

Statement on Time of Use Electric Rate Options: 3 is the Charm

Statement updated on November 22, 2017

At its meeting on November 21st, City Council approved residential electric rate Option 3: a Time of Use (TOU) + Tier rate for all customers, except electric heat customers, who will be placed on a standard TOU rate. The vote was 4-3, with Councilmembers Overbeck, Stephens, Cunniff, and Horak in favor. The Fort Collins Sustainability Group (FCSG) supported Option 3, for the reasons we outlined on November 6th (see original statement appended below this update).

We also encouraged the City to reconsider an income-qualified electric rate, as outlined directly below. Council members supported holding another work session on this issue in the first half of 2018 at their meeting on November 21st as well.

In 2016, City staff proposed an income-qualified utility rate pilot study to Council. Households with an income up to 165% of the federal poverty level – roughly 16% of all households in Fort Collins - would have been eligible to participate. Staff proposed reducing electricity rates by 35% for those households, and they would also have been “encouraged to participate in electric conservation and efficiency programs.” In September of 2016, Council indefinitely postponed consideration of this pilot study.

The FCSG would support reconsideration of an income-qualified utility rate pilot study if it were to include specific and robust measures to improve electricity conservation and efficiency by its participants. Such measures might include installation of LED lighting, installation of and training on the use of programmable thermostats, and building envelope improvement measures such as attic insulation and sealing around doors and windows. All measures should be either free or heavily subsidized to make them affordable.

The goals of an income-qualified utility rate pilot study – which we hope would eventually become a permanent program – should include a) the reduction of electric bills for income-qualified customers and b) the reduction of electric energy use by income-qualified customers, with an attendant reduction in greenhouse gas emissions. We urge City Council to direct staff to develop a revised pilot study proposal putting those goals front and center, along with the measures to achieve the second goal.

Statement posted on November 6, 2017

At its meeting on Tuesday, November 7th, City Council will be asked to choose between three different Time of Use (TOU) residential electric rate options. Those options are: 1) a standard TOU rate for all customers, 2) a TOU + Tier rate for all customers, and 3) A TOU + Tier rate for all customers, except electric heat customers, who would be on the standard TOU rate.

All three options would support the City's larger policy objectives of reducing greenhouse gas (GHG) emissions and reducing peak electric loads during the summer equally. Option 3 provides targeted benefits to three important customer groups, however, which is why the Fort Collins Sustainability Group recommends its adoption. Specifically,

1. A TOU + Tier rate would result in lower electric bills for low-income customers (here defined as those in the lowest third of the income distribution) than would a standard TOU rate.
2. A TOU + Tier rate would result in significantly lower bills for customers with rooftop solar systems than would a standard TOU rate.
3. A standard TOU rate would result in significantly lower bills for electric heat customers than would a TOU + Tier rate

A more detailed comparison of options 1 and 3 is provided in the table appended to this statement.

On page 3 of Agenda Item 21 Summary (available [here](#)), staff presents a table similar to the FCSG's, on which we offer the following comments:

1. Although staff has recommended a separate rate for low-income customers in the past, council has rejected that option previously. A better way to address the needs of low-income customers would be to offer targeted incentives to help them reduce their energy consumption.
2. Both the standard TOU and TOU + Tier rate offer a significant benefit to customers with electric vehicles (EVs) compared to the current standard Tier rate. An even better way to encourage people to use EVs would be to offer a special rate for charging such vehicles.
3. Staff's comparison of "peak demand impacts" is somewhat misleading, and references the probability that an individual customer's demand would peak coincidentally with that of all other customers. In fact, both the standard TOU and the TOU + Tier rates would reduce overall customer electric demand by 8%.
4. Most residential customers (except those with electric heat) are already on a Tier rate. Introducing a TOU component will create some additional complexity in messaging, although we think that the benefits of reducing greenhouse gas emissions and reducing peak electric loads justify that additional complexity. We believe that the residents of Fort Collins are up to the challenge and will support adding the TOU component.

Option 3 helps the City achieve its goals of reducing GHG emissions and peak electric demand, while providing tailored benefits to three important customer groups. Remember: 3 is the charm!