

July 31, 2017

Mr. Greg Barnlund
Manitoba Hydro

Dear Greg:

Re: Rate design for affordability

Thank you for hosting the productive workshop on July 13 with a focus on rate design alternatives to make bills more affordable for electric heating customers.

You have our input presented at the workshop, but I wish to add the following supplementary points for clarity and completeness.

1. Green Action Centre believes that rates should be designed to meet conservation and affordability objectives, among others, and that bill mitigation is an imperative companion for above inflationary rate increases, but we have not settled on a preferred design or set of designs. We believe that such a selection, for all of us, is best made when the design intentions and design implications as well as the evaluative criteria are made as explicit as possible.
2. At the workshop, Mr. Chernick presented a series of inclined rate examples (to preserve a conservation incentive) that variously targeted (a) all LICO-125 customers, (b) LICO-125 electric space heating customers, (c) non-LICO electric space heating customers, and (d) all non-LICO customers. Bill mitigation through discounting for (a), (b) and (c) was achieved by lowering the first block and, in one case, in addition, a basic charge waiver for the targeted customers. Mr. Chernick indicated that, although he treated these sub-groups separately, a comprehensive residential rate redesign would seek to find ways to combine and integrate examples designed for particular subgroups in addition to optimizing the separate rate components in light of better information from the customer database and a discussion of rate design objectives.
3. We also believe that, in addition to the material presented at the July 13 rate design workshop, at least one of the rate design options explored by the Bill Affordability Working Group should be examined further: a percentage of income payment plan (PIPP). PRA's supporting rate design modeling for the working group is found on pp. 117/242 to 124/242 of Appendix 10.5 of Manitoba Hydro's GRA filing. The PIPP design alone of the three designs modeled was able to eliminate energy poverty, because it was designed to do so. In order to preserve conservation incentives, we would recommend that the requisite discounts be applied to the basic charge and first block, as per Mr. Chernick's examples.
4. We also note the following discussion of the PIPP in the working group report, p. 28/242.

Percentage of income payment plan (PIPP): Further considerations

Noting that a PIPP could effectively eliminate energy poverty by design, the Working Group identified the PIPP as the rate option that best addresses both the accuracy and equity principles of energy affordability. However, in light of administrative costs related to implementation of an income-qualified program, and uncertainty about the sufficiency of potential offsets and overall costs of the PIPP at full subscription, the Working Group did not recommend this option, but instead agreed it may warrant further study by Manitoba Hydro. Further study may include consideration of the following measures to potentially reduce program costs:

- *Target only the poorest of the energy-poor by using a higher income threshold (10%).*
- *Introduce a pilot program prior to full implementation, possibly in a remote northern Indigenous community, and utilize the pilot to enhance understanding of likely administration costs, rates of participation and program efficacy.*
- *Offer PIPP for electric customers only, as existing measures are in place for gas customers, and electric heat costs are greater than gas costs and are rising.*
- *Set aside a dedicated pool of program funding and administer it to individuals on an application basis, prioritizing those most in need.*

5. One issue requiring further discussion in light of rate design objectives is whether bill-mitigating discounts should be directed to all electric space heating customers, all LICO-125 customers, all LICO-125 electric space heating customers, or only energy poor electric space heating customers. In light of pending steep and protracted electric rate increases, our inclination is to prioritize the latter two groups.
6. Finally, consideration must be given to an initial rate design modification, the principles guiding the rate design, and the direction of its evolution over time. See Seattle City Light at https://www.seattle.gov/light/rates/docs/citylightrates101_8_8.pdf and slides 13-18 of the attached SCL Rate Design Proposal for Review Panel meeting 3-19-2014 for examples of principles and direction of change. Manitoba's may differ, but should be equally explicit.

Thank you for the opportunity to make this supplemental submission.

Peter Miller, Green Action Centre



Rate Design Proposal

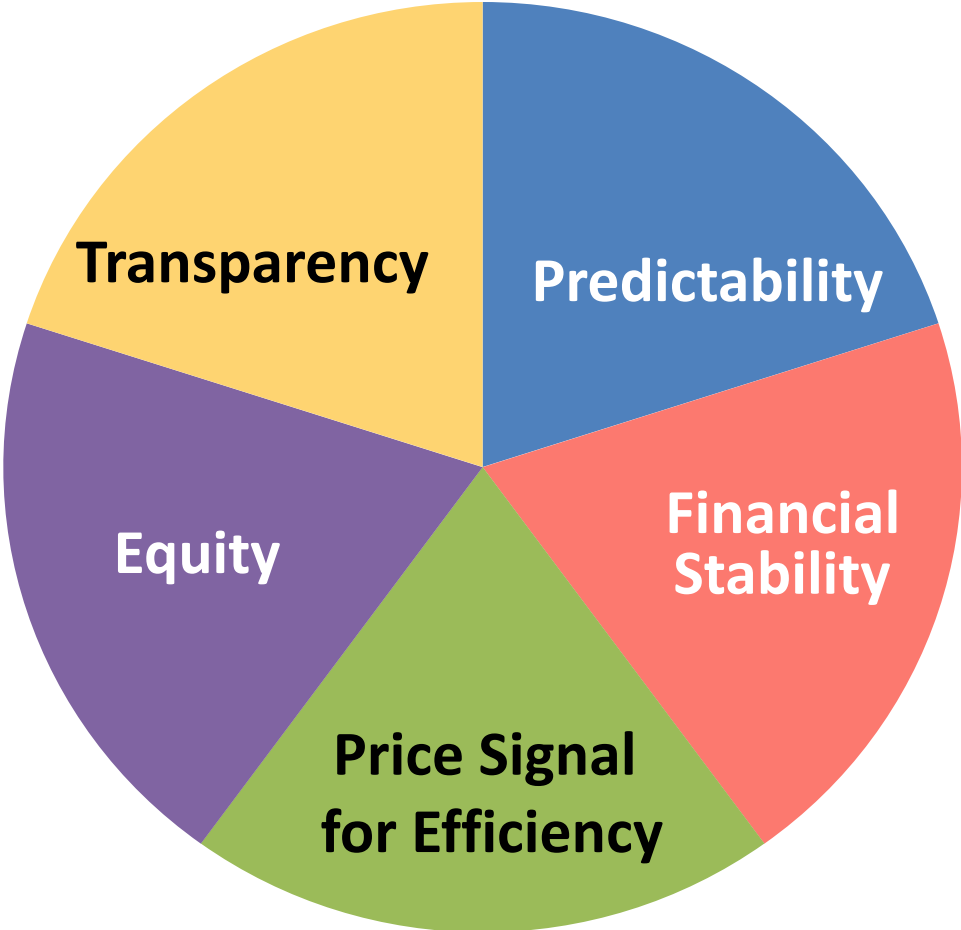
Review Panel Meeting

March 19, 2014

WHAT WILL WE ACHIEVE TODAY?

- Understand the rate design feedback received during public outreach
- Understand the rate design proposal for 2015-2016
- Understand the Utility's long-term vision for rate design
- Arrive at a Review Panel recommendation for 2015-2016

REFRESH ON GOALS FOR RATE DESIGN



Feedback from Public Outreach

What did our customers say?

FEEDBACK FROM PUBLIC OUTREACH

- **Rate predictability is important to us**
- **Support increasing fixed cost recovery, base service charge**
- **Support demand charge increase but consider pace**
- **Retain incentives for conservation**
- **Concerns over decreasing the low income discount to 50%**

Rate Design Proposal for 2015-2016

GOALS OF SCL'S FINAL RATE DESIGN PROPOSAL

Deliver on goals set forth by the Review Panel for the Rate Design Review

Place the utility on a path to achieve the goal of increased financial stability

Incorporate customer feedback from public outreach

RATE DESIGN FINAL PROPOSAL HIGHLIGHTS

- 1. Increase fixed cost recovery while maintaining a price signal for energy that continues to incent conservation.**
 - Implement base service charge
 - Increase recovery of distribution costs via demand charge
 - But at a more gradual pace than initial concept
- 2. Maintain Utility Discount Program (UDP) subsidy at 60%.**
- 3. Implement Time of Use rates.**

RESIDENTIAL & LOW INCOME RATE DESIGN

<i>Residential - City</i>	BSC (per month)	First Block	End Block	Block	UDP
2013	\$4.71	\$0.0466	\$0.1071	Seasonal	60%
Concept	\$7.07	\$0.0292	\$0.1025	Same all year	50%
Final Proposal	\$7.07	\$0.0292	\$0.1025	Same all year	60%

75% of Customer MC

Much lower first block buffers BSC increase

Slightly lower end block approximates MC

*Proposed and Concept rates are for illustrative purposes based on existing 2013 rates and do not include rate increases nor cost of service changes which will be reflected in actual 2015-2016 rates.

SMALL GENERAL SERVICE RATE DESIGN

<i>Small - City</i>	BSC (per month)	Energy
2013	\$7.80 (minimum)	\$0.0716
Concept	\$49.80	\$0.0497
Final Proposal	\$28.76	\$0.0589

100% of Customer MC
+
50% of Distribution MC

100% of Customer MC
+
25% of Distribution MC

*Proposed and Concept rates are for illustrative purposes based on existing 2013 rates and do not include rate increases nor cost of service changes which will be reflected in actual 2015-2016 rates.

MEDIUM AND LARGE GENERAL SERVICE RATE DESIGN

<i>Medium - City</i>	BSC (per month)	Demand (\$/kW)	Energy (\$/kWh)
2013	\$0*	\$2.13	\$0.0566
Concept	\$18.60	\$5.95	\$0.0460
Final Proposal	\$18.60	\$4.48	\$0.0500

**minimum charge not actively billed*

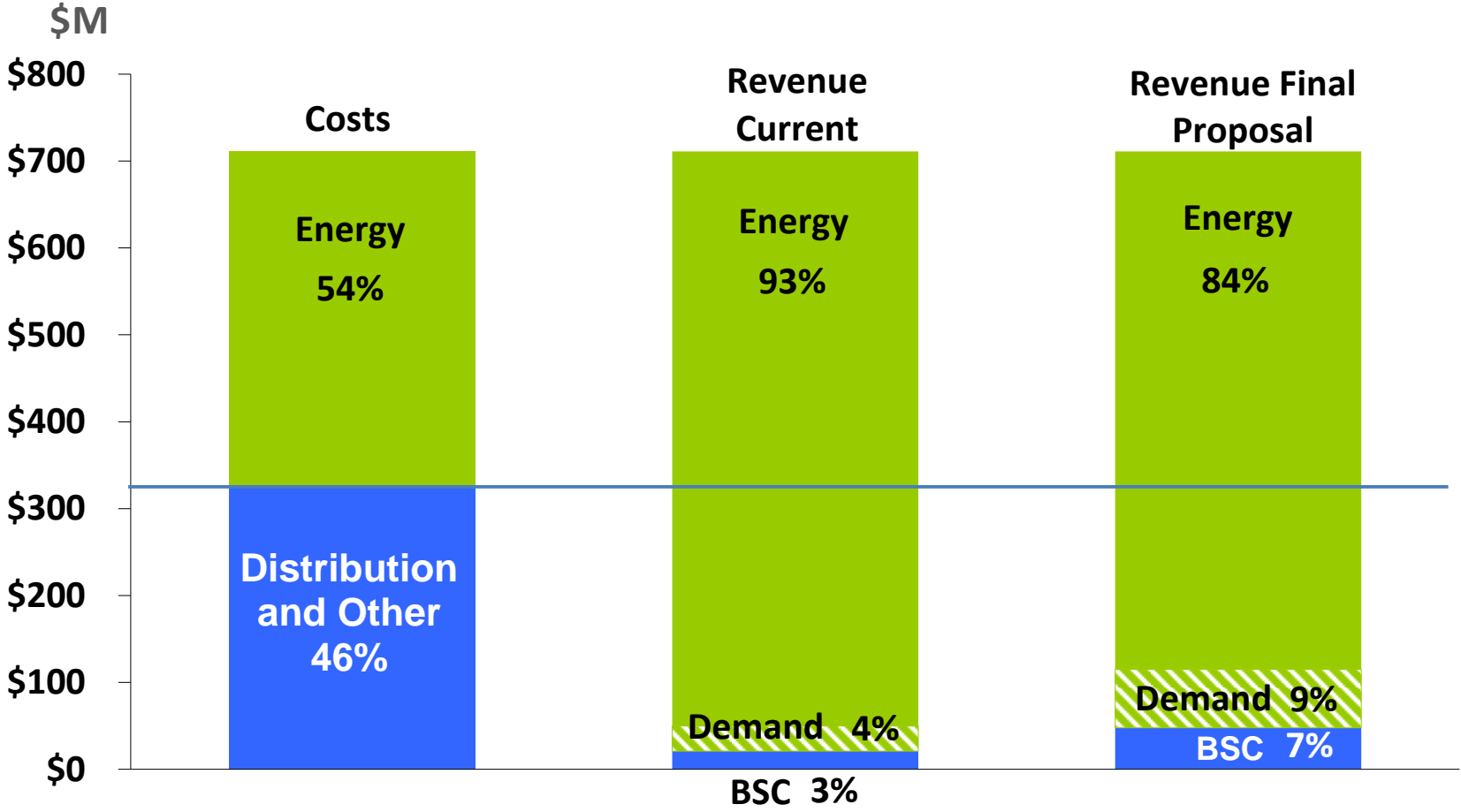
100% of Customer MC

50% of Distribution MC

38% of Distribution MC

*Proposed and Concept rates are for illustrative purposes based on existing 2013 rates and do not include rate increases nor cost of service changes which will be reflected in actual 2015-2016 rates.

FIXED AND VARIABLE COMPONENTS: FINAL PROPOSAL



Long-Term Strategy for Rate Design

LONG-TERM GOALS OF SCL RATE DESIGN STRATEGY

Base Service Charge: All customers pay a monthly base service charge equal to 100% of the marginal cost of customer service (e.g. billing, account maintenance, meter reading).

Demand Charge: All customers pay for 50% of distribution marginal cost through demand charges (or BSC).

Time of Use Rates: All other costs are recovered through variable energy charges priced higher at peak times (at marginal energy cost, or higher) than at off peak times.

LONG TERM RATE DESIGN STRATEGY: RESIDENTIAL

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	50%	75%	100%	100%	100%
% Distribution MC In Infrastructure Charge (or BSC)	0%	0%	10%	30%	50% or implement small demand charge
Energy Charge		Lower first block rate	Block rate to bridge into TOU	Implement TOU rates	TOU rates

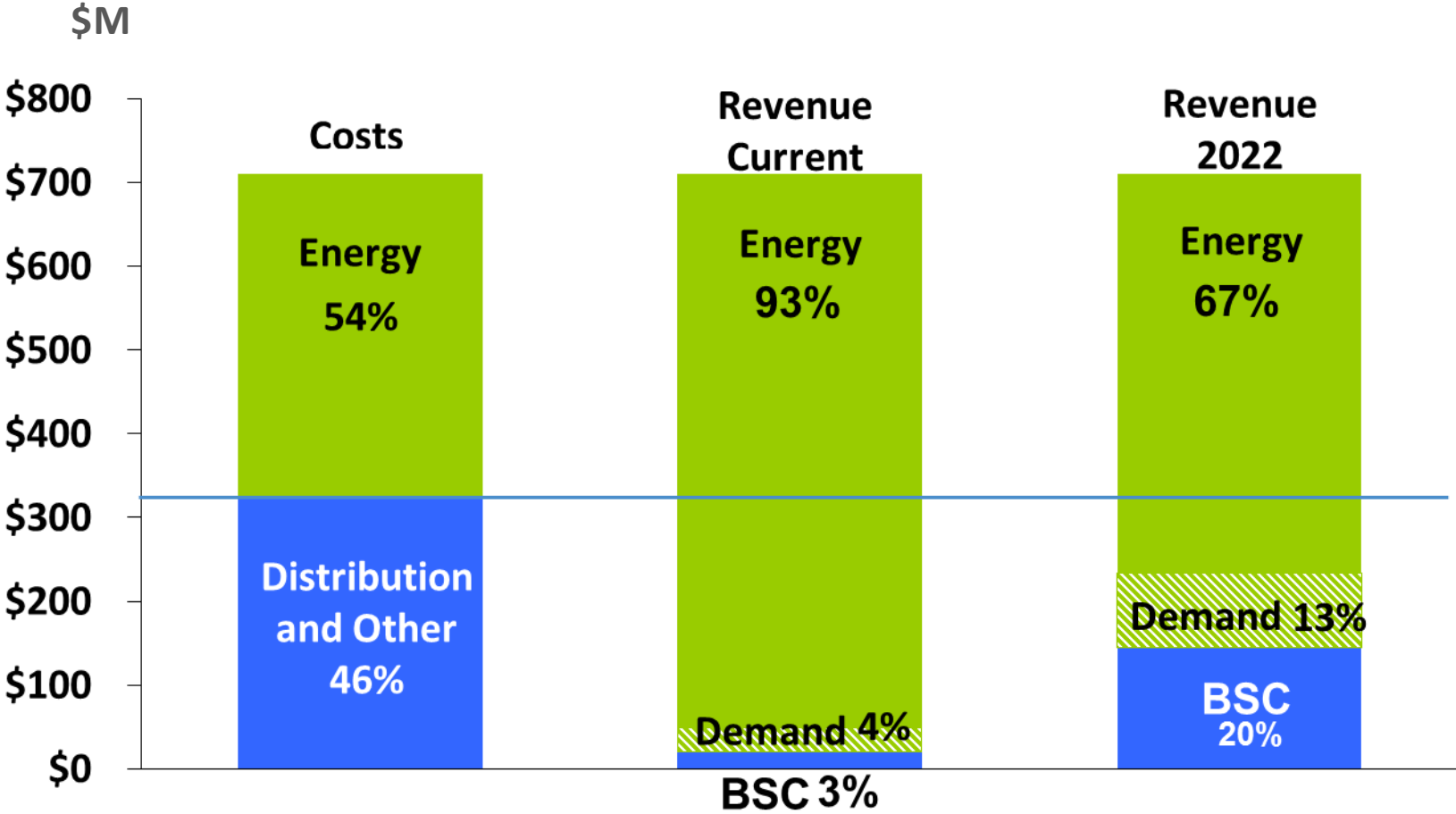
LONG TERM RATE DESIGN STRATEGY: SMALL GENERAL SERVICE

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	Minimum Charge Only	100%	100%	100%	100%
% Distribution MC In Infrastructure Charge (or BSC)		25%	40%	50%	50% or implement small demand charge
Energy Charge		Reduce energy rates	Reduce energy rates	Implement TOU rates	TOU rates

LONG TERM RATE DESIGN STRATEGY: MEDIUM, LARGE, HIGH DEMAND GENERAL SERVICE

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	Minimum Charge Only	100%	100%	100%	100%
% Distribution MC In Demand Charge	~16%	38%	50%	50%	50%
Energy Charge		Reduce energy rates	Reduce energy rates	TOU rates for all	TOU rates

LONG TERM STRATEGY: FIXED AND VARIABLE MIX IN 2022



Panel Discussion

