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November 17, 2016

To the Utilities Addressed:

Subject: Case 16-M-0555 - Customer Deposit Interest
Rates Effective January 1, 2017

The Rules and Regulations of the Public Service Commission (Commission) require calculation of the customer deposit rate using a formula based on the composite yield of intermediate-term, A-rated corporate bonds, less the costs of administering the deposits of 1.75% per annum. The rate is updated January 1 of each year, based on the information available as of the first Friday of the preceding October.

A review of the prevailing market conditions as of October 7, 2016, the first Friday of the month, indicated a composite yield of 2.10% for investor-owned utilities and 1.80% for municipal-owned utilities, a decrease of 0.50% and 0.05%, respectively, from the comparative 2015 composite yields. Therefore, based upon the formula described above, effective January 1, 2017, the current customer deposit rate will be decreased to 0.35% for investor-owned utilities and to 0.05% for municipal-owned utilities.

Further, the determination of the interest rate paid on other customer provided capital, such as gas supplier

refunds, is based solely on the unadjusted composite bond yields for investor-owned utilities and for municipal utilities. The Commission has determined that no additional adjustment to the other customer provided capital rate is necessary since the return of such funds does not incur the relatively high level of administrative costs needed to track deposit accounts of individual customers. Therefore, based on the composite yield determination noted above, effective January 1, 2017, the interest paid on other customer provided capital is 2.10% for investor-owned and 1.80% for municipal utilities. For all questions, please contact Hasan Ahmed at hasan.ahmed@dps.ny.gov.

Sincerely,

/s/

DORIS D. STOUT,
Director,
Office of Accounting, Audits & Finance

Enclosure

Rates on Customer Deposits and Other Customer Provided Capital
1990 - 2017

<u>Effective Date</u>	<u>Investor Owned Utilities</u>		<u>Municipal Utilities</u>	
	<u>Other Customer Capital</u>	<u>Customer Deposits</u>	<u>Other Customer Capital</u>	<u>Customer Deposits</u>
Jan. 1, 1990	9.00%	7.25%	6.75%	5.00%
Jan. 1, 1991	9.50	7.75	7.00	5.25
Jan. 1, 1992	8.35	6.60	5.75	4.00
Jan. 1, 1993	6.65	4.90	5.00	3.25
Jan. 1, 1994	5.45	3.70	4.20	2.45
Jan. 1, 1995	7.50	5.75	5.05	3.30
Jan. 1, 1996	6.65	4.90	4.60	2.85
Jan. 1, 1997	7.40	5.65	5.00	3.25
Jan. 1, 1998	6.45	4.70	4.45	2.70
Jan. 1, 1999	5.75	4.00	4.20	2.45
Jan. 1, 2000	7.25	5.50	4.95	3.20
Jan. 1, 2001	7.75	6.00	4.95	3.20
Jan. 1, 2002	6.45	4.70	3.90	2.15
Jan. 1, 2003	5.60	3.85	3.25	1.50
Jan. 1, 2004	4.20	2.45	2.90	1.15
Jan. 1, 2005	4.35	2.60	2.95	1.20
Jan. 1, 2006	4.75	3.00	3.45	1.70
Jan. 1, 2007	5.40	3.65	3.70	1.95
Jan. 1, 2008	5.50	3.75	3.80	2.05
Jan. 1, 2009	6.60	4.85	3.70	1.95
Jan. 1, 2010	4.20	2.45	2.85	1.10
Jan. 1, 2011	3.35	1.60	2.50	0.75
Jan. 1, 2012	3.40	1.65	2.45	0.70
Jan. 1, 2013	2.10	0.35	2.10	0.35
Jan. 1, 2014	3.00	1.25	3.00	1.25
Jan. 1, 2015	2.90	1.15	1.85	0.10
Jan. 1, 2016	2.60	0.85	1.85	0.10
Jan. 1, 2017	2.10	0.35	1.80	0.05