

1 million excess 2017 capital expenditures will exceed the dead band by \$11.268 million, such
2 that FBC has removed the \$11.268 million amount above the dead band in the calculation of
3 2017 earnings sharing, as shown in Line 26 of Table 10-2 below.

4 **Table 10-2: Calculation of 2017 Projected Earnings Sharing (\$ millions)**

Table 10-2: Calculation of 2017 Projected Earnings Sharing (\$ millions)

Line No.	Description		Annual Capital Expenditures				Reference
			2014	2015	2016	2017	
1	Approved Formula O&M	\$ 54.071					G-139-14
2							
3	Actual/Projected Gross O&M	56.290					
4							
5	Less: O&M Tracked Outside of Formula						
6	Pension/OPEB (O&M Portion)	3.267					
7	Insurance Premiums	1.267					
8	Advanced Metering/Infrastructure Costs/Savings	(1.126)					
9	MRS Incremental O&M	0.050					
10	UBO Unit 3 Annual Inspection	(0.040)					
11	Total	3.418					Sum of Lines 6 - 10
12							
13	Actual/Projected Base O&M	52.872					Line 3 - Line 11
14							
15	O&M Subject to Sharing	(1.200)					Line 13 - Line 1
16							
17							
18							
19	Cumulative Formula Capital Expenditures	170.705	42.193	42.384	42.874	43.254	G-139-14
20							
21	Cumulative Total Regular Capital Expenditures	209.715	49.061	49.043	49.512	62.099	Note 1
22							
23	Less: Capital Expenditures Tracked Outside of Formula						
24	Cumulative Pension and OPEB	17.862	6.396	4.253	3.674	3.539	
25							
26	Actual/Projected Base Capital Expenditures	191.853	42.665	44.791	45.839	58.560	Line 21 - Line 24
27	Deadband Adjustment	(11.268)	-	-	-	(11.268)	Adjustment to stay within deadband
28	Actual/Projected Base Capital Expenditures for ESM Calculation	180.585	42.665	44.791	45.839	47.292	Line 26 + Line 27
29							
30	Actual/Projected Cumulative Base Capital Expenditure Variance	9.880	0.472	2.408	2.965	4.038	Line 28 - Line 19
31							
32	Single Year Deadband % Variance (After Adjustment)		0.97%	5.16%	6.37%	8.63%	Line 30 / (Line 19 + Line 24)
33	Two Year Cumulative Deadband % Variance (After Adjustment)			6.13%	11.53%	15.00%	Line 32, sum of two years
34							
35	Equity Component of Rate Base	40.00%					G-139-14
36	Approved Return on Equity	9.15%					G-75-13/G-47-14
37	After Tax Capital Expenditures Subject to Sharing	0.362					Product of Lines 30, 35 & 36
38							
39	Tax Rate	26.00%					G-139-14
40							
41	Before Tax Capital Expenditures Subject to Sharing	0.489					Line 37 ÷ (1 - Line 39)
42							
43	Total Before Tax Sharing Account	(0.711)					Line 15 + Line 41
44	Sharing Percentage	50.00%					G-139-14
45							
46	2017 Projected Earnings Sharing (Pre-Tax)	\$ (0.356)					Line 43 x Line 44
47	2017 Projected Earnings Sharing (After-Tax)	\$ (0.263)					Line 46 x (1- Line 39)
48							
49							

Note 1: 2014 through 2016 are actual results from BCUC Annual Report. 2014 Regular Capital Expenditures restated to correct treatment of capitalized inventory and transfer of land purchased for the Kootenay Operations Centre to CPCN-related capital upon approval of the project. 2017 is Projected result.

5

6 **10.2 ACTUAL CUSTOMER GROWTH ADJUSTMENT**

7 Order G-15-15 stated the following in relation to formula capital expenditures:

8 FEI and FBC are approved to recover the variance in earned return driven by the use of
9 prior year customer additions for the growth term when compared to the actual customer
10 additions. This positive or negative variance in earned return resulting from the Growth