EXHIBIT NO. ___(DWH-9)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: DAVID W. HOFF

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.,** **Respondent.**	**Docket No. UE-060266** **Docket No. UG-060267**

THIRD EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF DAVID W. HOFF ON BEHALF OF PUGET SOUND ENERGY, INC.

AUGUST 23, 2006

PUGET SOUND ENERGY, INC.

THIRD EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED REBUTTAL TESTIMONY OF DAVID W. HOFF

ANALYSIS OF CUSTOMER CHARGE BILL IMPACTS

1. Bill Frequency

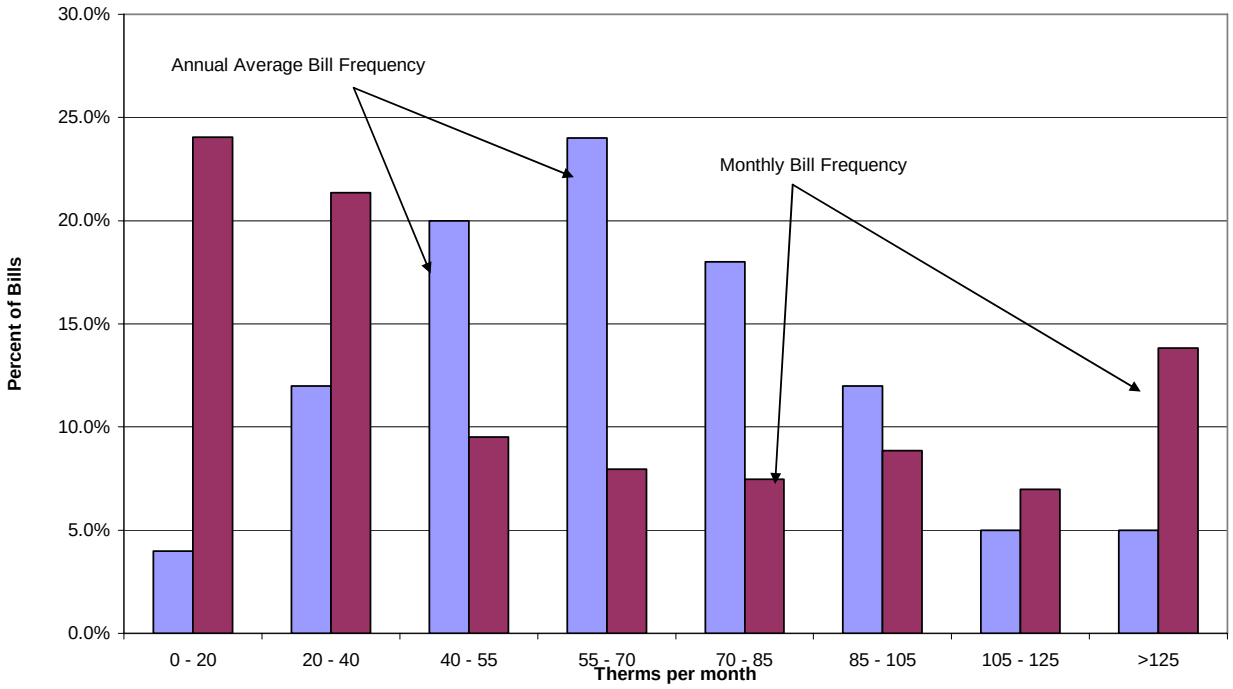
The traditional analysis of customer bill impacts looks at bills by month. A more useful analysis of customer impacts of significant changes in monthly fixed charges would be an *annual average monthly* bill analysis that takes into consideration the net effect of higher summer bills and lower winter bills.[1]

Figure 1 below compares the annual average bill frequency and monthly bill frequency for the test year. The average annual monthly bill frequency was calculated using the annual average monthly bills (i.e., the sum of the 12 monthly bills of each customer for the year divided by 12). This links winter bills with summer bills for each customer, whereas the traditional monthly bill frequency analysis is calculated using bills for each month separately (without linking winter bills with summer bills for each customer). Figure 1 shows that (i) almost a quarter of the monthly bills examined in a monthly bill frequency analysis are for usage of 20 therms or less per month, and (ii)

fewer than 5% of the annual average bills examined in an average annual bill frequency analysis are for usage of 20 therms or less per month.

Bill Frequency
Annual Average Monthly Bills and Monthly Bills

Figure 1



2. Bill Impact of Initial Proposal Customer Charge

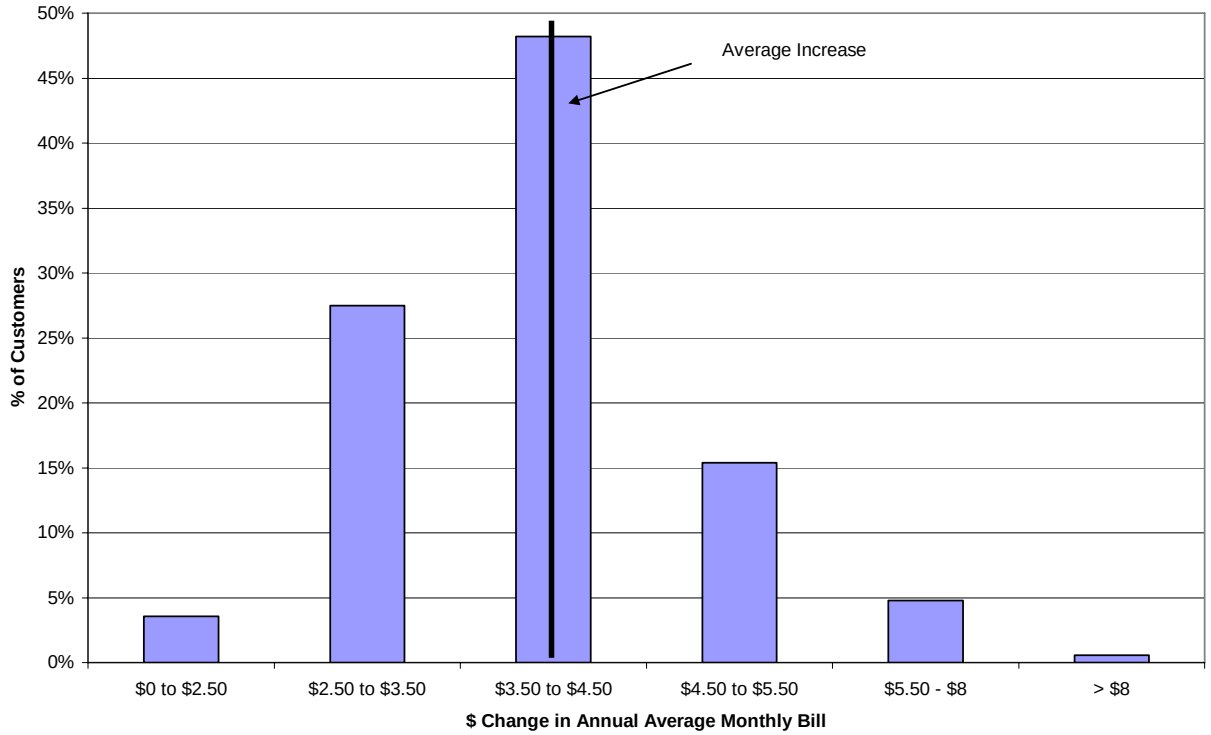
Figure 2 below is a graph showing the impact that an increase from the $6.25 customer charge under current rates to the $8.25 customer charge under the Initial Proposal would have on the bills paid by customers over the twelve-month test year, expressed as a change in average dollars per monthly bill (rather than as a percentage

[1] The data for this type of annual average bill analysis has not been compiled until recent years. This type of analysis is important in understanding the impacts on and benefits to customers resulting from

change). This shows the impact of both the general rate increase, which averages about $4 per month, and the change in rate design to increase the customer charge. The changes are shown in dollars per month rather than as a percentage change to avoid the distortion created by examining percentage increases in relatively low summer bills.

Residential Rate Impacts - Initial Proposal

Figure 2



This graph shows (in the $3.50 - $4.50 block) that almost 50% of customers would see an increase within $0.50 cents of the average increase of approximately $4.00 per month, and an additional 30% would see increases even less than $3.50 per month.

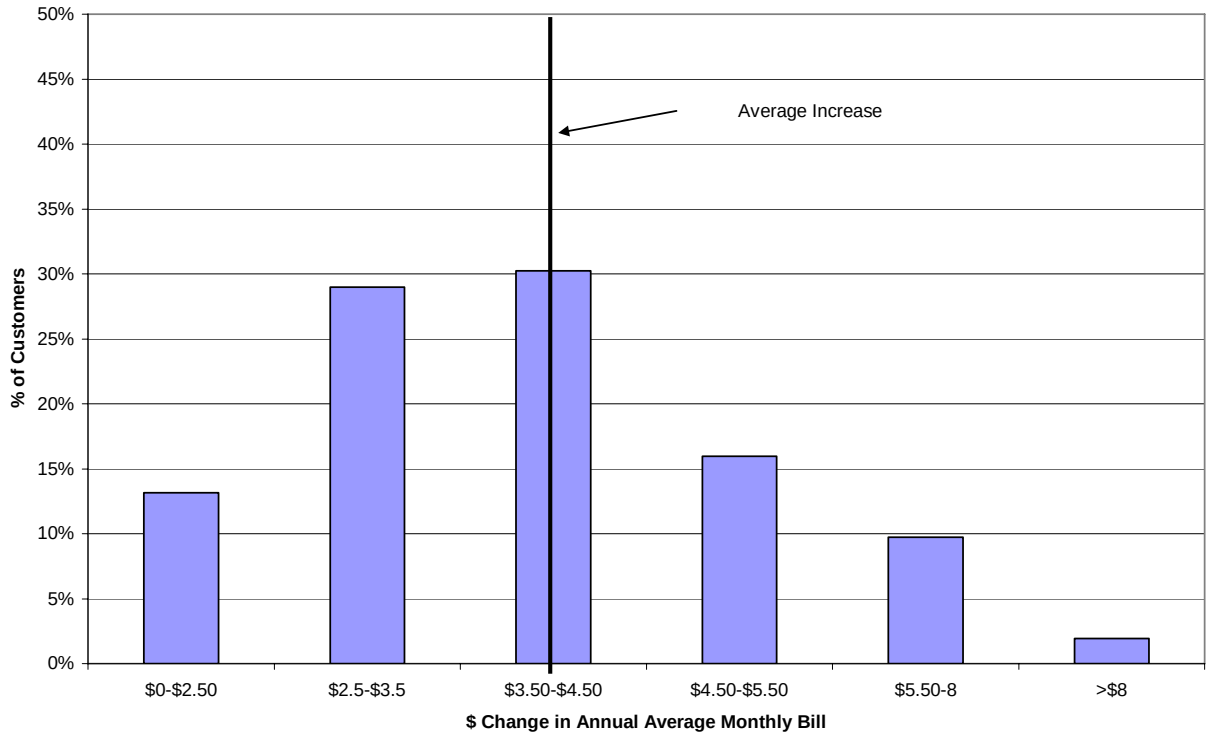
a significantly increased customer charge.

3. Bill Impact of Joint Proposal Customer Charge

Following as Figure 3 is a graph showing the impact that an increase from the $6.25 customer charge under current rates to the $7.00 customer charge under the Joint Proposal would have on bills paid by customers over the twelve-month test year, expressed as a change in average dollars per monthly bill.

Residential Rate Impacts - Joint Proposal

Figure 3



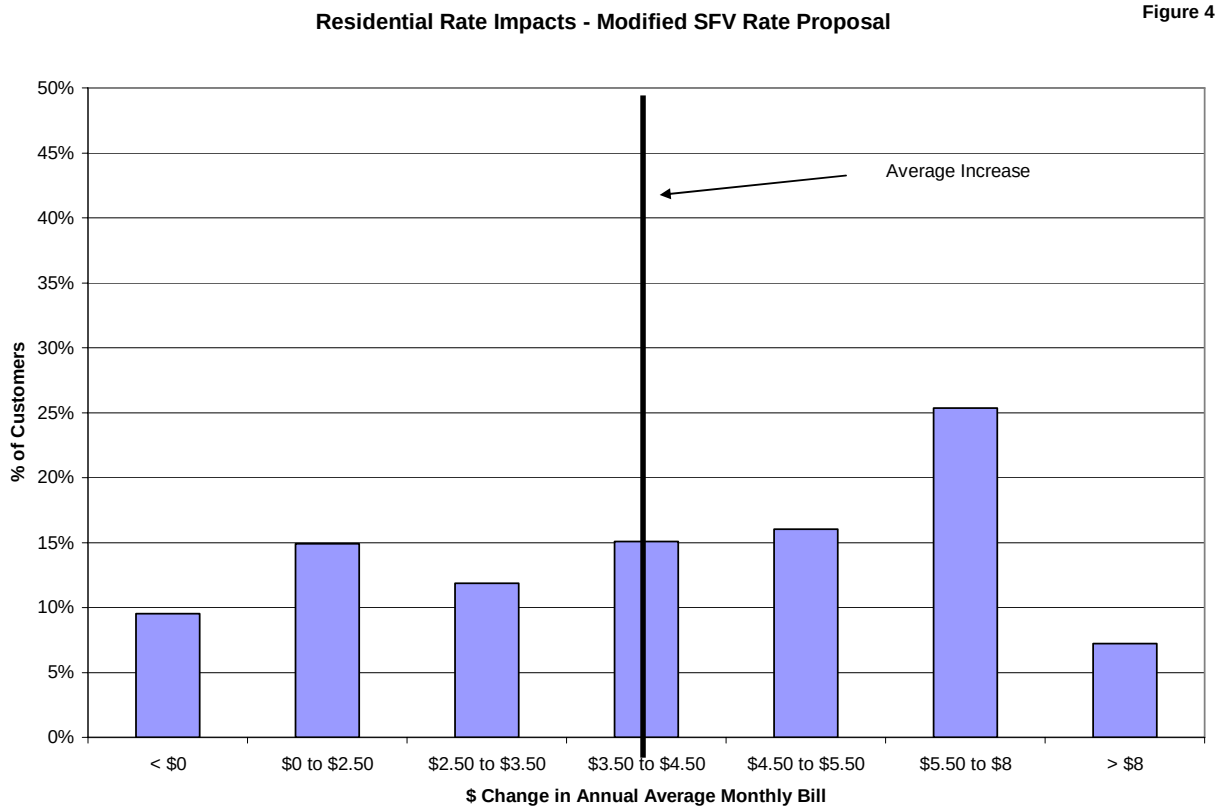
The Joint Proposal results in fewer customers clustered within 50 cents of the average increase (the $3.50 - $4.50 block) than does the Initial Proposal. Under the Joint Proposal, barely 30% of the customers fall within this block, while under the Initial Proposal the percentage is almost 50%. The remaining customers have increases that fall

further from the average increase. For instance, the percentage of customers who would see an average increase of between $5.50 and 8.00 per month under the Joint Proposal is almost double the percentage of customers who would see the same increase under the Initial Proposal. This analysis shows that the Initial Proposal has less negative bill impact than does the Joint Proposal.

4. Bill Impact of Modified SFV Rate Proposal Customer Charge

Figure 4 below is a graph showing the impact that an increase from the $6.25 customer charge under current rates to the $17.00 customer charge under the Modified SFV Rate Proposal would have on bills paid by customers over the twelve-month test year, expressed as a change in average dollars per monthly bill. Again, this shows the impact of both the general rate increase, which averages about $4 per month, and the change in rate design to increase the customer charge.

Figure 4



Compared with the bill impacts of the other scenarios, the distribution of impacts of the Modified SFV Rate Proposal is flatter, with a higher number of customers (but still fewer than 10%) receiving an increase of over $8.00 a month. The maximum increase of $10.75 per month occurs for those very few customers who had no gas usage during the test year. These customers, however, experienced the maximum increase because under current rates, they are paying a disproportionately small share of the margin expense.

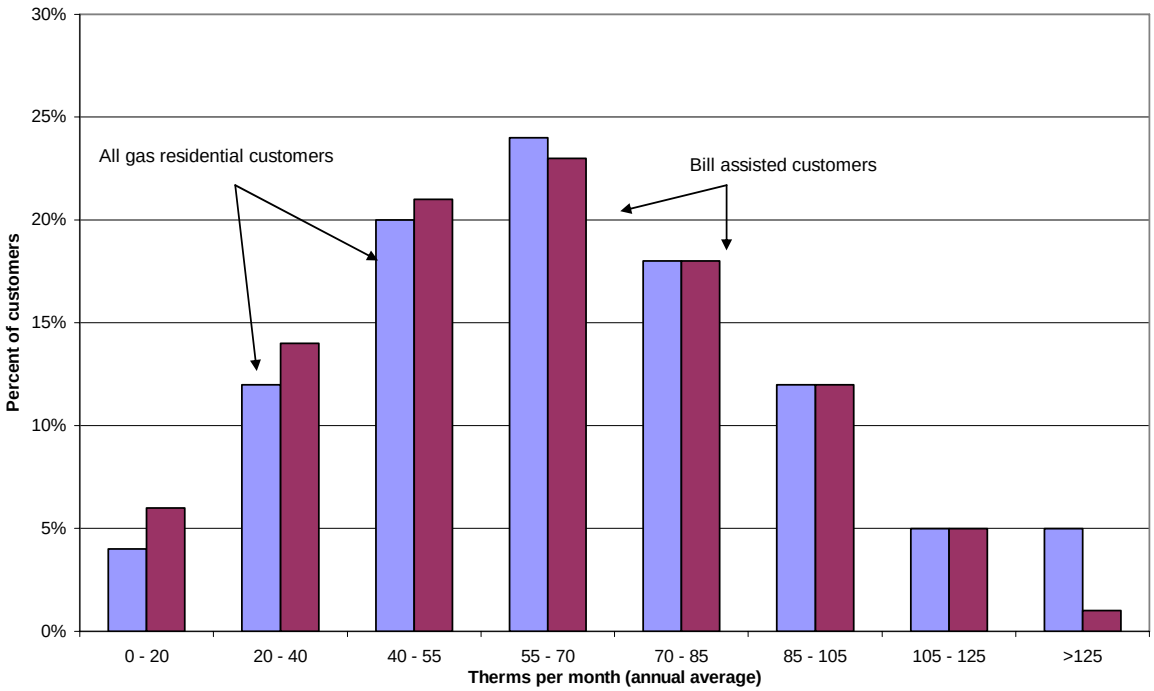
5. Bill Frequency of Low Income Customers

Figure 5 below compares the bill frequencies of bill-assisted customers with those of the Company's customers generally. Although the Company does not keep records of

income characteristics of its customers, it is possible to identify the test year customers who received bill assistance. The gas usage of these customers is used in this study to analyze bill frequencies of low income customers.

Figure 5

Bill Frequency
All Customers and Bill Assisted Customers



The figure shows that, as one would expect, a relatively smaller percentage of bill-assisted customers with usage over 125 therms per month during the test year, and a relatively higher percentage with usage levels less than 20 therms per month. However, the differences are small, and, in general, the usage levels are remarkably similar. For example, the exact same percentage of customers in both groups used between 70 and 125 therms a month..