Schedule 1

U.S. Federal Energy Regulatory Commission

The second working capital issue concerns whether an interest expense lag should be included as a component of the overall lead-lag study. Staff argued that Trunkline LNG's tariff permits it to collect interest expense from its customers before it actually pays the expense. Staff argued at hearing, and the judge agreed, that the Commission's regulations at section 154.63(f), Statement E [footnote omitted] permit the inclusion of an interest expense lag in a lead-lag study. The judge rejected Trunkline LNG's argument that interest should be excluded because it is not specifically mentioned in the regulations. (Trunkline LNG Company, 1988, 98PUR4th 148, 165)

Maine Public Utilities Commission

Cash that is collected to pay these costs (accrued interest on long-term debt and preferred stock dividends) is available to the Company between the time of collection and the time of payment. If this is not considered as an adjustment to working capital ratepayers may be charged twice, once the funds are provided through rates and again when the rate of return is collected and those funds for costs paid is arrears. (Maine Public Service Company, 1981, 44PUR4th 104,188)

Massachusetts Department of Public Utilities

Regarding whether the cash working capital study was performed correctly, the Company revised its cash working capital study to include the lags associated with interest expense and preferred dividend payments. The Department finds that including the lags associated with interest expense and preferred dividend payments is consistent with Department precedent and is appropriate. (Massachusetts Electric Company, 1995, 164PUR4th 393,404)

Missouri Public Service Commission

Staff and GSA [General Services Administration] assert, however, that the net expense lag associated with the payment of accrued interest is an appropriate offset. Because the funds are ratepayer supplied, the obligation to pay interest on debt is known and certain as to the time and quantity and the amount is precollected from the ratepayer for the purpose of passing it on to the bondholder. While in possession of the Company these ratepayer provided funds are to be a source of cost-free capital which the Company can use in making semi-annual payments to bondholders. Neither the Company nor the shareholders have the ownership rights in these funds. Rather, they are contractual debts to bondholders.

The Commission continues to agree with this assessment to staff and GSA, and finds that accrued interest on bonds should be used as an offset to cash working capital requirement in this case. (Kansas City Power and Light Company, 1981, 43PUR4th 559,594)