BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-060256

WUTC v. CASCADE

RESPONSE OF PUBLIC COUNSEL TO STAFF DATA REQUESTS

Request No:	16
Directed to:	Judith Krebs
Date Received:	August 21, 2006
Date Produced:	September 6, 2006
Prepared by:	Jim Lazar
Witnesses:	Jim Lazar

WUTC STAFF DATA REQUEST NO. 16

Re: Witness Jim Lazar

Referring to page 23, lines 12 to 14 of Mr. Lazar's direct testimony, please provide all incremental cost of service studies for Cascade that Mr. Lazar has completed in this proceeding and that supports his statement, "If the Company's rate design was closer to reflecting the incremental cost of providing capacity and gas supply to meet winter demands, additional load constraint could be achieved."

RESPONSE:

Mr. Lazar has not done an incremental cost study for Cascade. He has done incremental cost studies for the gas industry generally. An example of one of these is attached as WUTC-16 Bulk Gas Supply.xls. Mr. Lazar has also done an analysis of the effect of applying Demand and Commodity costs for gas supply and delivery for space heating and water heating usage generically, not just for Cascade. An example of this is attached as WUTC-16 Demand and Commodity.xls.

Application of Demand and Commodity Cost to Different Usage

Assumptions:

Demand cost / therm / year	$ 30.00	
Commodity cost / therm / year	$ 1.00	
System Load Factor	50%	Typical
Water Heat Load Factor	93%	Byers Study
Space Heat Load Factor	20%	Byers Study

Analysis

Average Cost of Supplying System Demand

Demand	$ 0.16
Commodity	$ 1.00
Total:	**$ 1.16**

Cost of Supplying Water Heating Demand

Demand	$ 0.09
Commodity	$ 1.00
Total:	**$ 1.09**

Cost of Supplying Space Heating Demand

Demand	$ 0.41
Commodity	$ 1.00
Total:	**$ 1.41**

Incremental Cost of Gas Supply

Assumptions:

Current national usage is 24 billion mcf. http://tonto.eia.doe.gov
A 5% increase would cause a 10% increase in price
Current average price is $7.00/mcf

Analysis

Current Consumption		24,000,000,000
Current Price	$	7.00
Current Revenue	$	168,000,000,000
Increased Consumption		25,200,000,000
Increased Price As Result	$	7.70
Revenue After Increase in Use	$	194,040,000,000
Change in Total Revenue:	$	26,040,000,000
Change in Quantity		1,200,000,000
Marginal Cost of Supply	**$**	**21.70**
Marginal Cost / Therm:	**$**	**2.17**