

PC Data Request 132

Re: IHS Global Insight Indices.

Please refer to page 12 of the Rebuttal Testimony of R. Bryce Dalley. At lines 20 and 21, Mr. Dalley states: "IHS Global insight is a national economic forecasting consultancy company that is widely used to develop economic forecasts".

- (a) Please identify the source of the inflation factors or indices used in the Company's annual budgeting process.
- (b) Does the Company use the IHS Global Insight indices for costs that are escalated in preparing its annual operating budgets? If yes, please explain how these indices are used in the annual operating budgets. If no, please explain why not.
- (c) Does the Company use the IHS Global Insight indices for costs that are escalated in preparing its 10-year strategic plan? If yes, please explain how these indices are used in the 10-year plan preparation. If no, please explain why not.

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- (a) IHS Global Insight's Inflation Curve.
- (b)-(c) Yes. The Company uses IHS Global Insight indices in conjunction with other methods in preparing annual operating budgets and the Company's 10-year plan.

For the first budgeted year of the business plan, labor expenses are generally based on planned and contracted percentage cost increases. Non-labor expenses for the first budgeted year of the business plan are developed using a variety of methods such as but not limited to prior year actuals, asset performance trends, planned capital projects and maintenance work, compliance requirements, known and measurable changes, and actuarial studies. For budgeted years two through 10, expenses are generally escalated by applying inflationary increases using labor and non-labor inflation rates.

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