First Round of Questions to FortisBC from Andy Shadrack

1. Is the purpose of the Basic Charge to share out the fixed costs of delivering power to each residential customer?

2. Is there a different cost of delivering residential service depending on whether a customer is using 100 AMP service, 200 amp service, 300 amp service or 400 amp service?

3. Are there any aspects of Basic Charge costs that could vary depending on the size of service being delivered or the amount of kWh required by a residential customer in any given billing period?

4. During the 2009 Rate Design Hearings FortisBC informed the Commission and the intervenors that the cost of providing a residential customer with 1 kWh was 8.9 cents. What is the price per residential kWh in this hearing?

5. Based on FortisBC's per unit cost of 8.9 cents, I advised the Commission in the last hearing that the then rate design ensured that any customer purchasing more than 1,900 kWh, in a given billing period, was in fact being subsidized by all of the customers purchasing fewer than 1,900 kWh. What, if any, is the kWh usage point, under the proposed inclining block rate design, at which a residential customer would be subsidized by those customers using less than them?

6. Please provide an exact breakdown of what fixed cost increases go into causing the rate re-balancing within a residential customer's Basic Charge.

7. Are there any circumstances under which any of these fixed costs could be construed as energy charge costs, and under what circumstances could their categorization change?

8. When the Environics Research Group conducted their assessment research on re-balancing and rate design options did they specifically tell residential customers using less than 1,900 kWh that they were subsidizing those residential customers using more than 1,900 kWh per billing period?

9. When the Commission issued its order, G-156-10, on October 19, 2010, the Basic Charge was $25.72 for residential customers, whereas as of the April billing it was $28.22 and at 5.2.1., line 26, page 15 in their current application FortisBC forecasts it will be $28.93 after May 1, 2011.

In their October Decision at pages 55 and 56 the Commission Panel observed:

“Mr. Shadrack demonstrates by way of his own consumption data that a higher basic charge actually favours higher consumption customers to the disadvantage of low consumption customers, rather than providing an incentive or a price signal to conserve. He further submits that “the current Basic Charge rate design is in fact providing a massive subsidy” to the high end consumption customers and that “in effect 70.6% of the residential load is being subsidized by a majority of residential customers” (Shadrack Argument, pp 1-3)

Can you please explain how a Basic Charge of $28.93 complies with the Commission Panel direction at page 57 of its Decision to:
“...develop a plan for introducing inclining block rates that also incorporate a lower Basic Charge in the immediate future...”?

10. Can you please explain why, with reference to sections 59 and 60 of the Utility Commission Act, FortisBC wants to limit the impact of the RIB rate to 10 percent or less, if the residential customers concerned have in fact previously been subsidized by lower consumption residential customers?

11. In FortisBC's opinion does the application of Bonbright principle 6 only deal with “rate shock”, or does it also apply to rate discrimination within a class of customers?

12. Over the last six years our household has reduced electrical consumption from 17 kWh per day to 9.6 kWh, while the cost per unit of electricity has risen from 8.7 cents per unit to 13.5 cents. Meanwhile the Basic Charge as a portion of our bill, given the 43.5% reduction in consumption, has increased from 23% of our bill, before taxes, to 34.9%. Does FortisBC believe that the Commission should continue to allow the company to discriminate against low kWh residential customers, contrary to section 59 of the Commission Act?

13. Given the above concerns, as expressed in questions 9, 10, 11 and 12 above, can you please explain why FortisBC is not proposing options 10, 11 and 12 as found in Table 7.2 of their current application?

14. At line 3-4, page 27, FortisBC states in the current application:

“...that a second block that is too high will be unduly punitive to higher consumption customers, such as those with electric heat” Does FortisBC know what percentage of its low income residential customers use electric heat versus wood and other fuels for heating; and, what percentage of its low income residential customers use air conditioning versus those who do not?

15. Can FortisBC please explain why it is not “unduly punitive”, in accordance with the specifications of section 59 of the Utilities Commission Act, to maintain a high Basic Charge and a lower Block 2 charge for low income customers who use neither electric heat nor air conditioning?

16. Can FortisBC please explain why it is not “unduly punitive”, in accordance with the specifications of section 59 of the Utilities Commission Act, to maintain a high Basic Charge and a lower Block 2 charge for all income levels of residential customer who use neither electric heat nor air conditioning?

17. Can FortisBC also please explain why maintaining a high Basic Charge and lower Block 2 charge for electricity is not “unduly punitive” against its own residential customers who use FortisBC-supplied natural gas for heating?

18. Can you please explain why, given the age of FortisBC's generating infrastructure and the fact that the Canal Plant Agreement is nearly forty years old, BC Hydro Power and Authority has a basic charge of $0.13410 per day, whereas FortisBC's basic charge is $0.47556 ($28.93x6/365)?
19. Does BC Hydro Power and Authority use different criteria for creating its Basic Charge?

20. Is it not true that the main reason FortisBC wants to retain the current Basic Charge, at 3.5 times the Basic Charge of BC Hydro Power and Authority, is that it guarantees the company a higher bi-monthly fixed income from each residential customer?

21. If low consumption residential customers are not causing FortisBC to purchase more and more electricity under the BC Hydro 3808 agreement and on the spot market, why should their Basic Charge be subject to a re-balancing increase at all?