

Undertaking # 18

MPI to explain why the result of the iterative adjustment is equal across all periods, considering that the addition of the 26 million of total equity at the start of the forecast period in this instant would be expected to generate additional investment income throughout the forecast period.

RESPONSE:

The Corporation's financial model was not built to handle the addition or removal of funds to Basic Retained Earnings from external sources. It currently does not properly calculate or allocate the investment income of these additional funds. In order to correct this, the Corporation has treated all additions or removals of funds to Basic Retained Earnings as transfers to and from Extension Retained Earnings. In this case, the investment income allocation correctly allocates the portion of investment income to Basic.

Please see the revised PUB (MPI) 1-25.