

FLORIDA PUBLIC SERVICE COMMISSION

Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

JULY 18, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (TRAPP)
DIVISION OF LEGAL SERVICES (JOHNSON) *RVE RT*

RE: DOCKET NO. [REDACTED] - PETITION FOR AUTHORITY TO
IMPLEMENT PROPOSED COMMERCIAL/INDUSTRIAL SERVICE RIDER ON
PILOT/EXPERIMENTAL BASIS BY GULF POWER

AGENDA: JULY 30, 1996 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60 DAY SUSPENSION DATE - AUGUST 27, 1996

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\960789.RCM

CASE BACKGROUND

On September 27, 1995, Gulf Power Company (Gulf) petitioned for approval of its Commercial/Industrial Service Rider (CISR or CIS-rider). The proposed tariff rider would allow Gulf to negotiate discount rates with individual customers if Gulf was convinced an existing customer would leave Gulf's system, or if a new customer would not locate in Gulf's territory in the absence of a discount rate. The rider would be limited to existing customers with load in excess of 500 KW or new customers with load in excess of 1,000 KW. If Gulf and the customer were able to agree on the price and other terms and conditions, the customer would be required to execute a Contract Service Arrangement (CSA). Gulf requested that the terms and conditions of these CSAs be treated as confidential.

An evidentiary hearing was held on March 7-8, 1996. At the June 11 Agenda Conference, the Commission voted to deny the tariff. However, the Commission went on to discuss each issue in the recommendation with the intent of clarifying their concerns with specific concepts contained the tariff. The two major concerns appeared to be the definition of incremental cost used by Gulf to determine the price floor for any contract rate, and the accurate determination of "at-risk" customers. At the conclusion of the discussion, Staff was instructed to meet with Gulf Power to discuss the concerns raised by the Commission and attempt to negotiate a new tariff which would meet those concerns.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Staff met with Gulf Power and other interested parties on June 20. At that meeting, staff presented alternatives (Attachment 1) to Gulf's proposal but no agreement was reached on modifications to the original tariff filing. Staff met with Gulf again on June 27. At that meeting Gulf presented a revised implementation plan for the tariff which it stated addressed the concerns raised by the Commission. Gulf, however did not modify the tariff language itself. Gulf's revised implementation plan offered several changes to the original plan: (1) A cap of 200 MW or 12 contracts was placed on subscription to the tariff and the trial period was limited to 48 months; (2) Gulf clarified that all contracts would be subject to the approval of its executive management (president and vice-presidents); (3) In addition to the information cited in the staff's recommendation on the original tariff, Gulf offered to supply contract-specific information on the size, discount and justification for offering the contract and; (4) Gulf agreed to show as a separate line item on its monthly surveillance reports the difference between the revenue which would have been received under the otherwise applicable tariff rate and the contract rate.

Gulf refiled its CISR tariff and revised implementation plan on June 28 and requested Commission consideration be expedited for the July 16, 1996 Agenda Conference. Since Gulf's petition is a tariff filing, the Commission has only three options: (1) approve the tariff as filed; (2) deny the tariff as filed; or (3) suspend the tariff to allow further review.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Gulf's revised CISR tariff as filed on June 28, 1996?

RECOMMENDATION: No. While it represents some improvement, Gulf's revised proposal still does not address the fundamental concerns: (1) definition of incremental cost and (2) determination of an "at-risk" customer.

STAFF ANALYSIS: Gulf's CISR proposal hinges on two major points: (1) whether or not the customer is truly at risk; and (2) how the incremental cost for an individual customer is determined. If the customer is not "at-risk", and in fact has no realistic alternative to taking power from Gulf, Gulf forgoes revenues which it could have received. Although Gulf maintained throughout the hearing that the Commission has the authority to perform a detailed review of any contract at any time, that position ignores the difficulty in evaluating an individual customer's alternatives. This difficulty is enhanced if the customer is a multi-national company with worldwide investment opportunities.

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At-Risk status. Gulf failed in both the original and the revised petitions to define the parameters which would be used to evaluate a customer's ability to leave Gulf's system. Instead, Gulf has simply said that it has the knowledge and expertise to make these determinations. The Commission would have to rely on Gulf's value judgment and would be limited to evaluating the information Gulf decides to collect. Since any review by the Commission would be after the contract is signed, the Commission could not gather additional information about conditions prior to the contract it deems pertinent to the evaluation. Without specific parameters on what type of information Gulf will use to evaluate whether a customer is "at-risk," Staff believes Gulf's insistence that the Commission has meaningful oversight is a hollow argument.

Incremental cost definition. The definition of incremental cost is critical to the evaluation of a contract rate. In its revised petition, Gulf offers to require a "positive contribution" above incremental cost. However, if the definition of incremental cost does not include all the relevant costs associated with the customer, any contribution above a floor is meaningless. In the original petition, Gulf proposed to use the Rate Impact Methodology (RIM) cost effectiveness procedure to determine the incremental cost floor or minimum price for a given customer. This RIM procedure requires consideration of entries such as the average KW savings, which have no real meaning for a single "at-risk" customer. Average KW savings is the result of measurements between customers participating in a conservation program and reference customers not participating in the conservation program.

Gulf is a member of the Southern Company corporate power pool, therefore a significant portion of Gulf's generation costs arise from buying and selling power on the Southern System. Currently, Gulf is a net buyer on the system and the cost of system power pool purchases is passed directly to the general body of ratepayers through the Capacity Cost Recovery Clause and the Fuel Adjustment Clause. If a large customer leaves Gulf's system, the cost of purchased power declines for all customers. If a customer is retained through a discount rate contract or a new customer is added to the system, the cost of the purchased power increases. These increased costs are passed on to all customers through the Recovery Clauses.

If the contract customer does not pay his full purchased power cost and/or fuel costs, the general body of ratepayers will be subsidizing the contract through higher recovery clause rates. This contradicts Gulf's assertion that the rest of the ratepayers will not be harmed between rate cases. Gulf's revised proposal does not address the purchased power issue at all and simply

reiterates that Gulf will evaluate cost "in a manner consistent with the method for identification and quantification of such costs both for use in the Company's evaluation of conservation and demand side management programs for cost effectiveness and the Company's selection of cost-effective supply side resources." The revised proposal does not provide any better definition of what costs and benefits will be included in the cost-effectiveness analysis or how these will be quantified than the original petition.

Gulf contends that any increase in power pool capacity costs should not be considered when determining a customer's incremental cost. Gulf argues that the purpose of capacity payments among the power pool members is to equalize the reserve generating margin costs. Staff does not understand this explanation. Until the issue as to why increased power pool cost is not an incremental cost is resolved, implementation on an experimental or permanent basis is ill-advised.

Other concerns. One of the issues raised in the original docket concerned the number and type customers who would potentially be eligible for contract negotiations. Because of the potential for price discrimination occurring, the Commission discussed at length during the June 11 Agenda conference the desirability to limit any contract tariff until more experience could be gained as to the impacts of negotiated contracts on a utility. Gulf's revised tariff limits the contract eligibility to a maximum of 200 MW or 12 contracts and limits the ability to enter into contracts under the tariff to four years from the effective date. An individually negotiated contract may and will likely extend beyond the 48 month sign-up period. Two hundred megawatts represents approximate 10% of Gulf's total load. Given the uncertainty in correctly identifying "at-risk" customers and incremental cost, Staff believes this represents too great a risk for an experimental program. Staff notes that 200 MWs appears close to what Gulf stated in the original CISR filing would be the MW load of all customers likely to be targeted for CISR contracts. We also note that in states where discounted rates have been approved, complaints of discrimination are beginning to surface. For example, according to industry news accounts, an Ohio steel manufacturer has recently filed a discrimination complaint against a utility which provided a discount rate to another similarly situated steel mill within its service area.

Gulf's revised proposal sets forth two conditions which would trigger a full review of all contracts: (1) a request by Gulf Power for a base rate increase; and (2) a condition identified through the monthly surveillance reports wherein the sum of unrecovered embedded cost represented by the otherwise applicable rates and the actual revenues received places Gulf's rate of return above the authorized ceiling. However, Gulf fails to specify what

action the Commission should or could take, beyond the normal overearnings review. Staff does not see this as an improvement over the authority the Commission has under the original petition, even though it was not explicitly addressed.

Gulf did offer to expand the amount of information it would provide on individual contracts. Information provided on a quarterly basis would include all items identified by staff in Issue 15 of the Staff's recommendation in Docket 951161-EI, plus:

A brief description of all CSA's executed during the quarter, including the applicable rates, charges, and contract period involved;

A summary of the justification for each CSA offered during the period; and

On an annual basis, the cumulative total of revenues associated with all CSA's executed by the Company.

However, the additional information does not alleviate concerns with the "at-risk" determination or the definition and calculation of incremental cost. Therefore, Staff recommends denial of this petition on the same basis as the original petition since none of the significant concerns have been addressed in a meaningful way. Gulf has titled its second CISR tariff an experiment. However, Gulf has not proposed a hypothesis to be tested by the experiment or pass/fail criteria to determine whether the experiment is a success or a failure.

In the spirit of negotiation, staff presented four alternatives to Gulf's proposed CISR at the June 20 and June 27 meetings (See Attachment 1). These alternatives were formalized and sent to Gulf on July 1, as promised during the June 27 meeting. Staff believes any of these alternatives would render moot the problems associated with identifying "at-risk" customers and determining incremental cost while at the same time preserving the rate flexibility Gulf maintains it needs to retain and attract load. Gulf's apparent rejection of these alternatives, as evidenced by the present filing, delivered only one day after the June 27 meeting, may indicate an irreconcilable difference in philosophy which may make further negotiations difficult at best. Nevertheless, Staff is willing to continue discussions.

ISSUE 2: If the Commission wishes to experiment with CISR rates, what changes should be made to Gulf's implementation plan and tariffs?

RECOMMENDATION: The experiment should be limited to one customer. Gulf should be allowed to negotiate a rate and sign a contract with this customer without prior review. Upon notifying the Commission that the contract has been signed, a docket should be opened to review the prudence of the contract. This review should include but not be limited to determining whether (a) Gulf was truly at risk of losing the customer's load, and (b) Gulf's negotiated rate will recover, at a minimum, the cost of incremental production cost including power pool capacity payments; average embedded transmission, distribution, and administration and general costs; and all otherwise applicable fuel, environmental and conservation costs. Gulf has the option to refile its tariff incorporating all changes approved by the Commission at Agenda. Tariffs reflecting Commission-approved terms and conditions could then be approved administratively by Staff.

STAFF ANALYSIS: In Attachments 2 and 3, Staff has prepared a revised version of Gulf's Commercial/Industrial Service Rider Pilot Study. Attachment 2 shows a revised implementation plan for the study in type and strike format. Attachment 3 shows the revised tariffs, also in type and strike format.

Staff proposes that the experiment be limited to one customer at least until the Commission has had the opportunity to examine exactly how Gulf intends to implement the theories and concepts of the CISR. Gulf may negotiate a rate and sign a contract with this customer without prior Commission review. Upon notifying the Commission that the contract has been signed, the Commission should immediately open a docket to review the prudence of Gulf's actions in arriving at the negotiated contract. This review will include but not be limited to determining: (a) whether the customer would not have remained a customer or would have reduced (or not increased) its electrical consumption, or would not have located in Gulf's territory but for Gulf's discounted rate, (b) whether Gulf properly calculated and will recover from the customer the appropriate price floor, and (c) the impact on system planning and the need for additional generation resulting from the obligation to serve the CISR customer after the termination of the contract. For purposes of this experiment, the price floor for the contract should at a minimum include the following costs calculated over the life of the CSA contract:

- (1) incremental production costs including power pool capacity payments;
- (2) average embedded transmission;
- (3) average embedded distribution;

- (4) the otherwise applicable fuel, environmental and conservation costs;
- (5) average embedded administration and general expenses.

Staff believes that holding a hearing to review the "at risk" status of the customer immediately after the CISR contract is entered into will provide experience to both Gulf and the Commission while the information used to evaluate the customer's status is still fresh. The redefining of the price floor also better protects Gulf's existing customers since price discounting only occurs for generation costs where current competitive pressures exist. This is in keeping with current competitive thinking where even under a scheme of direct retail access, customers would still be responsible for the average embedded cost of transmission and distribution services.

The experiment proposed above is one of four alternatives proposed by staff at the June 27 meeting with Gulf. Staff believes that a "regulatory" type of approach as outlined below is more appropriate as a first step into competitive markets. These alternatives do not require the Commission to determine a customer's "at-risk" status or the appropriate incremental cost. The issue of incremental cost alone has been disputed before the Commission for over 15 years in QF contracts and is gradually being abandoned in favor of bidding.

1. Rate Cap - Gulf may offer a rate discount to any customer it chooses if it agrees to a base rate cap for 10 years and any increase in purchase power costs due to the CISR customer are borne by that customer.
2. Minimum Rate - As described above, the price floor for a CISR contract should at a minimum include incremental production costs including power pool capacity payments; average embedded transmission, distribution, and administration and general costs; and the otherwise applicable fuel, environmental and conservation costs.
3. Wholesale-Retail Type Cost Allocation - Gulf may separate its commingled assets on a fully allocated cost basis between customers receiving service pursuant to standard tariff rates and negotiated rates. Basically this means establishing a separate unregulated rate class for "at risk" customers.
4. ROE Ceiling - Gulf may offer any rate it wishes to any customer it wishes provided that, after imputing revenues foregone under the contract, the ROE does not

exceed the ceiling of the approved ROE. Imputation of revenues foregone under a negotiated rate contract would continue to be imputed for future base rate cases.

Staff believes any of these alternatives would render moot the two major issues associated with identifying "at risk" customers and determining each customer's incremental cost while at the same time preserving the rate flexibility Gulf maintains it needs to retain and attract load. However, two lesser issues remain. The first is whether it is fair to give a rate discount to one commercial or industrial customer and not to other customers who are competing with the customer receiving the discount. One state solved this issue by mandating that if one customer received a discount, all customers in the same Standard Industrial Code (SIC) also be offered the same rate. Another concern is the creation of disputes among utilities in serving new load in areas not covered by a territorial agreement.

To address these issues, Staff added to the implementation plan a provision that the rate discount terminate upon either of two conditions: (1) a finding by the Commission that the rate unfairly discriminates against a business competitor of the CIS customer, or (2) the filing of a territorial dispute over service to a new customer Gulf serves or plans to serve pursuant to the CIS Rider. Either occurrence may trigger a review and redesign of the experiment.

ISSUE 3: Should this docket be closed?

STAFF RECOMMENDATION: Yes, if no protest is filed within 21 days of the issuance of this order.

STAFF ANALYSIS: Staff believes that further discussions would be more fruitful outside a tariff docket with its associated time frame requirements. If at some future time, parties come to a consensus, a new docket can be opened. We therefore recommend that this docket be closed if no protest is filed.

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF ELECTRIC & GAS
JOSEPH D. JENKINS
DIRECTOR
(904) 413-6700

Public Service Commission

July 18, 1996

Mr. Arlan Scarborough
Gulf Power Company
Post Office Box 1151
Pensacola, Florida 32520-0100

Dear Mr. Scarborough:

Re: Commercial and Industrial Service Rider

As stated at our two negotiating sessions, Gulf has not addressed staff's two main concerns with Gulf's Commercial and Industrial Service Rider (CISR). The revised proposal presented on June 27, 1996 still does not remedy the following shortcomings: (1) The definition of incremental costs should include increases in power pool capacity payments due to the retained or increased load and; (2) The Commission does not have the expertise and should not be put in the position of performing sophisticated market analysis to determine when a business is an "at-risk" customer. The issue is particularly complicated and the degree of uncertainty magnified when dealing with multi-national corporations.

In the spirit of negotiation, staff offers the following four alternatives, presented orally at the June 27 meeting, which we believe render moot the above two shortcomings. We believe these solutions avoid lower use customers with little or no market power subsidizing those with market power.

- 1. RATE CAP** - If the electric utility agrees to a base rate cap for 10 years and any increase in purchase power costs due to the CISR customer are borne by that customer, the electric utility may offer a rate discount to any customer it chooses. As stated at our meetings with Gulf, with the prospect of competition in the electric industry, regulation may no longer be a zero-sum game in which revenues foregone to one customer are ultimately borne by other customers. The rate cap is consistent with this observation.

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2. **MINIMUM RATE**- The minimum electric utility rate may be based in part on two rate base components plus cost recovery clauses:
 - (1) The first component would be rates necessary to provide transmission and/or distribution service. This is appropriate because under a fully competitive generation market, the utility would presumably recover at least this amount.
 - (2) The second component would be Gulf Power's power pool capacity costs plus average fuel costs. I am aware that Southern Company has petitioned the FERC to base power pool capacity costs on a peaking unit and that the per kilowatt costs for peaking units may be less than the per kilowatt costs for existing generating units. I further realize that, to some unknown extent, this concept may violate the principle that lower-use captive customers should not subsidize rate discounts given to larger-use customers that have market power.
 - (3) To the above shall be added any cost recovery charges such as fuel, purchased power, and conservation. However, conservation cost recovery charges may be removed if the cost of class-specific programs are recovered directly from the rate class.
3. **WHOLESALE-RETAIL TYPE OF COST ALLOCATION**- An electric utility may separate its commingled assets on a fully allocated cost basis between customers receiving service pursuant to standard tariffed rates and negotiated rates.
4. **ROE CEILING** - An electric utility may offer any rate it wishes to any customer it wishes provided that, after imputing revenues foregone under the contract, the earned ROE does not exceed the ceiling of the approved ROE. Although not explicitly stated at our meeting, staff intends that imputation also apply to any future base rate cases.

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The above four alternatives allow Gulf Power the flexibility to offer any rate it wishes to any customer and circumvent both the shortcoming of having the Commission guess whether a customer is an "at-risk" customer and our disagreement whether Gulf's power pool capacity payments to the Southern Company are an incremental cost. These proposals do not address, however, confidentiality or undue discrimination. It is staff's belief that if the customers without market power are clearly not harmed, these issues can be resolved. With Commission approval, any of these options can be offered on an experimental basis.

In an attempt to arrive at a reasonable compromise, Staff has reviewed many discount rates offered by other state commissions. These offerings seem to have the same shortcomings contained in Gulf Power's original and revised CISR tariff proposals. Some states try to solve these shortcomings by sharing concepts and view the rate discount as a transition to deregulation. Staff is open to sharing and other concepts, but would prefer to get the regulatory philosophy right while designing a practical solution which meets the utility's needs. Any proposal is, of course, subject to the Commission's approval and staff cannot guarantee that any of our proposals would meet with the Commission's endorsement.

Sincerely,

Joseph D. Jenkins
Director, Division of Electric and Gas

cc: Bill Talbott
Mary Bane
Meeting Attendees (list attached)

**Gulf Power Company
Commercial/Industrial Service Rider
Pilot Study Implementation Plan**

In order to give the Florida Public Service Commission and Gulf Power Company the opportunity to study the impacts and effects of a trial implementation of the Company's proposed Commercial and Industrial Service ("CIS") Rider under "real world" conditions, the following conditions are suggested for a Pilot Study Implementation Plan:

Sunset provision: For the purposes of a pilot program ~~t~~The CIS Rider would initially be scheduled to be closed to further subscription by eligible customers when one of three conditions has occurred: (1) The total capacity subject to executed Contract Service Arrangements ("CSAs") reaches 200 megawatts of connected load; (2) The Company has executed twelve CSAs with eligible customers under the CIS Rider; or (3) Forty eight months has passed from the initial effective date. The period defined by these conditions is the pilot study period. shall be limited to one customer. Gulf may negotiate whatever rate it deems appropriate and sign a contract without further Commission review prior to implementation of the contract.

Upon notifying the Commission that the contract has been signed under this tariff, the Commission shall immediately open a docket to review the prudence of Gulf's actions in arriving at the negotiated contract. This review shall include but not be limited to determining whether: (a) the customer would not have remained a customer or would have reduced (or not increased) its electrical consumption, or would not have located in Gulf's territory but for Gulf Power's discounted rate; and (b) Gulf properly calculated and will recover the appropriate price floor as defined below and (c) the impact on system planning and the need for additional generation resulting from the obligation to serve the CISR customer at the termination of the contract.

~~This sunset provision can be removed by the Commission at any time upon good cause having been shown by the Company based on data achieved during the pilot study period.~~

If a territorial dispute is generated by the implementation of any CISR contract, that contract shall be withdrawn and considered void. If, upon a complaint filed by a competitor of the customer offered the CISR, the Commission finds that the CISR is detrimental to competition within the CISR customer's SIC code, the contract shall be withdrawn and considered void.

Availability: In addition to the other limitations on availability contained in the Company's original proposed CIS Rider, Gulf would limit its use of the rider so that a CSA will not be offered to a customer in order to shift existing load currently being served, or anticipated and planned to be served, by another Florida electric utility pursuant to a tariff rate schedule on file with the FPSC away from that utility to Gulf Power

Approval level: Before any CSA can be executed by the Company, it must first be reviewed and approved by the members of Gulf Power's executive management council (the Company's president and vice presidents). Prior to execution, each CSA must be expected to produce a positive contribution to the Company's fixed costs. A positive contribution is defined as revenues in excess of the price floor as defined below. ~~The incremental costs on which each CSA is evaluated shall be determined in a manner consistent with the method for identification and quantification of such costs both for use in the Company's evaluation of conservation and demand side management programs for cost effectiveness and the Company's selection of cost effective supply side resources.~~

CSA Price Floor: The price floor for the CISR contract shall at a minimum include the following costs calculated over the life of the CSA contract:

- (1) incremental production costs including power pool capacity payments;
- (2) average embedded transmission;
- (3) average embedded distribution;
- (4) the otherwise applicable fuel, environmental and conservation costs;
- and
- (5) average embedded administration and general expenses

Revenue Allocation: Revenues received from the customer pursuant to the CSA contract shall first be credited to all cost recovery clauses at the otherwise applicable rate times the customer's measured usage in the following order: capacity cost recovery, fuel, environmental and conservation.

Required reports: ~~In addition to the information described in paragraph 15 of Gulf's original petition in Docket No. 951161-EI , the Company would be required to file the following information with the Commission in accordance with the Commission's procedures for handling confidential information:~~

- a ~~brief~~ description of ~~the~~ CSAs executed during the quarter, including the applicable rates, charges, and contract period involved.
- ~~for each CSA executed during the quarter, a summary of the justification for entering into the CSA contract~~ the offering.
- on an annual basis, the cumulative total of revenues associated with ~~the~~ CSAs executed by the Company.
- the applicable rates, charges and contract period involved
- The comparable tariff rates and charges for the contract

Regulatory review: Within seven calendar days of the execution of the CSA, Gulf shall file the above information with the Commission under the appropriate confidentiality provisions. The Commission will set the matter for hearing. In this review by the PSC, Gulf will have the burden of proof to show that its assumptions and decisions were reasonable and that the contract benefitted the general body of ratepayers. In addition the docket will evaluate the obligation of the utility to continue to serve the customer after the expiration of the contract and the impact that obligation has on the utility's future generation requirements.

~~The~~ Each executed CSA shall be fully reviewed by the Commission under conditions that protect the confidentiality of proprietary information, ~~when either of two triggering events occur. The first possible triggering event is a request by Gulf for a base rate increase. The second possible triggering event would result from conditions identified through the Commission's monthly surveillance reporting system discussed more fully in the following paragraph. This Commission review is to commence immediately following the occurrence of the triggering event. The period for review. A docket shall be opened and remain open shall be as long as necessary for the Commission's staff and any intervenors to conduct all reasonable discovery needed to evaluate the prudence of Gulf's decision to execute each the CSA, then in existence. For this review by the Commission, Gulf will continue to have the burden of proof. At the conclusion of docket this regulatory review docket, if Gulf has not demonstrated to the Commission's satisfaction that Gulf's decision to enter into the any particular CSA under review was a prudent choice made in the best interests of Gulf's general body of customers, then the difference between the revenues that would have been produced by Gulf's standard tariff rates and the revenues that will be produced by the CSA will be imputed to the Company as though this amount was actually received by Gulf from the CSA customer and will be taken into account by the Commission in regards to any adjustment in the Company's base rates, whether in a rate case or in an over earnings review as noted below.~~

Upon the execution of a the CSA, the Commission's monthly surveillance reporting system will be enhanced to include a requirement that Gulf shall identify and report, ~~for all executed CSAs,~~ the difference between the revenues that would have been produced by Gulf's otherwise applicable standard tariff rates and the revenues that are produced by ~~the~~ each executed CSA. This additional information would be set forth on a separate page so that the information can be filed subject to the Commission's procedures for handling confidential and proprietary information. If the difference so reported, when added to the Company's actual revenues, would cause Gulf's achieved jurisdictional return on equity ("ROE") to exceed the top of the Company's authorized range, ~~the full review of the Commission discussed above will be triggered. The amount of such identified difference that would cause Gulf's achieved jurisdictional return on equity ("ROE") to exceed~~ the amount which exceeds the top of the Company's authorized range will be held subject to refund, ~~as possible over earnings pending completion of the Commission's review experimental docket.~~

RATE SCHEDULE CIS
Limited Availability Experimental Rate
Commercial/Industrial Service

(Optional Rider)

AVAILABILITY - Available, at the Company's option, to one non-residential customers currently taking service, or qualified to take service, under the Company's Rate Schedules applicable to loads of 500 KW or greater. Customers desiring to take service under this rider must make a written request. Such request shall be subject to the Company's approval, with the Company under no obligation to grant service under this rider.

~~This rider will be closed to further subscription by eligible customers when one of three conditions outlined in the Commission's order approving this rate schedule has occurred. The period defined by these conditions is the pilot study period.~~

Gulf Power is not authorized by the Florida Public Service Commission to offer a CSA under this rate schedule in order to shift existing load currently being served, or anticipated and planned to be served, by a Florida electric utility pursuant to a tariff rate schedule on file with the Florida Public Service Commission away from that utility to Gulf Power. The CSA may not be used to encourage a new customer to locate in Gulf's territory if the customer would have otherwise located somewhere else in the state.

APPLICABILITY - Service provided under this optional rider shall be applicable to all, or a portion of, the Customer's existing or projected electric service requirements which would not be served by the Company but for the application of this rider and which would otherwise qualify for such service under the terms and conditions set forth herein. Such load (Qualifying Load) shall be determined by the Customer and the Company. Service furnished hereunder shall not be shared with or resold to others.

Two categories of Qualifying Load shall be recognized: Retained Load (existing load at an existing location) and New Load (all other Qualifying Load). Qualifying Load must be served behind a single meter and must equal or exceed a minimum level of demand determined from the following table:

Retained Load:	For Customers whose highest metered demand in the past 12 months was less than 10,000 KW, the minimum Qualifying Load would be the greater of 500 KW or 20% of the highest metered demand in the past 12 months; or
	For Customers whose highest metered demand in the past 12 months was greater than or equal to 10,000 KW, the minimum Qualifying Load would be 2,000 KW.
New Load:	1,000 KW of installed, connected demand.

Any Customer receiving service under this rider must provide the following documentation, the sufficiency of which shall be determined by the Company:

1. Legal attestation by the Customer (through an affidavit signed by an authorized representative of the Customer) to the effect that, but for the application of this rider to the New or Retained Load, such load would not be served by the Company;
2. Other documentation, as requested by the Company, demonstrating that there is a viable economic alternative (excluding alternatives in which the Company has an ownership or operating interest) to the Customer's taking electric service from the Company; and

3. In the case of existing Customers, an agreement to provide the Company with a recent energy audit of the Customer's physical facility (the Customer may have the audit performed by the Company at no expense to the Customer) which provides sufficient detail to provide reliable cost and benefit information on energy efficiency improvements which could be made to reduce the Customer's cost of energy in addition to any discounted pricing provided under this rider.

CHARACTER OF SERVICE - This optional rider is offered in conjunction with the rates, terms, and conditions of the tariff under which the Customer takes service and affects the total bill only to the extent that the negotiated rates, terms, and conditions differ from the rates, terms, and conditions of the otherwise applicable rate schedules as provided for under this rider.

MONTHLY CHARGES - Unless specifically noted in this rider or within the Contract Service Arrangement, the charges assessed for service shall be those found within the otherwise applicable rate schedules.

Additional Customer Charge: \$250.00

Demand/Energy Charges: Any negotiated Demand and/or Energy Charges, or the procedure for calculating the negotiated charges, under this rider shall be set forth in the Contract Service Arrangement and shall recover all incremental costs the Company incurs in serving the Customer's Qualifying Load plus a contribution to the Company's fixed costs. In addition, the customer shall pay all otherwise applicable capacity cost recovery charges, fuel charges, environmental charges and energy conservation cost recovery charges.

Provisions and/or Conditions Associated with Monthly Charges: Any negotiated provisions and/or conditions associated with the Monthly Charges shall be set forth in the Contract Service Arrangement and may be applied during all or a portion of the term of the Contract Service Arrangement. These negotiated provisions and/or conditions may include, but are not limited to, a guarantee by the Company to maintain the level of either the Demand and/or Energy Charges negotiated under this rider for a specified period, such period not to exceed the term of the Contract Service Arrangement.

SERVICE AGREEMENT - ~~Each~~The Customer shall enter into a Contract Service Arrangement ("CSA") with the Company to purchase the Customer's entire requirements for electric service at the service locations set forth in the CSA. For purposes of the CSA, "the entire requirements for electric service" may exclude certain electric service requirements served by the Customer's own generation as of the date shown on the CSA. The CSA shall be considered a confidential document. The pricing levels and procedures described within the CSA, as well as any information supplied by the Customer through an energy audit or as a result of negotiations or information requests by the Company and any information developed by the Company in connection therewith is considered confidential, proprietary information of the parties. If requested, such information shall be made available for review by the Florida Public Service Commission and its staff only and such review shall be made under the confidentiality rules of the Commission.

SERVICE UNDER THIS RATE SCHEDULE IS SUBJECT TO RULES AND REGULATIONS OF THE COMPANY AND THE FLORIDA PUBLIC SERVICE COMMISSION.