

## Memorandum

To: John Wine, Chair  
Cynthia Claus  
Brian J. Moline

From: Adam Gatewood

Date: December 12, 2002

Subject: In the matter of the general investigation into the interest rate paid on deposits of customers of municipal and privately owned utilities  
Docket No. 134,094-U

### **Background:**

~~————~~ K.S.A. §12-822 and related KCC rules and regulations allow utility companies to collect security deposits from consumers. The utility can hold these deposits for one year or until the consumer establishes a record of on time payments. Kansas Statutes require utilities to pay interest on security deposits.

In January of 1993, the Commission adopted Staff's recommendation to index the interest rate on security deposits to the interest rate of the one-year United States Treasury Note. The Commission's order directed Staff to reset the interest rate on December 1<sup>st</sup> for the upcoming calendar year. The Commission reasoned that this is a sound methodology because it insures that consumers will receive interest on their deposits comparable to that paid on a risk free investment such as a one-year certificate of deposit.

### **Analysis:**

Interest rates on one year Treasury Notes have declined about 43 basis points from 1.90% on December 3, 2001 to 1.53%% on December 2, 2002.

### **Recommendation:**

Staff recommends that the interest rate on security deposits be set at 1.50% for calendar year 2003.