

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: May 9, 2017
DOCKET: UE-161204
REQUESTER: Pacific Power

WITNESS: David Panco
RESPONDER: David Panco
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9. How could banded rates be developed that would collect the Company's full revenue requirement?

Response:

The concept of banded rates, as Staff understands them, is to allow pricing closer to marginal cost while at least making some contribution to fixed costs. This contribution might not occur at all in the absence of the banded rates to facilitate retention of, or the acquisition of, that customer, who has competitive alternatives. If a discounted price that provides some contribution is required in order to acquire or retain a customer, the utility is likely better off than losing the customer completely because the tariffed rate was too high to effectively compete.

In a fully regulated monopoly market, attaining a "full revenue requirement" is never guaranteed; full revenue requirement attainment is even less likely when competition is present. However, if the monopolist has the ability to offer discounted prices that provide contribution, the impacts of competition on the regulated utility may be lessened.