

Bill Impacts of Increasing Utility Fixed Fees and De-Emphasizing Volumetric Charges

Utility rate design changes that increase mandatory fees or fixed charges while reducing volumetric charges penalize the low-volume consumers within a customer class. As illustrated below, increasing the fixed customer charge and decreasing the volumetric kWh charge – as proposed by Madison Gas & Electric Company in 2014 – increases the monthly bills of low-volume consumers and decreases the bills of high-volume consumers.

Sample Bill Impact Analysis* - Low-Volume, High-Volume, and Very High-Volume Residential Service Customers

	Low-volume Customer	High-volume Customer	Very High-volume Customer
Monthly Usage (kWh)	450	900	1400
Initial Monthly Customer Charge	\$10.44	\$10.44	\$10.44
Revised Monthly Customer Charge	\$19.00	\$19.00	\$19.00
Initial Volumetric Charge	\$0.13992	\$0.13992	\$0.13992
Revised Volumetric Charge	\$0.12986	\$0.12986	\$0.12986
Initial Monthly Bill	\$73.40	\$136.37	\$206.33
Revised Monthly Bill	\$77.44	\$135.87	\$200.80
\$ Increase	\$4.03	(\$0.49)	(\$5.52)
% Increase	5.5%	-0.4%	-2.7%

* As proposed by Madison Gas & Electric Company
Public Service Commission of Wisconsin
Case No. 3270-UR-120, 2014

In this example, an increase in monthly fixed charges from \$10.44 to \$19.00, along with a decrease in volumetric charges from \$0.1399 per kWh to \$0.1298 per kWh produces a 5.5% bill *increase* for a low-volume consumer using 450 kWh monthly. In contrast, there is a 0.4% cost *decline* for a high-volume consumer using 900 kWh per month.

For a very high-volume consumer using 1,400 kWh per month, the adjusted bill will decrease by nearly 3%. The low-volume consumer in this example will experience a monthly bill increase of just over \$4 while the very high-volume consumer will see a decrease of about \$5.50.

With high mandatory fees, the small apartment dwelling energy miser will pay more while occupants of sprawling, single-family homes will pay less. This ill-advised rate design raises serious equity concerns and transfers costs of the electric grid from higher-income to lower-income utility consumers.

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