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Frank D'Andrea

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL, COURIER AND RESS

February 7, 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

B2M LP is in receipt of OEB Staff's response, dated February 3, 2020, to B2M LP's Draft Revenue Requirement Order (the "DRRO") dated January 27, 2020. No other party provided a response to B2M LP's DRRO.

OEB Staff submitted that the return on equity (ROE) used in establishing any over-earnings for the Earning Sharing Mechanism Deferral Account should be calculated using the actual rate base for the year and not the approved rate base. In interrogatory I-1-OEB-47 B2M LP agreed to use the actual mid-year rate base and has updated the proposed accounting order accordingly, attached herewith. B2M LP apologizes for the confusion.

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

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea
Submitting on behalf of B2M LP

1 **Transmission Accounting Order – ESM Deferral Account**

2
3 The “Earnings Sharing Mechanism (“ESM”) Deferral Account” shall record 50% of
4 earnings that exceed the regulatory return on equity (ROE) reflected in this Application
5 by more than 100 basis points in any year of the five-year term through B2M LP’s
6 transmission revenue. B2M LP shall use a methodology which is similar to what is
7 outlined in the annual RRR 2.1.5.6 filing. The calculation of actual ROE shall use the
8 actual mid-year rate base for that period. The ROE calculation shall be normalized for
9 revenue impacting items such as entries that are recorded in the year which relate to prior
10 years to normalize the in-year net income. The portion of B2M LP owned by Hydro One
11 is subject to tax - this cost will be included as part of the calculation of ROE.

12
13 The account will be established as Account 2435, Accrued Rate-Payer Benefit effective
14 January 1, 2020. B2M LP shall record interest on any balance in the sub-account using
15 the interest rates set by the OEB. Simple interest will be calculated on the opening
16 monthly balance of the account until the balance is fully disposed.

17
18 The following outlines the proposed accounting entries for this deferral account.

19

20 USofA #	20 Account Description
21 DR: 4395	21 Rate-Payer Benefit Including Interest
22 CR: 2435	22 Accrued Rate-Payer Benefit

23
24 Initial entry to record the over-earnings realized in any year of the five-year term.

25

26 USofA #	26 Account Description
27 DR: 4395	27 Rate-Payer Benefit Including Interest
28 CR: 2435	28 Accrued Rate Payer Benefit

29
30 To record interest improvement on principal balance of ESM deferral account.