



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

Ontario

REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER

EB-2019-0178

B2M LIMITED PARTNERSHIP

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

BEFORE: Emad Elsayed
Presiding Member

February 20, 2020

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1 INTRODUCTION AND SUMMARY

This is a Revenue Requirement and Charge Determinant Order of the Ontario Energy Board (OEB) on an application filed by B2M Limited Partnership (B2M LP) for approval of its transmission revenue requirements for the period commencing January 1, 2020 and for each following year through to December 31, 2024 (the Application). This Revenue Requirement and Charge Determinant Order pertains specifically to B2M LP's revenue requirement for the rate year from January 1 to December 31, 2020.

The OEB has reviewed B2M LP's draft Revenue Requirement and Charge Determinant Order and supporting schedules (the draft order), and is satisfied that they accurately reflect the OEB's Decision and Order issued on January 16, 2020.

2 THE PROCESS

On January 16, 2020, the OEB issued a Decision and Order (Decision) in which it accepted the settlement proposal filed by B2M LP and parties to this proceeding, which in this case included OEB staff. The OEB directed B2M LP to file a draft Revenue Requirement and Charge Determinant Order and supporting schedules for the 2020 rate year that reflects the OEB's findings in the Decision. Intervenor and OEB staff were given the opportunity to comment on B2M LP's draft order.

B2M LP filed its draft order on January 27, 2020. OEB staff filed comments on February 3, 2020. No other comments were filed.

OEB staff submitted in its comments that B2M LP had accurately reflected the Decision in its draft order, subject to one concern with respect to the calculation of the Return on Equity (ROE), which is used to determine whether the Earnings Sharing Mechanism (ESM) would be triggered. OEB staff submitted that B2M LP should use its actual, rather than its approved rate base for the year in the calculation of actual ROE to determine whether the ESM would be triggered.

B2M LP filed its response to OEB staff comments on February 7, 2020. B2M LP's response included an updated draft accounting order, which confirmed that B2M LP agrees to use the actual mid-year rate base in its calculation of actual ROE.

3 REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER

The OEB has reviewed B2M LP's draft order filed on January 27, 2020 and updated accounting order filed on February 7, 2020. The OEB finds that the draft order and updated draft accounting order accurately reflect the Decision.

The rates approved in this Revenue Requirement and Charge Determinant Order are to be effective on January 1, 2020.

B2M LP's approved 2020 revenue requirement will be incorporated into the 2020 final Uniform Transmission Rates (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. B2M LP will provide a calculation of the forgone revenue to be included in the 2020 UTRs as part of the process for approving final 2020 UTRs.

The Decision accepted B2M LP's requested disposition of the Forgone Revenue Deferral Account's balance to reduce the revenue requirement in 2020. B2M LP's Forgone Revenue Deferral Account will be discontinued after the disposition of the balance in the account.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The revenue requirement for B2M LP to be included in the calculation of Uniform Transmission Rates effective January 1, 2020 is approved at \$33.2 million, on the basis of the calculations filed by B2M LP and set out in Schedule A.
2. The allocation of the approved revenue requirement to the electricity transmission rate pools as shown in Exhibit 2.0 in Schedule A is approved.
3. B2M LP shall establish an Earnings Sharing Mechanism (ESM) Deferral Account in accordance with Schedule B, effective January 1, 2020.

DATED at Toronto February 20, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar and Board Secretary

SCHEDULE A
REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER
B2M LP
EB-2019-0178
FEBRUARY 20, 2020

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

Revenue Requirement Summary

(\$ millions)	Supporting Reference	B2M LP Proposed					Settlement Impact					OEB Approved ^{2,3}				
		2020 ¹	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		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).

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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

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

OEB Decision Impact Supporting Details

Working Capital Adjustment

Rate Base Details

	Reference	Detailed Calculation	
Utility plant (average)			
Gross plant at cost ²		549.2	549.2
Less: Accumulated depreciation ²		(60.8)	(60.8)
Add: CWIP			-
Net utility plant ²		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))

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Capital Expenditures

(\$ millions)

Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
	2020	2020	2020
Capital expenditures ¹	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))

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Capital Structure and Return on Capital

	Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
		2020	2020	2020
<i>(\$ millions)</i>				
<u>Return on Rate Base</u>				
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
		\$ 488.4	-	\$ 488.4
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		\$ 7.6	\$ -	\$ 7.6
Common equity		\$ 16.6	\$ -	\$ 16.6

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 (m)
						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		Subtotal							<u>274.3</u>	<u>273.5</u>	<u>273.8</u>	<u>6.8</u>	
6		Treasury OM&A costs										<u>0.1</u>	
7		Other financing-related fees										<u>0.2</u>	
8		Total							<u><u>274.3</u></u>	<u><u>273.5</u></u>	<u><u>273.8</u></u>	<u><u>7.1</u></u>	<u>2.59%</u>

B2M LP Inc.
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Income Tax

(\$ millions)	Supporting Reference	B2M LP Proposed	Settlement Impact	OEB Approved
		2020	2020	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	Exhibit 1.4	(b)	40.0%		40.0%
Return on Equity		(c)	8.52%		8.52%
Return on Equity		(d) = a x b x c	16.6		16.6
Regulatory Income Tax		(e) = i	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
Deferral and Variance Accounts Disposition				
<i>See supporting details below</i>	(0.1)	(0.1)	-	(0.1)

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

Foregone Revenue Deferral Account ¹		(0.1)	(0.1)
Total	-	(0.1)	(0.1)

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)			
	Network	Line Connection	Transformation Connection	Uniform Transmission Rates Revenue Requirement
<i>(\$ millions)</i>				
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

SCHEDULE B
REVENUE REQUIREMENT AND CHARGE DETERMINANT ORDER
B2M LP
EB-2019-0178
FEBRUARY 20, 2020

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

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