From: Andy Shadrack [ashadra@telus.net]  
Sent: Saturday, July 16, 2011 5:55 PM  
To: FortisBC Regulatory Affairs – Electricity; Commission Secretary BCUC:EX  
Cc: FortisBC Regulatory Affairs – Electricity; 'wjandrews@shaw.ca'; 'thackney@shaw.ca'; 'bcuc@horizontec.com'; 'bchydregulatorygroup@bchydro.com'; 'ngabana@gmail.com'; 'hgrant@nelson.ca'; McNeely, Cindy; 'JimQuail@bcpiac.com'; 'support@bcpiac.com'; 'ekung@bcpiac.com'; 'rasika@telus.net'; 'kootenaytax@shaw.ca'; 'hmstansk@shaw.ca'; 'otootski@gmail.com'; 'fredweislaw@gmail.com'; 'jwightman@econalysis.ca'; 'r_work@telus.net'; 'support@bcpiac.com'; 'lworth@bcpiac.com'  
Subject: Re: FortisBC Inc. Residential Inclining Block Rate Application - FortisBC Written Submission on Mr. Shadrack IR 1 Responses  

Kaslo  

Saturday July 16  

Attention Allana Gillis, Acting Commission Secretary  
BC Utilities Commission  

I write in response to FortisBC’s letter of July 14, 2011, noting that it is almost impossible for me to continue in these hearings if FortisBC evades having a free and open discussion about the setting of the basic charge. In this regard I refer the Commission Panel to a series of answers given by the applicant during the 2009 Rate Design and Cost of Service Analysis proceedings of May 4, 2010 in Kelowna BC:  

At page 416 line 19, to page 417 line 4, Mr Warren states, in reference to Exhibit B-1, page 34, lines 14 to 20, and at A-3 on B7 (page 415 line 1 to page 416, line 18):  

"...had we raised the basic charge even higher than it is now, as the COSA model indicated, the energy rate would have dropped as a result of that. Because there has to be a balance of revenues, so as the basic charge rises, the energy rate necessarily declines. And as that energy rate declines, therefore the more you use, the less you pay, relative to if the energy rate hadn't declined.  

"So, raising the basic charge actually favours higher consumption customers than it does lower consumption customers."  

From this answer, rightly or wrongly, I have deduced that in setting the Basic Charge and RIB rate, this hearing needs to discuss what the right balance is between Block 1, Block 2 and the Basic Charge, so as to send the right conservation message to all residential customers.  

Further, from the same cross examination proceedings, I also want to refer the Commission Panel to Mr Chernihowsky's, Dr Saleba's and Ms Tabone's answers at page 402, lines 2 to 25, specifically:  

Mr. Chernihowsky: "...Obviously the amount of energy delivered in a kilowatt is the same regardless of how it's used. Certainly the opportunity cost of the kilowatt varies depending on its use, and I think Mr. Saleba can speak to that.  

Mr. Saleba: "...And in this situation it's pretty clear that a residential kilowatt isn't used as much, or the duration of usage is not as long as it is for other retail or wholesale. So these are unit costs, so let's say a kilowatt cost $10. If you use 2 kilowatt hours from that, the unit cost is 5. If you use 4 it'd be 2 and a half. So what this chart represents is that residential usage per kilowatt is not as high as the retail and wholesale.
Ms. Tabone: "And also that is a delivered cost, so it would include the cost of delivering it to the customer, which differs by the voltage level and other factors as well."

From these three sequential answers to the same question I deduce that cost varies according to level of voltage and other factors. What are these other factors? To date despite my best efforts during IR#1 FortisBC has evaded answering my questions.

Ultimately the setting of a basic charge within the residential customer class becomes an issue of fairness, within the context of section 59 of the Utilities Act, in relation to how much a customer chooses to use and/or conserve his or her consumption of electricity. There therefore needs to be a discussion about whether a customer who uses wood or natural gas for heating should participate in paying delivery costs for someone who uses electric heat. Likewise should someone who does not have a hot tub or heated swimming pool participate in delivery costs for that service too?

In this regard I refer the Commission panel to Dr Saleba's answer at page 403, line 11 to page 404, line 2, in reference to my question on page 402, line 26 to page 403, line 10:

"Yes, the section you refer to is how we classify and allocate distribution plant, which is substations, poles, conductors, transformers. And there's two theories of thought on that. One is that the sizing of poles, conductors and transformers and substation is strictly a function of non-coincident demand within the service territory. That's the 100 percent demand method."

"The other theory of thought is that it's true that demand drives the sizing of the facilities, but you've got to have a meter and a pole out there just to provide service. So there's a customer component that goes to the allocation of demand cost as well, and that the latter approach I describe is what they call the minimum system approach, where there's some split for the allocation and distribution of facilities between non-coincident peek demands and number of customers."

From this answer I understand that there are a range of options available and it is in this context that I was trying to persuade FortisBC to state where on the continuum between these two options they were falling. I have obviously failed to elicit a response, at least one that I can understand.

Finally I want to refer the Commission panel to the exchange between myself and various spokespeople for the applicant at page 409, line 13 to page 413, line 7, in particular Dr Saleba's answer at 410, line 6 to page 411, line 7 and Ms Tabone's at page 412, line 12 to 16.

From this I deduce that FortisBC basically allocates 20% for cost of delivery of service, but as I will show in evidence later in these proceedings, since 2006 cost of service, the basic charge, to our household has ranged from a low of 18.1% to a high of 44% of the total electrical bill.

In conclusion, I will refer to the 2009 Rate Design and Cost of Service Analysis Commission panel's own words. At page 56 of their decision they state that:

"...increasing the Basic Charge would be unacceptable, especially in view of the requirement for providing appropriate pricing signals for conservation and energy efficiency."

on page 57 the decision continues by directing FortisBC:

"...to develop a plan...for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future."
This whole discussion ends at page 67 to 69 in reference to "Postage Stamp Rates", with it being stated:

"The Commission Panel further notes that the current policy, supporting same rates to all members of a customer class regardless of their location in the Province, can also be interpreted to support the idea that the FortisBC residential customer rate structure should more closely resemble the BC Hydro residential rate structure."

I will simply end with this observation. I live in Kaslo - a FortisBC service area - and am the representative for the surrounding Electoral Area D. The Alternate Director for Electoral Area D lives in Johnson's Landing - a BC Hydro service area, which is supplied power through a contract with FortisBC. My Alternate as a BC Hydro customer pays 3.5 times less of a Basic Charge for each billing period than I do as a FortisBC residential customer, but we both obtain power from the same source.

If BC had a true free market system, I could switch my purchase of power from FortisBC to BC Hydro. I cannot do that and as a consequence FortisBC has an absolute monopoly on the market from which I buy electrical power. It therefore behooves the BC Utilities Commission to ensure that the rights of a customer to ask probing questions and challenge status quo assumptions are properly answered and given full and due respectful consideration.

My questions may be crude and I may not understand all the technicalities of the questions being asked by other intervenors, but is it too much to ask why my neighbour, who obtains her power from the same source, pays 3.5 times less of a basic charge than I do? If through the written Intervenor Request process I cannot obtain appropriate answers to my questions, I will have no option but to ask the Commission Panel to organize an oral hearing where I can get answers through cross-examination.

Respectfully submitted,

Andy Shadrack