

Village of Kaslo



2018.04.16

BRIEFING NOTE

FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application – Information Request No.1 and comment

Background

The Village of Kaslo is again grateful for this opportunity and for the work of the FortisBC community engagement staff that has gone into some responses from the applicant. Council remains concerned that an underlying socioeconomic question may not ultimately be addressed during this process, **namely the potential consequences of residential billing in the Kaslo area being higher than that of neighbouring BC Hydro-serviced communities for the long term.** The BCUC is encouraged to look at this question. Most local governments, including the Village, do not have the capacities to enter this arena effectively and obtain the necessary answers themselves.

Following last month's procedural conference and receipt of further submissions, the Village would like to offer the following subsequent questions and commentary in this process:

1. Exhibit B-1, page 18 and 19

In response to the Commission's report, on April 10, 2017 the Minister sent a letter to BC Hydro and FBC.¹³ The Minister's letter referred to FBC's upcoming rate design application, asked FBC to take the "opportunity to examine a range of alternative rate designs with price signals for energy efficiency and electrification". The Minister's letter concludes as follows:

I encourage both BC Hydro and FortisBC to continue to engage with customers and build on the consultation from this process to make sure that the issues raised by customers inform future rate design applications. I also encourage you to consider how proposed rate structures will impact bills for customers choosing electric space and water heating and how this will affect utilities' opportunities for efficient electrifications.

Information request:

- As asked by the Commercial Energy Consumers Association of British Columbia (March 29th) please provide a description of each of the alternative rate designs that FortisBC considered specifically with regard to 'energy and efficiency and electrification' and rejected and explain why they were rejected;
- Please provide a description of any rate designs that were considered to encourage local government stakeholder consideration of net metering participation.

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2. **Smart meter data access:** Fortis BC has indicated to the Village that customer data is available online, a day delayed. It was also pointed out that customers can buy a zigby power meter set up to get instant data and that 'very shortly' Fortis BC will be able to set up their meters to do this from the call Center.

Information request: please provide a brief policy and operational outline for customer access to and analysis of smart meter data that does not involve additional cost barriers that discourage said access.

3. **Net metering trend page 33:**

Information Request:

- Quantitative evidence of increased participation in the company's Net Metering program;
- The number of commercial or institutional participants with multiple meters across their corporate account;
- The proportion of residential participants and the average annual household savings within the sample;
- Rationale for why an increase in net metering participation is being observed.

4. **Information request of the Commercial Energy Consumers Association of British Columbia dated March 29th 2018.** This submission asks many key questions of the applicant, the answers to which would be valuable. Sections 11 and 12 (discussing Exhibit B-1, Appendix A) echo related questions being asked of this process in the local area at this time.

Information Request:

- What is the total value and proportion of power supply costs contributed by Kootenay River Plants?
- How does Fortis BC view its cost **and billing** structure for customers relative to BC Hydro's cost **and billing** structure for customers? Please explain quantitatively.

5. **Exhibit B1 and Asset Management**

Asset management is an important part of future cost structure across the service area and locally. The local customer base has been given an idea of what is happening with streetlight renewal in the years ahead, which has been well received, but what of the local



area distribution and transmission infrastructure? The revenues from utility pole rentals is sometimes also overlooked in terms of its financial value.

Information Request:

- A list of tangible capital assets held by the applicant in within the municipality, including depreciated value, age and useful life estimates for those assets;
- A draft capital renewal plan for the next five years in the municipality;
- Annual estimated revenue from Telus broadband fibre and other third party uses on FortisBC poles within the municipality.

6. Section 644 of the Local Government Act [RSBC 2015] c.1.

Excerpt from letter dated October 26th 2017 from the Fortis BC Property Tax Specialist:

“The revenue earned by FortisBC Inc., in the calendar year 2016 was \$1,381,163 from ELECTRICITY consumed within your municipality. Based on 1%, this results in:

2018 Section 644 Taxes Payable \$13,811.63”

Based on years prior, the applicant may have a reasonable degree of confidence with respect to future estimated electricity consumed and sold within any municipality (particularly smaller ones with static populations and tax bases). This revenue data is critical for the annual payments pursuant to Section 644 of the *Local Government Act*.

It is worth noting that if the tax payment to the Village grows by \$100 in a given year, it reflects a \$10,000 increase in revenue earned within the Village two years’ previously. For example, the current taxes payable for 2018 reflect an increase in



revenue of \$18,066 between 2015 and 2016 for electricity consumed within Kaslo. This does not necessarily mean that the amount of electricity being consumed is increasing.

According to basic economic theory, electricity demand should fall as the energy price increases, holding all other factors constant, but electricity is a fairly inelastic commodity in terms of demand.

Information Request:

- What was the revenue earned by FortisBC in the calendar year 2017 within the Village of Kaslo?
- An estimate of revenue earned from electricity consumed within the Village of Kaslo 2019-23 and projected taxes payable to the municipality under the **existing** rate design;
- An estimate of revenue earned from electricity consumed within the Village of Kaslo 2019-23 and projected taxes payable to the municipality under the **proposed** rate design;
- Any quantitative evidence that demonstrates power consumption as a unit value within the Village by calendar year over the last 5 years;
- An indication if any research has been undertaken to gauge the elasticity of demand for electricity in particular income groups within the service area,

If you have any questions regarding this briefing note, please do not hesitate to contact the Village.

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Village of Kaslo

