



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

DECISION AND ORDER

EB-2017-0380

B2M LIMITED PARTNERSHIP

**Application for electricity transmission revenue requirement
effective January 1, 2018**

BEFORE: Emad Elsayed
Presiding Member

May 3, 2018

1 INTRODUCTION AND SUMMARY

B2M Limited Partnership (B2M LP) filed an application with the Ontario Energy Board (OEB) on December 20, 2017, seeking approval for changes to its electricity transmission revenue requirement, to be effective January 1, 2018.

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 the review of B2M LP's 2015-2019 Transmission Revenue Requirement application, the OEB approved B2M LP's 2018 revenue requirement of \$37.5 million¹ and provided for annual updates for the cost of capital. In its 2018 revenue requirement application, B2M LP requested an updated 2018 revenue requirement of \$36.5 million.² Following OEB staff's submission, B2M LP accepted OEB staff's recommendations and recalculated the 2018 revenue requirement as \$35.9 million.³

As part of its reply submission, B2M LP submitted an updated Draft Rate Order (DRO). In this Decision and Order, the OEB provides findings on B2M LP's application (as updated through B2M LP's reply submission) and addresses steps necessary to implement the Decision and Order.

¹ EB-2015-0026 B2M LP 2015-2019 Revenue Requirement January 7, 2016 Draft Rate Order, Exhibit 1.0, page 1 of 1.

² EB-2017-0380 B2M LP 2018 Updated Revenue Requirement March 23, 2018 Response to Interrogatories #001, Rate Order Update, Exhibit 1.0, page 1 of 1.

³ EB-2017-0380 B2M LP 2018 Updated Revenue Requirement April 30, 2018 Responses to Board Staff Submission.

2 THE PROCESS

B2M LP's application was filed on December 20, 2017 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*.⁴ B2M LP requested approval for changes to its electricity transmission revenue requirement to be effective January 1, 2018.

The OEB issued a Notice of Hearing on January 18, 2018. The OEB received no requests for intervenor status. This proceeding was conducted by way of a written hearing.

The OEB issued Procedural Order No. 1 on February 16, 2018, 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 March 9, 2018. B2M LP filed written responses to the OEB staff interrogatories on March 23, 2018.

The OEB issued Procedural Order No. 2 on March 27, 2018, in which it set dates for submissions from OEB staff, and for a reply submission from B2M LP. OEB staff filed its submission on April 18, 2018. B2M LP filed its reply submission on April 30, 2018.

OEB staff addressed its views regarding three key issues in its submission. B2M LP agreed with the views of OEB staff, as outlined in its reply submission. These three key issues are detailed in the next section of this Decision and Order.

⁴ Filing Requirements for Electricity Transmission Application, Chapter 2, Revenue Requirement Applications.

3 ISSUES

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

- Item #1 – 2017 Forgone Revenue Deferral Account
- Item #2 – Income Tax Proxy
- Item #3 – 2018 Excess Revenue

3.1 2017 Forgone Revenue Deferral Account

In its application, B2M LP requested approval to include a forgone revenue amount of \$1.1 million from 2017 in the 2018 revenue requirement. The forgone revenue is calculated on a monthly basis for the period between the January 1, 2017 effective date of the 2017 UTRs and the November 1, 2017 implementation date. The amount captures 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 \$1.1 million forgone revenue to be recovered from customers in 2018 revenue requirement.⁵ B2M LP concurred with OEB staff's submission.⁶

Findings

The OEB finds that B2M LP's proposed 2017 forgone revenue calculation of the amount of \$1.1 million is reasonable and is approved for recovery in the 2018 revenue requirement.

3.2 Income Tax Proxy

In its application, when calculating its 2018 income tax proxy, B2M LP made three adjustments. The adjustments include the revised return on equity using the OEB's updated cost of capital parameters for 2018, the inclusion of an annual value of \$1.9

⁵ EB-2017-0380 B2M LP 2018 Updated Revenue Requirement April 18, 2018 OEB Staff Submission

⁶ EB-2017-0380 B2M LP 2018 Updated Revenue Requirement April 30, 2018 Responses to Board Staff Submission.

million in start-up costs, and the inclusion of corporate minimum tax (CMT) of \$0.1 million. The adjustments lead to an increase of \$0.3 million in income tax proxy compared with the original OEB approved amount established in B2M LP's 2015-2019 Transmission Revenue Requirement proceeding.

In its submission, OEB staff stated that it was satisfied that the cost of capital parameters had been updated accordingly. However, with respect to the changes on start-up costs and CMT, OEB staff submitted that these adjustments should be disallowed since these adjustments were not directly related to the cost of capital updates. The Decision and Order in B2M LP's 2015-2019 Transmission Revenue Requirement application did not provide for a tax adjustment.

B2M LP agreed to remove the adjustments related to start-up costs and CMT in the income tax proxy calculation.

Findings

The OEB finds that the inclusion of the start-up costs and CMT in the income tax proxy calculation shall not be permitted as these are outside the scope of the cost of capital parameter adjustments. The OEB staff shall review the revised income tax proxy calculation in the updated DRO.

3.3 2018 Excess Revenue

The decision on 2018 Uniform Transmission Rates (UTRs) set a tentative revenue requirement of \$37.5 million for B2M LP due to the unavailability of the final 2018 revenue requirement at that time.⁷ B2M LP would collect excess revenue in 2018 as the requested revenue requirement is less than the approved amount. OEB staff submitted that the excess revenue should be credited to customers as part of B2M LP's 2019 revenue requirement and be incorporated in the next UTR update. OEB staff also noted that it is unnecessary to update 2018 UTRs for the purpose of updating B2M LP's revenue requirement, as the amount is immaterial in the network rate pool.

B2M LP agreed with OEB staff and stated that the excess revenue will be provided as a credit during the parameter adjustment for 2019 update.

⁷ EB-2017-0359 2018 Uniform Transmission Rates February 1, 2018, Decision and Rate Order, Appendix A.

Findings

The OEB finds that the 2018 UTRs shall stay at the current level as the difference between the 2018 requested revenue requirement and the amount previously included in the 2018 UTRs on an interim basis is immaterial to the overall UTRs network rate pool. However, the excess revenue shall be credited to customers as part of B2M LP's 2019 revenue requirement and incorporated in the next UTRs update.

4 IMPLEMENTATION AND ORDER

THE OEB ORDERS THAT:

1. OEB staff shall file its written submission on the draft rate order and copying it to B2M LP no later than **May 7, 2018**.
2. B2M LP shall file its reply submission, if OEB staff recommended any changes to the draft rate order, with the OEB and serve it on the OEB staff by **May 9, 2018**.
3. B2M LP shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2017-0380 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, Shuo Zhang at Shuo.Zhang@oeb.ca and OEB Counsel, James Sidlofsky, at James.Sidlofsky@oeb.ca.

ADDRESS

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DATED at Toronto, **May 3, 2018**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary