



Rate Rebalancing and Rate Design

FortisBC
Public Open House
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Cost of Service Analysis

Overview – The COSA Process

Revenue Requirement

→ *The total dollars required to serve customers on an annual basis.*

Cost of Service Analysis

→ *Determine costs each customer class is causing and how much revenue the utility is collecting from each.*

Rate Design

→ *How does the utility collect the costs?*

What is “Cost of Service Analysis” ?

- The purpose of a cost of service study is to break down the total revenue requirement to the customer classes.
- The result of the cost of service study shows the cost to serve each customer class.
- COSA is an important component in setting fair and equitable rates.

Then & Now

Since 1997 the FortisBC system has changed in a number of ways:

- Significant investment in infrastructure
- Customer load characteristics are different (dual peak)
- Capacity constrained

Preliminary 2009 COSA Results

- Revenue to cost ratios are used to show how much customers are paying relative to their allocated costs

Customer Class	2009 Revenue To Cost Ratio
Residential	98.5%
Small GS (20)	113.4%
General Service (21)	139.8%
Industrial Primary (30)	123.6%
Industrial Transmission	61.9%
Lighting	84.2%
Irrigation	79.6%
Kelowna Wholesale	87.9%
Penticton Wholesale	77.1%
Summerland Wholesale	95.6%
Grand Forks Wholesale	68.1%
BCH Lardeau Wholesale	101.2%
BCH Yahk Wholesale	103.1%
Nelson Wholesale	80.2%

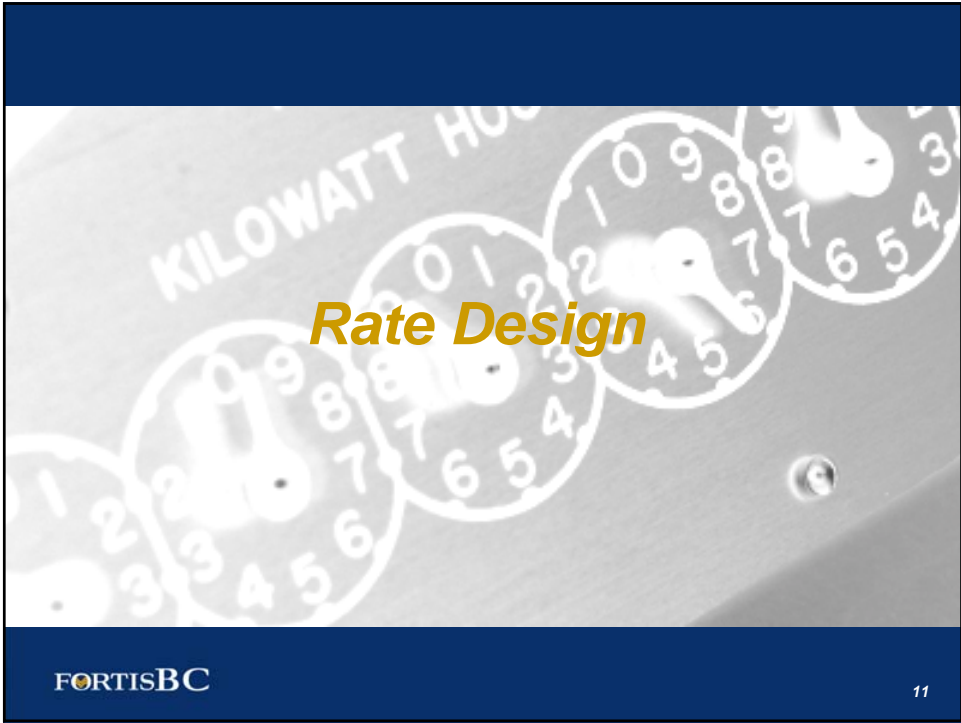
Rate Rebalancing

Rate Rebalancing

- Rebalancing – moving rates closer to their costs
- Some rebalancing between classes is necessary
- **Goal:**
 - Move classes as close to 100 per cent as possible over 5 years
 - Rebalancing increases capped at 5 per cent
 - Revenue from rebalancing used to manage increases to over-collecting classes

Rate Rebalancing

Rate Class	COSA Ratio	Rebalancing Effect	Achieve 100%
Residential	98.5%	Achieve 100% within 2 years then as per annual revenue requirement	Yes
Small General Service	113.4%	Receive rebalancing credit until at 100%, then as per annual revenue requirement	Yes
General Service	139.8%	Receive rebalancing credit until at 100%, then as per annual revenue requirement	No
Industrial Primary	123.6%	Receive rebalancing credit until at 100%, then as per annual revenue requirement	Yes
Industrial Transmission	61.9%	Annual rebalancing Increase	No
Lighting	84.2%	Annual rebalancing Increase	Yes
Irrigation	79.6%	Annual Rebalancing Increase	Yes
Kelowna Wholesale	87.9%	Annual rebalancing Increase	Yes
Penticton Wholesale	77.1%	Annual Rebalancing Increase	No
Summerland Wholesale	95.6%	Annual rebalancing Increase	Yes
Grand Forks Wholesale	68.1%	Annual rebalancing Increase	No
Lardeau Wholesale	101.2%	Achieve 100% within one year then as per annual revenue requirement	Yes
Yahk Wholesale	103.1%	Achieve 100% within one year then as per annual revenue requirement	Yes
Nelson Wholesale	80.2%	Annual rebalancing increase	Yes



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Agenda

- **Provincial Policy and Legislation**
- **Rate Design Principles**
- **Rate Design Options**

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Provincial Policy and Legislation

BC Energy Plan

Explore with B.C. utilities new rate structures that encourage energy efficiency and conservation.

FortisBC Rate Design Principles

- Customer feedback critical
- Fixed cost recovery must improve
- Rates should be simple
- Rate impact should be managed for large majority of customers
- New rate structures should only be introduced if they address long-term needs
- Conventional meters are not suitable for wide-scale time-based rates
- AML meters introduced within five years

Rate Design Options

	Residential	Commercial
Net Metering	X	X
Basic Customer Charge	X	
Inclining Block Rate	X	
Flattening Declining Block Rates		X
Monthly Meter Reading & Billing		
Urban/Rural Rates	X	X
Seasonal Rates	X	X

Residential Rate Structures

Residential Rate Options

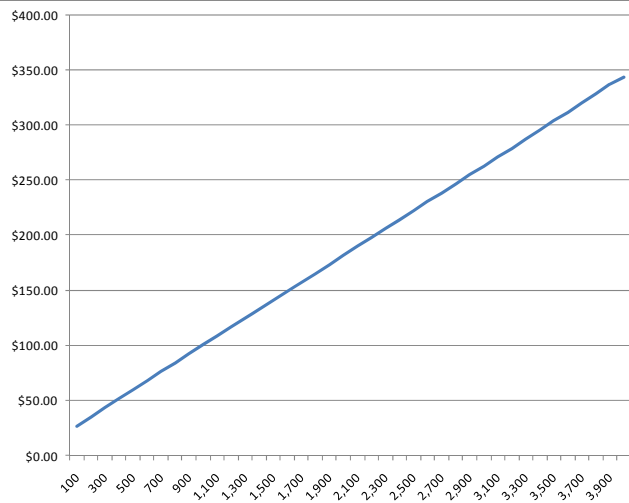
- Flat rate (status quo)
- Reduced monthly charge with a minimum bill
- Inclining block rates

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Residential Flat Rate Billing (today)

Fixed bi-monthly charge

Flat rate per kWh



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Residential Monthly Charges

- **Reduce basic monthly charges, increase energy and demand rates**
- **Requires minimum bill to recover appropriate fixed costs**
 - Residential: 50% reduction in basic charge = 7% increase in energy charge

Pros

- **Encourages conservation since higher proportion of bill directly relates to energy use**

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Residential Inclining Block Rates

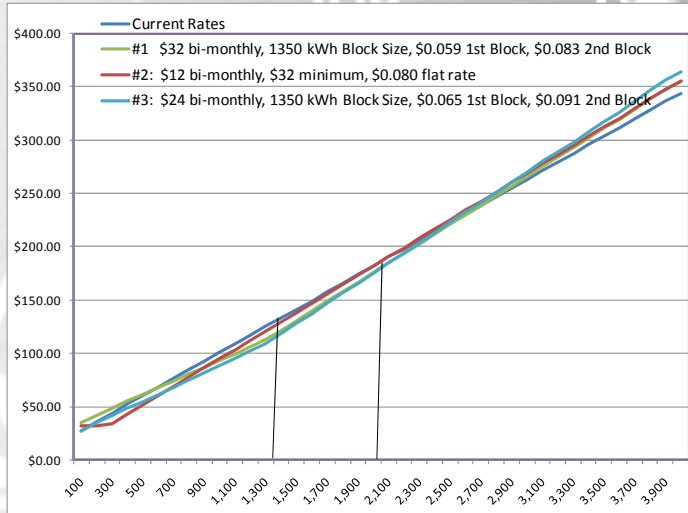
- **First block of energy used is priced at a base rate**
- **Second block of energy is priced higher than the first block**

Pros:

- **Customers using energy in second block have higher incentive to save energy**
- **Lower costs for customers below a consumption threshold**

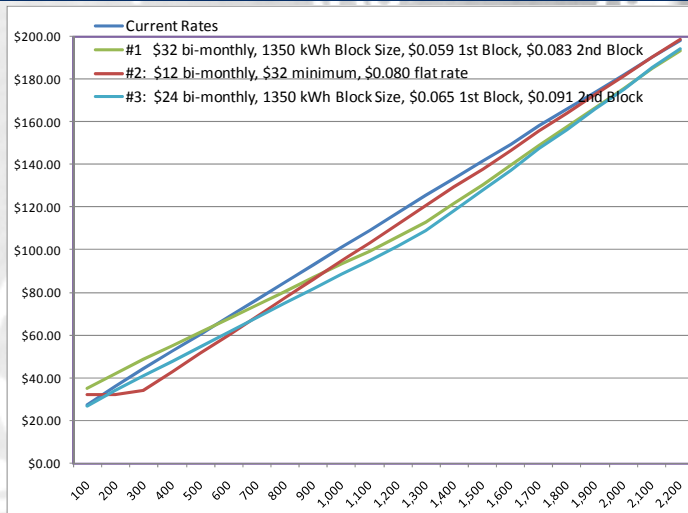
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Residential Rate Choices



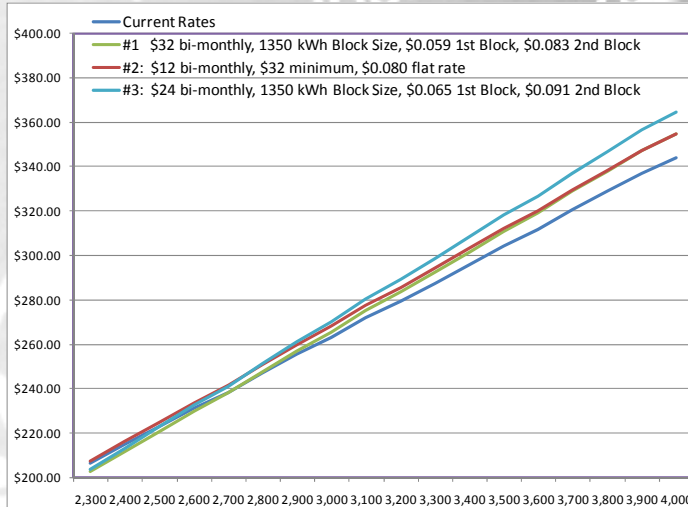
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Residential Energy Bill < \$200 bi-monthly



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Residential Energy Bill > \$200 bi-monthly



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Other Rate Strategy Considerations

- Within the next five years, FortisBC hopes to implement Advanced Metering Infrastructure (AMI)
- AMI will allow a wider variety of rates, including time-varying rates
- Time-varying rates are more suitable for addressing the FortisBC capacity deficit
- For these reasons, FortisBC is reluctant to introduce dramatically different rate structures at this time

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Residential Rate Feedback

Which conservation rate option do you think FortisBC should implement?

1. Implement residential inclining block rates – higher monthly + lower rates
2. Implement lower monthly charge and minimum bill
3. Implement residential inclining block rates – lower monthly + higher rates
4. Maintain existing rate structure
5. Other - please explain

General Service Rate Proposal

General Service Rate Proposal

- Increase monthly customer charges
- Increase demand component of GS21
- Reduce energy rate
- Convert GS20 to flat rate
- Convert GS21 rate to two-step rate, from existing three-tier declining block
- Rate transition will be maintained

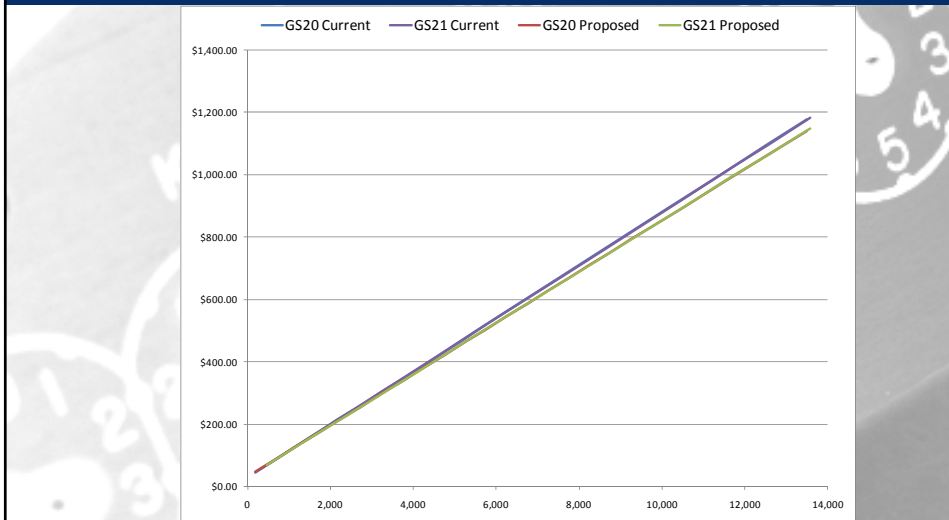
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Current Declining Block Commercial Rates



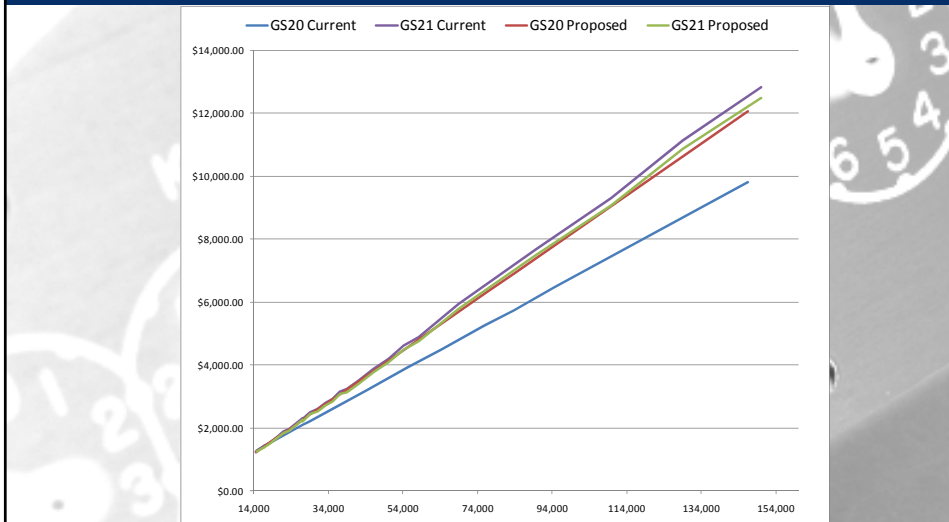
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“Low” Consumption - 95% GS20, 40% GS21 bills



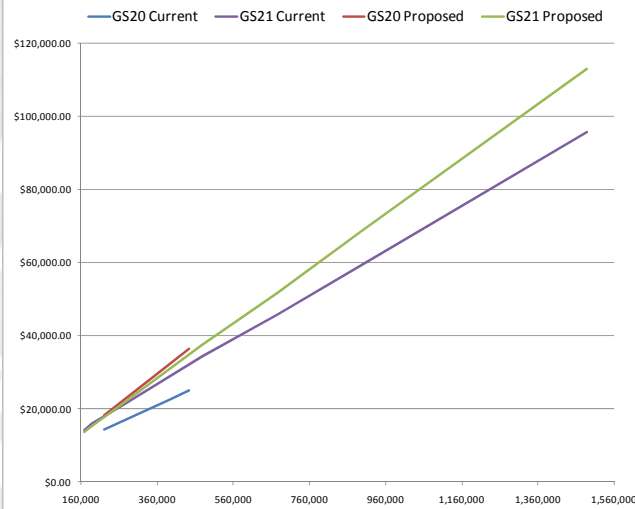
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“Medium” Consumption - 5% GS20, 55% GS21 bills



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“High” Consumption - 0.01% GS20, 5% GS21 bills



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Next Steps

- **Open houses – July 27-30, 2009**
- **Meetings with customers and First Nations**
- **Deadline for written feedback, August 28, 2009**
- **File final COSA and Rate Design application to BCUC – September 30, 2009**
- **Further regulatory process – www.bcuc.com**

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Provide Your Feedback

- **Sign-in sheets**
- **Surveys**
- **Hand-outs**
- **Website: www.fortisbc.com**
- **E-mail: regulatory@fortisbc.com**
- **Mail: 1290 Esplanade, PO Box 130, Trail, BC V1R 4L4**

We encourage and welcome your ongoing participation!

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Questions/Comments?

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