

BY EMAIL

February 3, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: B2M Limited Partnership (B2M LP)
Application for approval of electricity transmission revenue requirements
for the period commencing January 1, 2020 and for each following year
through to December 31, 2024**

Ontario Energy Board File Number: EB-2019-0178

In accordance with Procedural Order No.3 in the above proceeding, please find attached OEB staff's comments on B2M LP's draft order and supporting schedules for the 2020 rate year filed on January 27, 2020.

B2M LP and all registered intervenors have been copied on this filing.

Yours truly,

Original Signed By

Andrew Pietrewicz
Project Advisor – Generation and Transmission

cc: All registered parties to EB-2019-0178

Encl.

ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON DRAFT ORDER AND SUPPORTING SCHEDULES

ELECTRICITY TRANSMISSION REVENUE REQUIREMENTS
FOR THE PERIOD COMMENCING JANUARY 1, 2020 AND FOR
EACH FOLLOWING YEAR THROUGH TO DECEMBER 31, 2024

B2M Limited Partnership

EB-2019-0178

February 3, 2020

INTRODUCTION

B2M LP filed a revenue cap incentive rate-setting application with the Ontario Energy Board (OEB) on July 31, 2019, under section 78 of the *Ontario Energy Board Act, 1998*. B2M LP is seeking approval for the revenue requirement, established on a cost of service basis, for the year commencing January 1, 2020, and for a revenue cap methodology to adjust the annual revenue requirement annually for the remainder of the term plan, from January 1, 2021 to December 31, 2024.

A settlement conference was held on December 9, 2019. B2M LP and the parties, which in this case included OEB staff, resolved all issues associated with B2M LP's application at the settlement conference and B2M LP, on behalf of all parties to the settlement proposal, filed a settlement proposal with the OEB on January 6, 2020.

The OEB issued its Decision and Order on B2M LP's application on January 16, 2020 and accepted the settlement proposal as filed. The OEB's Decision and Order directed B2M LP to file a draft Revenue Requirement and Charge Determinant Order and supporting schedules for the 2020 rate year (the draft order) that reflects the OEB's findings in its Decision and Order by January 23, 2020.

In Procedural Order No. 3, issued on January 22, 2020, the OEB and granted B2M LP an extension to the filing deadline, to January 27, 2020. B2M LP filed its draft order on January 27, 2020. Procedural Order No. 3 also provided for OEB staff and intervenor comments on B2M LP's draft order.

Revenue Requirement

In the approved settlement proposal, B2M LP agreed to update its 2020 base revenue requirement to reflect the OEB's cost of capital parameters for rates effective in 2020. The changes to the cost of capital reduced B2M LP's base revenue requirement from \$35.7 million to \$33.2 million. OEB staff submits that B2M LP's updated base revenue requirement, including its underlying components, is consistent with the Decision and Order in this proceeding.

Charge Determinants and Uniform Transmission Rates

B2M LP has no charge determinants for setting Uniform Transmission Rates (UTRs) because it does not have any customer delivery points supplied directly from its assets. All assets associated with B2M LP are classified as Network assets and B2M LP's revenue requirement will be recovered entirely from the network pool.

The Decision and Order provided that B2M LP's approved 2020 revenue requirement will be incorporated into the 2020 final UTRs. 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. B2M LP will provide a calculation of the forgone revenue to be included in the 2020 UTRs as part of the process for approving the final 2020 UTRs.

OEB staff submits that the 2020 revenue requirement by rate pool outlined in B2M LP's draft order is consistent with the Decision and Order in this proceeding.

Earning Sharing Mechanism Deferral Account

As described under issue six of the approved settlement agreement, a new Earnings Sharing Mechanism Deferral Account will be established to record and share with customers 50% of any over-earnings that exceed the OEB-approved regulatory return on equity (ROE) by more than 100 basis points realized during any year of the Revenue Cap IR term. The approved settlement agreement does not specify how over-earnings will be calculated. The draft accounting order states that B2M LP's calculation of its actual ROE will use the OEB-approved mid-year rate base for each rate year.

OEB staff submits that the actual ROE should be calculated using the actual rate base for the year and not the approved rate base as the intent of the account is to calculate actual over-earnings in the year as compared to the approved ROE. If the actual rate base is not used, it will not be possible to accurately determine B2M's performance against the approved ROE.

OEB staff submits that it is the OEB's general expectation that actual ROE be calculated based on actual rate base. For example, actual ROE based on actual rate

base is used in the OEB's Reporting & Record Keeping Requirements (RRRs), and more particularly in sections 2.1.5.6 and 3.1.4 of the RRRs. Those sections provide:

2.1.5.6 Regulated Return on Equity (ROE)

A distributor shall report, in the form and manner determined by the Board, the regulatory return on equity earned in the preceding fiscal year. The reported return is to be calculated on the same basis as was used in establishing the distributor's base rates.

3.1.4 Regulated Return on Equity (ROE)

A transmitter shall report in the form and manner determined by the Board, annually by April 30, the regulatory return on equity earned in the preceding fiscal year. The reported return is to be calculated on the same basis as was used in establishing the transmitter's base rates.

The March 2016 *RRR 2.1.5.6 ROE Complete Filing Guide* sets out the following purposes of the ROE filing for distributors:

1. Purposes of the ROE filing:

- To provide a consistent methodology and standardized approach to calculating the achieved ROE as reported in the RRR and on the electricity distributor's Scorecard.
- To assess a distributor's ROE performance in the reporting year in order to determine whether a distributor's ROE falls within/outside of the 300 basis points deadband.
- To provide a mechanism for distributors to explain the drivers for over/underearning if applicable.

In part, an electricity distributor reports its ROE in order for the OEB to determine whether the distributor is considered an over- or under-earner. In the RRR 2.1.5.6 filing, the rate base portion of the ROE is first auto-populated from the current year's RRR 2.1.7 trial balance that is composed of actual balances for the year. Therefore, actual rate base is used as the basis for calculating actual ROE.

OEB staff submits that, while there is no similar filing guide for transmitter ROE filings under section 3.1.4, the purposes of the ROE filings are clear, and that B2M LP's

calculation of its actual ROE for the purposes of determining whether the ESM is triggered should be performed in a manner consistent with that expected of other rate regulated electricity utilities in Ontario.

All of which is respectfully submitted