

1 **Information Request PUB-FA-23:** *On April 16, 2014 Facility Association provided responses to*  
 2 *questions issued by Oliver Wyman on April 9, 2014. In response to Question #15 it is stated the TPL*  
 3 *rate indication is +67.3% and the all coverage indication is +69.7% based on the assumption set*  
 4 *(1.14% ROI, FA LC Trend, \$0 Cost of Capital, 3,245 for TPL, Current Compliment). Please confirm*  
 5 *that the pre-tax ROI rate assumed for this calculation is 2.8%, and not 1.14% as stated, If this is not the*  
 6 *case, explain why in the Actuarial Memorandum section 2, at page 7 it states the overall rate indication*  
 7 *based on an 2.8% ROI and 0% cost of capital is +69.7%.*

8 **FA Response:**

9 In our April 16<sup>th</sup> response to question #15 issued by Oliver Wyman on April 9, 2014, we provided the  
 10 proposed rate changes (row 1), and both the original underlying indications (row 2) and the indications  
 11 calculated using the assumption set as requested by OW (row 3). The overall indication under the  
 12 alternate assumption set was +20.1%. We have re-produced our original response below.

13 **FA Response Question 15:**

14 *The following chart provides FA's proposed rate change, the rate level indication underlying FA's assumption set,*  
 15 *and the rate level indications based on the alternative assumption set as we understand is requested in question*  
 16 *15:*

	TPL	AccBen	UA	TOTAL
<b>Proposed Rate Change</b>	<b>50.0%</b>	<b>294.3%</b>	<b>329.3%</b>	<b>54.1%</b>
Indication Using - 1.14% ROI, FA LC Trend, \$0 Cost of Capital, 3,246 for TPL, Current Complement	67.3%	294.3%	329.3%	69.7%
Indication Using - 2.8% ROI, Board's LC Trend, \$0 Cost of Capital, 5,410 for TPL, Net Trend as Complement	18.4%	125.4%	132.8%	20.1%

17 Note: Total is weighted average of all coverages including CL, CM and SP

18 *While we have calculated the indications under the alternate assumption set as requested, we do not believe this*  
 19 *assumption set provides a "best estimate" view of future costs and hence an appropriate level of rate need to be*  
 20 *consistent with obtaining a return on capital consistent with a \$0 cost of capital return assumption.*