

Dear Mayor Weitkunat:

The Fort Collins Sustainability Group is pleased that City Council directed the Utilities Department to proceed with the development of a tiered electric rate proposal at the conclusion of the discussion of residential electric rate options during the work session on October 11<sup>th</sup>. We believe that with minor changes, the three-tier option including a seasonal component can both help the City of Fort Collins meet its Energy Policy and Climate Action Plan goals and be equitable to all customers.

Specifically, we support Councilmember Ohlson's suggestion that customers using small amounts of electric energy should see lower monthly bills next year than they see this year. We would suggest that the maximum decrease in monthly billings for the same amount of electricity be relatively moderate, which we define as 10% or less. This change would reward people who already use little electric energy, and would allow for more pronounced differences between tiers than those currently proposed. More pronounced differences between tiers would send a clearer price signal to reduce consumption. This is particularly important during the nine "Non Summer" months, in which the currently proposed tiers are very close to each other.

We also believe that special allowances in the form of low cost audits and rebates should be made available to low-income customers and to customers with electric heat to allow them to manage their utility bills. We further believe that waivers should be granted to customers with special medical needs that require use of equipment consuming significant amounts of electricity.

Finally, we would like to address the concern raised by Councilmember Troxell during the work session that tiered residential electric rates might result in increased peak system demand during summer months. Troxell reasoned that some customers might refrain from using their air conditioning system during night and morning hours if tiered rates were implemented, allowing the temperatures in their residences to increase significantly by the middle of the day. He further argued that air conditioning systems would need to consume more power to bring these temperatures down in the mid to late afternoon than they would if they had been running all day, thereby increasing summer peak system demand over current values.

SAIC consultant Joe Mancini stated during the work session that the data from other utilities that have implemented tiered rates do not support Troxell's hypothesis. The City's "Work Session Item" (page 61 of 72) predicts that summer peak demand would decline between 0% and 2.6% for both tiered rate options. We would add that tiered rates would encourage other behavioral and technological changes that would result in decreased system demand, such as opening windows at night instead of using air conditioning, installing compact fluorescent and LED lamps, and installing more energy efficient air conditioning systems. These changes would in all likelihood more than make up for increased demand from customers behaving in the manner outlined by Councilmember Troxell. Therefore, it appears that Troxell's hypothesis is not supported by either the evidence or by theoretical considerations. We expect that if this is his only objection to tiered residential electric rates, he will support the tiered rate proposal to be brought forward to council next month.

We thank you for your consideration of our concerns.

Sincerely,

Kevin Cross

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