

**Hydro One Networks Inc.**

7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5680  
Cell: (416) 568-5534  
frank.dandrea@HydroOne.com



**Frank D'Andrea**

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL, COURIER AND RESS

January 27, 2020

Ms. Christine E. Long  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Long,

**EB-2019-0178 – B2M Limited Partnership's 2020-2024 Transmission Revenue Cap IR Application**

---

On January 16<sup>th</sup>, 2020, the Ontario Energy Board (OEB) issued its decision (the "**Decision**") on the 2020-2024 transmission revenue requirements for B2M LP in the above-noted proceeding, accepting the settlement proposal as filed.<sup>1</sup> Pursuant to the Decision please find the following documents attached:

- a) Exhibits including a draft revenue requirement order;
- b) Customer bill impacts; and
- c) An accounting order for the Earning Sharing Mechanism (ESM) Deferral Account.

**1. Revenue Requirement and Charge Determinants**

The OEB's approved 2020 rates revenue requirement is \$33.2 million effective January 1, 2020<sup>2</sup>, as set out in Exhibit 1.0. As determined in its 2015-2019 revenue requirement application (EB-2015-0026), B2M LP does not have any customer delivery points supplied directly from its assets, and as such B2M LP does not have charge determinants for setting Uniform Transmission Rates (UTR).

---

<sup>1</sup> EB-2019-0178 Settlement Proposal, January 6, 2020.

<sup>2</sup> EB-2019-0178 Decision, January 16, 2020, p 4.

## **2. Other OEB Determinations**

The Decision accepted the settlement proposal which provided for the following:

- Revenue Cap Index (RCI) equal to an Inflation Factor minus Productivity Factor minus Settlement Capital Adjustment Factor;
- Adjustment of Base Revenue Requirement by the RCI for determining the 2021 to 2024 Base Revenue Requirement;
- Update of long-term debt into revenue requirement for 2021, resulting from the refinancing of B2M LP's existing debt;
- Discontinuance of the Foregone Revenue Deferral Account; and
- Creation of an Earning Sharing Mechanism (ESM) Deferral Account.

## **3. UTR Calculations**

The Decision determined that B2M LP's approved 2020 revenue requirement will be incorporated into the 2020 final UTRs. The 2020 UTRs were declared interim by the OEB in a Decision (EB-2019-0296) issued December 19, 2019. When the 2020 UTRs are declared final, any forgone revenue for B2M LP between the effective date of January 1, 2020 and the implementation date of the final 2020 UTRs will be recovered by B2M LP during the period between the implementation date of the final 2020 UTRs and December 31, 2020.<sup>3</sup>

Therefore, B2M LP will provide a calculation of the foregone revenue to be included in the 2020 UTRs as part of the process for approving final 2020 UTRs.

## **4. Disposition of Regulatory Account Balances**

The Decision accepted B2M LP's requested disposition of the Foregone Revenue Deferral Account's balance to reduce the revenue requirement in 2020. The balance has been updated from \$55,379 to \$55,504, as actual carrying charges differed from forecasted carrying charges in the Application.<sup>4</sup> The Foregone Revenue Deferral Account will be discontinued after its disposition.

B2M LP notes that as set out in Procedural Order 3 dated January 22, 2020, intervenors and OEB Staff have the opportunity to submit comments, if any, to the OEB by February 3, 2020 on the draft revenue requirement order, revenue requirement by rate pool exhibit, customer bill impacts and the ESM accounting order.

If you have any questions regarding this submission, please contact Linda Gibbons at (416) 345-4373 or [regulatory@hydroone.com](mailto:regulatory@hydroone.com).

---

<sup>3</sup> EB-2019-0178 Decision, January 16, 2020, p 4.

<sup>4</sup> Exhibit 1.7 Deferral Account Note 1.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea  
Submitting on behalf of B2M LP

### **Supporting Material**

The detailed information supporting the determination of the revenue requirement and charge determinants are provided in the attached Exhibits:

<b>EXHIBIT</b>		<b>TITLE</b>
<b>1.0</b>		Approved 2020 Revenue Requirement
<b>2.0</b>		2020 Rates Revenue Requirement by Rate Pool
<b>3.0</b>		2020 Bill Impacts
<b>4.0</b>		Accounting Order
	<b>4.1</b>	Accounting Order for Earning Sharing Mechanism Deferral Account

B2M LP Inc.  
Implementation of Decision with Reasons on EB-2019-0178

Revenue Requirement Summary

		B2M LP Proposed					Settlement Impact					OEB Approved <sup>2,3</sup>				
(\$ millions)	Supporting Reference	2020 <sup>1</sup>	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
OM&A	Exhibit 1.1	1.2	-	-	-	-	-	-	-	-	-	1.2	-	-	-	-
Depreciation	Exhibit 1.2	7.0	-	-	-	-	-	-	-	-	-	7.0	-	-	-	-
Return on Debt	Exhibit 1.4	7.6	-	-	-	-	-	-	-	-	-	7.6	-	-	-	-
Return on Equity	Exhibit 1.4	16.6	-	-	-	-	-	-	-	-	-	16.6	-	-	-	-
Income Tax	Exhibit 1.5	0.8	-	-	-	-	-	-	-	-	-	0.8	-	-	-	-
Base Revenue Requirement <sup>1</sup>		33.2	33.8	34.5	35.1	35.7	-	(0.2)	(0.4)	(0.6)	(0.8)	33.2	33.6	34.0	34.5	34.9
Deduct: External Revenues and Other	Exhibit 1.6	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)	-	-	-	-
Rates Revenue Requirement		33.2	33.8	34.5	35.1	35.7	-	(0.2)	(0.4)	(0.6)	(0.8)	33.2	33.6	34.0	34.5	34.9

Note 1: Proposed revenue requirement updated in Exhibit I-1-OEB-45 a)

Note 2: 2021 to 2024 base revenue requirement is forecasted according to the Revenue Cap methodology using the OEB-approved inflation factor (I) of 1.8% less a productivity factor (X) of 0.0% and less a settlement capital adjustment factor (SCAF) of 0.6% (I-X-SCAF).

Note 3: 2021 Base revenue requirement will be determined by first updating the 2020 base revenue requirement to reflect the actual market rate of the cost of long-term debt after debt refinancing has been completed in 2020, and then escalating the updated 2020 base revenue requirement by (I-X-SCAF).

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**OM&A**

(\$ millions)

OM&A

Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
	2020	2020	2020
<i>See supporting details below</i>	1.2	-	1.2

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**Rate Base and Depreciation**

	Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
		2020	2020	2020
(\$ millions)				
Rate Base	See supporting details below <sup>1</sup>	488.4	-	488.4
Depreciation	See supporting details below	7.0	-	7.0

*OEB Decision Impact Supporting Details*

Working Capital Adjustment

Rate Base Details

Utility plant (average)			
Gross plant at cost <sup>2</sup>		549.2	549.2
Less: Accumulated depreciation <sup>2</sup>		(60.8)	(60.8)
Add: CWIP			-
Net utility plant <sup>2</sup>		488.4	488.4

Working capital

Cash working capital	(a)	-		
Materials & supplies inventory		-		
Total working capital		-	-	-

Total Rate Base		488.4	-	488.4
-----------------	--	-------	---	-------

Note 1: Proposed rate base updated in Exhibit I-1-OEB-45 d) reflecting the re-scheduling of \$3 million in capital expenditures in 2019 to 2020 (I-1-OEB-43 a))

Note 2: Proposed gross plant, accumulated depreciation and net plant updated in Exhibit I-1-OEB-45 a) reflecting the re-scheduling of \$3 million in capital expenditures in 2019 to 2020 (I-1-OEB-43 a))

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**Capital Expenditures**

	Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
		2020	2020	2020
(\$ millions)				
Capital expenditures <sup>1</sup>		3.0	-	3.0

Note 1: Forecast capital expenditures were updated to reflect the re-scheduling of \$3 million in capital expenditures in 2019 to 2020 (I-1-OEB-43 a))

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**Capital Structure and Return on Capital**

	Supporting Reference	B2M LP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
(\$ millions)				
<b><u>Return on Rate Base</u></b>				
Rate Base		\$ 488.4	\$ -	\$ 488.4
Capital Structure:				
Third-Party long-term debt		0.0%	-	0.0%
Deemed long-term debt		56.0%	-	56.0%
Short-term debt		4.0%	-	4.0%
Common equity		40.0%	-	40.0%
Capital Structure:				
Third-Party long-term debt				
Deemed long-term debt		\$ 273.5	-	\$ 273.5
Short-term debt		19.5	-	19.5
Common equity		195.4	-	195.4
		<b>\$ 488.4</b>	<b>-</b>	<b>\$ 488.4</b>
Allowed Return:				
Third-Party long-term debt		2.59%	-	2.59%
Deemed long-term debt		2.59%	-	2.59%
Short-term debt		2.75%	-	2.75%
Common equity		8.52%	-	8.52%
Return on Capital:				
Third-Party long-term debt		\$ -	\$ -	\$ -
Deemed long-term debt		\$ 7.1	\$ -	\$ 7.1
Short-term debt		\$ 0.5	\$ -	\$ 0.5
Total return on debt		<b>\$ 7.6</b>	<b>\$ -</b>	<b>\$ 7.6</b>
Common equity		<b>\$ 16.6</b>	<b>\$ -</b>	<b>\$ 16.6</b>



Bruce to Milton Partnership  
Cost of Long-Term Debt Capital  
Test Year (2020)  
Year ending December 31

Line No.	Offering Date	Coupon Rate	Maturity Date	Principal Amount Offered (\$Millions)	Premium Discount and Expenses (\$Millions)	Net Capital Employed		Effective Cost Rate	Total Amount Outstanding		Avg. Monthly Averages (\$Millions)	Carrying Cost (\$Millions)	Projected Average Embedded Cost Rates
						Total Amount (\$Millions)	Per \$100 Principal Amount (Dollars)		at 12/31/2019 (\$Millions)	at 12/31/2020 (\$Millions)			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	30-Jun-15	1.640%	30-Apr-20	274.3	1.0	273.3	99.64	1.72%	274.3	0.0	84.4	1.5	
2	30-Apr-20	2.330%	30-Apr-25	91.2	0.5	90.7	99.50	2.44%	0.0	91.2	63.1	1.5	
3	30-Apr-20	2.660%	30-Apr-30	91.2	0.5	90.7	99.50	2.72%	0.0	91.2	63.1	1.7	
4	30-Apr-20	3.310%	30-Apr-50	91.2	0.5	90.7	99.50	3.34%	0.0	91.2	63.1	2.1	
5		<b>Subtotal</b>							274.3	273.5	273.8	6.8	
6		Treasury OM&A costs										0.1	
7		Other financing-related fees										0.2	
8		<b>Total</b>							274.3	273.5	273.8	7.1	2.59%

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**Income Tax**

(\$ millions)	Supporting Reference	B2M LP Proposed 2020	Settlement Impact 2020	OEB Approved 2020
Income Taxes	See supporting details below	0.8	-	0.8

**Income Tax Supporting Details**

Rate Base	Exhibit 1.2	(a) \$	488.4	\$	488.4
Common Equity Capital Structure		(b)	40.0%		40.0%
Return on Equity	Exhibit 1.4	(c)	8.52%		8.52%
Return on Equity		(d) = a x b x c	16.6		16.6
Regulatory Income Tax		(e) = l	0.8		0.8
Regulatory Net Income (before tax)		(f) = d + e	17.5		17.5
Timing Differences		(g) Note 1	(12.6)		(12.6)
Taxable Income		(h) = f + g	4.9		4.9
Opening Loss Carry Forward	Note 2		-		-
Allocation of Taxable income	Note 3		3.5		3.5
Taxable Income Allocated to Taxable Partners	(i)		3.5		3.5
Tax Rate	(j)	26.50%		26.50%	
Income Tax	(k) = i x j	0.9		0.9	
Add: Corporate Minimum Tax	(l) Note 4	(0.1)		(0.1)	
Regulatory Income Tax	(m) = k + i	0.8		0.8	

Note 1. Book to Tax Timing Differences			
Depreciation	7.0	7.0	
CCA	(19.5)	(19.5)	
Other Timing Differences	-	-	
Total Timing Differences	(12.6)	(12.6)	

Note 2. Loss Carry Forward  
All tax loss carry forwards have been utilized

Note 3. Amount to Allocate to Taxable Partners			
Taxable Income	4.9	4.9	
Less Income Tax in Rates	(0.8)	(0.8)	
Multiply by Ownership Share of Taxable Partners	65.81%	65.81%	
Taxable Income Allocated to Taxable Partners	2.7	2.7	
Add Taxes in Rates	0.8	0.8	
Taxable Income Allocated to Taxable Partners	3.5	3.5	

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.

**B2M LP Inc.**  
**Implementation of Decision with Reasons on EB-2019-0178**

**Deferral and Variance Accounts**

(\$ millions)

Supporting Reference	B2M LP Proposed		Settleme	OEB
	Total	2020	2020	2020
See supporting details below	(0.1)	(0.1)	-	(0.1)

Deferral and Variance Accounts Disposition

**Deferral and Variance Accounts Details**  
**H1-01-01 ; H1-01-02**

Foregone Revenue Deferral Account <sup>1</sup>

	(0.1)	(0.1)
<b>Total</b>	<b>(0.1)</b>	<b>(0.1)</b>

Note 1: Updated deferral account disposition amount (from \$55,379 to \$55,503.91). The difference is due to forecasted interest differing from actual interest, which was determined by using the OEB prescribed rate released each quarter.

## B2M LP

Implementation of Decision with Reasons on EB-2019-0178

### 2020 Revenue Requirement by Rate Pool

	2020 Rate Pool Revenue Requirement (\$ Million)			
				Uniform Transmission Rates Revenue Requirement
<i>(\$ millions)</i>	<b>Network</b>	<b>Line Connection</b>	<b>Transformation Connection</b>	
OM&A	1.2	0.0	0.0	1.2
Depreciation	7.0	0.0	0.0	7.0
Return on Debt	7.6	0.0	0.0	7.6
Return on Equity	16.6	0.0	0.0	16.6
Income Tax	0.8	0.0	0.0	0.8
Service Revenue Requirement	33.2	0.0	0.0	33.2
Deduct: External Revenues and Other	(0.1)	0.0	0.0	(0.1)
Base Revenue Requirement	33.2	0.0	0.0	33.2

*Note 1: Revenue requirement as per Exhibit 1.0*

## B2M LP

### Implementation of Decision with Reasons on EB-2019-0178

#### 2020 Bill Impacts on Transmission-Connected and Distribution-Connected Customers

**Table 1: Average Bill Impacts on Transmission and Distribution-connected Customers**

	<b>2019*</b>	<b>2020</b>
Rates Revenue Requirement (\$ millions)	32.8	33.2
% Increase in Rates Revenue Requirement over prior year		1.2%
% Impact of load forecast change		0.0%
<b>Net Impact on Average Transmission Rates</b>		0.03%
Transmission as a % of Tx-connected customer's Total Bill		7.4%
<b>Estimated Average Bill impact</b>		0.00%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
<b>Estimated Average Bill impact</b>		0.00%

\* 2019 rates revenue requirement as per the OEB's Decision and Order for B2M LP's Transmission Revenue Requirement application (EB-2018-0320, Schedule A, Exhibit 1.0), issued on 20<sup>th</sup> December, 2018.

**Table 2: Bill Impacts for Typical Medium Density (R1) Residential and General Service Energy less than 50 kW (GSe < 50 kW)**

	<b>Typical Medium Density (HONI R1) Residential Customer 750 kWh</b>	<b>Typical General Service Energy less than 50 kW (HONI GSe &lt; 50kW) Customer 2,000 kWh</b>
Total Bill as of May 1, 2018 <sup>1</sup>	\$124.30	\$389.14
RTSR included in R1 Customer's Bill (based on 2019 Interim UTR)	\$11.94	\$25.21
<i>Estimated 2020 Monthly RTSR</i> <sup>2</sup>	\$11.95	\$25.21
<b>2020 increase in Monthly Bill</b>	<b>\$0.00</b>	<b>\$0.01</b>
<i>2020 increase as a % of total bill</i>	<i>0.00%</i>	<i>0.00%</i>

<sup>1</sup>Total bill including HST, based on time-of-use commodity prices and distribution rates effective May 1, 2018 (implemented July 1, 2019) approved per Distribution Rate Order EB-2017-0049 (includes impacts of all applicable components of the Fair Hydro Plan).

<sup>2</sup>The impact on RTSR is assumed to be the net impact on average transmission rates, as per Table 1, adjusted for B2M LP's revenue disbursement allocator, as per the interim 2019 UTR Order (EB-2018-0326) issued on December 20, 2018.

## **ACCOUNTING ORDER**

In the Decision, the OEB directed B2M LP to provide a draft Accounting Order for the Earning Sharing Mechanism (ESM) Deferral Account. To comply with the OEB's direction, B2M LP has provided the draft accounting order in Exhibit 4.1.

**Transmission Accounting Order – ESM Deferral Account**

The “Earnings Sharing Mechanism (“ESM”) Deferral Account” shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points in any year of the five-year term through B2M LP’s transmission revenue. B2M LP shall use a methodology which is similar to what is outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE shall use the OEB approved mid-year rate base for that period. The ROE calculation shall be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income. The portion of B2M LP owned by Hydro One is subject to tax - this cost will be included as part of the calculation of ROE.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2020. B2M LP shall record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

<b>USofA #</b>	<b>Account Description</b>
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the five-year term.

<b>USofA #</b>	<b>Account Description</b>
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate Payer Benefit

To record interest improvement on principal balance of ESM deferral account.