>4</sup> EB-2016-0160 Hydro One Networks Inc. Transmission, November 24, 2016 Oral Hearing Transcript, page 4, lines 12 & 13

## 2 THE PROCESS

B2M LP's application was filed on December 1, 2016 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) and under the OEB's *Filing Requirements for Electricity Transmission Applications*. B2M LP requested approval for changes to its electricity transmission revenue requirement to be effective January 1, 2017.

The OEB issued a Notice of Hearing on February 27, 2017. The Society of Energy Professionals (the Society) was granted intervenor status in relation to B2M LP's application. OEB staff also participated actively in the proceeding. This proceeding was conducted by way of a written hearing.

The OEB provided parties the opportunity to ask B2M LP questions about its evidence through written interrogatories. The OEB issued Procedural Order No. 1 on March 30, 2017, setting dates for the delivery of interrogatories to B2M LP and for the delivery of B2M LP's responses. OEB staff filed written interrogatories with the OEB on April 10, 2017. The Society did not file interrogatories. B2M LP filed written responses to the OEB staff interrogatories on April 26, 2017.

The OEB issued Procedural Order No. 2 on May 8, 2017, in which it set dates for submissions from OEB staff and the Society, and for a reply submission from B2M LP. OEB staff filed its submission on May 19, 2017. By letter dated May 19, 2017, the Society advised that it would not be putting forward any comments. B2M LP filed its reply submission on May 25, 2017.

OEB staff addressed its views regarding two key items in its submission. B2M LP generally agreed with the views of OEB staff, as outlined in its reply submission. These two key items are detailed in the next section of this Decision.

The evidence in this case can be found on the OEB's website, [www.oeb.ca](http://www.oeb.ca) under File Number EB-2016-0349.

### 3 STRUCTURE OF THE DECISION

The OEB has organized this Decision into sections to reflect the issues that were considered in making its findings. Each section outlines the OEB's reasons for approving or denying the proposals included in the application and affecting the 2017 revenue requirement.

The following two key items were discussed in OEB staff's submission and B2M LP's reply submission. In this Decision, the OEB will address each of these two key items:

- Item #1 – Deferral Account for Forgone Revenue
- Item #2 – Adjustment to the tax proxy included in the proposed 2017 Revenue Requirement

The last section of the Decision addresses the steps necessary to implement the Decision.

## 4 KEY ITEMS

### 4.1 Deferral Account for Forgone Revenue

In its application, B2M LP requested approval to establish a forgone revenue deferral account. As confirmed by B2M LP in its reply submission<sup>5</sup>, this proposed deferral account would capture differences between revenue earned by B2M LP under the interim 2017 rates set at the 2016 UTR level, and the revenues that would have been received under the approved 2017 UTR.

In its submission, OEB staff supported the creation of this deferral account and noted a number of other cases in which the OEB had provided for similar treatment.<sup>6</sup> OEB staff also observed that in its Decision in B2M LP's 2015-2019 Transmission Revenue Requirement application,<sup>7</sup> the OEB permitted B2M LP to perform a similar type of true-up relating to forgone revenue for 2015.

#### Findings

The OEB approves the establishment of a forgone revenue deferral account as proposed by B2M LP in its application and clarified in its reply submission. The request to establish the deferral account is reasonable and consistent with prior similar OEB decisions.

### 4.2 Adjustment to the tax proxy included in the proposed 2017 Revenue Requirement

In its application, when calculating its proposed updated 2017 revenue requirement, B2M LP made two key adjustments. It recalculated the revenue requirement using the OEB's updated cost of capital parameters for 2017; and it included a request to recover an additional amount of \$0.2M<sup>8</sup> incorporated into a higher income tax proxy for 2017. The higher income tax proxy was calculated by excluding a loss carry forward that had been embedded in the original OEB approved 2017 revenue requirement established in B2M LP's 2015-2019 Transmission Revenue Requirement proceeding.

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<sup>5</sup> EB-2016-0349 May 25, 2017 B2M LP Reply Submission, Page 1

<sup>6</sup> EB-2014-0238 GLPT December 18, 2014, page 3; EB-2016-0160 Hydro One Networks Inc. Transmission, November 24, 2016 Oral Hearing Transcript, page 4, lines 15 & 16

<sup>7</sup> EB-2015-0026 B2M LP December 29, 2015, page 10

<sup>8</sup> EB-2016-0349 B2M LP December 1, 2016 Draft Rate Order, Exhibit 1.0, Page 1 of 1

In its submission, OEB staff stated that it was satisfied that the cost of capital parameters had been updated accordingly. However, OEB staff went on to submit that the impact of the loss carry forward should continue to be included in the tax proxy and resulting 2017 revenue requirement. The Decision and Order in B2M LP's 2015-2019 Transmission Revenue Requirement application did not provide for a tax adjustment. However, OEB staff also noted that adjustments to the income tax proxy for impacts directly related to updates to cost of capital parameters have been permitted in other proceedings.<sup>9</sup>

B2M LP agreed in its reply submission with OEB staff's view regarding the loss carry forward. The impact of restoring this loss carry forward to the tax proxy has been reflected in the revised 2017 revenue requirement calculation presented in B2M LP's interrogatory responses.<sup>10</sup>

With respect to the matter of revising the income tax proxy for impacts directly related to updates to cost of capital parameters, OEB staff observed that this is an approach consistent with that approved by the OEB in other cases.<sup>11</sup> As a result, OEB staff submitted that this specific revision to the income tax proxy should be reflected in B2M LP's 2017 revenue requirement. B2M LP did not object to this approach.

## Findings

The OEB finds that the cost of capital has been updated appropriately, as contemplated in the Decision and Order in B2M LP's 2015-2019 Transmission Revenue Requirement application. The OEB also finds that the revision of the income tax proxy for impacts directly related to updates of cost of capital parameters is reasonable. This approach is consistent with certain prior OEB decisions.

The OEB also finds that the impact of the loss carry forward should be included in the tax proxy calculation, and that it has been appropriately reflected in the updated calculation of the B2M LP 2017 revenue requirement provided in B2M LP's responses to OEB staff interrogatories.

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<sup>9</sup> For example: EB-2016-0077 Horizon Utilities Corporation January 19, 2017 Draft Rate Order Page 6, Table 4, Note #5

<sup>10</sup> EB-2016-0349 B2M LP Response to Interrogatories April 26, 2017, Exhibit I, Tab 1, Schedule 2, Page 2 of 2

<sup>11</sup> For example: EB-2016-0077 Horizon Utilities Corporation January 19, 2017 Draft Rate Order Page 6, Table 4, Note #5

## 5 IMPLEMENTATION AND ORDER

### THE OEB ORDERS THAT:

1. The total revenue requirement for B2M LP to be included in the calculation of the Uniform Transmission Rates (UTRs) effective January 1, 2017 is \$33.7M<sup>12</sup>.
2. The OEB approves the use of the approved amounts for the calculation of the 2017 UTRs and resulting transmission revenue shares. The 2017 UTRs will be issued in a separate decision, incorporating the 2017 revenue requirements and charge determinants of the other four transmitters who recover their revenue requirements through the UTRs.
3. The B2M LP charge determinants for the calculation of the UTRs for 2017 shall be the 2016 charge determinants approved in the January 14, 2016 Final Order<sup>13</sup> in B2M LP's 2015-2019 Transmission Revenue Requirement Rate application.
4. B2M LP shall prepare a draft accounting order for the Forgone Revenue deferral account as approved in this Decision.
5. B2M LP shall file the draft accounting order no later than **June 15, 2017**.
6. Should the Society and/or OEB staff wish to comment on the draft accounting order, they must do so by filing a submission with the OEB and copying it to B2M LP no later than **June 20, 2017**.
7. If B2M LP wishes to reply to any submissions received, it must do so no later than **June 23, 2017**.
8. B2M LP shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

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<sup>12</sup> EB-2016-0349 B2M LP April 26, 2017 Response to Interrogatories, Draft Rate Order, Exhibit 1.0, page 1

<sup>13</sup> EB-2015-0026 B2M LP January 14, 2016 Final Order, page 4

All filings to the OEB must quote the file number, EB-2016-0349 and be made electronically in searchable/unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <https://www.oeb.ca/industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Fiona O'Connell at [Fiona.OConnell@oeb.ca](mailto:Fiona.OConnell@oeb.ca) and OEB Counsel, James Sidlofsky, at [James.Sidlofsky@oeb.ca](mailto:James.Sidlofsky@oeb.ca).

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**DATED** at Toronto, **June 08, 2017**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary