

Maritime Electric Co.Ltd. (MECL) 2019 Rate Application UE 20944

Comments to IRAC

The Commission News Release of February 28th advised that there is to be a delay in the public hearings and therefore the decisions around the 2019 consumer rates will also be delayed. Since I consider that there is a major issue within the Rate Application, I propose that the interval time now available to MECL be used to formulate a pilot program for implementing a new Rate Plan. This program should then be submitted to the Commission as an addendum to the original Rate Application.

Introduction:

For some time now the Commission has been requesting MECL to change the residential tariffs and remove the second block element. However, this Application proposes a non-compensated, simple elimination of the second block for the 7000+ High Use Residential/Farming customers which is NOT the comprehensive “Rate Structure” as directed by the Commission in 2016 – Order UE16-4R paragraph 59.

Specific Issues with the 2019 Rate Application:

- 1) In applying to unilaterally remove the second block element for Residential customers, I propose that MECL are obligated to accompany this rate change with the introduction of a new comprehensive Rate Structure. Tangible alternatives for ALL customers to mitigate the cost impact of removing the second block can be provided by introducing different pricing signals. Note that the Application makes no changes to the General Service and Small Industrial tariffs second blocks.
- 2) The Application shows the MECL distribution and transmission costs are increasing faster than the increase in energy use. A significant part of this MECL operating cost is due to peak load demand. Peak load is determined by customer use cycles, is unaffected by the second block and therefore requires new pricing signals if future cost escalation is to be curbed.
- 3) MECL claim that the continued delay in proposing new tariffs is due to a need to collect more sample data – albeit from a small group of consumers. The Commission is probably aware that the consistency between all three Cost Allocation Studies (CAS) spanning nine (9) years provides adequate information to set new comprehensive Rate Structures. These could be implemented in phases between now and 2021, when the originally planned changes within the Rate

Application were scheduled to start. This phased approach would be faster and allow any required fine-tuning of rates.

- 4) MECL positioning of the 2000+ farming customers separate from the other 5000+ High Use Residential customers continues the out-of-date segmentation of customers based upon energy application rather than upon energy use.

Background topics:

- 1) The 2014 CAS cited that “the benefit of a declining block rate structure is the ability to fairly recover fixed costs when there is a wide range of low and high use customers in one rate class.” The MECL Residential tariff class has 59,000 customers using energy within the wide range of less than 650 to more than 10,000 KWh. each month.
- 2) The 2016 and 2019 Rate Applications have discussed separating Farm and Non-Farm customers but this will not solve the second block issue. A new Rate Structure should comprise “range-of-use”, single tariff groups which provide an inherently fair and equitable method for eliminating the second block element.
- 3) The MECL installed RI meters have two configurations: Kilo-Watt-hour (KWh) energy only measurement for all 59, 000 Residential customers and the Combo version that measures and records both energy (KWh) and monthly peak load (KW). The latter is currently used exclusively for around 30% of the General Service tariff group (comprising a total of 7000+ customers) which is charged for both energy and peak demand.
- 4) Bridge Meters are the selected “Smart Grid” compatible meter that MECL is currently deploying for data retrieval testing and RI meter compatibility assessment. It is believed that close to 100 Bridge Meters are installed and a further 400 have been approved within the 2019 Capital Budget.

A Proposed Strategy for New Tariffs

- 1) The Commission’s concern for second blocks can be answered by implementing different, smaller customer groups and tariffs using new pricing signals.
- 2) The first change would be to separate the 7000+ High Use Residential customers (including farms) into a new High Use Residential tariff group using more than 2,000KWh/Month; this group would be metered and charged for both monthly energy use and peak load demand. With 6,917 Residential and 635 Farmers this group would be similar to the 7000+ General Service group but the tariff elements would be different to better reflect the cost contributions of energy, demand and service as detailed in all three CAS. There would be no second block.

- 3) Although metering for this new group could adopt the current combo RI meters used by the General Service tariff group, it would be prudent – especially considering the need for phased/staged deployment – to adopt the new Bridge meters in the combo configuration measuring both energy (KWh) and demand (KW).
- 4) A future second and significant tariff change would be the introduction of Time-of-Day metering for customers using more than 1,300KWh/Month - 6,458 Residential, 297 Farmers. This would set in place the third “range-of-use” group of around 7000 customers. Iterative deployment of the lower cost smart-bridge meters capable of measuring time but metering only energy (KWh) would be required.
- 5) The remaining segment of residential customers – about 40,000 – using less than 1300KWh/Month could remain metered and billed as for the current Residential tariff. However, as electricity use increased, customers here would migrate to the “Time-of-Day” tariff with the smart-bridge meters replacing the current RI meters.

Pilot Deployment Plan

Introduction and testing of a new demand/service based tariff starting with a representative sample range of customers from the High Use Residential tariff group using more than 2,000KWh/Month. The current Bridge meter deployment plan of 500 would be utilized here.

Full Deployment Plan

Phase 1:

Completion of the metering and billing for the High Use Residential tariff group; this would establish a new group of approximately 7000 customers, co-existing with the 7000+ General Service group. This new group is responsible for around 20% (50MW) of the current peak load demand and therefore a reduction or at least a stalled growth should result.

Phase 2:

Time-of-Day metering for all customers using more than 1,300KWh/Month but less than 2000KWh/Month; this would establish another new group of approximately 7000 customers. This group is responsible for around 13% (33MW) of the current peak load demand and therefore a reduction or at least a stalled growth should result.

Phase 3:

Time-of-Day metering could be extended to some of the remaining segment of residential customers – about 40,000 – using less than 1300KWh/Month, perhaps on a voluntary basis. By virtue of the high number of customers all using only lighting and appliances, this group is responsible for around 19% (48MW) of the current peak load.