

Seasonal Inverted Block Rates

Colorado Public Utilities Commission

In partnership with

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Seasonal Inverted Block Rates

- Ideal resource allocations results from marginal cost pricing
- Full Marginal Costs include generation type and fuel
- Time of Use Rates require advanced metering at the consumer interface
- Inverted Block Rates (IBRs) a first step away from constant rates towards dynamic pricing
- IBRs increase based on increasing usage from one block to another

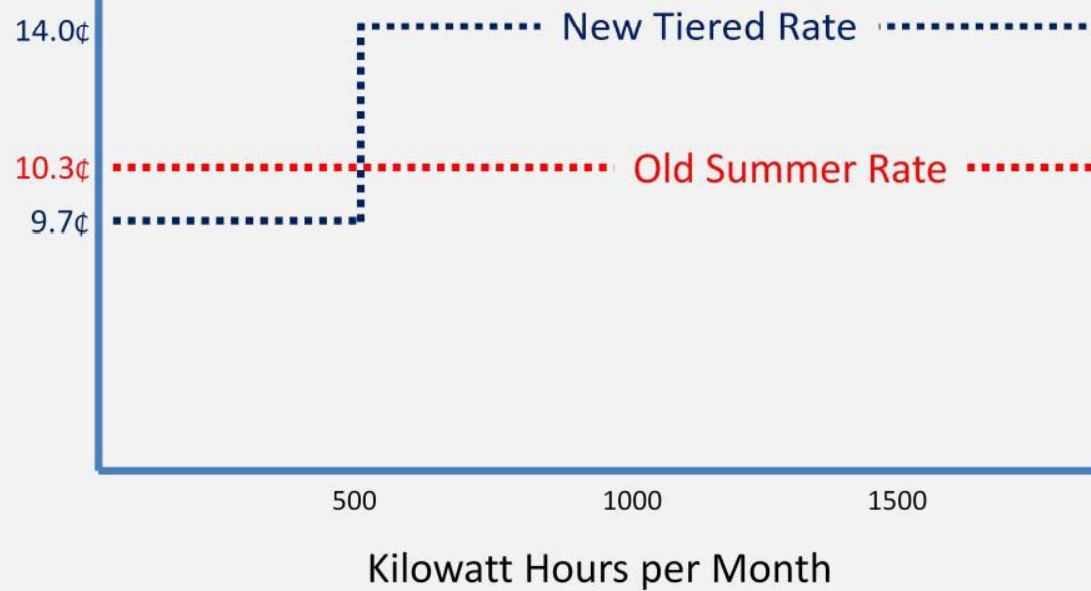
Seasonal IBR Advantages

- No need for smart meters
- Relatively easy to understand
- Sends signals about marginal cost of electricity
- Can be made revenue-neutral
- Pathway to dynamic pricing
- Encourages energy efficiency

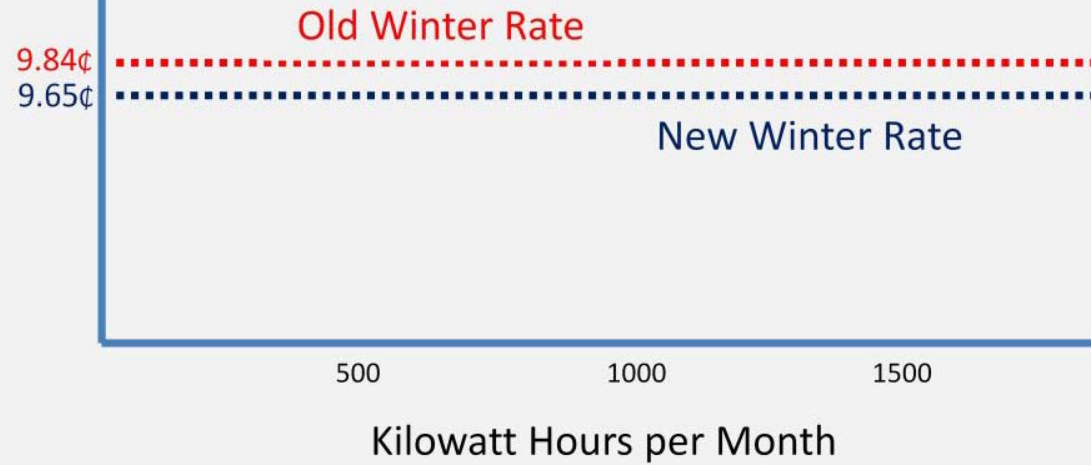
Design of Program

- Revenue Neutrality
- Average use = 687kWh per month
- One rate for 0-500 kWh per month, a higher rate for all kWh greater than 500
- Non-peak rate lowered to achieve neutrality
- Distribution of consumption examined to temper impacts

New Summer Tiered Rates June - September



New Winter Rates October - May



Difficulties of IBRs

- Customer Education Required
- No immediate metering feedback
- Picking the appropriate break-point
- Problem of simultaneous base rate changes
- Prorated Charges
- Impacts on low-income users
- Impacts on consumers with medical devices

Press Coverage



Results: Too Early to Tell

- At this point, unclear what has been the impact
 - Only one season of experience
 - Utility has not completed studies
 - Need statistical analysis to determine impacts of rates vs. yearly temperature variations, difference in fuel commodity costs, and other factors