

**Anarchist Mountain Community Society and
Regional District Of Okanagan-Similkameen (AMCS-RDOS)
Response To Andy Shadrack for Kaslo Senior Citizens Association Branch #81 IR No. 1
FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application**

- 1.0 With regard table 4.2, please confirm that if you add in the cost of the basic customer charge of \$32.09 per billing period, the actual cost of 9,000 kwh (before GST) is \$.12256 per kWh and that for 30,000 kWh is in fact \$.14498 per kWh.

AMCS-RDOS Response

If you include the Customer Charge in the calculation of average rates, then the average rates, before GST, are: 1) \$.12256 per kWh for 9,000 kwh (before GST), and 2) \$.14498 per kWh for 30,000 kWh.

- 2.0 Please confirm that the gap between the cost of 9,600 kWh and 30,000 kWh, when including the basic customer charge, is in fact \$0.02242 per kWh and not the \$.038 per kWh claimed in table 4.2.

AMCS-RDOS Response

If you include the Customer Charge in the calculation of average rates, before GST, then the differential between the average rates is \$0.02242 per kWh.

- 3.0 Please confirm that the price differential is approximately 18.3% and not the 37.6% claimed in table 4.2

AMCS-RDOS Response

If you include the Customer Charge in the calculation of average rates, before GST, then the percent differential between the average rates is approximately 18.3%.

- 4.0 Since January 1st, 2009 the basic customer charge has increased from \$23.74 per bi-monthly billing period to \$32.09, which is a 35.1% increase over nine years, 3.9% for each year¹.

Likewise first the "flat rate", and then the Tier 1 rate, has increased from \$.07463 to \$.10117 per kWh since January 1st, 2009 - just under a 35.6% increase, 3.95% for each year¹.

Order G-3-12 directed FortisBC to introduce a Tier 2 rate that was implemented at a cost of \$.12003 per kWh in July, 2012, which, in 2018, is currently set at \$.15617 per kWh, thus the rate has increased by approximately 30.1% since introduction, 5.02% for each year.

In order gG-156-10 the Commission panel determined that:

"the Commission Panel finds that increasing the basic charge would be unacceptable, especially in view of the requirement for providing appropriate pricing signals for conservation and energy efficiency" (p 56).

"...similarly, the Commission Panel is concerned that the existing relatively high basic charge gives wrong pricing signals and believes that Bonbright Principle 3 regarding the price signals encouraging conservation should trump Principle 2 which seems to support a higher basic charge....accordingly, the Commission Panel directs FortisBC to develop a plan for introducing residential inclining block rates that also incorporate a lower Basic Charge in the immediate future and to file an RIB rate application with the Commission..." (p 57).

- i. Does AMCS/RDOS believe that the Commission panel made either an error in fact or law in directing FortisBC to incorporate a "lower Basic Charge" into the RIB rate application?

AMCS-RDOS Response

By lowering the Basic Charge and moving from a flat rate to the RCR, FBC's residential rate structure moved from one that was cost-based to one that was not cost-based.

As FBC states in their Application, p 71, "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" (FBC Application, p 71).

A non-cost based rate structure departs from:

- Principle 2 (fair apportionment of costs among customers) – the RCR is resulting in significant intra-class cross-subsidization (Section 4.5, AMCS-RDOS evidence, pp 25-27);
- Principle 3 (price signals that encourage efficient use and discourage inefficient use) – the RCR is promoting energy inefficient behaviour (Section 4.1, AMCS-RDOS evidence, pp 19-20); and
- Principle 8 (avoidance of undue discrimination) – the RCR is price discriminating against high use electricity customers (Section 4.4, AMCS-RDOS evidence, pp 24-25).

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.

A cost-based rate structure does not mean that all customers pay the same average rate. The per-unit cost of serving higher consumption customers is generally lower than that of serving lower consumption customers. In a flat rate system, as long as the fixed Customer Charge appropriately reflects that cost differential, it is appropriately cost-based and meets design principles.

AMCS-RDOS has no view as to 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.

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.

- ii. What evidence can AMCS/RDOS provide to contradict/counter the evidence that the Commission panel used to make its determination in G-156-10?

AMCS-RDOS Response

Please refer to AMCS-RDOS response to Q 4 i.

- 5.0 With reference to variable Tier thresholds and rates, does AMCS/RDOS disagree with the determination of the Commission panel in G-156-10, as found at section 3.4, pages 67-69, to support the BC government policy of having postage stamp rates within each class of customer within each utility?

AMCS-RDOS Response

Please refer to AMCS-RDOS response to BCUC, IR#1, Q 1.19.

- 6.0 With reference to pg&e in California, in how many other jurisdictions are utility regulators now allowing multiple tiered thresholds and rates?

AMCS-RDOS Response

AMCS-RDOS has not surveyed the rate systems in other jurisdictions.