

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

Docket Nos. UE-060256

WUTC v. CASCADE

**RESPONSE OF PUBLIC COUNSEL TO STAFF
DATA REQUESTS**

Request No: 27
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. 27

Re: Witness Jim Lazar

Referring to page 26, lines 19 to 22 of Mr. Lazar's direct testimony, please provide all studies that Mr. Lazar has done that support his statement, "Over the long run, this type of pricing will tend to drive away small customers and potential customers who would otherwise contribute both capital and margin to support the utility system."

RESPONSE:

Mr. Lazar recalls doing such studies in the 1980's when some gas utilities proposed large customer charge increases. He has not been able to locate the studies. An example of how that study would be done is provided as WUTC-27 Small User Bill Impacts.xls Based on the assumptions set forth, a shift to a high fixed charge would tend to make electric cooking and electric water heating more economical for consumers than using natural gas, meaning these customers would have an economic incentive to discontinue gas service. Because gas is the incremental source of electric generation in the western states most hours of the year, and because using gas for electric generation is less efficient than using it directly, this would appear to be a rate design policy which would be contrary to the intent of *RCW 80.28.025*, which states (in part):

In establishing rates for each gas and electric company regulated by this chapter, the commission shall adopt policies to encourage....measures which improve the efficiency of energy end use...

There is no reason to believe the gas utility would eliminate any pipe if such customers switched from gas to another energy source, meaning the only cost savings to the utility would be the gas supply, metering, meter reading, and billing costs avoided. The gas utility would lose margin, and rates for other customers would tend to rise, if the customers migrated away from gas service.

Effect of High Fixed Charges on Small Users

Assumptions

Cooking-only usage, therms/month:	5
Water heat only usage, therms/month	25
Average monthly usage of all residential customers	75

Conventional Rate Design

Basic Charge	\$ 4.00
Per Therm Rate	\$ 1.20
Average Customer Bill	\$ 94.00

Alternative Rate Design

Basic Charge	\$ 15.00
Per Therm Rate	\$ 1.05
Average Customer Bill	\$ 94.00

Electric Rate Per kWh for Incremental Use 0.07

Conversion Efficiency 0.65

Electricity Required for Cooking 95

Electricity Required for Water Heat 476

Cooking Customer

Gas Bill, Conventional Rate: \$ 10.00

Gas Bill, Alternative Rate \$ 20.27

Electric Bill For Cooking if Converted \$ 6.67

Water Heating Customer

Gas Bill, Conventional Rate: \$ 34.00

Gas Bill, Alternative Rate \$ 41.33

Electric Bill For Cooking if Converted \$ 33.33

Combined Cooking and Water Heating Customer

Gas Bill, Conventional Rate: \$ 40.00

Gas Bill, Alternative Rate \$ 46.60

Electric Bill For Cooking if Converted \$ 39.99