

**B2M LP**

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**Jeffrey Smith**

Managing Director  
B2M GP

BY COURIER

June 14, 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 Final Exhibits Supporting Changes to 2017 Revenue Requirement**

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Please find attached final revenue requirement and supporting exhibits reflecting the Ontario Energy Board's ("the Board") June 8, 2017 Decision on the application for electricity transmission revenue requirement submitted on behalf of B2M LP.

The schedules reflect the Board's direction on the 2017 revenue requirement including the overall reduction in revenue of \$2.4 million reflecting the change in the Board's 2017 cost of capital parameters.

A draft accounting order for the Foregone Revenue Deferral Account is also provided.

Exhibit	Title
1.0	Revised Revenue Requirement 2017
1.1	OM&A 2017
1.2	Rate Base and Depreciation 2017
1.3	Capitla Expenditures 2017
1.4	Capital Structure and Return on Capital 2017
1.4.1	Cost of Long-Term Debt Capital 2017
1.5	Income Tax Summary 2017
2.0	Draft Accounting Order – Foregone Revenue Deferral Account

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

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH

Jeffrey Smith

Enc.

cc. EB-2016-0349 Intervenor (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	(0.0)	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

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

	<b>Supporting Reference</b>	<b>B2M LP Proposed</b>	<b>OEB Decision Impact</b>	<b>OEB Approved</b>
		<b>2017</b>	<b>2017</b>	<b>2017</b>
(\$ millions)				
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  
Less: Accumulated depreciation  
Add: CWIP  
Net utility plant

547.7  
(38.5)  
-  


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509.2

Working capital  
Cash working capital  
Materials & supplies inventory  
Total working capital  
Total Rate Base

-  
-  


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-  


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509.2

**B2M LP Inc.**

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

Capital Expenditures

(\$ millions)

Capital expenditures

Supporting Reference	B2M LP Proposed	OEB Decision Impact	OEB Approved
	2017	2017	2017
	-	-	-

**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
<b><u>Return on Rate Base</u></b>					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
		<b>\$ 509.2</b>	<b>\$ -</b>	<b>\$ 509.2</b>	<b>\$ -</b>	<b>\$ 509.2</b>
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		<b>\$ 5.9</b>	<b>\$ -</b>	<b>\$ 5.9</b>	<b>\$ (0.5)</b>	<b>\$ 5.5</b>
Common equity		<b>\$ 20.2</b>	<b>\$ (0.4)</b>	<b>\$ 19.8</b>	<b>\$ (1.9)</b>	<b>\$ 17.9</b>

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>		Average	Carrying Cost	Embedded Cost Rate
								12/31/16	12/31/17			
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										288.9	5.3	<b>1.80%</b>



**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	(0.0)	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	(17.9)	-	(17.9)	-	(17.9)

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	1.9		1.9		1.9
	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

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.

**PROPOSED ACCOUNTING ENTRIES**

This account records the differences between revenue earned by B2M LP under the interim 2017 rates set at the 2016 Uniform Transmission Rates (UTR) level, and the revenues that would have been received under the approved 2017 UTR. The account will capture the foregone revenue from January 1, 2017 to the date when the approved 2017 UTR are reflected in the revenue earned by B2M LP. The accounting entries to be recorded are as follows:

<b>USofA #</b>	<b>Account Description</b>
Dr: 1508	Other Regulatory Assets – Sub account “Forgone Revenue Deferral Account”
Cr: 4110	Transmission Services Revenue

To record the differences between revenue earned by B2M LP under the interim 2017 rates and the revenues that would have been received under the approved 2017 UTR.

<b>USofA #</b>	<b>Account Description</b>
Dr: 1508	Other Regulatory Assets – Sub account “Forgone Revenue Deferral Account”
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “Forgone Revenue Deferral Account”.