Undertaking No. J2.1

To provide IRM calculation, assuming the 2013 application were approved in full as applied for, describing assumptions used to then derive 2014 revenue requirement and percentage change, p. 87.

Response:

In calculating an estimated 2014 IRM revenue requirement, based on the 2013 proposed revenue requirement, Enersource has assumed the 2014 IRM price cap index to be equal to the average of the approved IRM increases of the previous three years, as presented in Table 1:

Table 1: Historical IRM Price Cap Index

	2010	2011	2012	Average
IRM Price Cap Index	0.18%	0.18%	0.88%	0.41%

Based on an estimated price cap index of 0.41% for 2014 and the proposed 2013 revenue requirement of $131,676[1], the estimated 2014 revenue requirement under an IRM is $132,216. Note that the increase to rates would be equivalent to the 0.41% increase in the revenue requirement.

Table 2: Estimated 2014 Revenue Requirement under an IRM

in $000's		
2013 Proposed Revenue Requirement	$	131,676
2010-2012 IRM Price Cap Index Average		0.41%
2014 Estimated IRM Revenue Requirement	$	132,216

The difference between the proposed 2014 revenue requirement of $134,983[2] under an ICR and the estimated 2014 IRM revenue requirement shown in Table 2 above is $2,767.

[1] Issue 1 – General, Board Staff Interrogatory # 3, filed July 23, 2012.
[2] *Ibid.*

Table 3: 2014 ICR versus 2014 IRM

in $000s		
2014 ICR Revenue Requirement	$	134,983
2014 Estimated IRM	$	132,216
Difference	$	2,767

All things being equal, under the ICR proposal, if Enersource invests the $2,767 difference in 2014 customers will pay the cost of that investment in 2014. If the ICR model is not accepted, then again all things being equal, Enersource continues to invest the $2,767 difference in 2014 but customers will not start paying for the cost of that investment until 2017, at which time they will also pay the cost of investments made in 2015 and 2016.