

Table 16
2004 Interest Rate Sensitivity Analysis²² (millions of dollars)

	Rate sensitive	Rate insensitive	Total
Assets			
Imputed reserve requirement on clearing balances		\$1,175.6	\$1,175.6
Imputed investments	\$10,172.9		\$10,172.9
Receivables		74.0	74.0
Materials and supplies		2.6	2.6
Prepaid expenses		25.4	25.4
Items in process of collection ²³	131.4	4,113.3	4,244.7
Long-term assets		1,520.6	1,520.6
Total assets	\$10,304.3	\$6,911.5	\$17,215.8
Liabilities			
Clearing balances and balances arising from early credit of uncollected items ²⁴	\$9,710.8	\$2,176.3	\$11,887.1
Deferred credit items		4,113.3	4,113.3
Short-term payables		61.7	61.7
Long-term liabilities		292.9	292.9
Total liabilities	\$9,710.8	\$6,644.2	\$16,355.0
Rate change results			
		108 basis point decrease in rates²⁵	200 basis point increase in rates
Asset yield		\$(77.3)	\$ 143.3
Liability cost		(96.1)	160.2
Effect of 108 basis point decrease or 200 basis point increase		\$ 18.8	\$(16.9)
2004 budgeted revenue		\$934.5	\$934.5
Effect of change		18.8	(16.9)
Revenue adjusted for effect of interest rate change		\$953.3	\$917.6
2004 budgeted total expenses		886.3	886.3
2004 budgeted target ROE		112.4	112.4
Tax effect of interest rate change (\$ change x 29.8%)		5.6	(5.0)
Total recovery amounts		\$1,004.3	\$993.7
Recovery rate before interest rate change		93.6%	93.6%
Recovery rate after interest rate change		94.9%	92.3%
Effect of interest rate change on cost recovery ²⁶		1.3%	-1.3%

²² The interest rate sensitivity analysis evaluates the level of interest rate risk presented by the difference between rate sensitive assets and liabilities. The analysis reviews the ratio of rate-sensitive assets to rate-sensitive liabilities and the effect on cost recovery of an increase or decrease in interest rates of up to 200 basis points.

²³ The amount designated rate sensitive represents the amount of cash items in process of collection that have been credited to customers prior to collection.

²⁴ The amount designated rate insensitive represents clearing balances on which earnings credits are not paid.

²⁵ The reduction is limited to the Treasury bill rate assumed in the 2004 NICB of 1.08 percent based on 2003 rates.

²⁶ The effect of a potential change in rates is less than a 2 percentage point change in cost recovery; therefore, no long-term debt is imputed for 2004.