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PUBLIC UTILITY COMMISSION
CLERK

OPEN MEETING COVER SHEET

MEETING DATE: December 1, 2014

DATE DELIVERED: November 14, 2014

AGENDA ITEM NO.: 1

CAPTION: Docket No. 42079
ADMINISTRATIVE. The Commissioners will set interest rates for calendar year 2015 on deposits held by utilities, in compliance with Section 183.003 of the Texas Utilities Code as amended by H.B. No. 3460 of the 79th Legislature. In addition, the Commissioners will set interest rates to be applied in calendar year 2015 to overcharges and certain undercharges by utilities, pursuant to P.U.C. Substantive Rules 25.28, 25.480 and 26.27. *Anjuli Winker*

ACTION REQUESTED: Approval of proposed order setting interest rates.

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Public Utility Commission of Texas

Memorandum

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PUBLIC UTILITY COMMISSION
FILING CLERK

To: Chairman Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.
Commissioner Brandy M. Marquez

From: Anjuli Winker, Rate Regulation *AW.*

Re: Interest Rate on Utility Overbillings and Underbillings
Interest Rate on Utility Customer Deposits

Date: November 14, 2014

On December 1, the Commission is scheduled to set the interest rates on utility overbillings and underbillings and utility customer deposits for calendar year 2015. The purpose of this memorandum is to present Staff's recommended interest rates.

Interest Rate on Utility Overbillings and Underbillings

Pursuant and applicable to Substantive Rules 25.28(c), 25.28(d), 25.480(d), 25.480(e), 26.27(a)(3), and 26.27(b)(3), the interest rate on utility overbillings and underbillings is to be based on an average of prime commercial paper rates for the previous 12-month period. The rates for various maturities of commercial paper are typically very similar because of the short-term nature of these obligations. Staff believes the interest rate on commercial paper with a 90-day maturity is representative of the average rate paid by issuers.

Table 1 shows the rates on 90-day AA-rated commercial paper over the last 12 months. The average rate through October 2014 is **0.12 percent**. The rate currently in effect is 0.15 percent.

Interest Rate on Utility Customer Deposits

According to Section 183.003 of the Texas Utilities Code, as amended by H.B. No. 3460 of the 79th Texas Legislature and effective September 1, 2005, the Commission shall set the annual interest rate at the average rate paid over the previous 12-month period on United States Treasury bills with a 26-week maturity. Substantive Rules 25.24(g), 25.478(f), 26.24(a)(7), and 26.24(b)(3) set forth the requirement that utilities pay interest on deposits at an annual rate at least equal to that set by the Commission on December 1 (or the next regular workday if December 1 is a Saturday, Sunday, or legal holiday) of the preceding year.

Table 2 shows the yields on 26-week Treasury bills over the past 12 months. The average yield through October 2014 was **0.07 percent**. The rate currently in effect is 0.09 percent.

I have attached a draft order that reflects Staff's recommendation regarding the interest rates on utility overbillings and underbillings and utility customer deposits.

Please call me at extension 6-7477 if you have any questions.

**90-day Commercial Paper Rates
2013-2014**

Nov	2013	0.12%
Dec	2013	0.14%
Jan	2014	0.12%
Feb	2014	0.13%
Mar	2014	0.12%
Apr	2014	0.12%
May	2014	0.11%
Jun	2014	0.11%
Jul	2014	0.13%
Aug	2014	0.13%
Sep	2014	0.12%
Oct	2014	0.12%

Source: Federal Reserve Board

12-month average: **0.12%**

**26-Week Treasury Bill Yield
2013-2014**

Nov	2013	0.10%
Dec	2013	0.10%
Jan	2014	0.07%
Feb	2014	0.08%
Mar	2014	0.08%
Apr	2014	0.05%
May	2014	0.05%
Jun	2014	0.06%
Jul	2014	0.06%
Aug	2014	0.05%
Sep	2014	0.04%
Oct	2014	0.05%

Source: Federal Reserve Board

12-month average: **0.07%**

PROJECT NO. 42079

**SETTING INTEREST RATES FOR § PUBLIC UTILITY COMMISSION
CALENDAR YEAR 2015 § OF TEXAS**

ORDER

The Public Utility Commission of Texas is required by section 183.003 of the Texas Utilities Code to set for calendar year 2015 the rate of interest on deposits held by utilities; and, pursuant to P.U.C. SUBST. R. 25.28(c), 25.28(d), 25.480(d), 25.480(e), 26.27(a)(3), and 26.27(b)(3), it is required to set for calendar year 2015 the rate of interest to be applied to overbillings and certain underbillings by a utility. The Commission therefore orders that:

1. The interest rate for calendar year 2015 on deposits held by utilities **SHALL** be 0.07 percent.
2. The interest rate for calendar year 2015 for overbillings and certain underbillings by a utility **SHALL** be 0.12 percent.

SIGNED AT AUSTIN, TEXAS the _____ day of December, 2014.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR, COMMISSIONER

BRANDY M. MARQUEZ, COMMISSIONER