FCSG statement on time of use pilot project for electric rates

Statement updated on May 13, 2014

The Fort Collins City Council considered whether or not to move forward with a "time of use pilot project for electric rates" at its work session on May 13th of this year. The time of use rate proposed by Fort Collins Utilities would apply to approximately 1,000 randomly-selected residential customers. It would charge them a variable amount per kilowatt-hour of electric energy consumed based on how much it costs to produce that kilowatt-hour at different times of the day, week, and year, labeled either "peak" or "off-peak" periods. This differs from the tiered rate that currently applies to most residential customers, which charges customers more per kilowatt-hour as they consume more electric energy. Council directed Utilities to come back with at least one additional pilot project, and to perform more outreach to City Boards and Commissions before conducting a second work session on this topic later this year.

The Fort Collins Sustainability Group believes it would be worthwhile to run the proposed time of use pilot project. However, we believe that it would be beneficial to explore two alternative rate structures as well. The first alternative we think the City should consider alongside the time of use rate structure is a tiered time of use rate. Such a rate would charge customers more per kilowatt-hour as they use more electric energy in both the peak and off-peak time periods. This rate would build on the City's current tiered rate structure. Unfortunately, the City's web portal for customers cannot currently support this rate structure.

The second alternative we think the City should consider is a tiered rate that offers a greater incentive for conservation than the current tiered rate. This rate structure should charge less for the first block of electric energy used than the current rate does, and more for the third or higher blocks.

Consideration should be given to including an allowance for families with more than a specified number of members in the two tiered rate pilots. Doing this would ensure that large families do not provide a significant subsidy to small families or to groups of unrelated people living together.

We recommend proceeding with these pilot programs once the City's web portal can fully support each of them. Once the programs have been in place for at least a year and the data has been analyzed, each rate structure should be evaluated on the basis of a) its ability to promote reduced energy use, b) its acceptance by customers, and c) its ability to provide revenue stability for the Utility, i.e. a good match between its budget and actual revenues. The City of Fort Collins has aggressive goals, which will likely become more aggressive soon, for both reducing electric energy use and for reducing its carbon dioxide emissions. Any rate structure that does not promote those two goals should not be adopted on a larger scale. Customer acceptance is important to help ensure community support for goals related to reducing environmental impacts. And it should go without saying that the Utility must be financially viable in order to provide its services to the community.

Finally, the Fort Collins Sustainability Group recognizes that the rate structure alone is not sufficient to ensure steadily decreasing per capita and community-wide electric energy use. An effective demand side management program is also critical to ensure these outcomes. The most significant step forward that the City could take in this area would be to implement an on-bill financing program for all customers that would allow them to make efficiency upgrades AND pay a lower electric bill each month than they do currently. Other utilities have managed to do this, and it is high time that Fort Collins follow their lead. A rate structure optimized for encouraging efficiency and a demand side management program that would reward the adoption of energy efficiency upgrades by all residents would be a powerful combination indeed.