

To: The Energy Commissioners

From: Greenrock

Re: Belco request for a change in the facilities charge structure.

Date: March 25 2014

Greenrock supports Belco’s proposal to change the residential facilities charge structure to an incentive-based pricing structure which will encourage electricity conservation. However, we believe that consumers will respond only if there is absolute pricing transparency. The proposed method of implementation does not achieve this as the assessment is unnecessarily complicated.

We ask the commissioners to consider the following points:

1. The assessment period proposed by Belco is to use a 12 month rolling average. We recommend that the Energy Commission make the assessment period the same as the current charge period (i.e., monthly). This is because, using a 12 month rolling average:
 - a. Reduces incentive to conserve, as the impact on bills slow to change and hard to track
 - b. Makes it harder to verify Belco calculations – the submission claims that 22% of customers use 20-25kWh per day – is this based on 12 month average? Or monthly usage (in which case it will change from summer to winter).
2. Belco should remain revenue neutral with this change so that it is not a disguised rate rise, so the proposed change should be recalculated to ensure that the load averages out over summer and winter.
3. We do not object to a fixed facilities charge (set at the current rate) for customers with PV panels, however we believe that charging on the basis of net usage in the same way as other consumers would be more progressive.
4. We recommend that for transparency the facilities charge should follow the existing usage tiers. We submit Figure A to illustrate a possible alternative pricing approach which uses this recommendation:

	Max Daily kWh Usage	Equates to... Max. Monthly kWh Usage	%	Old Facilities Charge	Old Income	New Facilities Charge	New Income
Tier 1	10	304	26	\$ 33.00	\$858	\$ 15.00	\$390
Tier 2	15	456	18	\$ 33.00	\$594	\$ 25.00	\$450
Tier 3	25	760	28	\$ 33.00	\$924	\$ 33.00	\$924
Tier 4	50	1521	22	\$ 33.00	\$726	\$ 49.50	\$1089
Tier 5	>50	>1521	6	\$ 33.00	\$198	\$ 75.00	\$450
			100		\$3300		\$3303
GR Proposal using existing Billing Charges tiers							
		Monthly kWh Usage	Est. %				
		<250	22			\$ 15.00	\$ 330.00
		251-460	22			\$ 24.00	\$ 528.00
		460-700	26			\$ 33.00	\$ 858.00
		701-1500	24			\$ 48.00	\$ 1,152.00
		>1500	6			\$ 72.00	\$ 432.00
			100				\$3300

Fig A - Income comparison of current versus proposed charge

The Greenrock proposal is simpler than the Belco proposal, but results in very similar pricing. The chart below

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(Fig B) shows how the existing pricing compares with both the Belco and Greenrock proposals in terms of the average price per kWh to the domestic consumer.

Notes:

- a) Both the Belco and Greenrock proposals leave the Facilities Charge unchanged for customers consuming 460-700 kWh per month.
- b) Belco quote 650 kWh per month as the average domestic usage, so the rate jump at 700 kWh (ie for customers using more than average) is consistent with an incentive-based pricing for energy efficiency approach.

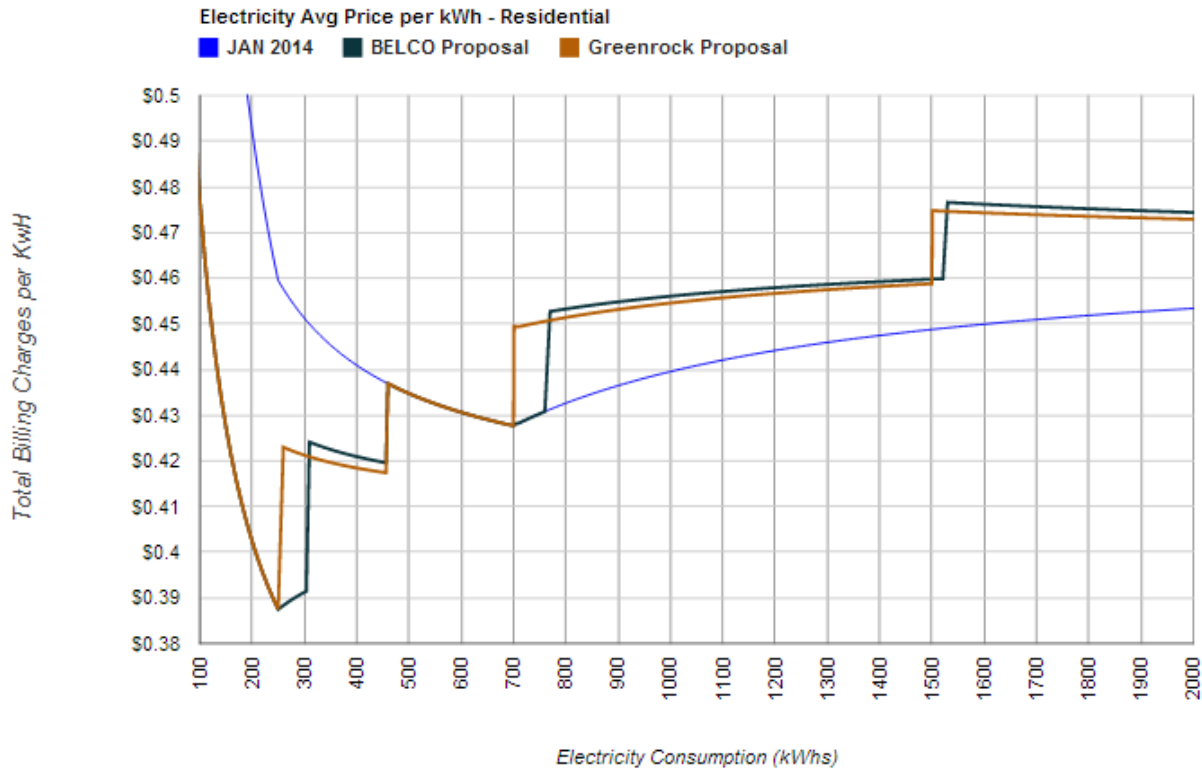


Fig B: A graphical analysis of how the proposed changes would affect residential electricity pricing

We would be happy to discuss this further.