

**Anarchist Mountain Community Society and  
Regional District Of Okanagan-Similkameen (AMCS-RDOS)  
Response to Commercial Energy Consumers Association of British Columbia IR No. 1  
FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application**

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**1.0 Reference: Exhibit C3-7, page 5 and page 39**

A properly designed two-tier RIB Rate must be cost-based, using the following design principles:

1. Tier 1 Rate equal to the Flat Rate
2. Tier 2 Rate equal to the marginal cost of new supply; and
3. Threshold(s) set so that each customer has some consumption in Tier 2 but not so much as to be unable to avoid a bill increase by improving energy efficiency.

The amount of energy consumed is affected, to a degree, by the level of energy efficiency but it is primarily a function of the size of the dwelling, number of occupants and the energy-using activities of the residents. The most important residential consumption factor, by far, is whether the home uses electricity, rather than other fuels, for space and water heating, which together account for 78% of a typical home's energy consumption. The correct implementation of a RIB Rate requires setting different thresholds for different customers to reflect the differences in the ways that electricity is used.

FBC argues that:

"Customers cannot "over- conserve". As evidenced by third party studies, the utility customers (particularly residential customers) have a low price elasticity of demand. This means that changes in prices do not lead to significant changes in the demand or electricity."

FBC's response raises two important points.

1. First, FBC is incorrect on the economic concept of over-conserving. In response to an AMCS/RDOS Information Request concerning FBC's guiding principle for determining how much conservation is desirable under their conservation objective, FBC stated:

"FBC believes that conservation measures should be considered as long as they are cost effective."

- 1.1 Does the author believe different Tier 2 thresholds for various customer groups could be developed to improve the functioning of the RCR? Please explain.

- 1.1.1 If yes, please provide the customer groupings that the author would recommend and the standards that the author would see as being appropriate.

**AMCS-RDOS Response**

Please refer to AMCS-RDOS responses to BCUC IR#1, Q 1.7 and Q 1.10.

**2.0 Reference: Exhibit C3-7 page 26**

Table 4.3: Customer Payments Over and Below the Flat Rate Resulting From RCR (2018)

Annual Consumption	Number Of Customers	Average Per Customer Payment Above Flat Rate	Total Payments Above Flat Rate
Above 35000	1572	\$1716	\$2.7 Million
30000 - 35000	850	\$ 688	\$0.6 Million
25000 - 30000	1900	\$ 495	\$0.9 Million
20000 - 25000	4240	\$ 303	\$1.3 Million
15000 - 20000	9293	\$ 116	\$1.1 Million
10000 - 15000	19853	- \$ 55	- \$1.1 Million
5000 - 10000	32817	- \$128	- \$4.2 Million
0 - 5000	19136	- \$ 82	- \$1.6 Million

2.1 Please provide the source(s) for the information provided in Table 4.3.

**AMCS-RDOS Response**

Please refer to FBC's Response to AMCS-RDOS IR#1, Q 3.1.

**3.0 Reference: Exhibit C3-7**

Table 4.4: Cumulative Payments Over and Below the Flat Rate Resulting From RCR (2019-2022)

Annual Consumption	Number Of Residents	Cumulative Average Per Customer Payment Above Flat Rate	Cumulative Total Payments Above Flat Rate
Above 35000	1572	\$3606	\$5.7 Million
30000 - 35000	850	\$1445	\$1.2 Million
25000 - 30000	1900	\$1038	\$2.0 Million
20000 - 25000	4240	\$ 634	\$2.7 Million
15000 - 20000	9293	\$ 241	\$2.2 Million
10000 - 15000	19853	- \$ 120	- \$ 2.4 Million
5000 - 10000	32817	- \$270	- \$ 8.9 Million
0 - 5000	19146	- \$172	- \$ 3.3 Million

3.1 Please provide the source(s) of information for Table 4.4.

**AMCS-RDOS Response**

Please refer to FBC's Response to AMCS-RDOS IR#1, Q 3.1.

**4.0 Reference: Exhibit C3-7**

Table 4.5: Cost of Home and Space Heating by Natural Gas compared to Electricity

End-Use	Natural Gas Home	All Electric Home	All Electric Vs Natural Gas
Space Heating	\$562	\$2544	4.5 X higher
Water Heating	\$199	\$ 501	2.5 X higher
Total	\$761	\$3045	4.0 X higher

4.1 Please provide the source(s) of information for Table 4.5.

**AMCS-RDOS Response**

Please refer to FBC’s Response to AMCS-RDOS IR#1, Q 4.1.

**5.0 Reference: Exhibit C3-7 page 44**

Table 6.3: Percentage Bill Impact: RCR vs Flat Rate (July 1, 2012 – June 30, 2013)

Percent of Total Customers	Bill Impact
38%	-10% to -15%
19%	- 5% to -10%
13%	0 to -5%
12%	0 to +5%
10%	+5% to +10%
6%	+10% to +15%
2%	+15% to +20%
0.4%	+20% to +25%

5.1 Please provide the source(s) of information for Table 6.3.

**AMCS-RDOS Response**

FBC Residential Conservation Rate Information Report, October 31, 2013, Figure 4, p. 15

**6.0 Reference: Exhibit C3-7 page 49**

In sum, FBC’s RIB rate structure was incorrectly priced resulting in arbitrary rate increases for high use customers, which led to major disadvantages and unintended consequences, as documented in this Submission. Sound rate-making and basic fairness requires an immediate termination of the RCR and a return to a Flat Rate, supplemented with optional Time-of-Use rates. Only then will all consumers be paying fair and non-discriminatory rates that reflect the true economic value of the electricity they buy and there will be a fair and efficient allocation of our energy resources.

6.1 Does the author have views on FBC’s proposed increase in the residential customer charge?

6.1.1 If yes, please provide a brief overview.

**AMCS-RDOS Response**

AMCS-RDOS is proposing a return to a cost-based rate structure – namely, a return on January 1, 2019 to a flat rate with a monthly Customer Charge.

AMCS-RDOS takes no position on whether the Customer Charge was set at the appropriate level in 2012, whether it is currently at its appropriate level or whether it should be increased to FBC’s proposed new level.

The AMCS-RDOS recognizes, however, that raising the Customer Charge at the same time as FBC returns to a flat rate structure could impair the understanding of customers of the benefits of an immediate termination of the RCR and hence lower customer acceptance. To reduce this risk, FBC could postpone consideration of increases to the Customer Charge to a future rate application.