

REFERENCE: Intervenor Evidence of Leading Edge Projects Inc., page 1

QUESTION:

- (a) Objective #2 of the objectives Leading Edge notes it would like to see achieved in the proposed rates is noted as follows: “To send a noticeable rate signal to a larger percentage of customers that results in them taking action on energy conservation and efficiency”. Given the noted objective, does Leading Edge see any benefit to starting the second block at a lower threshold such as 750 kWh per month (and applying to all consumption up to 1500 kWh per month)? Please explain why or why not.

ANSWER:

- (a) Yes, Leading Edge would be in favour of starting a residential Block 2 at a lower threshold, and 750kWh per month may be an appropriate threshold. In its submission to the Utilities following the workshop in December 2009, and dated January 14, 2010, Leading Edge advocates that the 1000kWh per month existing residential Block 1 should be split into two blocks with the division occurring at 600 or 700kWh per month (YEC/YECL 2009 Phase II Rate Application, Appendix 7.1 page 222/262 (PDF)). Leading Edge also advocated for splitting the residential runoff block into two or more blocks. Leading Edge’s reasons for its position are provided in the submission.

At the time that Leading Edge prepared its submission it had not anticipated the possibility of a residential rate block in excess of 1000kWh per month with the same rate for all zones (Schedules 1160, 1260, 1360, and 1460) such as proposed by YEC in its Option A. However, Leading Edge acknowledges that YEC’s Option A, which equalizes rates for all residential non-government customers up to 1500kWh per month, meets the requirements of O.I.C. 1990/090 Clause 4.(2), and thus reducing the threshold for Block 2 to a lower level would not violate this O.I.C..

The challenge that the Utilities would have in the design of rates with Block 2 starting at a lower threshold is keeping Block 1 rates reasonable (i.e. not ridiculously low) while maintaining an adequate economy and efficiency signals in Blocks 2 and 3. Not an insignificant challenge since the diesel generation costs to be recovered from customers is still relatively low at this time as pointed out by YECL in its reasoning for its Option B.

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- (a) The evidence filed by Leading Edge notes that “the second page presents an option with adjustments to all three blocks – the approach that leading Edge favours. Pages three and four are alternatives to achieving the same goals by adjusting only the first and third blocks or only the second and third blocks respectively.” Please compare and contrast each option with Leading Edge’s preferred option and explain why the other two options presented are not favoured.

ANSWER:

- (a) Leading Edge’s preferred option has a rate differential between Blocks 1 and 2 of about \$0.05 per kWh and a differential of about \$0.04 per kWh between Blocks 2 and 3. Note that this and the following discussion refer to rate schedules 1160, 1260, and 1360 only. Old Crow on rate schedule 1460 has a runoff rate of \$0.40 and is excluded from this discussion.

The second option presented by Leading Edge adjusts Blocks 1 and 3 only (page 3 of 4 of the attachment to Leading Edge’s evidence). In this option the reduced revenue from a reduced Block 3 rate is collected from a higher Block 1 rate. While Block 1 rate is only about \$0.001 per kWh higher than Leading Edge’s preferred option, Block 2 is \$0.008 lower. The differential between Blocks 1 and 2 is reduced to about \$0.041 per kWh and the differential between Blocks 2 and 3 is increased to about \$0.048 per kWh. Leading Edge would prefer to see a stronger rate signal sent to the Block 2 consumers rather than raising Block 1 rates for all consumers.

The third option presented by Leading Edge adjusts Blocks 2 and 3 only (page 4 of 4 of the attachment to Leading Edge’s evidence). In this option the reduced revenues from a lower Block 3 rate is collected from a higher Block 2 rate only. Block 1 rate remains as presented in option A. Compared to Leading Edge’s preferred option the Rate for Block 1 is about \$0.002 lower and Block 2 rate is about \$0.008 higher. The differential between Blocks 1 and 2 is increased to about \$0.059 per kWh, and between Blocks 2 and 3 the differential is reduced to about \$0.032 per kWh.

In all three of its options Leading Edge sets the rate for Block 3 at \$0.20 per kWh as it feels that this a maximum reasonable first step towards a runoff rate that equals the marginal cost of diesel generation in view of the present constraints (O.I.C.s, maintaining reasonable rates for Block 1 and 2 consumption, limiting rate increases for high consumers, etc.). Leading Edge feels more comfortable with its favoured proposed example rates on an absolute level and on a differential level than with the other two options it explored and presented in its evidence.