



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 10, 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.

OEB staff filed its submission on the B2M LP's application on April 18, 2018. B2M LP submitted an updated Draft Rate Order (DRO) and revised the 2018 revenue requirement to \$35.9 million in its response to the OEB staff submission.¹ In its May 3, 2018 Decision and Order, the OEB directed OEB staff to review the updated DRO. By a letter dated May 7, 2018, OEB staff confirmed that the updated DRO and revenue requirement are reasonable.²

The OEB approves B2M LP's DRO as final. This Decision and Order primarily outlines the steps required to implement the updated revenue requirement.

¹ EB-2017-0380 B2M LP 2018 Updated Revenue Requirement April 30, 2018 Responses to Board Staff Submission.

² EB-2017-0380 B2M LP 2018 Updated Revenue Requirement May 7, 2018 OEB 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*.³ B2M LP requested approval for changes to its electricity transmission revenue requirement to be effective January 1, 2018.

On April 18, 2018, OEB staff set out its views on three key issues in its submission, including the 2017 forgone revenue deferral account; the income tax proxy; and 2018 excess revenue. In its reply submission dated April 30, 2018, B2M LP agreed with the views of OEB staff and submitted an updated DRO.

In its May 3, 2018 Decision and Order, the OEB approved the recovery of \$1.1 million in 2017 forgone revenue in the 2018 revenue requirement. The OEB also approved the treatment of 2018 excess revenue resulting from the tentative 2018 B2M LP revenue requirement amount included in the 2018 Uniform Transmission Rates (UTRs) being less than the amount approved by the OEB in this proceeding as a credit to customers to be incorporated into B2M LP's 2019 revenue requirement update. Finally, the OEB reduced the amount requested by B2M LP as an income tax proxy and directed staff to review the revised calculation in an updated B2M LP's DRO. In its submission on May 7, 2018, OEB staff confirmed that it had reviewed B2M LP's updated DRO and that the revised income tax proxy of \$0.1 million and 2018 revenue requirement of \$35.9 million are correct.⁴

³ Filing Requirements for Electricity Transmission Application, Chapter 2, Revenue Requirement Applications.

⁴ EB-2017-0380 B2M LP 2018 Updated Revenue Requirement May 7, 2018 OEB Staff Submission.

3 FINDINGS

The OEB agrees with OEB staff and finds that the updated revenue requirement and draft rate order are reasonable. In particular:

- a) The total revenue requirement for B2M LP effective January 1, 2018 is confirmed as \$35.9 million. However, 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. The supporting detail for this revenue requirement has been appropriately reflected in the final exhibits submitted by B2M LP on April 30, 2018.
- b) B2M LP would collect excess revenue in 2018 as the requested revenue requirement is less than the approved amount in the 2018 UTRs decision. The excess revenue shall be credited to customers as part of B2M LP's 2019 revenue requirement and incorporated in the next UTR update.

4 IMPLEMENTATION AND ORDER

THE OEB ORDERS THAT:

1. The total revenue requirement for B2M LP effective January 1, 2018 is confirmed as \$35.9 million, on the basis of the calculations filed by B2M LP and set out in Appendix A.
2. The excess revenue being collected in the 2018 UTRs on behalf of B2M LP in the amount of \$1.6 million shall be credited to customers as part of B2M LP's 2019 revenue requirement and shall be incorporated in the next UTR update.

DATED at Toronto, **May 10, 2018**

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

Decision and Order

B2M Limited Partnership

EB-2017-0380

Dated: May 10, 2018

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
		2018	2018	2018	2018	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	(0.5)	0.4	(0.4)	0.1
Foregone Revenue	Exhibit 2.0	-	-	-	1.1	1.1
Base Revenue Requirement		38.2	(0.7)	37.5	(1.6)	35.9
Deduct: External Revenue		-	-	-	-	-
Rates Revenue Requirement		38.2	(0.7)	37.5	(1.6)	35.9

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.

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	Revised
		2018	2018	2018
OM&A		2.5	(0.1)	2.4

OEB Decision Impact Supporting Details

Adjustments

OEB Decision Reference

No Adjustment

 -

B2M LP Inc.

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

Rate Base and Depreciation

(\$ millions)	Supporting Reference	B2M LP Proposed	OEB Decision Impact	Revised
		2018	2018	2018
Rate Base	See supporting details below	502.4	-	502.4
Depreciation		6.8	-	6.8

OEB Decision Impact Supporting Details

Reference

Working Capital Adjustment

Rate Base Details

Utility plant (average)	
Gross plant at cost	547.7
Less: Accumulated depreciation	(45.3)
Add: CWIP	-
Net utility plant	<u>502.4</u>
Working capital	
Cash working capital	-
Materials & supplies inventory	-
Total working capital	<u>-</u>
Total Rate Base	<u><u>502.4</u></u>

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	Revised
	2018	2018	2018
	-	-	-

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 2018	OEB Decision Impact 2018	OEB Approved 2018	Cost of Capital Update 2018	Revised 2018
					Note 1	Note 1
Return on Rate Base						
Rate Base	Exhibit 1.2	\$ 502.4	\$ -	\$ 502.4	\$ -	\$ 502.4
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	\$ 281.3	\$ -	\$ 281.3	\$ -	\$ 281.3
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 20.1	\$ -	\$ 20.1	\$ -	\$ 20.1
Common equity		\$ 200.9	\$ -	\$ 200.9	\$ -	\$ 200.9
		\$ 502.4	\$ -	\$ 502.4	\$ -	\$ 502.4
Allowed Return:						
Third-Party long-term debt	Exhibit 1.4.1	1.79%	0.00%	1.79%	0.00%	1.79%
Deemed long-term debt	Exhibit 1.4.1	1.79%	0.00%	1.79%	0.00%	1.79%
Short-term debt		4.71%	0.00%	4.71%	(2.42%)	2.29%
Common equity		10.03%	(0.07%)	9.96%	(0.96%)	9.00%
Return on Capital:						
Third-Party long-term debt		\$ 5.0	\$ -	\$ 5.0	\$ 0.0	\$ 5.0
Deemed long-term debt		\$ -	\$ -	\$ -	\$ -	\$ -
Short-term debt		\$ 0.9	\$ -	\$ 0.9	\$ (0.5)	\$ 0.5
Total return on debt		\$ 6.0	\$ -	\$ 6.0	\$ (0.5)	\$ 5.5
Common equity		\$ 20.2	\$ (0.1)	\$ 20.0	\$ (1.9)	\$ 18.1

Note 1: The Cost of Capital is updated to reflect OEB approved parameters issued on November 23, 2017.

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>			Carrying Cost	Embedded Cost Rate
								12/31/2017	12/31/2018	Average		
30-Jun-15	1.64%	30-Apr-20	293.3	1.0	287.9	99.64	1.72%	288.9	285.1	287.0	4.9	
								288.9	285.1	287.0	4.9	
											0.1	
											0.1	
								Total		287.0	5.2	1.79%

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	
	2018	2018	2018	2018	2018	
Income Taxes	See supporting details below	0.9	(0.5)	0.4	(0.3)	0.1

Income Tax Supporting Details

Rate Base	Exhibit 1.2	(a) \$	502.4	\$	-	502.4	-	502.4
Common Equity Capital Structure		(b)	40.0%			40.0%	0.0%	40.0%
Return on Equity	Exhibit 1.4	(c)	10.03%			9.96%	-0.96%	9.0%
Return on Equity		(d) = a x b x c	20.1		(0.1)	20.0	(1.9)	18.1
Regulatory Income Tax		(e) = l	0.9			0.4	(0.4)	0.1
Regulatory Net Income (before tax)		(f) = d + e	21.0		(0.1)	20.4	(2.3)	18.1
Timing Differences		(g) Note 1	(15.9)		-	(15.9)	-	(15.9)
Add Other Taxable Revenue		Note 2	-			0.1		0.1
Taxable Income		(h) = f + g	5.1		(0.1)	4.6	(2.3)	2.3
Opening Loss Carry Forward			(0.4)			(1.3)		(1.3)
Taxable Income Allocated to Taxable Partners	Note 3		3.7			3.2		1.5
Closing Loss Carry Forward			-			-		-
Tax Rate		(i)	26.50%			26.50%	-	26.50%
Income Tax		(j) = h x i	0.9		-	0.4	(0.4)	0.1
Add: Corporate Minimum Tax		(k) Note 4	(0.0)		-	(0.0)	0.0	-
Regulatory Income Tax		(l) = j + k	0.9		-	0.4	(0.4)	0.1

	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	6.8	-	6.8	-	6.8
CCA	(22.7)	-	(22.7)	-	(22.7)
Other Timing Differences	-	-	-	-	-
Total Timing Differences	<u>(15.9)</u>	-	<u>(15.9)</u>	-	<u>(15.9)</u>
Note 2. Other Taxable Revenue					
Add: Managing Director Costs			0.1		0.1
Less: 20(1)(e) Deductions			(0.0)		(0.0)
Add: Setup Costs recovered in Rates			<u>-</u>		<u>-</u>
			0.1		0.1
Note 3. Amount to Allocate to Taxable Partners					
Taxable Income	5.1		4.6		2.3
Less Income Tax in Rates	(0.9)		(0.4)		(0.1)
Multiply by Ownership Share of Taxable Partners	65.81%		65.81%		65.81%
Taxable Income Allocated to Taxable Partners	2.8		2.7		1.5
Add Taxes in Rates	<u>0.9</u>		<u>0.4</u>		<u>0.1</u>
Taxable Income Allocated to Taxable Partners	3.7		3.2		1.5

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.