

ILLUSTRATIVE

CR 3 REGULATORY ASSET SECURITIZATION SCENARIOS (\$ millions):

	2013 Settlement (20 yr)	Securitization (20 yr) Current Interest Rates	Securitization (20 yr) 1% Interest Rate Sensitivity
		Pre-Tax	Pre-Tax
Projected CR3 Regulatory Asset	1,350	1,350	1,350
<u>Recovery</u>			
Principal	1,350	1,350	1,350
Equity Return (Pretax)	884		
(A) Interest on Financing	426	449	614
Securitization Servicing Fees		60	60
(B) Total Amount Recovered From Customer	2,660	1,859	2,024
Customer Savings compared to 2013 Settlement		(802)	(636)
Customer Savings compared to 2013 Settlement (NPV)		(608)	(504)
Revenue - Yr 1	177	93	101
Residential Rate - Yr 1	5.33	2.91	3.16
Customer Savings compared to 2013 Settlement		(2.42)	(2.17)

- (A) 20 Year securitization assumes current interest rates averaging 2.625% on 4 tranches with varying maturities.
20 Year securitization with 1% sensitivity assumes interest rates averaging 3.625% on 4 tranches with varying maturities.
- (B) Assumes recovery per the terms of the 2013 revised and restated settlement agreement.

DEF - CR3 Regulatory Asset Settlement vs. Securitization (\$ millions)

	NPV 5%	Total	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Settlement Treatment with rate adjustment every 4 years based on declining rate base and straightline amortization:																						
Beginning Bal			1,350	1,283	1,215	1,148	1,080	1,013	945	878	810	743	675	608	540	473	405	338	270	203	135	68
Amort		1,350	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68
Ending Bal			1,283	1,215	1,148	1,080	1,013	945	878	810	743	675	608	540	473	405	338	270	203	135	68	-
Average Bal			1,316	1,249	1,181	1,114	1,046	979	911	844	776	709	641	574	506	439	371	304	236	169	101	34
WACC			8.12%				8.12%				8.12%				8.12%				8.12%			
Return on RB	925	1,310	110	111	113	116	85	86	88	90	63	64	66	67	41	42	43	44	19	20	21	22
Amort	841	1,350	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68
Revenue	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
MWH Sales			38.18	38.42	38.81	39.45	39.85	40.25	40.65	41.06	41.47	41.88	42.30	42.72	43.15	43.58	44.02	44.46	44.90	45.35	45.81	46.26
Resid Rate (approx)			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Equity Return (5.48%)	624	884	74	75	76	78	57	58	59	60	43	43	44	45	28	28	29	30	13	14	14	15
Debt Return (2.64%)	301	426	36	36	37	38	28	28	29	29	20	21	21	22	13	14	14	14	6	7	7	7
Total Return (8.12%)	925	1,310	110	111	113	116	85	86	88	90	63	64	66	67	41	42	43	44	19	20	21	22
Securitization:																						
Principle	807	1,350	54	55	56	57	58	58	60	61	63	64	66	68	71	73	75	77	79	82	85	88
Interest	314	449	36	35	34	33	32	31	30	29	27	25	24	21	19	17	15	13	11	8	5	2
Total P&I	1,121	1,799	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
Add Servicing Chrg	37	60	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Revenue	1,158	1,859	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Resid Rate Impact (approx)			2.91	2.89	2.86	2.81	2.78	2.76	2.73	2.70	2.68	2.65	2.62	2.60	2.57	2.55	2.52	2.50	2.47	2.45	2.42	2.40
Difference (Settlement vs. Securitization):																						
Revenue-Settlement	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
Revenue-Securitization	1,158	1,859	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Difference	608	802	84	85	87	90	60	61	63	64	38	39	40	42	16	17	18	19	(6)	(5)	(5)	(4)
Resid Rate-Settlement			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Resid Rate-Securitization			2.91	2.89	2.86	2.81	2.78	2.76	2.73	2.70	2.68	2.65	2.62	2.60	2.57	2.55	2.52	2.50	2.47	2.45	2.42	2.40
Difference			2.42	2.44	2.47	2.52	1.62	1.64	1.67	1.70	0.94	0.97	1.00	1.02	0.32	0.34	0.37	0.39	(0.25)	(0.23)	(0.20)	(0.18)
Securitization (1% Interest Rate Sensitivity):																						
Principle	795	1,350	49	50	52	53	54	56	57	59	61	63	66	69	71	74	77	80	84	87	91	95
Interest	429	614	49	48	47	45	44	43	41	39	37	35	32	30	27	24	21	18	15	11	7	3
Total P&I	1,224	1,964	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98
Add Servicing Chrg	37	60	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Total Revenue	1,261	2,024	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101
Resid Rate Impact (approx)			3.16	3.14	3.10	3.05	3.02	2.99	2.96	2.93	2.91	2.88	2.85	2.82	2.79	2.76	2.74	2.71	2.68	2.66	2.63	2.60
Difference (Settlement vs. Securitization with 1% Interest Rate Sensitivity):																						
Revenue-Settlement	1,766	2,660	177	178	180	183	152	154	156	157	131	132	133	134	109	110	111	112	87	88	88	89
Revenue-Securitization	1,261	2,024	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101	101
Difference	504	636	76	77	79	82	51	53	54	56	29	31	32	33	7	8	10	11	(15)	(14)	(13)	(12)
Resid Rate-Settlement			5.33	5.33	5.33	5.33	4.40	4.40	4.40	4.40	3.62	3.62	3.62	3.62	2.89	2.89	2.89	2.89	2.22	2.22	2.22	2.22
Resid Rate-Securitization			3.16	3.14	3.10	3.05	3.02	2.99	2.96	2.93	2.91	2.88	2.85	2.82	2.79	2.76	2.74	2.71	2.68	2.66	2.63	2.60
Difference			2.17	2.19	2.23	2.28	1.38	1.41	1.44	1.47	0.71	0.74	0.77	0.80	0.10	0.13	0.15	0.18	(0.46)	(0.44)	(0.41)	(0.38)

