

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: TERRI CARLOCK

DATE: NOVEMBER 5, 2010

RE: ANNUAL DETERMINATION OF THE INTEREST RATES ON
DEPOSITS COLLECTED FROM CUSTOMERS FOR THE CALENDAR
YEAR 2011. CASE NO. GNR-U-10-01.

Every year the Commission sets the interest rate to be paid on customer deposits for the next calendar year. Rule 106 of the of the Customer Relations Rules for Gas, Electric and Water Utilities provides: “the Commission will determine the twelve-month average interest rate for one-year Treasury Bills for the previous November 1 through October 31, round that rate to the nearest whole percent...”. (IDAPA 31.21.01.106 and IDAPA 31.41.01.104). This average interest rate is 0.33% as shown on Attachment A. However, Staff believes zero is not a “whole percent” interest rate, therefore Staff recommends the rate be set at 1%, as is currently the 2010 rate.

Rule 9 of the Customer Relations Rules for Gas, Electric and Water Utilities allows the Commission on its own motion to approve a deviation of the rule in unusual circumstances (Exemption from Rules, IDAPA 31.21.01.009). Staff believes the current low interest rates represent an unusual situation. Fairness supports the belief that payment of zero interest is not the intent behind the rule stating “interest will be payable on all deposited amounts.” *Id.* The chart on Attachment B shows the interest rates since 1990 and the Order numbers approving those rates.

COMMISSION DECISION

What interest rate should be paid on deposits collected from customers for the calendar year 2011?



Terri Carlock

ONE-YEAR TREASURY RATES

Week Ended	Rate %	Week Ended	Rate %
11/6/2009	0.34	5/7/2010	0.38
11/13/2009	0.32	5/14/2010	0.34
11/20/2009	0.27	5/21/2010	0.35
11/27/2009	0.26	5/28/2010	0.34
12/4/2009	0.36	6/4/2010	0.34
12/11/2009	0.35	6/11/2010	0.30
12/18/2009	0.36	6/18/2010	0.30
12/24/2009	0.43	6/25/2010	0.29
12/31/2009	0.47	7/2/2010	0.31
1/8/2010	0.37	7/9/2010	0.30
1/15/2010	0.33	7/16/2010	0.28
1/22/2010	0.30	7/23/2010	0.27
1/29/2010	0.30	7/30/2010	0.29
2/5/2010	0.31	8/6/2010	0.25
2/12/2010	0.35	8/13/2010	0.26
2/19/2010	0.39	8/20/2010	0.26
2/26/2010	0.32	8/27/2010	0.27
3/5/2010	0.38	9/3/2010	0.25
3/12/2010	0.41	9/10/2010	0.27
3/19/2010	0.42	9/17/2010	0.26
3/26/2010	0.43	9/24/2010	0.25
4/2/2010	0.46	10/1/2010	0.26
4/9/2010	0.46	10/8/2010	0.21
4/16/2010	0.41	10/15/2010	0.22
4/23/2010	0.46	10/22/2010	0.21
4/30/2010	0.41	10/29/2010	0.22
AVERAGE			0.33 %

Source: Federal Reserve Treasury Rates
One-Year Constant Maturities

Interest Rates on Deposits

<u>Calendar Year</u>	<u>Interest Rate</u>	<u>Order No.</u>
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
2007	5%	30200
2008	5%	30469
2009	2%	30692
2010	1%	30965