

Annual ROE Indexing Methodology

During the term of the Plan, GMP's allowed Return on Equity ("ROE") shall be indexed using the following equation:

$$ROE_t = ROE_{t-1} + \left[0.50 \times (BF_t - BF_{t-1}) + 0.50 \times \left(\sum_i \frac{30_UtA_B_{i,t} - 30_B_{i,t}}{i_t} - 30_UtA_Sprd_{t-1} \right) \right]$$

In this formula, 50% of the change in the 30-yr Treasury bond yield is combined in equal weighting with 50% of the change in the utility credit spread to determine the adjustment to ROE. The starting (or base, also reflected as t-1) bond yield and credit spread, BF_{t-1} and $30_UtA_Sprd_{t-1}$, respectively, will be determined by taking the daily average for each parameter for December 2018 to serve as the basis from which to adjust in the first year of the formula. The utility credit spread in year t is given by the formula: $\sum_i \frac{30_UtA_B_{i,t} - 30_B_{i,t}}{i_t}$, and is equal to the average daily spread during the calculation month (*e.g.*, *May*), between A-rated Utility Bonds ($30_UtA_B_{i,t}$) and 30-year Government Bonds ($30_B_{i,t}$). The 30-year bond forecast BF_t is computed as the average of the Blue Chip 10-Year Treasury forecast for 3 and 12 months out plus the term spread calculated as the average daily spread between 10- and 30-year Treasuries for the calculation month. Concentric used Blue Chip Financial Forecasts for the 3 and 12 month out forecast for the 10-year Treasury; and relied on the Bloomberg Fair Value Utility A-rated Bond Index (identified as series, "C03630Y" in the Bloomberg terminal) for the Utility 30-Yr A-rated bond yield. Concentric also relied on Bloomberg for the actual daily 10 and 30-year Treasury bond yields.