

October 22, 2021

2022 GENERAL RATE APPLICATION  
Undertaking #21 Transcript Page 931**Undertaking #21**

MPI to advise as to the basis of the new money yield rate of 2.17 percent provided in MPI 43.

**RESPONSE:**

The marketable bond yield of 2.17% for the 2022, 2023, 2024 calendar years is the annual weighted average yield of the Provincial and Corporate bonds held by MPI. For example, MPI forecasted the 2022 calendar year Provincial bonds to represent 69.1% of marketable bonds with a yield of 1.85%. MPI forecasted Corporate bonds to represent 30.9% of marketable bonds with a yield of 2.89%. The figure below shows the calculation of the 2.17% marketable bond yield:

**Figure 1      Marketable Bond Yield**

Line No.	<b>2022 Forecast</b>	<b>Weight (W)</b>	<b>Yield (Y)</b>	<b>WxY</b>
1	Provincial Bonds	69.1%	1.85%	1.28%
2	Corporate Bonds	30.9%	2.89%	0.89%
3	<b>Total</b>	<b>100.0%</b>		<b>2.17%</b>

The 2.34% new money yield includes MUSH bonds in addition to provincial and corporate bonds. The marketable bond yield (2.17%) includes only provincial and corporate bonds. The omission of the MUSH bonds is the reason for the discrepancy between 2.17% and 2.34%.