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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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About Energy Rates

In Washington state, the Utilities and Transportation Commission is charged with ensuring private or investor-owned natural gas and electric companies are providing services that are fairly priced, reliable and safe. Regulated companies must receive approval from the commission to adjust the rates they charge for service. These formal requests, known as general rate cases, are adjudicated proceedings with a judge, parties, evidence and hearings.

What are the reasons behind rate hikes?

Electric Rates

All electric companies are faced with expiring power supply contracts, which must be replaced with resources that have become more expensive due to strict environmental and renewable standards that must now be met. The utilities must also routinely replace aging equipment, such as transformers, substations, poles and wires. This equipment costs much more than it did years ago.

In addition, these other factors drive the cost of electricity:

- Increased energy demand due to more customers. Washington's population increased 14.1 percent over the past 10 years (830,000 new residents) leading to additional energy use and higher demand.
- Increased global demand has caused a rise in the cost for raw materials (i.e., concrete, steel, copper). The cost of these materials exploded over the last decade. Prices have risen 10 to 15 times the rate of general inflation. Therefore, building or replacing infrastructure is more expensive.
- Conservation and weatherization measures are encouraged because it saves energy and are less expensive than building new facilities to increase production, but these programs are not free. The companies are allowed to recover lost revenue due to increased conservation efforts.
- Renewable Energy Policy. State law encourages conservation as the best and most cost-effective energy resource. A Washington voter initiative adopted as the Energy Independence Act (EIA), requires utilities to identify achievable conservation possibilities and sets new targets for use of renewable resources such as wind farms and solar panels. Each utility will have to use renewable resources to serve at least three percent of its total electric customers by 2012 through 2015; nine percent from 2016 through 2019, and 15 percent by 2020 and thereafter. Wind farms, solar panels, and geothermal

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plants are examples of eligible renewable resources. With limited exceptions, use of fresh water by hydroelectric dams and generating plants is not included as an eligible renewable resource even though hydroelectric is a significant source of power in Washington. One of the goals for the EIA was to encourage and set new targets for renewable resources such as wind farms and solar energy. The inclusion of hydroelectric dams and generating plants would dramatically reduce the need for wind farms and solar energy.

Natural Gas

Natural gas is the largest source of home heating in the United States. In Washington state, about 39 percent of residents use it as their main heat supply. Natural gas utilities are spending more on infrastructure. Funds are spent on new and replacement underground gas pipes that must be in compliance with new and improved federal safety regulations.

Natural gas companies are required to adjust their rates at least every 15 months to reflect the increasing or decreasing cost of purchasing the gas. This is called a Purchased Gas Cost Adjustment or PGA. The total cost of gas is passed directly to customers and the company is not allowed to earn a profit on it. Requiring natural gas companies to stay on top of price fluctuations through the regular PGA process is efficient and benefits customers because when gas prices go down, they can see immediate decreases in their rates. Likewise, if prices begin to rise in the future, increases are more incremental.

Other factors that affect natural gas rates:

- The slow economic recovery has a broader impact on energy prices than many people realize. In the short term, it impacts all natural gas customers. Demand remains low for residential customers who are conserving energy to save money. Consumers buy fewer goods and the demand for natural gas by industrial customers stays low. This contributes to keeping the wholesale costs low.
- Increased supply is another factor impacting the price of natural gas. New technologies mean getting natural gas out of the ground is cheaper and easier. More is being produced; however, although natural gas consumption is expected to grow by 1.7 percent by the end of 2012, the demand hasn't caught up to the supply.
- Typically, economic growth increases energy consumption. As the economy gains strength, an upward trend in gas prices is likely. However, consumers are incorporating conservation into their daily lives. If consumers continue these habits as the economy recovers and natural gas prices fluctuate in the future, companies will be better prepared to respond to those changes.

What is meant by a fair profit?

A utility is allowed to earn a fair rate of return (profit) on its investments. The rate of return approved by the commission must be sufficient enough to attract investors to make investments in the company in order to replace old equipment and install new equipment to meet increasing demand. Also, the company's rate of return is used by banks and other securities and loan organizations to determine the rate of interest that will be applied to a loan.

Can a utility raise rates to pay higher dividends to its current stockholders or future investors?

No. Dividends result from the company's actual operations. The company pays dividends from the money left after all expenses are paid (i.e., payroll, administrative costs, maintenance, generating supply upgrades, etc.).

Why are ratepayers required to pay to fix the company's equipment?

Major storms (i.e., storms that cause outages affecting more than 5 percent of all the customers) are unusual events that require extraordinary action by the company to restore service to customers as soon as possible.

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Smaller storms (i.e., affecting less than 5 percent of all the customers) are typically included in normal operating costs. During a rate case the commission evaluates all storm costs to determine whether they were reasonable and that the company exercised good judgment in managing its storm costs.

Why don't we have discounts for seniors and low-income customers?

There are no special provisions in state law to provide senior discounts. State law (RCW 80.28.068 Rates – Low-income customers) does allow the commission to approve discounts for low-income customers. Customers may contact their utility to apply for a low-income discount rate or program.

How do I comment or receive updates on a rate case?

Customers can submit comments on a rate case:

- Online at www.utc.wa.gov/comments;
- Call 1-888-333-WUTC (9882);
- Email comments@utc.wa.gov; or
- Mail P.O. Box 47250, Olympia, WA 98504-7250. Please include a return address and a description of the filing.