

## Cost of Captivity to Consumers

This formula is one method of determining the cost of captivity to consumers. This particular example is based on a shipping company located in Lafayette and uses the following factors:

- Tons of coal shipped per year: 1 million
- Cost of captivity to shipping customers: \$16 per ton\*
- Total kwh sold per year: 2 billion kwh

\* This figure is based on the 2008 captive rate of \$30 per ton and the non-captive rate of \$14 per ton. Therefore \$16 per ton (the difference between the captive and non-captive rate) is the cost of captivity to the shipping customers.

Captive premium = Cost of captivity to customers \* Ton of coal shipped per year

Captive premium = \$16 per ton x 1 million per year  
= \$16 million per year

Cost of captivity to Consumers = Captive Premium / Total kwh sold per year

Cost of captivity to consumers = \$16 million per year / 2 billion kwhs per year  
= \$.008 per kwh

Using \$.008 per kwh as the cost of captivity to consumers, we can determine the annual increases in electricity costs due to excessive rates charged by the rail monopoly for each of the following categories.

Residential (medium to high usage customer)

36,000 kwh per year x \$.008 = \$288 more per year

Businesses\*\*

14 million kwh per year x \$.008 = \$112,000 more per year

Education systems (schools, community colleges, technical schools, universities)

190 million kwh per year x \$.008 = \$1.52 million more per year

\*\* This figure is based on a large jewelry manufacturing company based in Lafayette.