

Default ACR Escalation Calculation

MRC
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Default ACR Escalation

- **Default ACR values are escalated each year using the Handy Whitman Index**
 - **During three year cycles**
- **There are two ways to interpret the tariff:**
 - **Escalate the prior year ACR from the tariff table**
 - **Escalate the prior year ACR, calculated using the most current data**
- **Escalating the prior year ACR from the table does not result in an accurate calculation because it does not incorporate the most current Handy Whitman Index data**



Calculation Issue

- **Default ACR values for 2012/2013 in tariff table**
 - Calculated by escalating prior year's ACR values
 - The 2012/2013 used an escalated index value for 2009; 2010; and 2011
- **The current Handy Whitman publication includes an actual index value for 2009**
 - It shows a reduction from 2008 value and from 2009 escalated index value
- **If the actual index value for 2009 is used to calculate the 2012/2013 ACR value**
 - The value for 2012/2013 is lower
 - The escalated value for 2013/2014 is lower
- **This year the difference is significant (about 8.5 percent)**



MMU Recommendation

- **Recommend that the default ACR values are calculated each year using the most current Handy Whitman Index data**
- **The actual differences depend on actual values of the index**
- **Could be higher or lower than simply escalating the ACR value from the table**



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