

## **FCSG Talking Points in Support of a Tiered Residential Electric Rate Ordinance #166, 2011, Option B**

### **Background:**

On December 6<sup>th</sup> of 2011, the Fort Collins City Council approved an ordinance on second reading that will put a tiered residential electric energy rate in place in February 2012. The Fort Collins Sustainability worked hard to support implementation of a tiered residential electric rate over a one and a half year period, and was pleased by the passage of this ordinance. Our reasons for supporting the ordinance follow.

### **Talking points in support of a Tiered Residential Electric Rate**

1. The proposed tiered electric rate would charge residential customers a relatively low amount per kilowatt hour for the first 500 kilowatt hours per month, a higher amount for the next 500 kilowatt hours, and a still higher amount for all use greater than 1,000 kilowatt hours per month. This rate form rewards energy efficiency and conservation, and discourages waste. The energy charge in each tier would be higher in summer months than in non-summer months, which reflects the higher cost of wholesale power from the Platte River Power Authority in the summer. Customers having electric heat will still be eligible for the non-tiered residential demand rate. The continued availability of the residential demand rate will shield customers with electric heat from having to pay significantly more for electricity in the winter than they currently pay.
2. An article in the Ft. Collins Coloradoan published on November 22nd suggested incorrectly that huge utility bill increases are in store for many area residents. In fact, the annual electric bills of the vast majority\* of residential customers will go up by less than 6% next year, which is approximately equal to the wholesale cost increase that will be imposed by the Platte River Power Authority next year. Only a small minority of residential customers will see their annual bills go up more than that. Those increases will range from 6% up to about 20% for the very highest users.
3. By sending a price signal to reduce electric energy consumption, a tiered electric rate would reduce the emission of pollutants associated with the generation of electricity from fossil fuels, including particulate matter, nitric oxides, and carbon dioxide. These result in various cardio-pulmonary disorders (including excess deaths), acid rain, and global climate change, respectively. Tiered rates will help reduce these impacts.
4. By encouraging customers to use less electric energy and to reduce the attendant emission of pollutants, a tiered electric rate would support both the City's Electric Energy Policy and the Climate Action Plan, respectively. The first calls for reducing electric use by 1.5% each year through 2020; the second calls for reducing greenhouse gas emissions by 20% with respect to the 2005 baseline by 2020.
5. The lower electric energy consumption encouraged by a tiered rate would result in lower peak demand on the electric generation system, postponing the need for a new power plant and the

associated capital investment. Postponing the need for additional capital investment would help keep electric rates lower than they would be otherwise.

6. By encouraging customers to use less electric energy, a tiered rate would stimulate demand for products and services related to energy efficiency and conservation. This would benefit the local economy. Ft. Collins Utilities offers its customers a wide array of rebates and other programs to help offset the costs of home energy efficiency improvements.
7. FCSG has previously noted the importance of accommodating customers with medical needs requiring the use of equipment consuming significant amounts of electricity, as well as accommodating customers with plug-in electric vehicles. We are pleased to see that the City has committed to making these adjustments in the Agenda Item Summary for the second reading of the ordinance.
8. Tiered residential electric rates are occasionally compared unfavorably to time-of-use (TOU) residential electric rates. This is a false opposition. A TOU electric rate sends a price signal to customers to avoid using electric power at certain times of the day. A TOU rate requires special electric meters, which will not be in place for residential customers of Ft. Collins Utilities until 2013. A TOU rate can help postpone the need to construct another power plant by reducing peak demand on the electric generation system, but is not designed to reduce energy consumption. A tiered rate is designed primarily to reduce energy consumption. The Fort Collins Sustainability Group supports the implementation of a combined tiered and time-of-use residential rate structure, once the technology is in place to implement a TOU rate.

For additional information on the tiered residential electric rate ordinance, download item #35 on [http://citydocs.fcgov.com/?cmd=show\\_related&vid=72&dt=SUMMARY+AGENDA&rid=December%206,%202011](http://citydocs.fcgov.com/?cmd=show_related&vid=72&dt=SUMMARY+AGENDA&rid=December%206,%202011).

\* Based on data provided by Ft. Collins Utilities, we estimate that approximately 80% of residential customers will see their electric bills go up by 6% or less in 2012 if they use the same amount of electric energy that they used in 2011.

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