

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 8, 2008**

REGULAR CONSENT EFFECTIVE DATE NA

DATE: June 26, 2008

TO: Public Utility Commission

FROM: Bryan Conway

THROUGH: Lee Sparling and Marc Hellman

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1147) Sets interest rate for amortized deferred accounts.

STAFF RECOMMENDATION:

The Commission should adopt a Blended Treasury Rate of 4.27% to be applied to all deferred accounts for which the Commission grants amortization approval in 2008 and prior years.

DISCUSSION:

On May 22, 2008, the Commission issued Order No. 08-263, which established guidelines for determining the interest rate to be applied to amortized deferred accounts. In this Order, the Commission determined that a blended Treasury Rate, updated annually, should apply. Specifically, the Commission ordered:

“The Blended Treasury Rate shall be calculated by the tenth day of January each year, based on Treasury rates published on the first two Thursdays, as opposed to the last two Fridays, in the preceding December. The Blended Treasury Rate in effect when the Commission authorizes amortization of a deferred account shall be applied to the deferred account beginning on the date of the Commission’s approval of the amortization and continuing throughout the entire period of amortization.”

The Order directed Staff to calculate the new interest rate and present it to the Commission at a public meeting. The new rate will apply as of 60 calendar days

after May 22, 2008, the date of the Order, “to all deferred accounts in amortization now or in the future, including the balances in existing deferred accounts already in amortization, whether such accounts are accruing prospective deferrals or not.”¹

Using the Federal Reserve Statistical Release H.15, Selected Interest Rates, found at www.federalreserve.gov, Staff determined the 1-, 3-, and 5-year Treasury Rates for the first two Thursdays of December 2007 and calculated an average as follows:

	1-yr	3-yr	5-yr
Thursday, December 6, 2007	3.20%	3.03%	3.39%
Thursday, December 13, 2007	3.22%	3.22%	3.54%
Average	3.21%	3.13%	3.47%
Grand Average	3.27%		
100 basis point adder	<u>1.00%</u>		
Blended Treasury Rate	4.27%		

Note: the final result, “Blended Treasury Rate” was rounded to the nearest basis point.

PROPOSED COMMISSION MOTION:

A Blended Treasury Rate of 4.27% be adopted and applied to all deferred accounts for which amortization approval is granted in 2008 and prior years.

¹ Order No. 08-263 at 15, 17. The Order indicated that the Commission would consider applications for exception to application of the new rate for existing amortized deferrals.