

Message

From: Miriam Heinz [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=432D98E745A847AAA0D1821A368FDAC9-MIRIAM HEIN]
Sent: 2017-06-28 1:26:01 PM
To: Miriam Heinz [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=432d98e745a847aaa0d1821a368fdac9-Miriam Hein]
Subject: FW: OEB Decision in B2M Limited Partnership Application for Revenue Requirements from 2015-2019

From: Nancy Marconi
Sent: January 05, 2016 9:59 AM
To: Miriam Heinz
Subject: RE: OEB Decision in B2M Limited Partnership Application for Revenue Requirements from 2015-2019

Thanks for the good summary Miriam! This is interesting.

Thanks!

Nancy Marconi | Senior Manager, Regulatory Affairs
Independent Electricity System Operator (IESO) | T: (416) 969-6046 | C: (416) 627-7102
Suite 1600 - 120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca | Twitter: [IESO_Tweets](https://twitter.com/IESO_Tweets) | LinkedIn: [IESO](https://www.linkedin.com/company/ieso)
Conservation: www.saveONenergy.ca | Twitter: [saveONenergyOnt](https://twitter.com/saveONenergyOnt) | LinkedIn: [saveONenergy](https://www.linkedin.com/company/saveONenergy)

From: Miriam Heinz
Sent: Monday, January 04, 2016 6:48 PM
To: Bob Chow; Nicole Hopper; Tabatha Bull
Cc: Nancy Marconi; Phillip Chisulo; Chase, Maia; Michael Lyle
Subject: OEB Decision in B2M Limited Partnership Application for Revenue Requirements from 2015-2019

On December 29, 2015 the OEB issued a Decision and Order (EB-2015-0026) approving B2M Limited Partnership's ("B2M LP") application substantially as filed March 30, 2015, which was for approval of revenue requirements for electricity transmission for 5 years (2015-2019) as follows:

- \$38.7 million in 2015
- \$35.9 million in 2016
- \$36.5 million in 2017
- \$38.2 million in 2018
- \$37.3 million in 2019

Start-Up Costs - B2M LP's application included start-up costs incurred between 2012-2014 for developing and implementing the organizational structure for B2M LP. It proposed recovery of \$7.7 million over 4 years of \$1.925 million for each of 2016-2019.

The section on Start-up costs is the most interesting, and will be especially to Upper Canada Transmission with regards to the East-West Tie, as the Board allowed the total start-up costs of \$7.7 million to be recovered from ratepayers. Board staff argued against this and submitted that commercial ventures must be willing to invest in hopes of future profit. Staff indicated that the Board did not allow recovery of costs to set up the designated transmitter in the East-West Tie proceeding, and then went on to argue that to allow recovery would retroactive ratemaking. Much of the debate was around whether that was true in these circumstances.

Copied verbatim from the decision are the key decision points

- As the line transferred to B2M LP is a small part of the Ontario transmission system, the effect of approving the B2M LP proposed revenue requirements on the average residential customer's bill would be minimal.
- The OEB approves B2M LPs application substantially as filed. While the OEB approves the revenue requirement for a five year period, it does not accept the proposal for annual adjustments for tax rate and rule changes or changes in third party charges. However, the OEB does approve a deferral account for tax rate and rule changes and finds that B2M LP is eligible to apply for relief if unforeseen, uncontrollable and material expenses arise during the five year term. The ability to apply for such relief means that the requested unplanned capital spending account is also unnecessary.
- The OEB approves the proposals for an annual adjustment to the cost of capital. The OEB will require B2M LP to report annually on measures to track its operational and financial performance, but will not require a scorecard. With respect to the 2015 revenue requirement reconciliation account, the OEB finds that the account is unnecessary, as the reconciliation can be made through an adjustment to the 2016 revenue requirement.
- To encourage efficiencies as B2M LP gains experience over the five year term, the OEB will **reduce** the proposed operations, maintenance and administration budget for 2018 and 2019 by \$50,000 each year.
- The OEB will allow the \$7.7 million start-up costs to be recovered from ratepayers considering the circumstances of this case as being a novel and complex commercial arrangement which required significant effort on the part of SON FC and Hydro One Networks to structure and negotiate.
- The OEB finds that the prohibition against retroactive or retrospective ratemaking is not present in the current situation where the tax benefits from the ownership structure of B2M LP will benefit the same ratepayers that pay the transaction costs required to create that ownership structure.

Next Steps as ordered by the Board

- January 7, 2016** - B2M LP to file exhibits showing the final revenue requirements for each of 2015, 2016, 2017, 2018 and 2019 reflecting the OEBs Decision.
- B2M LP to file a draft accounting order for the Tax Rate and Rule Changes deferral account as approved
- January 11, 2016** - Intervenors or OEB staff may file comments on the exhibits or draft accounting order
- January 12, 2016** - B2M LP may file a reply to comments

B2M LP shall file an application in each of 2016, 2017 and 2018 to adjust its revenue requirement for the following year consistent with the OEB's updated cost of capital parameters. At the same time, B2M LP will report on the five outcome measures as required in this Decision.

To read the full decision please click here:

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/511254/view/dec_order_B2M_20151229.PDF

For the full record in this proceeding please click here:

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec?sm_udf10=EB-2015-0026&sortd1=rs_dateregistered&rows=200

Please forward more broadly as appropriate.

Miriam Heinz | Regulatory Coordinator

Independent Electricity System Operator (IESO) | T: (416) 969-6045 | C: (416) 317-9617
1600-120 Adelaide Street West, Suite 1600, Toronto, ON, M5H 1T1

E: miriam.heinz@ieso.ca

Web: www.ieso.ca | Twitter: [IESO Tweets](https://twitter.com/IESOTweets) | LinkedIn: [IESO](https://www.linkedin.com/company/ieso)