

18 June 2018

**FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application
Project No. 3698899**

**Anarchist Mountain Community Society and
Regional District of Okanagan-Similkameen
Information Request No. 2 to FortisBC**

1.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Attachment 38.8, Option IR 38.4; BC Hydro 2008 Residential Inclining Block Application, p I-9 and I-11; FBC Response to CEC IR#1, Request 1.1, p 2.

In the 2008 BC Hydro RIB Application, BC Hydro stated:

“The desire to incorporate an incentive for conservation into its rates has prompted BC Hydro to apply for approval of a rate structure that sends a price signal to customers that better reflects the higher long-run cost of new electricity supply. In the current and foreseeable future, where the long-run cost of new electricity supply is substantially higher than the embedded cost of BC Hydro’s existing assets, such a rate structure sends price signals that will encourage economically efficient electricity consumption choices and, thus, electricity conservation”.

“The Step-2 Rate in the proposed RIB rate structure better reflects the higher cost of new electricity supply than a flat rate structure. Thus, compared to a flat rate, BC Hydro’s RIB rate proposal is more likely to incent economically efficient choices and result in electricity conservation”.

“The Step-2 Rate provides a better reflection of the long-run incremental costs of new supply than the otherwise applicable flat rate, while not exceeding a reasonable estimate of those costs”.

In response to CEC IR#1, Request 1.1, FBC states:

“FBC’s proposed default flat rate structure can be considered to be a neutral option, meaning that although it does not necessarily encourage or discourage increased electrification, efficient use of the system and energy conservation, it does strike a balance among all of the conflicting qualities of the rate structures”.

Request

- 1.1 Does FBC agree that to achieve economically efficient consumption choices the rate structure needs to reflect the cost of supply as part of the correct price signal? If not, please explain.

- 1.2 Does FBC agree that, if the marginal cost of new generation and other marginal costs of providing service are higher than the embedded costs, the economically efficient level of consumption occurs when customers base their consumption choices on the marginal cost of supply? If not, please explain.
- 1.3 Does FBC agree that the original intention of the RIB Rate(as described in BC Hydro's 2008 RIB Application) was to incent energy efficient consumption choices by setting the Tier 2 rate equal to the marginal cost of supply? If not, please explain FBC's view on the original intention of the RIB Rate.
- 1.4 Please confirm that FBC's marginal cost is 9.6 cents/kWh.
- 1.5 Please confirm that the RCR's current Tier 2 rate is 15.6 cents/kWh, which is 63% above the marginal cost.
- 1.6 Does FBC agree that having the Tier 2 rate significantly above marginal cost promotes economically inefficient consumption choices in that those customers with significant consumption in Tier 2 will tend to over-conserve (i.e. it would be economically efficient to add more supply rather than reduce demand to that level)? If not, please explain.
- 1.7 Does FBC agree that, for an electric utility like FBC, where the marginal cost of supply is below embedded costs, the flat rate sends the correct price signal for achieving economically efficient consumption choices? If not, please explain what the correct price signal would be to incent economically efficient consumption behaviour.

2.0 Topic: Residential Rate (RS1) Design

Reference: BCUC Decision, FBC RIB Rate, January 13, 2012, p 21; FBC 2017 COSA & Rate Design Application, Section 6.1.5, p 71. FBC Response to CEC IR#1, Request 31.2, p 73.

In its current Application, FBC states:

“There is no cost basis for the current levels of the Tier 1 and Tier 2 rates that form the RCR, nor for any particular threshold and tiered pricing”

In response to CEC IR#1, Request 31.2, FBC states:

“One of the objectives of the original RIB Application was to introduce price signals for residential customers that *reflect* the marginal cost of electricity being higher than the embedded cost of electricity. The objective (of the RCR), however, was not to set any rate component at the cost of new energy.”

In the BCUC Decision on FBC's 2011 RIB Rate Application, the BCUC stated:

“In a perfectly competitive market, the price of any increment of a resource will be driven to the full economic cost of that increment, and will therefore be an ‘economic efficient’ price which achieves optimal resource utilization. In the absence of market pricing, as is the case in the regulated sector, the challenge for utilities and regulators is to establish an economic efficient price, or rate, that encourages energy conservation while ensuring that the utility’s revenue requirement is met. While an arbitrary increase in a rate may well encourage less consumption, it may not be an economically efficient reduction in consumption. In any event, given revenue requirement constraints, a flat rate cannot simply be increased. An inclining block structure, which charges a lower rate for amounts consumed below a threshold and a higher rate above that threshold, can potentially be structured to be both economically efficient and meet the utility’s revenue requirements. However, a RIB rate structure that is incorrectly priced can have disadvantages and unintended consequences, the principal among them being that customers overuse underpriced resources and underuse overpriced resources. The choices made are suboptimal and the consequence is lower productivity and/or lower conservation. A rate structure based on sound rate-making principles can ensure that what consumers pay will reflect the true economic value of the energy they buy, and that energy resources find their best possible uses.”

Request

- 2.1 Does FBC agree that the RCR was not “structured to be both economically efficient and meet the utility’s revenue requirements” since it resulted in a situation where only a minority of customers have a significant percentage of their consumption in Tier 2 and the Tier 2 rate is significantly above marginal cost? If not, please explain.
- 2.2 Does FBC agree that the RCR has a “RIB rate structure that is incorrectly priced” and has therefore had “disadvantages and unintended consequences, the principal among them being that (low-use) customers overuse underpriced resources and (high-use) customers underuse overpriced resources”. If not, please explain.
- 2.3 Does FBC agree that the RCR has been encouraging less consumption through an “arbitrary increase in a rate”, since, as FBC has acknowledged in Section 6.1.5 of its application: “there is no cost basis for the current levels of the Tier 1 and Tier 2 rates that form the RCR, nor for any particular threshold and tiered pricing”? If not, please explain.

3.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 38.1, p 102; FBC Response to AMCS/RDOS IR#1, Request 8.1, p 17; FBC Response to CEC IR#1, Request 31.2, p 73.

In response to BCUC IR#1, Request 38.1, FBC states:

“In theory, the reference to LRMC in setting a higher second block rate, as in the RCR, is to provide a price signal for conservation that is linked to the long run costs that will be avoided if the conservation is undertaken. However, for FBC the Tier 2 rate of the RCR has never been set with reference to the LRMC. In the original RIB Application, the Tier 1 and Tier 2 rate were calculated in order to ensure that 95 percent of customers would experience bill impacts no greater than 10 percent”.

In response to CEC IR#1, Request 31.2, FBC states:

“One of the objectives of the original RIB Application was to introduce price signals for residential customers that *reflect* the marginal cost of electricity being higher than the embedded cost of electricity. The objective (of the RCR), however, was not to set any rate component *at* the cost of new energy.”

In response to AMCS/RDOS IR#1, Request 8.1, FBC states:

“FBC is not aware of policy and legislative imperatives that require a conservation price signal that is above the Long-Run Marginal Cost (LRMC) of new electricity generation and has not stated or inferred that this is the case. The term “policy and legislative imperatives” refers to the objectives articulated under the *Clean Energy Act* (CEA). Section 3 (1) (b) (iv) of CEA discusses “the use of rates, including rates to encourage energy conservation or efficiency”. However, government regulations and the CEA in particular are not prescriptive as to how these objectives should be achieved and do not require a “conservation price signal” that is above the LRMC of new electricity generation. The Commission may consider what type of rate structure can better achieve these objectives or other objectives, and how the elements of the determined rate structure should work together. In the 2012 RIB rate decision, the Commission determined to set the tier two rate above the FBC generation LRMC”.

In the 2008 BC Hydro RIB Application, economic efficiency was BC Hydro's guiding principle for determining how much conservation is desirable.

Request:

- 3.1 How did FBC's decision not to set any rate component at the cost of new energy “better achieve” the CEA objectives of encouraging energy conservation or efficiency?

- 3.2 Was an objective of the RCR to benefit the majority of customers by reducing their electricity bills below what they would otherwise be charged under a flat rate?
- 3.3 Please provide details of the RCR's objective of promoting "conservation".
- 3.4 What is FBC's guiding principle for determining how much conservation is desirable?
- 3.5 Does FBC agree that, in allowing the Tier 2 rate to rise above the marginal cost of electricity, customers are incented to make uneconomic investments in demand reduction rather than economic investments in demand reduction. If not, please explain.
- 3.6 What, if any, are the economic or environmental benefits of allowing the Tier 2 rate to rise above the marginal cost of electricity?
- 3.7 Since the RCR resulted in the majority of customers paying rates below the flat rate, does FBC agree that the RCR provided no incentive, relative to the flat rate, to the majority of customers to increase their efficiency or reduce their demand? If not, please explain.
- 3.8 Does FBC agree that, given how the RCR is structured, a minority of customers are required to undertake uneconomic investments in conservation while the majority of customers are not required to undertake any conservation actions? If not, please explain.

4.0 Topic: Residential Rate (RS1) Design

Reference: FBC 2017 COSA & Rate Design Application, Section 6.1.5, p 71; FBC Response to BCPIAC IR#1, Request 48.3, p 82; FBC Response to KSCA IR#1, Request 8.6.1, p 81; FBC Response to BCUC IR#1, Request 48.3.1, p 146; FBC 2013 RCR Evaluation Report, Appendix C, Conservation Results Methodology, p 23-24,

In its current Application, FBC states:

"These rates were initially set to achieve a desired result (lower residential class energy use)."

In Response to BCPIAC IR#1, Request 48.3, FBC states:

"Energy efficiency is not necessarily always aligned with 'conservation objectives'. In other words, energy conservation (less electricity use) may or may not result in more efficient use".

In Response to KSCA IR#1, Request 8.6.1, FBC states:

"FBC also notes that burning wood for heating purposes instead of using electricity does not necessarily indicate 'conservation efforts' (it indicates a shift from one energy source to another which may or may not be

coupled with conservation efforts) and is not aligned with government policy for increased electrification”.

In Response to BCUC IR#1, Request 48.3.1, FBC states:

“Because the measured conservation impact was only slightly below the medium case results, FBC expects that the timeline for achieving the expected savings would be similar to the initial assumptions and that the majority of the expected savings have been realized”.

In FBC 2013 RCR Evaluation Report, Appendix C, Conservation Results Methodology, p 23-24, EES Consulting states:

“For electric space heat customers, and to a lesser extent for customers with no gas availability, the higher block 2 rate impacts a greater portion of their bills and kWh usage. While the regression results for these groups were not robust, the findings did seem to infer a much higher elasticity in the range of -0.23 to -0.30 for these customers. Because electric heat customers see a larger bill impact, they also have a bigger reduction in their energy use. And because there has not been sufficient time for much change in heating source, it is likely that these customers are reducing their usage through lowering their thermostats. This behavioral change may not continue over the long term for all customers, and the higher bills may eventually lead to a shift away from electric heat. While it may be desirable for the RCR rate to promote the efficient use of energy, in the short term it may be coming at the expense of customers’ comfort levels in their homes”.

Request

4.1 As reported by EES Consulting in FBC’s 2013 Information Report, electric heat customers may respond in three different ways to higher bills they experience under the RCR:

- (1) energy efficiency improvements;
- (2) behavioral change, such as sacrificing comfort by turning down the thermostat; and
- (3) shifting away from electric heat to other energy sources, such as wood or natural gas.

Did FBC design the RCR to incent all three types of responses to achieve lower residential class energy use? If not, please explain what actions the RCR is intended to incent and how the RCR was structured to target those actions.

4.2 Have all three types of responses been included in FBC’s forecast “conservation” impact?

- 4.3 Have all three types of responses been included in FBC's measured conservation impact?
- 4.4 Has FBC analyzed the relative share of the actual reduction in electricity demand incurred since 2012 attributable to each type of response? If so, please provide the analysis.
- 4.5 Given its response to KSCA IR#1, FBC does not appear to view shifting from one energy source to another as a "conservation effort" and it recognizes that such shifting "is not aligned with government policy". How has FBC ensured that, in evaluating the success of the RCR against its conservation objective, it has not included reductions in demand due to fuel shifting as a "conservation" response?
- 4.6 FBC claims that the majority of expected savings have been realized. How much of the realized savings are due to customers investing in energy efficiency home improvements that will have a lasting impact and how much is due to customers engaging in sacrificial behaviour, such as turning down the thermostat or curtailing electricity-using activities, which are generally temporary in nature and reversible?

5.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 48.2, p 144

In Response to BCUC IR#1, Request 48.2, FBC states:

"FBC believes that it is a reasonable assumption that much of the 'low hanging fruit' has been picked over the last five years and this is supported by the comments of at least some residential customers."

Request:

- 5.1 What does FBC mean by the term "low hanging fruit"?
- 5.2 Approximately how many residential customers have made this comment? Please provide copies of their written statements.

6.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 48.4, p 146

In Response to BCUC IR#1, Request 48.4, FBC states:

"It seems reasonable to FBC to conclude that where a low consumption customer and a high consumption customer have both undertaken reasonable conservation measures and are not viewed as using energy in an inefficient manner, imposing an inclining block rate on customers that results in higher bills for higher consumption that may be the result of occupancy levels or dwelling size could be considered inequitable".

Request:

- 6.1 What constitutes “reasonable conservation measures”, by which the customer is not viewed as using energy in an inefficient manner?
- 6.2 Are these “reasonable conservation measures” the same for high consumption customers as they are for low consumption customers?
- 6.3 Does FBC believe the RCR has incented low consumption customers to undertake these “reasonable” conservation measures? Please explain and provide FBC’s evidentiary support for that belief.
- 6.4 How does FBC determine whether a customer is using energy in an inefficient manner? Does FBC make that determination before or after conservation measures are taken?
- 6.5 In response to BCUC IR#1, Request 48.4, FBC states: “imposing an inclining block rate on customers that results in higher bills for higher consumption that may be the result of occupancy levels or dwelling size could be considered inequitable”. Does FBC agree that
 - 6.5.1 imposing an inclining block rate on customers that results in higher bills for higher consumption that may be the result of using electricity, rather than fossil fuels, for space and water heating could also be considered inequitable?
 - 6.5.2 such outcomes are inequitable? If not, please explain.

7.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 4.3, p 13; FBC Response to BCUC Request 79.1.4, p 241; FBC Response to CEC IR#1, Request 1.1, p 1-2

In its response to BCUC IR#1, Request 4.3, FBC states:

“As explained in Section 3.3.2 of the Application, FBC’s existing RIB rate structure was initially developed to satisfy some of the objectives advanced in the CEA, including energy conservation and efficiency, GHG emission reductions and encouraging fuel switching to lower carbon intensity energy sources.”

In its response to CEC IR#1, Request 1.1, FBC states:

“As their name implies, residential conservation rates are applied to conserve electricity usage, which is somewhat contrary to the purpose of electrification in the residential sector. For example, a customer that has maximized its electrification potential with electric space and water heating appliances, electric stove and electric vehicle can pay

considerably more than a customer who only uses electricity for non-heating purposes and therefore is charged under the first block rate. The RCR rates also do not necessarily promote the efficient use of the system as a low use customer can consume most of its energy during the peak time and still be charged under the first block while a high use customer who uses electricity in both off-peak and on-peak periods can be charged under the higher rate block. “

In Response to BCUC IR#1, Request 79.1.4, FBC states:

“...in the short term FBC does not have the need for new resources and has sufficient capacity to meet load growth for several years”.

Request

- 7.1 What environmental benefits has the RCR achieved through its “conservation objective”, given that FBC’s generating system relies on hydropower rather than fossil fuel and has sufficient capacity to meet load growth for several years?

8.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 6.3, p 19

In Response to BCUC IR#1, Request 6.3, FBC states:

“There will be low-income customers spread throughout the range of annual consumption. For this reason, FBC does not view the RCR removal as having an impact that either adds to or reduces the burden on customers based on income”.

Request:

- 8.1 Does FBC agree that the RCR has added to the financial burden of low income customers that live in dwellings (self-owned or rented) that rely entirely on electricity for space and water heating? If not, please explain.
- 8.2 Does FBC agree that the removal of the RCR could reduce the financial burden of those low-income customers who live in dwellings that rely entirely on electricity for space and water heating? If not, please explain.
- 8.3 Does FBC agree that the reduction in the financial burden on a high use, low-income customer, resulting from the removal of the RCR, will, in dollar terms, be much greater than the associated increase in the financial burden on a low-use, low-income customer? If not, please explain.

9.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to AMCS/RDOS IR#1, Request 10.3, p 20 and Request 3.1, p 5&6.

In Response to AMCS/RDOS IR#1, Request 10.3, FBC states:

“...the general expectation would be that low use customers are in general and to some degree being subsidized by high use customers. This issue has been explored in previous Commission processes with regard to the RCR, such as the 2011 RIB Rate proceeding and the 2015 BCUC RIB Rate Review. In the context of all goals and objectives for residential electricity rates, such as achieving a satisfactory level of cost recovery from customers (and other Bonbright principles) and at the same time serving provincial policy objectives like energy conservation and efficiency, any inherent cross-subsidization between high and low use customers has not been found by the Commission to be inappropriate”.

Request:

- 9.1 Please elaborate on why it was necessary and appropriate to structure the RCR so high use customers subsidize low-use customers? How did this better satisfy the Bonbright principles and the policy objectives of energy conservation and efficiency?
- 9.2 A customer using electricity for space and water heating who consumes 30,000 kWh/yr or more would have to reduce their consumption by at least 50% to avoid a bill increase relative to the flat rate. Does FBC believe that such a reduction is achievable through reasonable conservation measures? If so, please provide analysis to support this view.
- 9.3 Does FBC agree that it is likely many of the 5% of customers whose consumption is still greater than 25,000 kWh are incurring bills higher than under a flat rate because it is not possible for them to reduce their consumption to the flat rate equivalent level through reasonable conservation and energy efficiency measures?
- 9.4 Based on the “Current RCR” Table provided by FBC in response to AMCS/RDOS IR#1 Request 3.1, would it be correct to conclude that high use customers this year will pay about \$6.6 million extra on their bills compared to what they would pay under the flat rate? If not, please explain.
- 9.5 Given the RCR is revenue neutral, will low-use customers pay about \$6.6 million less on their bills compared to what they would pay under the flat rate? If not, please explain.
- 9.6 Is \$6.6 million a reasonable estimate of how much high use customers will subsidize low use customers this year? If not, please explain.

- 9.7 According to the “2019” Table provided by FBC in response to AMCS/RDOS IR#1 Request 3.1, is it correct that, in Year 1 of FBC’s proposed phase-in of the flat rate, high use customers would still pay about \$5.4 million extra on their bills compared to what they would pay under the flat rate and low-use customers would pay about \$5.4 million less? If not, please explain.
- 9.8 Is it correct that, under FBC’s phase-in proposal, high use customers will pay about \$14.5 million extra and low-use customers will be subsidized by a similar amount when compared to an immediate return to the flat rate? If not, please explain.
- 9.9 Does FBC believe it is “appropriate” for high use customers to subsidize low use customers by a further \$14.5 million so that low use customers, who have had their bills subsidized since 2012, do not experience a bill increase greater than 3.5% per year. If so, please explain why?

10.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCSEA IR#1, Request 22.6, p 42 and 2011 FBC RIB Rate Application

In Response to BCSEA IR#1, Request 22.6, FBC states:

“FBC agrees that the RIB rate, as designed and applied to all customers in a similar fashion, is not unjust, unreasonable, unduly discriminatory or unduly preferential.”

Request

- 10.1 Does FBC agree that price discrimination occurs when different customers pay different prices for the same good or service? If not, how would FBC define price discrimination?
- 10.2 Does FBC agree that, in the 2011 FBC RIB Rate Application, its intention to prevent an increase in the cost of service for 95% of customers resulted in an increase in the cost of service for the remaining 5% of customers, even though both groups of customers were receiving equivalent service?
- 10.3 Is it FBC’s view that it is just and reasonable for the RCR to cause customers who use electricity for space and water heating to pay higher electricity prices than those who use natural gas for space and water heating? Please explain.
- 10.4 Is it FBC’s view that it is just and reasonable for the RCR to cause customers whose household’s generate zero or few fossil fuel emissions to pay higher electricity prices than those whose households generate many times more emissions? Please explain.

- 10.5 Is it FBC's view that it is just and reasonable to use the same Tier 2 threshold for houses as for apartments? Please explain.
- 10.6 Is it FBC's view that it is just and reasonable for the RCR to cause renters of dwellings heated by electricity to pay higher electricity prices when they have little or no ability to undertake conservation actions? Please explain.
- 10.7 Is it FBC's view that it is just and reasonable to require a household consuming 30,000 kWh/yr to reduce their consumption by 50% to avoid a bill increase greater than what would be paid under the flat rate, while other households incur bills below what would be paid under the flat rate without having to make any reductions in consumption? Please explain.

11.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to BCUC IR#1, Request 7.1, p 22; FBC Response to BCUC Request 42.2, p 123; FBC Response to BCUC Request 47.3, p 143

In Response to BCUC IR#1, Request 7.1, FBC states:

"FBC has considered the concept of 'rate shock' generally. What constitutes rate shock is not universally agreed upon, but a common metric to assess rate shock is an increase in rates greater than 10 percent over a short period of time."

In Response to BCUC IR#1, Request 47.3, FBC states:

"FBC believes that the appropriate point of reference for the rate shock guideline is the total annual bill."

"FBC believes that any rate design proposal should be implemented in a way that avoids rate shock to the majority of customers."

"...it may or may not be appropriate to characterize a situation where a small percentage of customers have an annual bill increase of more than 10 percent as rate shock."

In Response to BCUC IR#1, Request 47.3, FBC states:

"It is a sound and responsible policy to balance the interests of all residential customers, including high use and low use customers."

Request:

- 11.1 Please describe the circumstances under which, in the case of FBC's RCR, it is "appropriate" to dismiss or differently define the "rate shock" principle for those that make up a "small percentage" of FBC's total number of customers.

- 11.2 What is the threshold percentage range of customers to constitute “a small percentage” of customers?
- 11.3 Customers that are completely reliant on electricity for space and water heating make up a small percentage of customers. Do they deserve less protection from rate shocks than the majority of customers that use natural gas or wood for space and water heating?
- 11.4 Similarly, rural customers make up a small percentage of customers. Do they deserve less protection from rate shocks than urban customers do?
- 11.5 Under the RCR, a high-use electricity customer can experience a rate and dollar increase in their monthly or bi-monthly bills of more than 40% in winter. Does FBC consider that a rate shock? If not, please explain.
- 11.6 In Year 1 of FBC’s phase-in, a high-use electricity customer can still experience a winter rate shock of 35% or more, ten times larger than the 3.5% bill increase that FBC argues is the maximum allowable. Please explain how defining rate shock in a way that ignores the adverse bill impacts experienced every winter (and in some cases also in summer) by high-use electricity customers, “balances the interests of all residential customers, including high use and low use customers”?
- 11.7 FBC states that it “believes that the appropriate point of reference for the rate shock guideline is the total annual bill”. Does FBC agree that a 10% increase in the total electricity bill of an all-electric home is more onerous than a 10% increase in the total electricity bill of a natural gas heated home that only uses electricity for appliances and lighting, given that, in the case of the latter, the 10% increase is only on a small percentage of the customers total energy bill? If not, please explain.
- 11.8 Does FBC agree that the appropriate point of reference for the rate shock guideline should be the customer’s total energy bill? If not, please explain.

12.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to AMCS/RDOS IR#1, Request 11.1, p 22

In Response to AMCS/RDOS IR#1, Request 11.1, FBC stated:

“The ability to initiate conservation measures has always varied across the customer base, and has done so across all consumption levels. To the extent that in every consumption strata there will be customers that have pursued conservation and others that have not, the opportunities for some customers are diminished as compared to the past. This is common at all consumption levels.”

“In the view of FBC, some customers have reacted to the price signals in the RCR to the extent possible and should not continue to be subject to the Tier 2 rate.”

Request:

- 12.1 Does FBC have any evidence that low-use customers have pursued conservation measures in response to the RCR's price signals, given that their electricity rates under the RCR have fallen below what they would have been under the flat rate?
- 12.2 Does FBC agree that the only customers who have likely reacted to the price signals in the RCR are high-use electricity customers and that, by now, they have likely reacted to the extent possible? If so, why is FBC proposing to continue to subject them to the Tier 2 rate for four more years?

13.0 Residential Rate (RS1) Design

Reference: FBC Response to AMCS/RDOS IR#1, Request 5.1, p 12

In Response to AMCS/RDOS IR#1, Request 5.1, requesting the number of FBC customers that had switched to natural gas, FBC states:

“FBC does not have the information requested. Customers that might switch from electricity to natural gas for space or water heating are free to do so without informing FBC of their changes in electricity use”.

Request:

- 13.1 Has FBC ever recommended to a customer that heats with electricity to mitigate their high electricity bills by switching to natural gas?
- 13.2 Is it correct that when an FBC electricity customer switches from electricity to natural gas FBC's profits do not decrease, because subsequent rate rebalancing adjusts the rates to ensure no loss in revenue?

14.0 Topic: Residential Rate (RS1) Design

Reference: FBC Response to AMCS/RDOS IR#1, Request 6.3, p 14; FBC Response to BCUC IR#1, Request 3.3, p 7.

In Response to AMCS/RDOS IR#1, Request 6.3, FBC states:

“The desired attributes of sound rates are often in tension. With respect to conservation rates in particular, there is a trade-off between achieving conservation and the resulting bill impacts that must be managed”.

In Response to BCUC, IR#1, Request 3.3, FBC states:

“Generally speaking, inclining block rate structures may provide better price signals for energy conservation for some segments of residential customers, but provide less desirable results in terms of other rate design

considerations such as customer awareness and understanding, cost causation or rate and revenue stability”

Request

- 14.1 Is it FBC’s position that inclining block rate structures are not cost-based? If so, please provide supporting evidence of inclining block structures that are not cost-based.
- 14.2 Does FBC agree that there are “conservation” rate systems designed to incent energy efficient behaviour without significantly raising any customer’s rates or bills – e.g. tiered rate systems that use individual thresholds for customers based on a fixed percentage of historical usage or that use multiple thresholds for different sub-classes of residential customers?
- 14.3 Does FBC agree that the RCR structure reflects a trade-off between cost causation, conservation, energy efficiency and bill impacts?
- 14.4 Does FBC agree that there were different ways to structure the RCR that would have prevented the need to make such trade-offs? If not, please explain.