

**UNDERTAKING**

**Undertaking**

TO EXPLAIN DIFFERENCE UNDER AFUDC AMOUNT BETWEEN RESPONSES TO BOMA INTERROGATORY AND VECC INTERROGATORY, AND DIFFERENCE IN AMOUNT BETWEEN VECC INTERROGATORY RESPONSE AND AMOUNT FOR CAPITAL SPENDING SHOWN IN EXHIBIT 1, TAB 1, SCHEDULE 122, ATTACHMENT 2.

**Response**

The first part of the undertaking asks for an explanation of the difference in the "AFUDC" amounts for 2011 between I-4-74 and I-6-38. I-4-74 asked to have Table 2 from A-11-5 recalculated using the AFUDC rate instead of the WACC. That result was provided in Table 1 of I-4-74 based on a 2011 rate base of \$485.8M. This calculation applied the 5.6 percent AFUDC rate to the rate base to calculate the \$27.2M using the mid-year calculation basis.

I-6-38 asked for the AFUDC in 2011 under a different treatment. The resulting AFUDC calculation of \$26.4M is based on a monthly calculation using the same AFUDC rate. Therefore, both responses are correct. The difference lies in the basis of calculation – the standard treatment for AFUDC using a monthly profile of capital expenditures for the project to determine AFUDC in I-6-38 and I-1-122 Attachment 2 versus the implicit mid-year approach for the 2011 capital expenditures in I-4-74.

The second part of the undertaking asks for an explanation of the difference in 2012 "AFUDC" between I-4-74 and I-1-122 Attachment 2. In I-4-74 the \$17.6M is the return on rate base, using the debt rate of 6.10 percent, consistent with the methodology being applied in A-11-05 Table 2. The amount of capital used to calculate this is consistent with A-11-05, which uses half of the year end 2011 capital balance as the basis of calculation and no return on 2012 project capital expenditures is included.

In I-1-122, Attachment 2 AFUDC is calculated using a monthly profile of capital expenditures for the project during the entire construction period until the project comes into service in December 2012. This results in a calculation of \$40.9M and includes the monthly capital expenditures in 2012.