UE41400 Prince Edward Island Energy Corporation (PEIEC) 2018 Electricity Efficiency and Conservation Plan Application – Comments to IRAC

Application Overview:
This application is unique insomuch that it is presented by PEIEC for a program where the majority funding is provided by Governments over which the Commission has no influence. The only expenditure that requires Commission approval is the $2.77M proposed contribution from Maritime Electric Co Ltd. (MECL) which will ultimately be collected from all electricity customers. The proposed plan does reference that MECL has previously received Commission approval for an annual Demand Side Management (DSM) expenditure of $167,500 for "Community Outreach Activities" for the five years starting 2016 to 2020. So a total of $837,500 DSM funding has already been committed.

While the proposed plan describes the benefits of peak load demand reduction it is disappointing that it cites the absence of MECL "Time-of-Use" rates as the barrier to implementing DSM when other methods for control of peak load demand (see the last section of this commentary) have been described during stakeholder dialogue. Further the plan fails to clarify that the EE&C programs drive benefits for the program participants but increases costs for non-participants whereas peak load demand programs benefit all users whether they are participants or not.

Application Commentary:

1) **Non-participating customers' penalties:** The plan describes some cost effectiveness measures to justify the approval of the plan but does not comment on or include the cost effectiveness measure quantifying the cost impact upon non-participating electricity users; this measure is usually referred to as the "Rate Impact" measure. Participating customers will ultimately save the full unit price of reduced electricity for an annual saving of $4.2M; non-participating customers will not be saving but contributing to the $1.9M uncollected demand/service costs attached to the reduced electricity. All customers will benefit from the reduction in peak load demand to the amount of $1.8M each year noting that as the Capacity and Transmission/Distribution infrastructure is in place and therefore costs are currently fixed this benefit will materialize as an avoided cost for future years.
2) **Future Electricity Rate Increases:** A new energy purchase agreement has been signed between MECL and New Brunswick Power (NBP) for a five year period starting March 2019. The impact of this energy purchase agreement on customer unit price will only be revealed through a rate application from MECL to the Commission due later this year but the content of the rate application will not simply reference the new contracted price of energy from NBP. MECL has recently submitted five (5) new applications all of which will affect the overhead costs of MECL and will probably be reflected within the 2019 rate application. Requesting that MECL significantly increase expenditures (without any direct payback) at this time for the EE&C plan worsens the cost pressures on customer rates.

<u>Proposed Commission Order Content:</u>

1) **Amend the Application – deny approval for the MECL contribution of $2.77M:**
   To alleviate some of the customer inequity and the price pressures as cited above, remove the proposal to have MECL contribute funds. MECL has already received Commission approval for an annual DSM expenditure for "Community Outreach Activities" to 2020 for a total of $837,500.
2) **Direct MECL to submit a Complementary Demand based DSM Plan:**
   As the EE&C plan is a Government plan supporting the Government's energy strategy it is important that the cost inequity between electricity rate paying EE&C participants and non-participants is minimized. A DSM plan funded by MECL customers that specifically targets control of daily peak load demand benefits all rate payers and is urgently required. This DSM plan would be complementary to the EE&C plan with a single focus upon the measurement of peak load demand at the customer site and the introduction of new demand-based tariffs that provide clear price component signals to customers.
   Content of this DSM plan would be:
   - As a phased approach to any future smart metering initiative, the pilot 2018 installed (100) and 2019 planned (400) deployment of bridging combination meters (measuring both energy and peak load demand) would be expanded, especially for some of the Residential class customers. This expenditure would constitute a more appropriate DSM expenditure and pay-back for MECL customers rather than a pass through contribution as proposed in the EE&C plan.
   - Introduce new demand-based tariffs for the General Service and the high-use (approximately 4000) Residential and Farm customer segments. These new tariffs would not be "Time-of-Use" but simply adjusted price metrics aligned to the unit price components of Energy at 55%, Demand at 31% and Service at 14% as reported in the Chymco 2017 Cost Allocation Study. These new tariffs would also enable the removal of the "second block" issue.
   - Examples of new tariff components for monthly billing are:
     - For General Service Customers: Service @$8/KW, Demand @$20/KVA and Energy @ $0.075/KWh
     - For High Use Residential/Farm Customers: Service @$6/KW, Demand @$15/KVA and Energy @ $0.075/KWh
     - For both tariffs:
       - There would be NO minimum Demand threshold
       - Service charge would be variable replacing the current fixed "token" amount
       - There would be NO second block energy rate

With the objective of maintaining the current monthly billing amounts similar to the existing billings, the introduction of these new tariffs would guide customers to alter (reduce) future demand peaks driven by the more sensitive monthly Service and Demand charges and realign energy price as a true "pass through" cost. It would be appropriate for MECL to include the intent of the new DSM plan within the planned 2019 Rate Application.