



TOTAL RISK

	Risk			Correlation
	1 st Asset	2 nd Asset*	Total	
$\text{Total Risk} = \sqrt{(\text{Risk}_1^2 + \text{Risk}_2^2 + 2 \times \text{Correlation} \times \text{Risk}_1 \times \text{Risk}_2)}$				
$\$200 = \sqrt{(\$100^2 + \$100^2 + 1 \times \$100 \times \$100)}$	\$100 	\$100 	\$200 	+1 Positive
$\$0 = \sqrt{(\$100^2 + \$100^2 - 1 \times \$100 \times \$100)}$	\$100 	\$100 	\$0	-1 Negative
$\$140 = \sqrt{(\$100^2 + \$100^2 + 0 \times \$100 \times \$100)}$	\$100 	\$100 	\$140 	0 Zero

* A liability could be shown as a "negative" asset.

THE PUBLIC UTILITIES BOARD

Exhibit No. CAC#20

Re: MPI GRA 2017

10/25/16

DATE

SECRETARY