

WASHINGTON



UTILITIES AND TRANSPORTATION
COMMISSION

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The UTC regulates the services of private or investor-owned utility and transportation companies. Our mission is to ensure that services are fairly priced, available, reliable and safe.

Regulated companies:

- Telephone
- Electricity
- Natural Gas
- Water
- Garbage
- Recycling
- Residential Movers
- Charter Buses
- Airport Shuttles
- Commercial Ferries
- Natural Gas Pipeline

General Information

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Your Energy Bill: Monthly Customer Charge

The monthly customer charge – sometimes referred to as the basic charge – is designed to recover a portion of a company’s fixed costs. Fixed costs are constant no matter the amount of electricity or natural gas produced and sold. For utilities, these include:

- Bill preparation and processing;
- Cost of meters, service drops, meter reading, meter maintenance; and
- Cost of maintaining equipment such as poles, wires, transformers, pipes, vehicles, and telecommunications equipment.

This charge appears whether or not you use any energy because all the equipment used to serve you is in place and you pay for this even if, for example, you are away for several months and do not consume any energy at all. It would be the same as if you were renting a home and were away for vacation. You still pay the rent.

Why is the monthly customer charge increasing?

The monthly customer charge is one element of a utility’s rate structure and is used to recover a portion of the company’s fixed costs.

In 2007, the commission determined that a regulated utility should recover about 25 percent of its fixed costs in a monthly customer charge. At that time, this was about eight to ten percent of an average monthly energy bill.

Times are changing, and so is the monthly customer charge. There is now less growth in energy usage even though the need to replace aging infrastructure such as pipes and wires continues. Increased emphasis on conservation is making our homes more efficient, but decreases the amount of capital the company relies on to invest in vital infrastructure.

All of these factors make it harder for a utility to recover its fixed costs. Even if customers are using fewer kilowatt-hours, distribution lines must be maintained and ready to serve customers no matter how much electricity is demanded.

As a result, utilities are requesting the monthly customer charge cover a higher percentage of their fixed costs so they can continue to maintain the infrastructure and services all customers require.

Your Energy Bill: Monthly Customer Charge

What is the benefit of allowing more of the fixed costs to be recovered in the monthly basic charge versus the variable usage charge (per kWh)?

Fixed costs remain relatively constant throughout the year. Having a higher percentage of fixed costs covered by the monthly customer charge provides more stable operating revenues to cover essential business functions. Usage-based charges can be unpredictable and potentially fall short of the needs of the utility to provide reliable and safe service. It also creates a disincentive to the utility to promote energy conservation.

Why do you separate fixed costs from other costs when setting rates?

Customers benefit from removing fixed costs from the usage based prices for two reasons:

- It helps reduce a disincentive on the utility's part to promote conservation or energy-efficiency; and
- It improves the certainty of recovery of customer-related fixed costs.

Both effects will benefit customers by reducing bill volatility over the year, and by promoting cost-effective conservation for all, which will reduce costs in general.

The rationale behind the monthly customer charge is to minimize complexity while maximizing predictability and stability for customers while giving utilities additional certainty about its revenues to recover fixed costs.

What role does conservation play in my rates?

In 2006, voters approved Initiative I-937 which resulted in the Washington Energy Independence Act (EIA). The EIA requires electric utilities to "pursue all available conservation that is cost-effective, reliable, and feasible." Utilities must also encourage customers to use less of their product even though it will cost them sales revenue – which they need to maintain operations. The commission is obligated to ensure compliance with the law and must maintain a balance when approving rates that is both fair to the consumer and the utility.

For More Information

Consumer Protection Help Line
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