

To: Traverse City Light and Power Board
From: Tim Arends - Executive Director
Meeting: Regular Board - Virtual - Feb 09 2021
Subject: Pilot Time of Use Rate

After the initial presentation and feedback from the Board of Directors in November, TCL&P staff worked with Utility Financial Solutions to develop the modified time of use rate included in the board packet.

During the November board meeting, the initial rate presented a customer charge at the cost of service level, a demand charge and a 9 am to 6 pm on peak time period with off-peak times from 6 pm to 9 am including weekends and holidays.

This initial rate was presented as an electric vehicle and residential time of use rate. Through various discussions, staff would like to propose the rate as a residential time of use rate not specific to electric vehicles. This will allow all residential customers the opportunity to participate in the voluntary opt-in TOU rate. The rate is designed to serve both purposes and will not require the administrative burden of EV ownership verification.

Modifications of the initial time of use rate structure included:

1. A reduced customer charge consistent with the current residential rates. It is anticipated the customer charge for the TOU rate will follow future changes to the traditional residential rate structure reflected in the cost of service study/five year rate plan. This will provide equity and consistency among the residential rate classes.
2. The demand charge was removed to help ensure the rate was easy to understand for customers not familiar with demand charges.
3. The initial on-peak time period was reduced from 9 am to 6 pm to 11 am to 4 pm. The modification resulted in a higher price differential between on-peak and off-peak rates than the initial rate design and will provide greater incentive and ability for customers to change their behavior. The on-peak period used in this study still represents the hours the utility typically peaks and will send price signals consistent with how TCL&P incurs costs for generation capacity and transmission. Should customers shift energy consumption to off-peak periods it will lessen the demand on fossil fuel generation typically operating during the peak periods of the day. It's anticipated that shifting more usage to off peak periods will assist TCL&P efforts towards decarbonization and more reliance on renewable generation.

The rate should lower operating costs for customers with electric vehicles. Residential charging can be done during off peak periods when energy prices are lower making EV's more cost competitive with gas operated vehicles. The change to EV's and electrification of transportation supports TCL&P's desire to reduce carbon emissions by replacing gas with lower carbon producing electric generation. TCL&P desire to move toward a 100% renewable portfolio will further reduce carbon emissions created by transportation.

For customers with solar generation, the time of use rate structure complements distributed generating resources because peak hours correspond to hours solar is generating. This is anticipated to lower electric charges for customers with distributed generation. However, the utility's net metering policy should be reviewed to prevent cross-subsidization on

recovery of the distribution infrastructure. This is because distribution system impacts is not completely off-set with reductions in kWh consumption.

It is still staff's intention to launch this as a PILOT rate and review customer's behavior over a year. The initial plan is for a maximum of fifty customers to ensure the automated metering and billing system is working accurately prior to a more robust offering of the rate.

During this time staff will work on providing information and educating customers. Including how to modify usage during on peak hours, how they can save money and the benefits to the environment of shifting usage to off peak time periods. This may include online tools that identify when a customer consumption pattern, providing detailed comparisons between the traditional rate and the TOU rate and considering program names such as "Shift and Save". The information from the PILOT program will be used to determine next steps and future program modifications.

If the Board agrees with staff's recommendation the following motion would be appropriate:

**MOVED BY _____, SECONDED BY _____,
THAT THE BOARD CONCEPTUALLY APPROVES THE TIME OF USE PILOT RATE
AS PRESENTED WITH FINAL APPROVAL TO OCCUR AFTER THE PUBLIC HEARING. IN
ADDITION, SET A PUBLIC HEARING AT THE MARCH 9, 2021 REGULAR MEETING, AND
FURTHER THAT A NOTICE OF THE PUBLIC HEARING BE POSTED ON THE UTILITY'S
WEBSITE AND PLACED IN THE TRAVERSE CITY RECORD EAGLE.**

City of Traverse City
Light and Power Department
Effective:

RESIDENTIAL SERVICE
PILOT TIME OF USE RATE

(Rate "T")

Availability:

This is a voluntary rate for residential ratepayers who have the required metering equipment and infrastructure installed. It is limited to the first fifty customers enrolled. A customer may opt out of the program at any time. Implementation of this rate schedule shall apply to the first full billing period after sign-up for the PILOT rate.

Available to single family residences, individually metered dwelling units in: mobile home courts, apartment buildings, condominiums, and multiple dwelling units. This rate is not available for general service (commercial or industrial class customers) or for resale purposes.

Service for single phase motors may be included under this rate, provided the individual capacity of such motors does not exceed 3 hp, nor the total capacity of 10 hp, without the specific consent of the Department.

Service under this rate is not available when a portion of the dwelling or an appurtenant building is used for commercial, industrial, or resale purposes unless the wiring is so arranged that service for residential and non-residential purposes are metered separately at separate service locations.

Nature of Service:

Alternating current, 60 hertz, single phase, 120/240 nominal volts.

Monthly Rate:

Customer Charge: \$7.50 per month, plus
Energy Charge: 19.57¢ On-Peak (Mon-Fri, 11 am to 4 pm, excluding holidays)
8.00¢ Off-Peak (Mon-Fri, 4 pm to 11 am, weekends, and
holidays)

Power Service Cost Recovery:

This rate is subject to the Department's Power Service Cost Recovery Tariff Rate.

City of Traverse City
Light and Power Department
Effective:

Residential Service (Rate "T"), cont.

Minimum Charge:

The customer charge included in the rate.

Due Date:

The due date of the customer's bill will be shown on the bill and will be at least twenty-five days (25) days. Payments received after the due date are considered late, and a penalty charge of 2% shall be imposed as a one-time charge.

Holidays

Holidays include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Michigan Sales Tax:

This tax shall be added to all bills, including minimum, where applicable.