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Ontario Energy Board

E.B.R.O. 485

Consumers' Gas Rate Hearing

SEASONAL DELIVERY CHARGE DIFFERENTIALS FOR RATES 1 AND 6

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On Behalf Of

POLLUTION PROBE

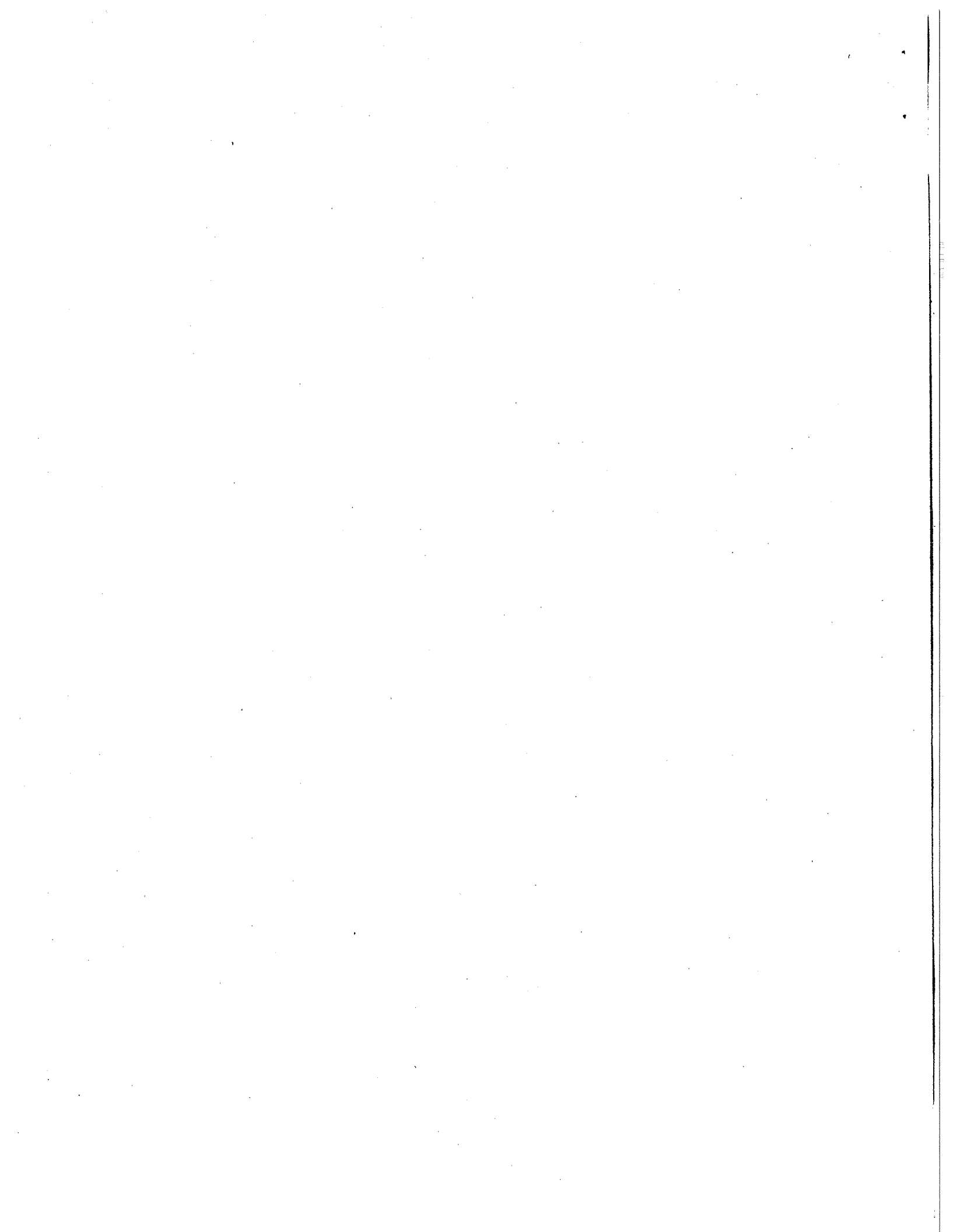
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The forecast F1994 load factors (average daily throughput volumes/peak day throughput volumes) for the Consumers' Gas system, Rate 1 (residential central heating service) and Rate 6 (general service) are as follows:

Consumers' Gas system	.40
Rate 1	.32
Rate 6	.31.

[Exhibit I, Tab 4, Sch. 64 & 65]

Furthermore, according to Consumers' Rates 1 and 6 will be the only rate classes in F1994 with load factors that are lower than the system average load factor. [ibid.]

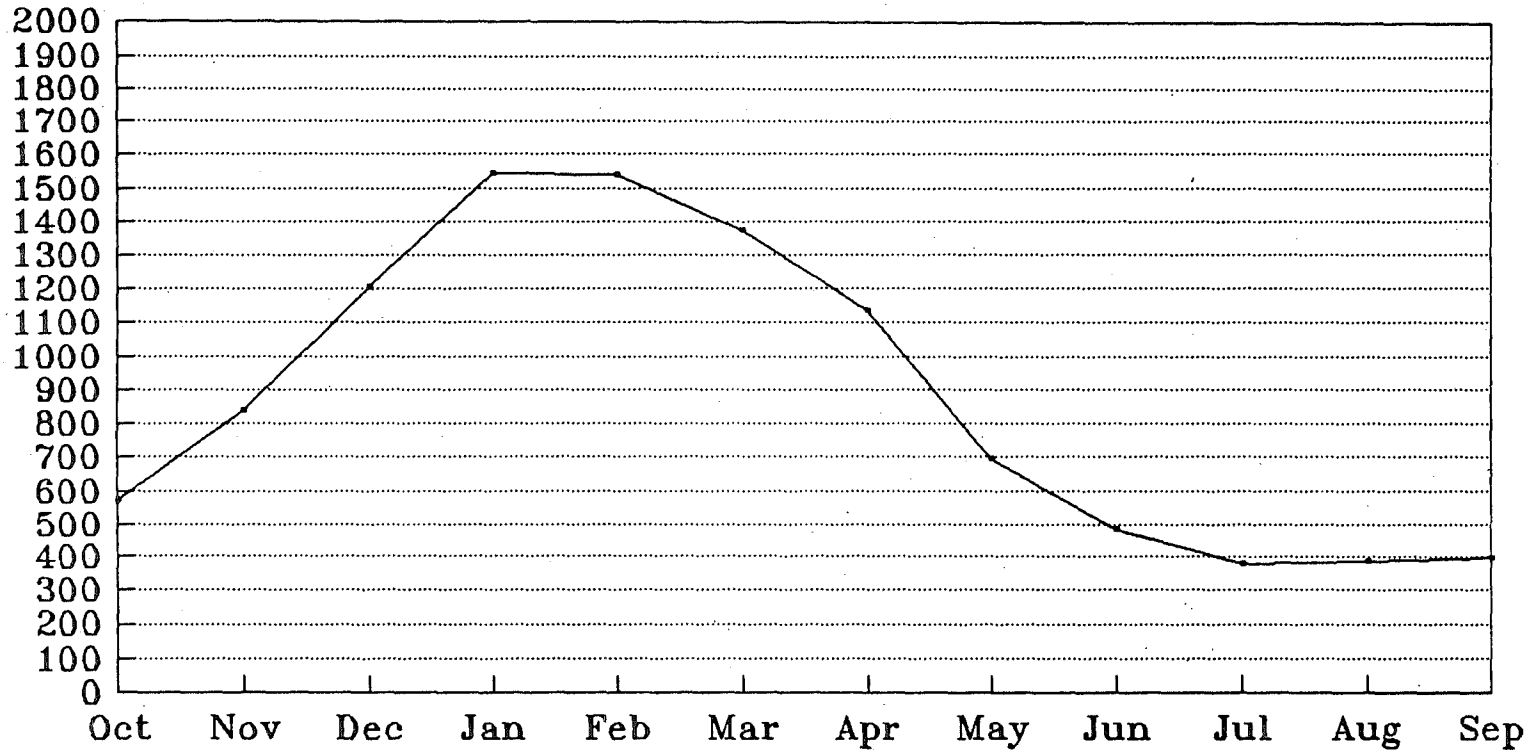
Figures 1, 2, 3 & 4 show the forecast F1994 throughput volumes, by month, for: i) the Consumers' Gas system; ii) Rate 1; iii) Rate 2; and iv) the Consumers' Gas system excluding Rates 1 and 6.

Consumers' has peak (December to March) and off-peak (April to November) seasons for its Rates 1 and 6 delivery charges. [Exhibit, H3, Tab 8] For F1994 Consumers' is proposing that the seasonal differentials for the Rates 1 and 6 delivery charges be 2.1613 and 2.2649 cents per cubic metre respectively. [Exhibit H3, Tab 9]

Consumers' proposed seasonal differentials for the Rates 1 and 6 delivery charges are lower than the differentials in the fully allocated costs of providing gas service during the peak and off-peak periods. To be specific, according to Consumers' fully allocated cost study, the cost of providing gas service for Rates 1 and 6 is approximately 8.7 cents

FIGURE 1

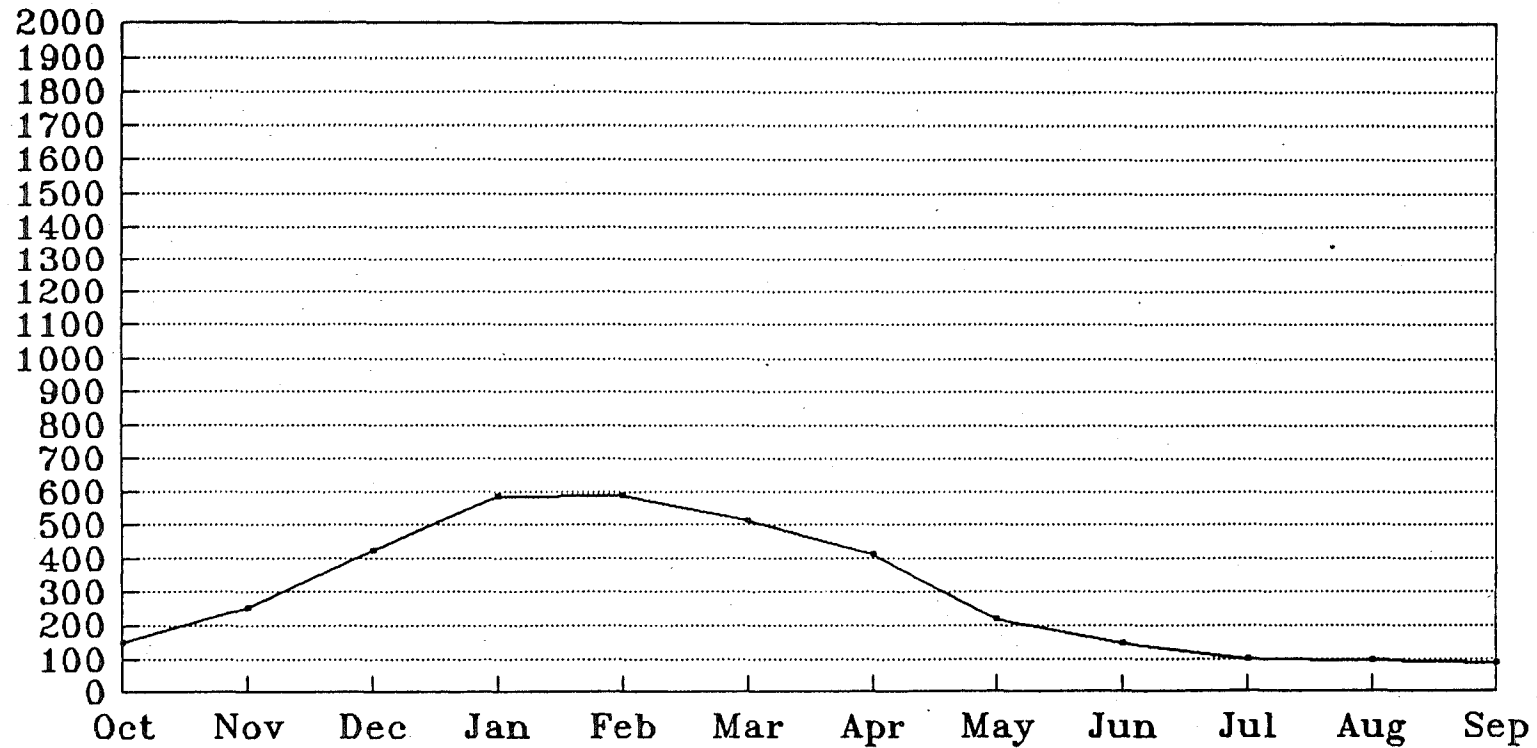
Consumers' Gas System Total Throughput Volumes by Month



Source: Ex. I, Tab 1, Sched. 4, p.15

FIGURE 2

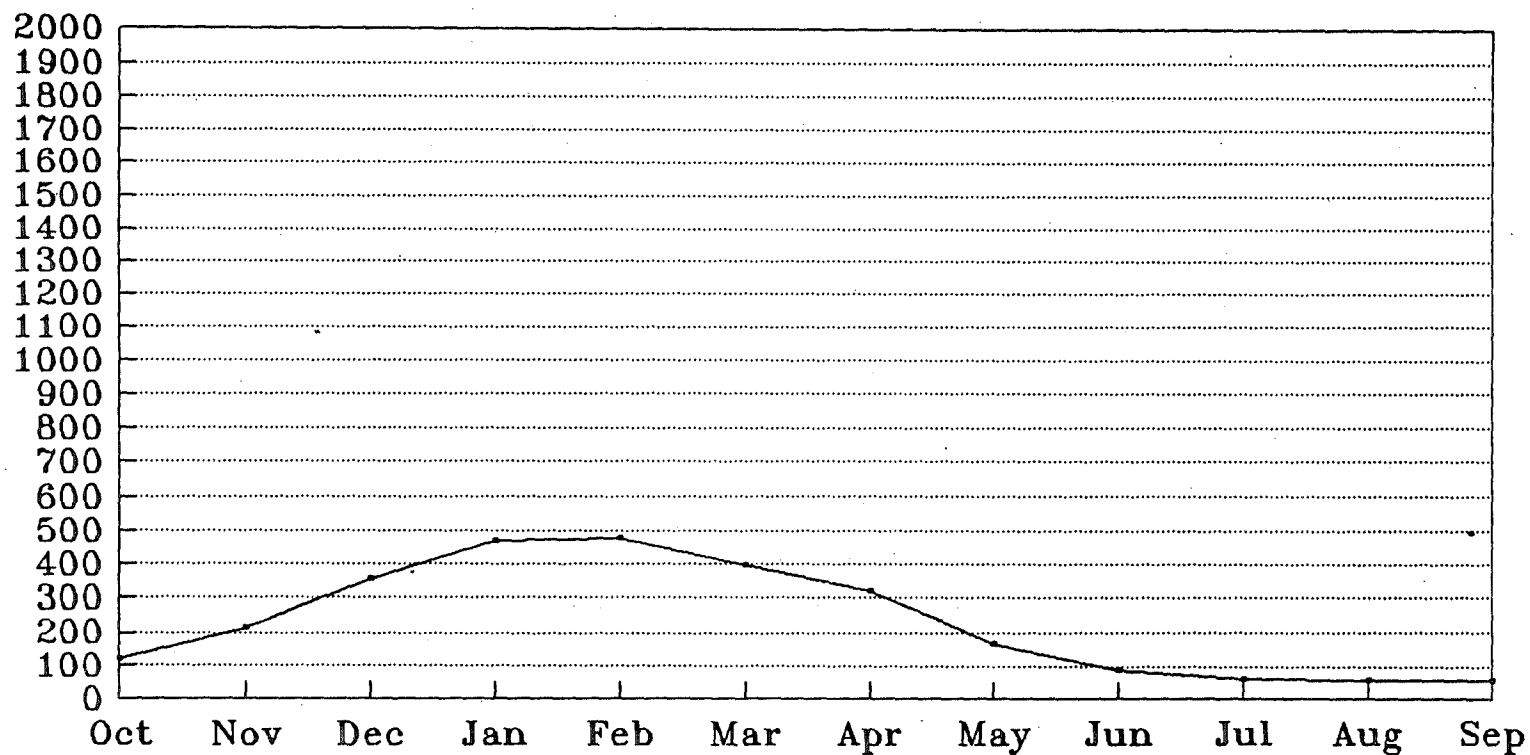
Consumers' Gas System Rate 1 Throughput Volumes by Month



Source: Ex. I, Tab 1, Sched. 4, p.15

FIGURE 3

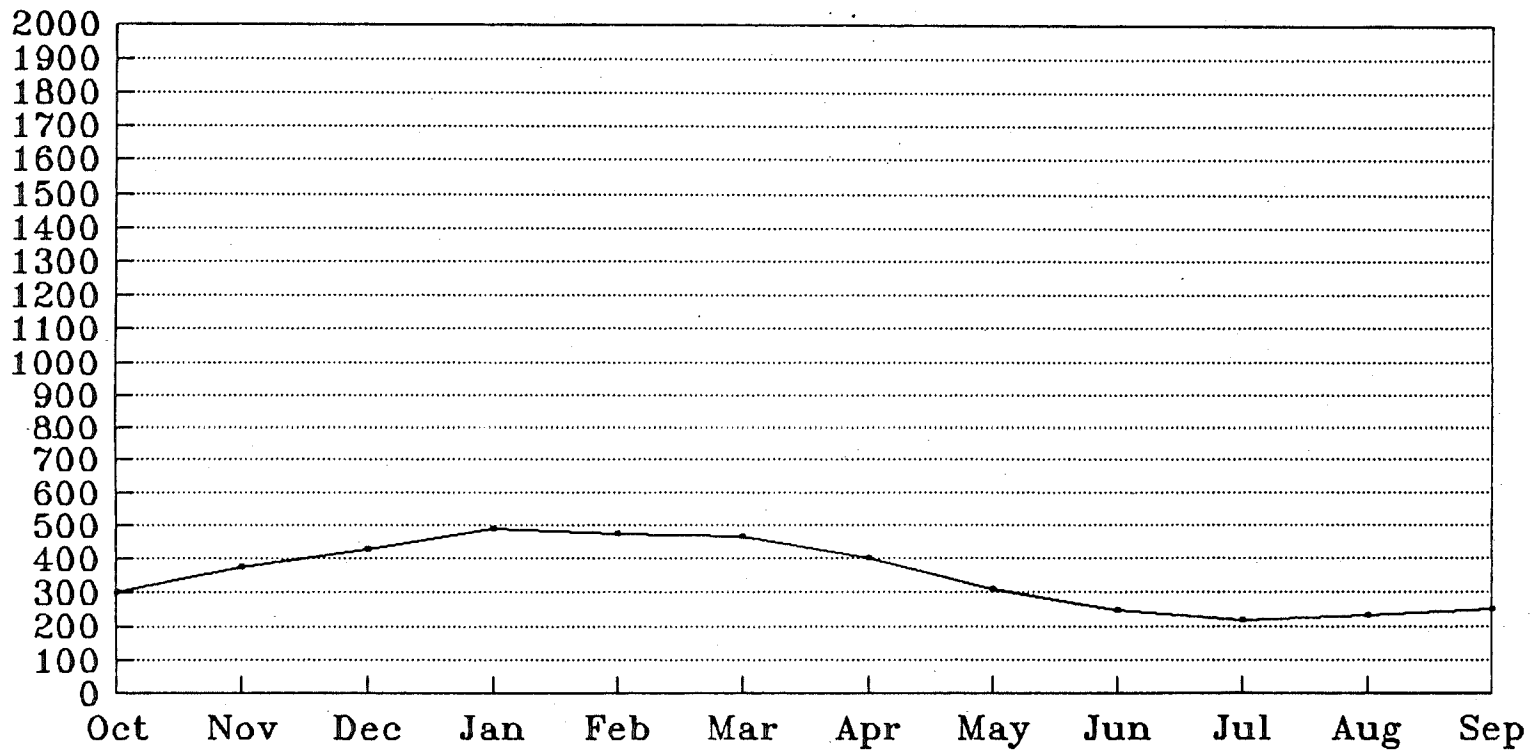
Consumers' Gas System Rate 6 Throughput Volumes by Month



Source: Ex. I, Tab 1, Sched. 4, p.15

FIGURE 4

Consumers' Gas Throughput Volumes Excluding Rates 1 & 6



Source: Ex. I, Tab 1, Sched. 4, p.15

per cubic metre higher in the peak than the off-peak period.¹

The differential between the Rate 1 peak and off-peak delivery charges could be increased by 1 cent per cubic metre, relative to the Consumers' proposal for F1994, by lowering the off-peak delivery charges by 0.5906 cent per cubic metre and by raising the peak delivery charges by 0.4094 cent per cubic metre.

The differential between the Rate 6 peak and off-peak delivery charges could be increased by 1 cent per cubic metre, relative to the Consumers' proposal for F1994, by lowering the off-peak delivery charges by 0.6106 cent per cubic metre and by raising the peak delivery charges by 0.3894 cent per cubic metre.

Increasing the differentials between the Rates 1 and 6 peak and off-peak delivery charges by 1 cent per cubic metre in F1994 would provide the following benefits:

- i) it would make the Rates 1 and 6 delivery charges more cost-related;
- ii) it would increase the financial incentive for Rates 1 and 6 customers to reduce their peak period gas consumption (e.g., by buying super-efficient furnaces, windows and doors); and
- iii) it would increase the financial incentive for Rates 1 and 6 customers to switch from electricity to gas for high load factor end-uses (e.g., water heating, cooking, drying and cooling).

¹. The differential between the fully allocated cost of providing gas service for Rate 1 in the peak and off-peak periods was calculated by dividing the sum of Exhibit G3, Tab 5, Sch. 2, p. 1, Col. 3, Item Nos. 1.2, 3, 4.1, 4.2, 4.3 plus Exhibit G3, Tab 5, Sch. 3, p. 1, Col. 4, Item Nos. 1.2, 2.1, 3, 4.1, 4.2 and 4.3 by the winter throughput volumes for Rate 1. That is, \$183.3 million by 2,105,197,000 cubic metres.

The differential between the fully allocated cost of providing gas service for Rate 6 in the peak and off-peak periods was calculated by dividing the sum of Exhibit G3, Tab 5, Sch. 2, p. 1, Col. 5, Item Nos. 1.2, 3, 4.1, 4.2, 4.3 plus Exhibit G3, Tab 5, Sch. 3, p. 1, Col. 6, Item Nos. 1.2, 2.1, 3, 4.1, 4.2 and 4.3 by the winter throughput volumes for Rate 1. That is, \$147.7 million by 1,703,388,000 cubic metres.

As the peak period demands of Rates 1 and 6 decline and as their number of high load factor end-uses rise, the load factors of Rate 1, Rate 6 and the Consumers' Gas system will rise. Everything else being equal, a rise in a utility's load factor will lead to a fall in its average costs and rates.

According to Consumers', its proposed F1994 rate changes for Rate 1 will cause the bills of a representative sample of Rate 1 customers to vary by 0.2% to 2.1% relative to their bills under the existing E.B.R.O. 479 rate schedule. [Exhibit H3, Tab 7, Sch. 1] If the differential between the Rate 1 peak and off-peak delivery charges is increased by 1 cent per cubic metre, relative to Consumers' proposal for F1994, the bills of the same representative sample of Rate 1 customers will vary by -0.4% to 2.1%. [Ex. I, Tab 4, Sch. 112, pp. 5, 6 & 7]

According to Consumers', its proposed F1994 rate changes for Rate 6 will cause the bills of a representative sample of Rate 6 customers to vary by -3.6% to 0.1% relative to their bills under the existing E.B.R.O. 479 rate schedule. [Exhibit H3, Tab 7, Sch. 2] If the differential between the Rate 6 peak and off-peak delivery charges is increased by 1 cent per cubic metre, relative to Consumers' proposal for F1994, the bills of the same representative sample of Rate 6 customers will vary by -4.5% to 0.2%. [Ex. I, Tab 4, Sch. 114, pp. 5, 6 & 7]

Recommendations

i) The differential between the Rate 1 peak and off-peak delivery charges be increased by 1 cent per cubic metre, relative to the Consumers' proposal for F1994, by reducing the off-peak delivery charges by 0.5906 cent per cubic metre and raising the peak delivery charges by 0.4094 cent per cubic metre.

ii) The differential between the Rate 6 peak and off-peak delivery charges be increased by 1 cent per cubic metre, relative to the Consumers' proposal for F1994, by reducing the off-peak delivery charges by 0.6106 cent per cubic metre and raising the peak delivery charges by 0.3894 cent per cubic metre.

iii) The O.E.B. direct Consumers' to present, at its next main rates case, an analysis of the costs and benefits of further increases in the differentials between the peak and off-peak delivery charges for Rates 1 and 6.