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Frank D'Andrea

Vice President Regulatory Affairs

BY COURIER

March 23, 2018

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-2017-0380 – B2M LP Update to 2018 Transmission Revenue Requirement – B2M LP Interrogatory Responses to Board Staff

Please find attached an electronic copy of responses provided by B2M Limited Partnership to Board Staff Interrogatory questions.

Additionally, while the changes are not material, B2M LP has determined that an update is necessary to the Exhibits listed below due to calculation changes. The net change to Revenue Requirement is an increase \$0.2 million from \$36.3 million to \$36.5 million.

Exhibit	Title
1.0	Revenue Requirement 2015-2019
1.5	Income Tax Summary

An electronic copy has been filed using the Board's Regulatory Electronic Submission System. Two (2) hard copies will be sent to the Board shortly.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea Submitting on behalf of B2M LP

Enc.

Filed: 2018-03-23 EB-2017-0380 Exhibit I Tab 1.5 Staff Schedule 1 Page 1 of 2

Ontario Energy Board (Board Staff) INTERROGATORY #001

1 2 3

Reference:

Exhibit 1.5 – Income Tax

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Interrogatory:

In the Decision and Order for B2M LP's 2015-2019 Transmission Revenue Requirement Application¹, the Ontario Energy Board (OEB) approved income tax for B2M LP of \$0.4 million for 2018. In this application, B2M LP has recalculated the income tax, resulting in an increase to \$0.5 million.

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In the Decision and Order for B2M LP's 2017 Revenue Requirement Update Application², the OEB approved the revision of the income tax proxy for impacts directly related to updates of cost of capital parameters. In that application the return on equity (ROE) decreased by \$1.9 million and the income tax decreased correspondingly. In this application there is also a \$1.9 million decrease in the return on equity compared to OEB approved amount reflecting the updated cost of capital. Please provide justification for increasing the income tax from \$0.4 million to \$0.5 million as opposed to decreasing it.

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Response:

B2M has reviewed the tax calculations and has determined the following:

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1. The \$0.4 million included for Income Tax in 2018 in the original DRO submission submitted on January 7, 2016 was incorrect. The original DRO amount should have been \$0.9 million.

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In the original DRO, the revenue from the start-up costs was not included in the calculation of tax. The value of the costs is \$1.9 million annually. The recovery of these costs was not originally reflected in regulatory net income for 2016-2019 because the revenue was recognized in 2015 for accounting purposes. A regulatory asset was set-up that is being drawn down as collection occurs over the 2016-2019 period.

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¹ Decision and Order, EB-2015-0026, December 29, 2015

² Decision and Order, EB-2016-0349, June 07, 2017.

Filed: 2018-03-23 EB-2017-0380 Exhibit I Tab 1.5 Staff Schedule 1 Page 2 of 2

However, for tax purposes, regulatory accounts are taxed on a cash basis, and additional taxes are being incurred as the amounts are collected in revenue during the 2016 to 2019 period. Therefore, the \$1.9 million of revenue should have been included in the original calculation of tax.

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The net effect is that the taxes in the DRO submitted on January 7, 2016 for the five year period were understated by \$0.5 million. The taxes in the 2018 DRO should have been \$0.9 million as opposed to \$0.4 million.

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2. The current income tax amount to be included in revenue requirement for 2018 should be \$0.7 million. The change results from the inclusion of corporate minimum tax (CMT) of slightly more than \$0.1 million that was not included in the DRO submitted December 20, 2017. As a result, the taxes, including the gross up, should have been \$0.7 million as opposed to \$0.5 million.

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Please refer to Attachment 1 of this response for Exhibit 1.5 which includes details on the updated 2018 tax calculations as well as Exhibit 1.1 which is showing the updated 2018 Revenue Requirement.

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

Revenue Requirement Summary

(\$ millions)	Supporting Reference	B2M LP Proposed 2018	OEB Decision Impact 2018	OEB Approved 2018	Cost of Capital Update 2018	Revised 2018
OM&A	Exhibit 1.1	2.5	(0.1)	2.4	-	2.4
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	6.0	-	6.0	(0.5)	5.5
Return on Equity (Note 2)	Exhibit 1.4	20.2	(0.1)	20.0	(1.9)	18.1
Income Tax	Exhibit 1.5	0.9	0.0	0.9	(0.3)	0.7
Foregone Revenue	Exhibit 2.0	-	-	-	1.1	1.1
Base Revenue Requirement		38.2	(0.2)	38.1	(1.6)	36.5
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		38.2	(0.2)	38.1	(1.6)	36.5

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 November 23, 2017.

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Cost of Capital

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

Income Tax

B2M LP

OEB Decision

0.9

(0.3)

	Supp	orting	Proposed	Impact	OEB Approved	Update	Revised
(\$ millions)		rence	2018	2018	2018	2018	2018
Income Taxes	See supporting	g details below	0.9	0.0	0.9	(0.2)	0.7
Income Tax Supporting Details							
Rate Base	Exhibit 1.2	(a)	\$ 502.4	\$ -	502.4	-	502.4
Common Equity Capital Structure Return on Equity	Exhibit 1.4	(b) (c)	40.0% 10.03%		0.4 0.1	- (0.0)	0.4 0.1
Return on Equity Regulatory Income Tax		(d) = a x b x c (e) = I	20.1 0.9	(0.1)	20.0	(1.9) (0.3)	18.1 0.7
Regulatory Net Income (before tax)		(f) = d + e	21.0	(0.1)	21.0	(2.2)	18.7
Timing Differences Add Other Taxable Revenue		(g) Note 1 Note 2	(15.9) -	-	(15.9) 2.0	-	(15.9) 2.0
Taxable Income		(h) = f + g	5.1	(0.1)	7.0	(2.2)	4.8
Opening Loss Carry Forward Taxable Income Allocated to Taxable Partner Closing Loss Carry Forward	S	Note 3	(0.4) 3.7 -		(1.3) 4.9 -		(1.3) 3.4 -
Tax Rate Income Tax Add:Corporate Minimum Tax		(i) (j) = h x i (k) Note 4	26.50% 0.9 (0.0)	0.1	26.50% 1.0 (0.0)	(0.4) 0.1	26.50% 0.6 0.1

(l) = j + k

0.9

0.0

Regulatory Income Tax

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	B2M LP Proposed 2018	OEB Decision Impact 2018	OEB Approved 2018	Cost of Capital Update 2018	Revised 2018
Note 1. Book to Tax Timing Differences Depreciation CCA Other Timing Differences	6.8 (22.7) - (15.9)	- - -	6.8 (22.7) - (15.9)	- - -	6.8 (22.7) - (15.9)
Note 2. Other Taxable Revenue Add: Managing Director Costs Less: 20(1)(e) Deductions Add: Setup Costs recovered in Rates	(15.5)	•	0.1 (0.0) 1.9 2.0	-	0.1 (0.0) 1.9 2.0
Note 3. Amount to Allocate to Taxable Partners Taxable Income Less Income Tax in Rates Mulitply by Ownership Share of Taxable Partners Taxable Income Allocated to Taxable Partners Add Taxes in Rates Taxable Income Allocated to Taxable Partners	5.1 (0.9) 65.81% 2.8 0.9 3.7		7.0 (0.9) 65.81% 4.0 0.9 4.9	-	4.8 (0.7) 65.81% 2.7 0.7 3.4

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.

Filed: 2018-03-23 EB-2017-0380 Exhibit I Tab 1.5 Staff Schedule 2 Page 1 of 1

Ontario Energy Board (Board Staff) INTERROGATORY #002

1 2 3

Reference:

Exhibit 1.5 – Income Tax

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Interrogatory:

Please indicate whether B2M LP incurred a departure tax and/or recognized deferred tax benefits as a result of Hydro One's 2015 Initial Public Offering (IPO). If so, please provide the amounts related to each.

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a) If the response to the above is no, then please also explain why B2M LP would not have been subject to a deemed disposition and reacquisition of its assets at Fair Market Value triggered by Hydro One's change in tax status as a result of its 2015 IPO.

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Response:

B2M LP did not incur departure tax or recognized any deferred tax benefits as a result of Hydro One's 2015 Initial Public Offering.

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B2M LP is a partnership and not a corporation exempt from tax under subsection 149(1) of the Income Tax Act (ITA). As a result there is no change in the tax regime applicable to the partnership on the IPO and the deemed dispositions rules in subsection 149(10) of the ITA do not apply. Consequently, there was no departure tax and deferred tax benefits in B2M LP as result of the IPO.

Filed: 2018-03-23 EB-2017-0380 Exhibit I Tab 1.5 Staff Schedule 3 Page 1 of 1

Ontario Energy Board (Board Staff) INTERROGATORY #003

1 2 3

Reference:

Exhibit 1.5 – Income Tax

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Interrogatory:

In the Decision and Order for B2M LP's 2017 Revenue Requirement Application¹, the OEB noted that the impact of the loss carry forward should be included in the tax proxy calculation.

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a) Please indicate whether B2M LP included the impact of the loss carry forward in the tax proxy calculation. If so, please provide the detailed calculation. If not, please update the tax calculation.

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Response:

The B2M LP loss carry forward has been included in the tax proxy calculation.

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Please see Exhibit 1.5 of the Draft Rate Order attached which shows the detailed calculations of how the loss carry forward has been applied to reduce taxable income.

¹ Decision and Order, EB-2016-0349, June 08, 2017, page 6.