

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: TERRI CARLOCK

DATE: DECEMBER 7, 2006

RE: ANNUAL DETERMINATION OF THE INTEREST RATES ON
DEPOSITS COLLECTED FROM CUSTOMERS FOR THE CALENDAR
YEAR 2007. CASE NO. GNR-U-06-3.

The interest to be paid on customer deposits for the 2007 calendar year is determined by the twelve-month average interest rate from November 1, 2005 through October 31, 2006. This average rate is 4.82% as shown on the attached worksheet. Rounded to the nearest whole percent the rate will be 5%, a 2% increase from the prior year. The following chart shows the interest rates for the various years and the order numbers approving those rates.

| <u>Calendar Year</u> | <u>Interest Rate</u> | <u>Order No.</u> |
|----------------------|----------------------|------------------|
| 1988 | 7% | 21622, 27167 |
| 1989 | 7% | 22230 |
| 1990 | 9% | 22836 |
| 1991 | 8% | 23425 |
| 1992 | 6% | 23971 |
| 1993 | 4% | 24578 |
| 1994 | 3% | 25242 |
| 1995 | 5% | 25788 |
| 1996 | 6% | 26233 |
| 1997 | 6% | 26681 |
| 1998 | 6% | 27248 |
| 1999 | 5% | 27828 |
| 2000 | 5% | 28234 |
| 2001 | 6% | 28575 |
| 2002 | 4% | 28896 |
| 2003 | 2% | 29158 |
| 2004 | 1% | 29386 |
| 2005 | 2% | 29653 |
| 2006 | 3% | 29932 |

COMMISSION DECISION

Should the interest rate to be paid on deposits collected from customers for the calendar year 2007 be set at 5%?



Terri Carlock

TC:word:u/tcarloc/AnnDetIntRates12-7-2006.TC

**APPENDIX
ONE-YEAR TREASURY RATES**

| Week Ended | Rate % | Week Ended | Rate % |
|-------------------|---------------|-------------------|---------------|
| 11/4/2005 | 4.32 | 5/5/2006 | 4.98 |
| 11/11/2005 | 4.35 | 5/12/2006 | 5.01 |
| 11/18/2005 | 4.36 | 5/19/2006 | 4.98 |
| 11/25/2005 | 4.30 | 5/26/2006 | 4.99 |
| 12/2/2005 | 4.34 | 6/2/2006 | 5.03 |
| 12/9/2005 | 4.35 | 6/9/2006 | 5.04 |
| 12/16/2005 | 4.34 | 6/16/2006 | 5.13 |
| 12/23/2005 | 4.37 | 6/23/2006 | 5.24 |
| 12/30/2005 | 4.36 | 6/30/2006 | 5.27 |
| 1/6/2006 | 4.37 | 7/7/2006 | 5.27 |
| 1/13/2006 | 4.41 | 7/14/2006 | 5.24 |
| 1/20/2006 | 4.43 | 7/21/2006 | 5.22 |
| 1/27/2006 | 4.50 | 7/28/2006 | 5.17 |
| 2/3/2006 | 4.60 | 8/4/2006 | 5.10 |
| 2/10/2006 | 4.67 | 8/11/2006 | 5.09 |
| 2/17/2006 | 4.70 | 8/18/2006 | 5.10 |
| 2/24/2006 | 4.72 | 8/25/2006 | 5.07 |
| 3/3/2006 | 4.74 | 9/1/2006 | 5.03 |
| 3/10/2006 | 4.77 | 9/8/2006 | 5.02 |
| 3/17/2006 | 4.76 | 9/15/2006 | 5.02 |
| 3/24/2006 | 4.77 | 9/22/2006 | 4.97 |
| 3/31/2006 | 4.82 | 9/29/2006 | 4.90 |
| 4/7/2006 | 4.85 | 10/6/2006 | 4.90 |
| 4/14/2006 | 4.91 | 10/13/2006 | 5.03 |
| 4/21/2006 | 4.90 | 10/20/2006 | 5.05 |
| 4/28/2006 | 4.94 | 10/27/2006 | 5.07 |
| | | AVERAGE | 4.82 |

**Source: Federal Reserve Treasury Rates
One-Year Constant Maturities**