

REFERENCE:

Issue: Rate Design

Preamble: The rate design of one particular rate class is not independent from another (run-off blocks). YECL would like to test whether Leading Edges preferred rate design option satisfies Order-in-Council criteria.

QUESTION:

- (a) Continuing with Leading Edges rate design of its preferred option, please provide rate design for the Residential-Government, General Service-Non-Government, and General Service-Government classes.
- (b) Please provide a table similar to Table 1 comparing Residential-Government customers using the rate design in part (a).
- (c) Please provide a table similar to Table 1 comparing General Service-Non Government customers using the rate design in part (a).
- (d) Please provide a table similar to Table 1 comparing General Service-Government customers using the rate design in part (a).
- (e) Please explain whether Leading Edge's preferred rate design satisfies Order-in-Council 1995/090?
- (f) Please explain whether Leading Edge's preferred rate design satisfies Order-in-Council 2008/149?
- (g) Please confirm whether Leading Edge understands that YECL did not propose or favour Option A.
- (h) Please specify the rationale for selecting the runoff rates.

ANSWER:

- (a) to (d) Leading Edge has not prepared a complete rate design covering all customer classes, nor does it have the resources or all the data necessary to do so. Leading Edge provided a "manually" prepared *example* rate design for Residential Non-Government customers only to illustrate that the required revenue from this customer class could be recovered with Block 3 rates lower than in Option A and with Block 2 rates higher, and with minimal impact on Block 1 rates. Leading Edge considers that the objectives desired by Option A to be better met by its example design for Residential Non-Government customers.

Leading Edge's example approach shows that there is a large "middle" ground between Options A and B where it believes an optimum rate design lies. See also responses to YUB-LE-1-2 and YUB-LE-1-3(b).

- (e) With respect to the Residential Non-Government rate class both Option A proposed and favoured by YEC and Option B proposed and favoured by YECL were argued by their supporters to meet the requirements of O-I-C 1995/090. Since Leading Edge's example rate design for this class falls between the two options provided by the Utilities it is logical that it also must meet the requirements of O-I-C 1995/090.

With respect to Leading Edge's proposal for the Residential Non-Government rate class, in the absence of a similar approach across all rate classes as proposed by Leading Edge in its evidence, then the Block 2 rate of \$0.1522 for Residential Government customers proposed in Option A would not meet the requirements of O-I-C 1995/090 as it would be lower than the Residential Non-Government class. At minimum then the Block 2 rate would need to be increased to \$0.16 per kWh and the Block 1 and / or Block 3 rates adjusted to provide the requisite revenue from this class. To repeat, though, Leading Edge, proposed a rate design which would follow the example proposed for the Residential Non-Government class across all customer classes.

- (f) Leading Edge's example for the Residential Non-Government rate class meets the requirements of O-I-C 2008/149 as it collects exactly the same amount of revenue (\$19,411,927) from this class as proposed in both Option A and Option B by the Utilities.
- (g) Confirmed.
- (h) Please see response to YUB-LE-1-3(b).

REFERENCE:

Issue: Rate Design

Preamble: “Leading Edge believes its proposed rates are less punitive”.

QUESTION:

- (a) At what point does Leading Edge consider rates to be punitive?
- (b) Please differentiate the difference or similarities between “sending a stronger signal” and “punitive”.
- (c) Does Leading Edge consider its preferred rate design option to be punitive? If yes, to which rate class or group?
- (d) Does Leading Edge consider that punitive rates will lead to rate shock?

ANSWER:

- (a) Leading Edge is not comfortable with Block 3 Residential Non-Government rates in excess of \$0.20 per kWh outside of Old Crow and in excess of \$0.40 for Old Crow, and considers rates in excess of this to be punitive under the present conditions. See also response to YUB-LE-1-3(b).
- (b) In the manner in which Leading Edge uses the term “sending a stronger signal” in its evidence on page 1 in 2., third last paragraph, it means increasing the Option A Block 2 rate so that consumers with bills for power consumption in this Block will experience a higher increase in rates. Leading Edge uses the term “punitive” to refer to rates above \$0.20 per kWh for Residential Non-Government customers outside Old Crow, as described in (a) above.
- (c) Leading Edge does not consider its example Residential Non-Government rate design to be punitive for this customer class. As outlined in response to YECL-LE-1-1(a) to (d), Leading Edge has not completed a complete rate design covering all customer classes.
- (d) Leading Edge is not aware of a standard or generally accepted definition for “rate shock”, and concludes that this is likely a subjective term with varying personal definitions. Leading Edge believes that many residential customers will express displeasure if Option A rate design is adopted by the Yukon Utilities Board (the Board), and Leading Edge also believes that the similar level of displeasure would be expressed if a rate design following its example design is adopted. In short, whether Option A Block 3 rates at or in excess of \$0.20 per kWh for Residential Non-Government consumers (other than in Old Crow) are

adopted Leading Edge expects some high use residential customers will use this term to describe their bills and the Block 2 and 3 rates.

REFERENCE:

Issue: Rate Signal

QUESTION:

- (a) Please quantify the difference between “a significant rate signal”, “a noticeable rate signal”, an adequately strong signal” and “punitive”.
- (b) Considering Residential Non-Government Rate has a 78.9% revenue-to-cost ratio, in Table 1, please describe what type of signal a 750 kWh Residential Non-Government customer (-10.16% bill decrease) would get?.

ANSWER:

- (a) The term “punitive” as Leading Edge uses it has been described in response to YEC-LE-1-2(a).

Leading Edge uses the expression “a significant rate signal” in objective 1 in the listing following first paragraph on page 1 of its evidence. In this context Leading Edge is referring to the highest rate that it would be comfortable with for the Residential Non-Government Block 3 of rate blocks such as laid out in Option A, namely \$0.20 per kWh outside of Old Crow and \$0.40 in Old Crow. It is a rate that those who make decisions as to which type of space heating to install in homes would take notice and seriously reconsider if they were planning to install electric heat.

The expression “a noticeable rate signal” is used in objective 2 in the listing following first paragraph on page 1 of its evidence. In this context it is referring to a higher rate than \$0.1522 per kWh for rate Block 2 of Option A for Residential Non-Government customers such as the \$0.16 that Leading Edge used in its example rates for this class. Leading Edge’s intent is that customers who have monthly power consumption in the range of 1001 kWh to 1500 kWh per billing period would be receiving bills that would be closer to or in excess of their present bills for a similar level of consumption and would become aware of that. Under Option A all Residential Non-Government customers with billing period consumptions of 1500 kWh or less would experience a bill decrease compared to the present rates. It is leading Edge’s hope that under its proposal customers in this group would also notice more rapid increases in their bills as their consumption ranged from 1001 to 1500 kWh per billing period.

The expression “an adequately strong signal” is used in item 1 of the list near the bottom of page 1 of its evidence. In this context it is describing the example rate of \$0.20 per kWh that Leading Edge suggested for the runoff Block 3 rate for Residential Non-Government customers outside of Old Crow in rate design Option A. In Leading Edge’s view its

proposed rate is adequately strong to make decision makers with respect to electric space take notice as described above.

- (b) It is not clear which rate block YECL is referring to when it states that “Considering Residential Non-Government Rate has a 78.9% revenue-to-cost ratio...”. If it refers to the total revenue collected (\$19,411,927), then the full revenue to cost ratio would require about \$24,603,203. In terms of average rates collected the present is about \$0.1410 per kWh ($\$19,411,927 \div 137,637,626$ kWh), and a full cost to revenue ratio would be \$0.1787 per kWh (including fixed monthly charges) or about \$0.1607 per kWh after fixed monthly charges.

Thus under Leading Edge’s proposal Blocks 2 and 3 energy users would be paying for their marginal consumption near or above the full cost of service while Block 1 users would be below full cost of service. Under YEC’s Option A only Block 3 users would be paying for their marginal consumption near or above the full cost of service, and under YECL’s Option B no one would be paying near the full cost of service in any rate block.

If in this question YECL is referring to the fact that under Leading Edge’s proposal a 750 kWh per billing period consumer will see a bill decrease of 10.16% (as opposed to 10.19% under Option A and a 0.02% increase under option B), the signal would encourage electricity consumption if indeed the IER stays in place at its present level indefinitely. However, if as is suggested in responses to LE-YEC/YECL-1-15 and YUB-YEC/YECL-1-20(b) this is an interim measure that we can expect will expire, then everyone will see a bill increase. Under Leading Edge’s proposal a 750 kWh per billing period customer would see a bill increase of 14.01% vs. an increase of 12.98% under Option A and a 24.19% under YECL’s Option B.

As discussed by both Utilities in their Application, there are competing objectives in setting rate design. Leading Edge considers the IER to be counterproductive as subsidization (particularly to those who do not need it) does not encourage conservation and in the long term this will drive costs up for everyone. Thus one of Leading Edge’s objectives was to minimize impacts of IER termination to the majority of customers who have modest consumption levels so that it would be easier for the Yukon government to consider terminating the IER. To be clear Leading Edge has no objection whatsoever to those who need assistance with their utility bills from getting it from the Yukon government, but this should not be provided through all power rates including to those who do not need it.