

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

AUGUST 22, 1996

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

FROM: DIVISION OF ELECTRIC & GAS (TRAPP, KUMMER, DRAPER, BALLINGER) *SK EJD*
DIVISION OF LEGAL SERVICES (JOHNSON) *WJG RZT*

RE: DOCKET NO. 960789-EI - PETITION FOR AUTHORITY TO IMPLEMENT PROPOSED COMMERCIAL/INDUSTRIAL SERVICE RIDER ON PILOT/EXPERIMENTAL BASIS BY GULF POWER COMPANY

AGENDA: SEPTEMBER 3, 1996 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960789A.RCM

CASE BACKGROUND

On September 27, 1995, Gulf Power Company (Gulf) petitioned for approval of a Commercial/Industrial Service Rider (CISR or CIS-rider). The proposed tariff rider would allow Gulf to negotiate discount rates with individual commercial/industrial 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. An evidentiary hearing was held on March 7-8, 1996. At the June 11 Agenda Conference, the Commission voted to deny the tariff. The Commission expressed their concern with certain concepts contained in 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. 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.

Staff met with Gulf Power and other interested parties on June 20 and again on June 27, 1996. At that meeting Gulf presented a

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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 refiled its CISR tariff and revised implementation plan on June 28 and titled the tariff an experiment. At the July 30 Agenda Gulf voluntarily withdrew its proposed tariff and implementation plan. One of the main concerns raised by several Commissioners was the fact that while Gulf did file a revised implementation plan, it did not make corresponding changes to the tariff. At the agenda, staff was directed to develop a list of items ("laundry list") for possible inclusion in Gulf's commercial/industrial discount tariff and implementation plan. That list of items was sent as a memorandum on August 7 to the Commissioners and Gulf for review. Staff met with Gulf and other interested parties on August 13 to discuss the list of items.

On August 20, Gulf submitted two "example" tariffs and implementation plan packages. The first package was identical to the proposal submitted on June 28 with the addition of language in the implementation plan regarding the inclusion of recovery clauses in the price floor and changes in the tariff language to incorporate specific information on the length and size limitations previously contained only in the implementation plan.

The second package includes the above modifications plus the addition of a "regulatory out" clause. This provision allows the Commission 60 days to review a contract. At the end of that period, the "regulatory out" clause becomes "moot." It is unclear whether Gulf intends to prohibit further review by the Commission if action is not taken within the initial 60 days. This second revised package retains language on surveillance reporting but removes all references to the overearnings review based on imputed revenues. Reference to a prudence review is also removed.

At the July 30 Agenda Conference, the Commission instructed Staff and the Company to continue negotiations to arrive at a proposal acceptable to both sides before returning with a new tariff which would trigger the 60 day and 8 month statutory clocks. Thus, Staff considers Gulf's August 20 submittal, which contains two implementation plans and two "example" tariffs, to be for discussion only and not an official tariff filing, subject to the statutory time limits on tariff filings.

From the list of items, which is presented as Attachment 1, staff has prepared seven alternatives, which we believe meet the objective of allowing Gulf to offer rate flexibility to

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commercial/industrial customers while protecting the general body of ratepayers from unnecessary risk.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve a flexible price contract proposal for Gulf Power?

RECOMMENDATION: Yes. However, staff has serious concerns about the tariff proposals presented by Gulf (Docket Nos. 951161-EI and 960789-EI). Staff continues to recommend its July 30 proposal for a one-customer experiment. However, staff has developed six additional alternatives for Commission consideration. Staff recommends that the Commission instruct Gulf to file a tariff incorporating one of the seven alternatives listed below. Staff believes any of these would meet Gulf's desire for rate flexibility and would also protect the general body of ratepayers from unnecessary risk.

Staff Alternative 1 - One-customer experiment

No subscription period
No contract life limitation
No limitation on maximum Megawatt load
One contract for one customer
Competition with natural gas utilities not allowed
Competition with other electric utilities not allowed
Price floor includes average embedded transmission, distribution, and administrative costs plus all otherwise applicable recovery clauses
Immediate "at-risk" and contract prudence review

Staff Alternative 2 - Contract life limitation

No subscription period
All contracts end prior to 2002
No limitation on maximum Megawatt load
No limitation on number of contracts
Competition with natural gas utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor shall include all otherwise applicable cost recovery clauses
No automatic "at-risk" and contract prudence review

Staff Alternative 3 - Risk Factor and Mandatory Sharing (same as Gulf's second proposal, except Risk Factor and Mandatory Sharing added)

Four year subscription period

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No contract life limitation
200 Mw maximum load
Maximum of 12 customers
Competition with natural gas utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor includes incremental cost plus 20 percent, plus
all recovery clauses
Stockholders share 50 percent of shifted unrecovered embedded
cost at time of rate case, non CSA customers responsible
for remaining 50 percent
Shareholder responsible for 100 percent of revenue shortfall
if/when retail access allowed in Florida
"At-risk" and contract prudence review upon overearnings
and/or ratecase

Staff Alternative 4 - Limited Contract

(Staff adaptation of Ft. Pierce and Homestead economic
development tariffs)
No subscription period
Five year contract life
No limitation on maximum Megawatt load
No limitation on number of contracts
Competition with natural gas utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor includes average embedded transmission and
distribution, incremental non-fuel energy charge, all
otherwise applicable recovery clauses
No automatic "at-risk" and contract prudence review

Staff Alternative 5 - Buy-through

(Staff adaptation of Lakeland buy-through tariff)
No subscription period
Life of contract: 10 years or until retail access
No limitation on maximum Megawatt load
No limitation on number of contracts
Competition with natural gas utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor includes average embedded transmission and
distribution, incremental production cost, all otherwise
applicable recovery clauses
No automatic "at-risk" and contract prudence review

Staff Alternative 6 - Cost separation

(Staff adaptation of City Gas "below-the-line" petition)
No subscription period
No contract life limitation
No limitation on maximum Megawatt load

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No limitation on number of contracts
Competition with natural gas utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor not applicable since all revenues and costs recorded "below-the-line"
No automatic "at-risk" and contract prudence review

Staff Alternative 7 - Regulatory Solutions

Staff's proposed "regulatory solutions" -

1. 10 year rate cap for non at-risk customers;
2. Minimum rate includes average embedded transmission and distribution, all recovery clauses, and incremental generation cost;
3. Wholesale-retail type of cost allocation;
4. ROE Ceiling.

All four regulatory solutions have in common:

No subscription period
No contract life limitation
No limitation on maximum Megawatt load
No limitation on number of contracts
Competition with natural utilities allowed
CISR will not be deciding factor in territorial dispute
Price floor as indicated in regulatory solution description
No automatic "at-risk" and contract prudence review

STAFF ANALYSIS: Gulf and staff agree that the general body of ratepayers may be harmed if Gulf fails to retain existing large commercial/customer load. Where such customers threaten to leave the system, a dollar received above incremental costs is better than no dollar at all, at least in the short term until growth offsets the lost revenues. Where Gulf and staff primarily disagree is over the issue of how the Commission can reasonably assure itself that Gulf's identification of an "at-risk" customer is correct and the issue of accurately establishing an incremental cost price floor.

The successful determination of whether a customer is "at risk" of leaving Gulf's system, or not locating on Gulf's system to begin with, is highly dependent on a knowledge of the alternatives available to the customer and an accurate prediction of managerial decisions in industries with which the Commission and Gulf are, at best, marginally familiar. Gulf maintains that it will gather sufficient information to evaluate a customer's options to taking power from the utility. However, it is unclear how reliable that information will be. If other suppliers choose, as Gulf has chosen, to keep customer-specific information confidential, Gulf is severely restricted in verifying any alternative offers. As staff

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noted in Docket No. 951161-EI, a customer has the incentive to make his alternatives look as attractive as possible to get a lower price from Gulf. The uncertainty in gathering valid information on alternatives casts a large shadow on Gulf's ability to determine whether a customer is truly "at risk." An "at-risk" review will extend this shadow of uncertainty to the Commission.

Another major issue is the use of incremental cost projections for long term pricing. Gulf proposes to quantify the incremental costs to serve a CSA customer using a "RIM based" cost-effectiveness methodology. As used to evaluate conservation programs, the RIM methodology is a long term planning tool used to develop an order of magnitude estimate of the aggregate cost/benefit ratio of conservation programs to be implemented by groups of customers. Conservation programs typically involve many customers with small individual contributions to reducing system peak. Hence, there is room for error on an individual basis while the utility keeps or should keep the program as a whole cost effective. No such room for error exists for evaluating the incremental costs of service for an individual CSA customer.

Once calculated, the RIM cost-effectiveness estimate, combined with considerable judgement, is then used as a basis to screen and approve conservation programs. Once implemented, each conservation program is monitored for continuing cost effectiveness. Programs which are determined to no longer be cost effective due to rising costs or declining benefits are modified or discontinued. The use of "RIM based" projections of cost-effectiveness to set a pricing floor for CSA contracts would offer no such protection of continuing review of forecasted costs and cost-effectiveness. This issue is particularly troublesome given our experience with long-term cogeneration contracts. Many of these contracts are currently priced significantly above current market prices, thus raising electric rates to all customers, because the contracts were based on projected avoided costs which can not be updated. An "at-risk" customer, after agreeing with Gulf on the price and other terms and conditions, would be required to execute a Contract Service Arrangement (CSA). The CSA will specify the reduced rate and contain negotiated terms and conditions unique to the customer. Unless specifically noted, the Commission will not have authority to alter the CSA. In this respect, the CSA will be similar to a negotiated cogeneration contract.

The last customer-specific special contract approved by this Commission was between Gulf and Monsanto. The five year contract covering approximately 60 MW of load expired in 1992 when

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Monsanto chose to build a cogeneration unit and leave Gulf's system. Since Gulf continues to earn at the midpoint of its allowed earnings range without this load and without a rate increase, apparently its loss proved to have no detrimental impacts on the rates of other customers.

Nevertheless, staff does recognize that loss of significant existing load can be detrimental to remaining ratepayers if growth does not take up the loss in load. Staff also recognizes that Florida competes with other states which have special contract rates to attract and retain load. However, this Commission has very little experience with discount contract rates. In order to gain experience with the impact on both the market place and the utility's remaining ratepayers, Staff proposed at the July 30 Agenda that one contract be negotiated and then immediately reviewed by the Commission to provide "real world" experience on how Gulf intends to implement the CIS contracts. This proposal was rejected by the utility. Although Staff continues to prefer one of the regulatory approaches presented at the July 30 Agenda, in the spirit of compromise Staff is willing to recommend other alternatives which provide adequate safeguards to minimize the risk to Gulf's general body of ratepayers.

Gulf's proposal. Gulf's June 27 proposal, which Gulf withdrew at the July 30 Agenda, provided for a four year subscription window, no limit on the length of the contract period, and a limit of 200 Mw of connected load or 12 contracts. The tariff would be available to new or existing customers as long as the load was "at risk" as determined by Gulf. The price floor would be determined using a RIM methodology to determine the incremental cost of serving the customer plus a contribution above incremental costs. The Implementation Plan also included two automatic triggering points which would prompt a full Commission review of contracts: (1) a base rate case; or (2) if actual revenues plus the difference between the contract revenue and what the customer would have paid under the otherwise applicable rate would cause the company to exceed its authorized rate of return.

On August 20, 1996, Gulf submitted two "example" tariffs and revised implementation plans, based on their original filing. The first revision adds the agreement to credit all recovery clauses at the otherwise applicable rates and adds more specific language in the tariff itself on the limitations to load and term of the contracts. The second revision includes the recovery clause and expanded tariff applicability language and adds a 60 day "regulatory out" clause. It appears Gulf intends to limit any Commission review to 60 days following the signing of the contract.

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The second revision also eliminates mention of any prudence review and eliminates the language on imputed revenues resulting in overearnings review.

Neither revised proposal addresses the major concerns identified by the Commission and Staff regarding the "at-risk" determination on the definition of incremental cost. Staff believes the August 20 submittal adds nothing of substance to the tariffs the Commission has previously denied and in fact, takes away a great deal in terms of Commission flexibility. Staff fails to understand how limiting the Commission's review on the complex issues already identified can be considered an improvement or compromise on Gulf's part.

Staff believes that Gulf's proposed Tariff and Implementation Plans submitted both in Docket No. 951161-EI and Docket No. 960789-EI are overly broad and provide little assurance that the tariff will be applied in a manner which protects the general body of ratepayers from unnecessary risk. Significant points not adequately addressed include: the total amount of revenues subject to rate discounts, identification of "at risk" customers, the definition of incremental cost and the price floor, the effect on the rates of the remaining ratepayers and the effect on the utility's earnings. We believe the Commission must balance all of these concerns before approving any plan which provides Gulf the level of rate flexibility the utility desires.

For example, a shorter contract duration would make the determination of "at risk" and the definition of incremental cost to serve less of an issue. A shorter contract duration also lessens the likelihood that discount contracts would overlap a rate case test year where any sharing of the unrecovered embedded cost as well as the prudence of contracts would be at issue. However, if the price floor were defined to accurately capture the risk that actual future costs would be greater than projected costs, or if some type of reopener, or true-up mechanism were in place to account for errors in projected costs, the amount of load and the other terms and conditions of contracts become less of an issue.

Options in Georgia and Alabama. Georgia appears to have focused on economic development rates. True economic development creates jobs. Load retention and/or load building may or may not create jobs. In Georgia, the approved tariff directly links the amount of the discount to the customer's increase in the number of jobs. Job creation is measured against a base year employment number. For example, an increase in one to nine jobs over the base period merits a ten percent rate discount. An additional discount

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is also available for customers locating in existing structures or for job creation in economically depressed areas. It is, however, unclear if any consideration is given to the possibility that the jobs or development would have been created anyway if the customer were served by another utility or predominantly served by a natural gas utility. With limited staff in both Georgia and Alabama, these types of issues may not have been thoroughly investigated.

Alabama has a Flexible Contract Rate Schedule that is very similar to Gulf's proposed CISR. The Alabama Power Commission, however, has ten days to disapprove a signed contract. Staff notes that Alabama Power has signed contracts for two, five, and seven years.

Informal conversations have highlighted other potential problems with Georgia's and Alabama's approved discount rates. To remain competitive for existing or new large-use commercial and industrial load, rural electric cooperatives will have to lower rates charged to these customers. Since rural electric cooperatives have no profit margins or stockholders to share the lost revenue, reducing rates to one group of customers is still a zero-sum game. Therefore, Gulf's discount rider could have the effect of raising rates for residential and small commercial customers of rural electric cooperatives. With the Panhandles's four rural cooperatives serving predominately residential customers, Gulf's rate discounts could be a significant issue in cooperatives serving areas least able to tolerate the loss of a large customer.

In addition to economic development rates, Georgia allows new large-use commercial and industrial customers to make a one-time choice for their power supplier. In Georgia, all utilities jointly own, and have transmission access, to facilitate serving a new customer. Territorial boundaries are prescribed by statute for lower-use customers. Georgia's one-time option for new customers is causing problems among the utility's current customers. At the inception of the tariff, customers were locked into a perpetual contract. This required that the customer would remain a customer of the utility selected. Recent customers exercising the one-time option are signing five to ten year power contracts, holding out for open transmission access. No one is sure who the power supplier will be when a contract expires. Earlier customers are now realizing that they have been denied options available to later customers under the same tariff.

Gulf and the Panhandle cooperatives have extensive duplicating transmission lines. Hence, while transmission access

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for retail sales is currently not allowed, the duplicating transmission lines coupled with the rate discounts, will likely adversely affect rural Panhandle customers.

The details of the programs adopted in Georgia, Alabama and Mississippi are discussed in Attachments 3 and 4.

Attachments. At the July 30 Agenda, Staff was instructed to prepare a "laundry list" of modifications to specific provisions of Gulf's proposal. This "laundry list" is presented in Attachment 1. Designing a workable tariff, however, is not as simple as picking one item from each block. Attachment 2 elaborates on each of the short titles in the chart in Attachment 1 and explains some of the interactions of the various items.

In addition to the laundry list, the Commission requested a summary of similar programs offered in Alabama, Georgia and Mississippi. Attachment 3 was prepared by the Division of Research and Regulatory Review based on conversations with the state regulatory agencies and Attachment 4 was prepared by Gulf Power based on information from the utilities. Attachment 5 is Gulf's August 20 proposal. Attachment 6 is staff's recommendation for the July 30 Agenda Conference which describes out the one-customer experiment.

Staff alternatives. Below is a more detailed discussion of the Staff Alternatives presented above. Staff Alternative 1 is the one-customer experiment recommended by Staff at the July 30 Agenda Conference. Staff Alternatives 2 and 3 are variations of Gulf's CISR proposals. Staff Alternatives 4 and 5 are contract tariffs approved by the Commission for municipal utilities and adapted to Gulf Power. Staff Alternative 6, the City Gas proposal, is also scheduled for the September 3 Agenda. Staff Alternative 7 reiterates the options presented in Staff's recommendation at the July 30 Agenda Conference.

***Staff Alternative 1: One-Customer Experiment
(Discussed at July 30, 1996 Agenda)***

Although Alternatives 2 through 7 are acceptable compromises, Staff recommends Alternative 1 because the Commission has no experience with the type of large-use customer rate discounts Gulf is proposing. Prior rate discounts involved a known customer with a known alternative and were for a short time period, not 15 to 20 years or more. A one-customer experiment was addressed in our recommendation for the July 30 Agenda. (Attachment 6). Upon Gulf's selection of a customer, an "at-risk"

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and a contract prudence review would be opened. Staff is recommending a price floor of embedded transmission, generation, and distribution costs plus all otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation). If the Commission is primarily interested in economic development and job creation, we should be indifferent as to whether the customer uses natural gas or is served by a rural electric cooperative. Hence, staff also recommends that competition with natural gas utilities and other electric utilities not be allowed. Depending on the primary focus, this restriction can be lifted for natural gas utilities; however, the Commission should be cautious when allowing Gulf to use large-use customer rate discounts to compete with rural electric cooperatives.

Staff Alternative 2: Contract life limitation

Limiting the length of all contracts to end before the year 2002 limits the risk to captive customers of an inadequate incremental cost determination and mitigates the need for rigorous "at-risk" evaluations. Staff would prefer all contracts to be limited to an even shorter time period, (e.g., 3 years) but is willing to go further because we do not expect Gulf to build any power plants or come in for a rate case within the next 5 years. This might not be the case for other investor-owned utilities in the state. Requiring all contracts to terminate no later than December 2001 also ensures that all customers, whatever their size, have an opportunity to participate in the advantages of a more competitive market. Locking customers into long term contracts will prevent customers from taking advantage of retail access if it occurs.

If the Commission determines in a territorial dispute that all other cost and design factors are equal, leaving customer choice as the deciding factor, the availability of the CISR should not be used as the deciding factor. This prevents Gulf from using the CISR to influence a customer's choice of provider.

Staff Alternative 3: Risk Factor and Mandatory Sharing

This alternative incorporates Gulf's second proposal (Docket No. 960789-EI, withdrawn at July 30 Agenda) with three modifications.

First, to adequately protect non-CSA customers, under this proposal the minimum price floor consists of incremental cost plus 20 percent, plus all otherwise applicable recovery clauses

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(fuel; purchased power, including power pool capacity; environmental; conservation). The added 20 percent reflects the likely inaccuracy of long term incremental cost estimates. This floor provides some assurance that regardless of how Gulf calculates incremental cost to serve a CSA customer, there likely will be a positive contribution to embedded cost, and pricing below incremental cost will likely not occur.

Second, the Commission should establish up-front, when approving a tariff for Gulf, a percentage sharing factor to allocate the difference between the standard tariffed rate and the CSA rate between non-CSA ratepayers and stockholders at the time of a base rate case. Staff recommends that stockholders be responsible for 50 percent of the revenue shortfall to encourage Gulf to maximize contribution to fixed costs. Stockholders will not be harmed by this allocation since they benefit from retaining "at-risk" CSA customers. The Commission should also determine that shareholder responsibility will increase to 100% when retail access becomes available in Florida.

Third, staff continues to believe that the capacity payments under the Intercompany Interchange Contracts (IIC) should be accurately modeled in the RIM test.

Staff Alternative 4: Limited Contract

A Contract Electric Service Schedule was recently approved for the City of Fort Pierce and the City of Homestead to help them absorb excess capacity from Stanton II which they are obligated to purchase. This optional rate allows the utility to offer a discounted rate to an existing commercial customer who expands its load or to a new commercial customer who locates in the utilities' service territory. Because of the five year duration and limited discount, no showing of "at-risk" status is required. The customer charge and the demand charge are set at the applicable standard rate, the non-fuel energy charge is subject to negotiation. For Fort Pierce and Homestead, the floor for the negotiated energy charge is set at the incremental fuel cost of Stanton II. For Gulf, the floor for the energy charge would be set at the incremental fuel cost of a generating unit on the Southern Company system.

Contracts are limited to a maximum of five years which will allow customers to take advantage of future changes in the electric market. The negotiated energy charge will be increased annually so that at the end of the five year period, the customer will pay the applicable standard rate. This provision limits the

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amount of revenue at risk by limiting the length of the contract and the amount of the discount.

Staff Alternative 5: Buy-through

Several utilities in Florida have developed interruptible (IS) and/or curtailable (CS) rate schedules to offer more flexibility to their customers. Currently, Gulf does not have an IS or CS tariff. If Gulf was to propose an IS and/or CS rate schedule, staff would recommend a tariff similar to what was adopted recently for the City of Lakeland. For Lakeland, this rate schedule is available to any commercial customer, existing or new, with a demand that exceeds 1,000 KW. The rate consists of three charges: an energy charge, a demand charge, and a reservation charge. The energy and demand charge are set at the existing IS rate. Lakeland entered into a contract to purchase firm capacity to supply the customer in the event Lakeland experiences a capacity shortage. The cost of purchasing capacity plus approximately 20 percent will be recovered from the customer through the reservation charge. This is not a special contract rate, but a variation of an existing rate schedule.

Although the minimum length of a contract is 10 years, the customer may terminate the contract prior to 10 years under three options. Under two of these options, the contract can be terminated in the event retail wheeling has taken effect and Lakeland can not match the bid price the customer receives. Under Gulf's proposal, if a customer signed a 10 year contract, he will not be able to benefit from a new competitive environment should it become available.

Staff Alternative 6: Cost Separation

City Gas recently filed a Flexible Gas Service rate with the Commission. This rate will apply to customers who demonstrate that they have viable energy options. An allocation of commingled fixed and O&M costs, plus any customer specific incremental fixed and O&M costs, plus revenues received are placed "below-the-line" for ratemaking purposes. The cost recovery clauses are additional. The allocation may be customer-specific. (See Docket No. 960920-GU, which is scheduled for the September 3 Agenda).

Staff Alternative 7: Regulatory solutions

Regulatory solutions would avoid embroiling the Commission in the determination of whether a customer was "at-risk" of taking service from an alternate energy source. Staff has

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identified four possible regulatory solutions. These four solutions are not reflected in the list of items (Attachment 1).

10 year rate cap for "non at-risk" customers. Staff believes a that a 10 year rate cap would adequately protect residential and small commercial customers, who have little or no market power, from subsidizing large commercial/industrial customers with market power. In addition, to avoid any immediate cost shifting, the CISR customer would be required to pay all otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation).

If the electric utility agrees to base rate cap, limits on number of contracts are not necessary.

Minimum rate. The price floor for any CSA contract should at a minimum include the following costs: average embedded transmission; average embedded distribution; average embedded administrative and general cost; incremental generation costs, and all otherwise applicable recovery clauses. 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.

Wholesale-retail type of cost allocation. Staff proposes that Gulf separate its embedded commingled assets on a fully embedded cost basis between customers receiving service under a standard tariffed rate and customers receiving service under a negotiated CISR rate. This assures that all costs associated with a CSA customer are recovered from the customer or Gulf's stockholders.

ROE Ceiling. Gulf may offer any rate it wishes to any customer provided that, after imputing revenues foregone under the contract, the earned ROE does not exceed the ceiling of the approved ROE. This imputation shall also apply to any future base rate cases.

The above four alternatives allow Gulf the flexibility of offering 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. These proposals did not address, however, competition with natural gas and other electric utilities or unfair discrimination.

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Summary. Staff believes that any of the above listed seven staff alternatives meet the objective of allowing Gulf to offer rate flexibility to large-use customers while protecting the general body of ratepayers from unnecessary risk. Staff recommends that the Commission instruct Gulf to file a revised implementation plan and tariff incorporating one of the above alternatives in lieu of their current filing. When Gulf refiles a tariff in compliance with the Commission decision in this docket, the statutory clock will start again.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. If Issue 1 is approved, Gulf will be required to refile a revised implementation plan and tariff. This docket should remain open pending final resolution of Gulf's proposal for flexible contract rates.

STAFF ANALYSIS: If Issue 1 is approved, the Commission will direct Gulf Power Company to file a tariff to conform with the proposal selected by the Commission. That action shall become final unless a person whose substantial interests are affected requests a Section 120.57, Florida Statutes hearing within 21 days of the issuance of the Notice of Proposed Agency Action.

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 LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF
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	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff							
One Year							
Two Years							
Three Years							
Four Years	X			X			
Longer							
Permanent, no experiment							
None or not applicable		X	X		X	X	X
2. Maximum length of CSA contracts							
Three Years							
Four Years							
Five Years					X		
Ten Years						X	
Fifteen Years							
Twenty Years							
No Maximum Contract Term Limit	X	X		X			X
Ceases when retail access allowed						X	
Ceases on the in-service date of the next currently avoidable generating unit							
All contracts terminate at a certain date, e.g., year 2002			X				

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
3. Maximum load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW) of connected load							
50							
100							
150							
200	X			X			
No Size Limitation		X	X		X	X	X
4. Total number of contracts - the CISR will be closed to further subscription if the company has executed a certain number of contracts							
One		X					
Up to Eight							
Up to Twelve	X						
No Limitation			X	X	X	X	X
5. Minimum demand - minimum level of demand (KW) customer must have to be eligible for CISR							
None							
500 KW (0.5 MW) of maximum monthly demand for existing customers	X	X	X	X	X	X	X
1000 KW (1 MW) of connected load for new customers	X	X	X	X	X	X	X
6. Prior approval - should the Commission pre-approve each negotiated contract							
Yes							
No	X	X	X	X	X	X	X

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
7. Availability of CISR tariff - Staff notes that it believes any "at-risk" evaluation by the Commission after the contract is signed to be very difficult							
Existing "at-risk" load of existing commercial/industrial customer - load retention	X	X	X	X	X	X	X
New "at-risk" load of existing commercial/industrial customer - load expansion	X	X	X	X	X	X	X
New "at-risk" load of a new commercial/industrial customer - load building	X	X	X	X	X	X	X
8. Customer competition - discounted rates to other competing customers classified to the same SIC Code							
Order Gulf to include in CSA contract that it may be cancelled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors							
Yes		X					
No	X			X			
Not addressed			X		X	X	X
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer is being unfairly disadvantaged							
Yes							
No	X			X			
Not addressed		X	X		X	X	X

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
9. Alternative source competition - competition with other electric utilities and natural gas utilities							
If the Commission determines in a territorial dispute that all other cost and design factors are equal (leaving customer choice as the deciding factor), and that the availability of the CISR was used to influence the customer's choice of provider, should service of the customer be awarded to Gulf?							
Yes	X						
No		X	X	X	X	X	X
If the Commission determines that the availability of the CISR was used to influence the customer's choice to use electricity, instead of natural gas, and thereby adversely affect natural gas ratepayers, should Gulf be required to cancel the CISR contract? (Competing with direct pipeline sales or oil is appropriate since they are unregulated)							
Yes							
No	X	X	X	X	X	X	X
10. Customer charge - the CSA customer should pay the following customer charge							
Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X			X			
Actual incremental costs to negotiate the CSA contract							
Actual incremental costs to administer the CSA contract							
The otherwise applicable customer charge plus \$250 per month		X					
Not addressed			X		X	X	X
11. The CSA minimum revenues will							
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X						
Be sufficient to cover all costs in the price floor plus 20 %				X			
Not addressed or not applicable		X	X		X	X	X

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
12. Price floor components - in addition to any customer charge, "all costs in the price floor" are defined as:							
Incremental generation capacity costs	X	X		X		X	
Incremental transmission capacity costs	X			X			
Incremental distribution capacity costs	X			X			
Incremental administrative and general overhead costs	X			X			
Incremental fuel costs					X		
Average embedded generation capacity costs							
Average embedded transmission capacity costs		X			X	X	
Average embedded distribution capacity costs		X			X	X	
Average embedded administrative and general costs		X			X	X	
All otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation)	X	X	X	X	X	X	
Incremental revenues and costs, and any embedded costs "below-the-line"							X
13. Sharing - how should any unrecovered embedded cost associated with the CSA load be shared between stockholders and non CSA-customers?							
Gulf will absorb any unrecovered embedded cost until the next rate case. Future allocation should be deferred until Gulf's next rate case and the associated prudence evaluation	X						
Commission should establish upfront, when approving a CISR tariff, a percentage sharing formula; e.g, 50% stockholders - 50% non CSA customers				X			
Not addressed		X	X		X	X	X

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
14. Required documentation - the Company would be required to file the following documentation with the Commission for regulatory prudence review							
For each contract all workpapers, calculations, and supporting documentation, including customer specific information, used by Gulf's management to determine the eligibility of a customer for a CSA contract	X	X	X	X	X	X	X
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not							
Affidavit from customer indicating customer's intention on the day of signing the CSA							
Customer's investment options at the time of the CSA signing		X	X	X	X	X	X
15. Required reports - the company would be required to file the following reports, for informational purposes, with the Commission on a regular basis							
Summary reporting information filed quarterly, and any additional relevant information available to the Commission upon request	X	X	X	X	X	X	X
Other							
16. Initiation of contract prudence review							
Immediately after Commission notice regarding CSA contract execution		X					
Upon Gulf exceeding ROE ceiling after discounted revenue imputation	X			X			
In Gulf's next rate case	X			X			
Upon the Commission's own motion	X		X	X	X	X	X
17. Items to be included in a contract review							
Commission determination of whether Gulf's decision the CSA qualifying load was "at-risk" was prudent							
Yes	X	X	X	X	X	X	X
No							

	Gulf	(1) One- customer Experiment	(2) Contract Life Limitation	(3) Risk/ Sharing	(4) Limited Contract (FTP/HST)	(5) Buy- through (LAK)	(6) Cost Separation (CITY GAS)
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract							
Yes	X	X	X	X	X	X	X
No							
Determination of whether the contract at the time it was executed adequately accounted for future cost uncertainty							
Yes	X	X	X	X	X	X	X
No							

Description of columns 6, 7, and 8 (related to other approaches recently approved by the Commission):

Limited Contract - The non-fuel energy recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's and City of Homestead's recently approved Contract Rate Schedule)

Guaranteed buy-through - The utility shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSX-6 rate), and transmits it to the customer. Transmission and distribution costs will be recovered under this proposal.

Separation of costs - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.

FTP - Fort Pierce
HST - Homestead
LAK - Lakeland

ITEM DEFINITIONS AND INTERACTIONS

This document elaborates on the brief category headings on the "laundry list" and identifies the other major items on the list which impact or are impacted by a particular option or choice.

1. Subscription period.

Definition: The subscription period is the time frame in which a customer may apply or Gulf may seek to identify customers to receive the discounted rate. The length of the subscription period plus the length of the contract define the duration of the experiment.

Interactions: Items 3, 4, 14, 16,

Definition of an experiment. Gulf has proposed that the CISR tariff be an experimental offering. As an experiment, presumably at the end of the experimental period the Commission would evaluate the results of the rate discount experiment to determine whether the experiment should continue for another experimental period, be modified, made permanent, or ended. No test of success/fail hypothesis for the experiment was proposed. The word experiment is simply a title. The subscription window coupled with the length of the contract must be reasonably short for an "experiment" as opposed to a permanent offering.

Customer load. A subscription period may also interact with any cap placed on the total amount of customer load (item no. 3) or total number of customers allowed to enter into CSA contracts (item no. 4). Taken together, a subscription period and a total MW load cap and/or number of customers limit can result in customers competing with each other to be first in line to qualify for the rate discount. Prior cogeneration rules had a total MW subscription limit that resulted in cogenerators lining up overnight at the utility's front door to be first in line to accept a Standard Offer Contract.

2. Maximum length of CSA contract.

Definition: The maximum length of a CSA contract is the time period from the date the contract is signed to the date the contract terminates.

Interactions: Items 10, 11, 12, 13, 14, 15

Contract term. The term of a CSA contract is a significant variable in Gulf's proposed CISR experiment. Short term contracts of 3 years or less would significantly reduce the risk and uncertainty associated with determining the "at risk" status of CSA customers and the forecast inputs to a price floor. Short term contracts also mitigate the need for revenue shortfall sharing since it is unlikely that the company will come in for a rate case in the short term foreseeable future. Also if short term CSA contracts do not result in the need for a rate case, the need for a prudence review and the verification of the customer's "at risk"

status is largely eliminated. However, short term contracts may not adequately recover the company's negotiating costs since an increased customer charge would only be collected for a brief period.

Long term CSA contracts increase the need for scrutinizing whether a customer is truly "at risk". Long term contracts also increase the risk that a price floor will not adequately cover Gulf's incremental costs because the need for incremental production plant, transmission plant, and distribution plant additions necessary to maintain adequate and reliable service to the customer become increasingly more difficult to forecast. This forecast problem is compounded where CISR customers are to be served by common facilities and allocations of transmission and distribution plant costs must be made.

Deterrent to competition. Another complication inherent in long term CSA contracts is that they may forestall any movement toward retail access. Many states have already moved towards allowing large use industrial and commercial customers, and even in some instances, all customers, to shop for their electric power supplier. This trend will likely continue at an increasing pace. Allowing utilities to sufficiently lower rates to induce these customers to sign long-term contracts could forestall the implementation of retail access should it become law. This inducement is increased because entering into a CSA contract has the effect of relieving the large use customer from any stranded cost recovery liability should retail access be allowed.

Planning issues. In order to convey a long term benefit to the utility's customers, the CSA contract termination date should may be incorporated into the utility's generation and purchased power expansion plans to delay capacity additions. If the company does not adjust its planning projections to account for potential loss of contract load, future construction needs will be overstated. However, additional load could also result in benefits to the general body of ratepayers if the new construction has an overall cost that is less than embedded costs.

Information required. The subscription period may interact with required reports (item no. 15), timing of Commission prudence review (item no. 16), and items to be included in prudence review (item no. 14). A lesser amount of information may be required for a short term contract with fairly predictable costs and revenue impacts whereas a longer term contract introduces much more uncertainty about costs and market conditions as well as customer options.

3. Maximum Megawatts of connected load:

Definition: The maximum megawatts of connected load is the cumulative total of the non-coincident peak demand (MW) for each participating customer's load or loads covered by a CSA contract. Gulf has clarified that it may enter into more than one CSA contract per customer depending on the nature of the customer's "at

risk" load. Because of diversity in the time of usage, the non-coincident peak demand is almost always less than the coincident peak load seen by the utility's generating resources.

Interactions: Items 1, 13

The Megawatt of connected load interacts with the subscription period (item no. 1) creating the potential for competition for reduced rates and a first in line problem. It also impacts the total revenue at risk which would be subject to potential recovery from other customers and/or stockholders through a sharing mechanism. The greater the maximum load limit, the greater is the stranded cost potential.

4. Total number of customers:

Definition: The total number of CSA contracts entered into for a reduced rate. Based on a subsequent clarification, the issue is not customers but load. Gulf has indicated that they may enter into more than one CSA contract per customer depending on the nature of the customer's "at risk" load.

Interactions: Items 1, 13

The total number of customers interacts with the subscription period (item no. 1) creating the potential for competition for reduced rates and a first in line problem as discussed in Item 1. It also impacts the with the magnitude of and disposition of any embedded costs not covered by the CISR revenues.

5. Minimum level of demand (KW) that a customer must have to be eligible for CISR:

Definition: Tariffs are typically stated in terms of maximum demand for total load or contract load, or both.

Interactions: Items 2, 3, 10, 11, 12, 13, 14, 15

The interaction with length, number, size and duration of contract are the same as described above. The amount of load eligible affects the impact on Gulf's system, the degree on impact on market conditions and the approach to cost shortfall recovery.

Cost floor. The minimum Kilowatt demand criteria proposed by Gulf would open the CISR experiment to a wide range of customers with a wide range of load characteristics and a wide range of cost impacts on Gulf's system. For example, a 20 MW, high load factor manufacturing customer would clearly be eligible under the minimum demand criteria. A 70,000 square foot retail department store, a 115,000 square foot office building, a 100 bed hospital, and a 1,700 student high school are other examples of customers who could be eligible under the minimum demand criteria. The need for and cost of incremental lower voltage sub-transmission and distribution

lines serving schools, hospitals, shopping centers, office buildings, etc. will be difficult to forecast.

6. Prior Commission approval of each negotiated contract:

Definition: Prior Commission approval of each negotiated contract would require the Commission to open a docket and review and approve (by PAA or final order after a hearing) each negotiated CSA prior to Gulf signing the contract.

Interactions: All items

Prior Commission approval interacts with most of the major items affording flexibility to Gulf to negotiate discount rates. Generally, the more flexibility afforded the Company the more need for prompt review by the Commission to ensure that costs are not being improperly shifted to customers which are not eligible for rate discounts. Past discount contracts were approved after a full evidentiary hearing with information specific to an individual customer. This gave the Commission a greater degree of comfort that the discount was justified and appropriate before any contract went into effect. Gulf argues that this process which could take in excess of 6 months is too cumbersome to react to the marketplace conditions its customers are facing. As discussed in Items 2 and 5, with the appropriate safeguards, prior-approval may not be necessary.

7. Availability of CISR tariff:

Definition: GULF's CISR tariff as proposed is open to retained load, new load by an existing customer or to new customer load coming to the system.

Interactions: Items 5, 14, 15

The definition of eligible load interacts with the minimum level of demand to be eligible for a discount rate and with whether the rate is targeted for retaining existing load or attracting new load. The definition of new load may interact with items to be included in a prudence review if there is a dispute over customer eligibility. Gulf has clarified informally that "new customer" means new **net** load. Previous agreement has also been reached that new load does not include service to a customer that another utility is currently serving or has immediate plans to serve.

8. Customer Competition

Definition: Discount rates offered to one customer but not another with similar circumstances has unintended effects on the market, which might be called discriminatory. Discrimination occurs when one customer is adversely affected. Discrimination does not occur when all customers benefit. The statute modifies discrimination

with undue. Perhaps some discrimination is acceptable per the statute.

Interactions: Items 3, 4, 7, 12, 14, 15

Availability of CISR. Customers classified pursuant to the same Standard Industrial Classification (SIC) produce the same products and services and compete with each other for sales. A discounted rate to one "at-risk" business customer of Gulf Power may give that business an advantage over other business customers of Gulf Power competing to sell the same product, and be viewed as discriminatory. In some instances, a discounted rate may have the effect of keeping inefficient businesses in business. One solution is to offer the same rate discount to all customers classified to the same SIC code. Other states have done this. The question then arises whether to include the additional megawatts in the maximum Megawatts of connected load (Item no. 3) and the additional number of customers in the maximum number of customers count (Item no. 4).

Cost floor. The level of discount as determined by the cost floor definition also interacts with the decision to offer a discount to all customers in a given SIC group. If the contribution to embedded costs is significant, there will be less impact in expanding the eligibility pool to more customers. The more the rate diverges from the embedded cost, the greater the potential cost shifted to the remaining customers if the rate is available to all customers within a given SIC group.

Reporting requirements. If all customers in a specific SIC group were offered the same discount, Gulf would have a greater incentive to be more discriminating in accepting contracts and to maximize the CISR revenue because of the potential impact on total revenues, relieving the need for close Commission oversight.

9. Alternative Source Competition

Definition: As proposed, the CISR could be used to compete with other electric utilities by offering a negotiated rate below the competing utility's rate when the customer would have located in Florida without the CISR. Using the CISR to compete with natural gas utilities means offering the rate discount to an existing or new customer that would have used natural gas instead of electricity as a primary energy source.

Interactions: Items 7, 12, 16

At risk determination. If the goal is to encourage economic develop in the state, the state should be indifferent where a new business locates. Gulf's current earnings position allows it to absorb possibly significant revenue shortfalls for some period in order to increase its long term customer base. Smaller rural electric cooperatives may not have that luxury but may be just as deserving and have appropriate locations in their service area for new load. This problem is most acute when it creates a

territorial boundary dispute between Gulf and a neighboring utility. Whether the customer would have located in the Panhandle and taken service from an electric coop but for the discounted rate offered by Gulf is another aspect of the "at-risk" issue.

Risk assessment should go beyond any impact on Gulf Power. If a neighboring rural cooperative lowers its commercial or industrial rate to compete with Gulf to retain or attract new load, it has no profit margin or stockholders to cushion the impact. Rates would likely increase to residential and small commercial customers in areas least able to absorb an increase.

Fuel alternatives. What primary energy source the customer would have used but for the discounted rate is also another aspect of the "at-risk" issue. Switching to gas fired appliances or cogeneration options may be environmentally and economically the most efficient source of power which should not be discouraged by an artificially lowered electric rate.

10. The CSA customer should pay the following customer charge:

Definition: A customer charge set on embedded rates is designed to cover primarily costs for metering, billing, service lines, and customer assistance. The proposed CIS tariff requires that the customer pay the otherwise applicable customer charge (from \$227-\$1000) plus \$250 for the additional costs of administering the CIS contract. This additional amount may or may not be sufficient to cover the incremental expenses associated with the contract.

Interactions: Items 2, 8, 11, 12, 13, 15

Given the special studies, negotiations, and attention that these customers will require, the \$250 per month may be low, particularly for short term contracts of say three to five years. This issue may be moot however if Gulf does not experience overearnings or file a rate case while the contract is in effect. If neither occurs while the contract is in effect, other customers will not be harmed by an insufficient customer charge. However, if a contract is in effect during an overearnings situation or if a rate case is filed, and the Commission becomes embroiled in whether a customer was "at-risk", then unrecovered customer costs will likely be imposed on other customers in the form of higher rates.

11. CSA minimum revenues

Definition: The minimum contribution to costs acceptable for a CSA contract.

Interactions: Items 2, 3, 4, 5, 6, 7

The debate centers on whether the "price floor" as defined in Item 12 is sufficient as a minimum revenue requirement for a CSA contract. The original proposal allowed negotiation down to "incremental cost." Gulf's revised proposal offers little other than philosophical clarification that the contract must make a positive contribution above incremental costs. The issue is whether what "positive contribution" is sufficient to account for the uncertainty in a long term contract. The more limited the experiment in terms of length, size and eligibility, the less important the issue of "contribution" becomes.

12. CSA price floor:

Definition: The minimum cost levels Gulf may negotiate to establish rates for a CSA customer.

Interactions: The CSA price floor is a significant variable in Gulf's proposed CISR experiment which interacts with all major aspects of the proposed experiment.

Use of "RIM" type analysis. Gulf has proposed a price floor sufficient to collect revenues equal to the incremental costs to serve the CSA customer plus a positive contribution to fixed costs plus all applicable cost recovery clauses. Gulf proposes to quantify the incremental costs to serve a CSA customer using a "RIM based" cost-effectiveness methodology.

As used to evaluate conservation programs, the RIM methodology is a long term planning tool used to develop an order of magnitude estimate of the cost/benefit ratio of conservation measures. This estimate combined with considerable judgement is then used as a basis to screen and approve conservation measures. Once approved, each conservation measure is monitored for cost effectiveness. Programs which are determined not cost effective due to rising costs or declining benefits are modified or discontinued. Gulf has proposed no provision for review or adjustment of the CISR based on continuing evaluation of changing conditions.

When used to evaluate conservation programs, the RIM test evaluates whether there are adverse rate impacts to non-participants due to the program. The RIM test ignores the fact that approximately 25 percent of Gulf's customers use natural gas. While the RIM test may indicate whether an all-electric customer is better off, the test is silent on whether a dual electric-gas customer is better off.

Input forecasts. Using a "RIM based" methodology to establish floor prices also raises questions on the ability to accurately forecast the inputs to the RIM model. In order to establish a price floor for CSA contracts Gulf must identify the need for incremental production plant, transmission plant, and distribution plant additions necessary to maintain adequate and reliable service to the single CSA customer over the life of the CSA contract. As

the term of the CSA contract increases, so does the inaccuracy of forecasting these needs and the costs associated with meeting these needs (see item no. 2).

This forecast problem is compounded where CISR customers are to be served by common facilities and allocations of plant costs must be made. While forecast uncertainty also exists for evaluating the cost effectiveness of conservation programs, the uncertainty of estimating plant that will not be built because of conservation results in a conservative estimate of conservation cost/benefit ratios (i.e. a potential understatement of benefits). Just the opposite is true for Gulf's proposal where uncertainty is likely to result in an understatement of costs. Long term contracts increase the risk that a "RIM based" price floor will not adequately cover Gulf's incremental costs. For short term contracts based on an incremental cost floor, much of the uncertainty associated with a planning type analysis can be mitigated by using more near term cost of service and budgeting forecast methodologies.

13. Revenue shortfall sharing:

Definition: Revenue shortfall sharing means placing "below-the-line" at the time of a rate case a percentage of the difference between the revenues which would have been collected under the standard rate and the revenues actually collected pursuant to a CSA contract rate.

Interactions: Revenue shortfall sharing is a significant variable which interacts with all major aspects of the proposed experiment.

Embedded rates are set to recover the average costs allocated to each class of customer. If any individual customer pays less than the average rate for his class, a portion of the average cost assigned to him is not recovered. To minimize the risk of captive customers being burdened with the effects of any incorrect assessment as to whether a CSA customer was truly "at-risk" and what are the correct incremental costs, some state commissions require a sharing of the difference between the revenues that would have been received at otherwise applicable rate and the revenues actually received. Gulf argues that sharing causes their stockholders to refund or otherwise credit to a revenue account a portion of revenues never received.

14. Required documentation:

Definition: The information, data, and analyses provided to the Commission by Gulf to document and justify negotiating a discount rate for each CSA customer.

Interactions: Item 6, 14, 15.

Any Commission decision on the prudence of a contract requires Commission determination as to whether a customer was "at-risk." This analysis will require detailed information about the customer's investment and energy options at the time the contract was offered. If prudence review is delayed until a rate case, that investigation will entail reconstructing what the customer options and risks were years ago. An affidavit from the customer as to what its intentions are is of little value because the turmoil of competition causes companies to change their plans often. We also would need to know what the companies non-energy related opportunities were because switching fuels or locating to Florida may not have been the most profitable thing for the customer to do.

15. Required Reports:

Definition: In addition to the information required to determine the prudence of any contract, current information on the number, size and revenue impacts of contracts is necessary for tracking the experiment.

Interaction: Item 4

In order to adequately monitor the progress and potential impact of contracts, certain information is needed on a periodic basis. Gulf has agreed to supply summaries of the number of contracts, size, rates and revenue impacts on a quarterly basis.

16. Timing of Commission contract prudence review:

Definition: The timing of a Commission prudence review, if any, relative to the timing of Gulf negotiating a discount rate and entering into a CSA contract with a customer.

Interactions: Items 1, 2, 3, 4, 5, 7

Gulf is proposing the "at-risk" determination whenever they are in an overearnings situation or file a rate case. As noted in Item 14, reconstructing information several years old can be very difficult. Personnel changes and policy shifts make it almost impossible to say for certain exactly what conditions existed in the past. A docket opened as soon as Gulf selected a customer to receive a rate discount would provide a fresh investigative trail. It could also result in almost continual investigations during the subscription period, requiring significant staff and Commission time.

17. Items to included in a prudence review:

Definition: The categorical issues to be addressed by the Commission in order to determine whether a negotiated rate discount agreed to by Gulf is reasonable, prudent, and in the best interests of Gulf's general body of rate payers.

Interactions: Items 2, 3, 4, 5, 6, 7, 11, 12

The extent of any prudence review is closely intertwined with the length of contracts, the amount and definition of eligible load and the definition of the price floor. Shorter contract terms with tight restraints on eligibility up front will reduce the scope of any post-signing review.

MEMORANDUM

August 21, 1996

TO: Joe Jenkins, Director
Division of Electric and Gas

FROM: Dan Hoppe, Director *DNA*
Division of Research and Regulatory Review

SUBJECT: *State Activities Regarding Economic Development and Load Retention Rates*

Attached is the report, *State Activities Regarding Economic Development and Load Retention Rates*, prepared by the Division of Research and Regulatory Review at your request. The report is an outgrowth of Chairman Susan Clark's comments regarding Docket 960789-EI at the July 30, 1996, Agenda Conference. In response to the Chairman's comments, the report focuses on Alabama, Georgia, and Mississippi.

It is evident from a national perspective that the majority of states offer some form of economic development or load retention rates. Various forms of these rates are offered in Alabama, Georgia and Mississippi. Recent initiatives in Georgia, including Georgia Power's modernization and job growth tariff riders, have focused on load growth. The GPSC has also recently authorized Georgia Power to offer special contracts for the purpose of economic development. Beginning in the early 1980s, Mississippi has offered incentives to commercial and industrial customers. Manufacturing customers, both new and existing, have been targeted to receive these incentives. In contrast, although Alabama has offered commercial and industrial rate reductions for a number of years, it appears the primary motivation for such discounts has been load retention. The following table summarizes the activities in these states.

STATE	LEGISLATION TO AUTHORIZE DISCOUNTS	ELECTRIC EDRs	ELECTRIC LRRs	VIEW INTERRUPTIBLE OR TIME-OF-USE RATES AS LRRs
AL	YES†	YES*	YES*	YES
GA	NO	YES	YES	YES
MS	YES†	YES	YES	YES

*Although Alabama answered "no" to adopting EDRs and LRRs, the tariff revisions and rate discounts tailored for individual customers that Alabama has used have equated to the same thing.

†Some contracts for discounts existed prior to the passage of legislation.

DMH:JGH:tf/o-edlr
Attachment

**STATE ACTIVITIES REGARDING ECONOMIC
DEVELOPMENT AND LOAD RETENTION RATES**

Judy Harlow, Economic Analyst
John Cutting, Regulatory Analyst IV

Bureau of Research and Policy Analysis
Division of Research and Regulatory Review
Florida Public Service Commission
Tallahassee, Florida
August 1996

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STATE ACTIVITIES REGARDING ECONOMIC DEVELOPMENT AND LOAD RETENTION RATES

I. Introduction

Recent technological changes which have reduced the marginal cost of electricity generation, along with the movement toward a competitive electric market have increased the interest in flexible pricing methods for large commercial and industrial customers. This paper examines the use of rate discounts offered through economic development rates (EDRs) and load retention rates (LRRs) as two possible regulatory responses to the changing electricity market.

EDRs are offered by a utility to encourage new businesses to locate within the utility's service territory, or to encourage the expansion of existing businesses. LRRs are designed to increase or maintain sales with those existing business customers who may have alternate power sources available. While the purpose of EDRs and LRRs differs, the mechanical administration of the two types of rates may be very similar.

Gulf Power Company has recently petitioned the Florida Public Service Commission (FPSC) to offer EDRs and LRRs to a limited number of high use customers. To aid the FPSC in analyzing Gulf's proposal, the Division of Research and Regulatory Review (RRR) researched the EDRs and LRRs offered from both a national and state perspective.

As requested by Chairman Susan Clark during the July 30, 1996, Agenda Conference, RRR placed particular emphasis on the activities in Florida's neighboring states namely, Alabama, Georgia and Mississippi. A phone survey was administered to representatives of the Public Service Commissions in each of the three states. Copies of any relevant legislation and tariffs were also obtained from each state.

Section II of this report discusses the national economic development and load retention ratemaking activities. Section III presents the results of RRR's telephone survey of representatives of the Alabama, Georgia and Mississippi Public Service Commissions. Finally, Section IV contains the conclusions. Supporting documents are attached as Appendices A through E.

II. National Economic Development and Load Retention Ratemaking Activities

The Illinois Commerce Commission conducted a survey of each state Public Service Commission in 1994 regarding the use of EDRs and LRRs.¹ A summary of this survey is contained in Table II-1.² More detailed information on how the rates are formulated and justified is contained in Appendix A.

The survey indicated that as of July 1994, 41 states offered LRRs and 39 states offered EDRs for electric and/or gas utilities. However, given recent activity the survey may not include every example of economic development and load retention rates.

In the vast majority of states offering commercial and industrial discounted rates, the rates exceed the marginal cost of providing service. The LRRs offered exceed marginal cost for 34 of the 41 states offering discounted rates, while the EDRs offered exceed marginal cost for 27 of the 39 states offering discounted rates.

Many states require utility stockholders to absorb a portion of foregone revenues resulting from the rate discount. As indicated in Table II-1, five states require stockholders to absorb all of the revenues foregone due to EDRs or LRRs, while six states require stockholders and ratepayers to share the responsibility for these revenues.³ According to a recent *Public Utilities Fortnightly* article:

Recent legislation in New Jersey requires utilities to absorb at least 50 percent of lost revenues from flexrates; the New York Public Service Commission requires 30 percent; and the California Public Utilities Commission recently made Pacific Gas & Electric stockholders responsible for 35 percent of revenue losses due to economic development rates, and 50 percent of revenue losses from load retention rates. Detroit Edison recently established discount rate contracts with its three big automobile industry customers, and the Michigan Public Service Commission required the company to absorb 100 percent of the revenue losses.⁴

Given the diversity between states with regard to the implementation of discounted rates as

¹Illinois Commerce Commission, "Survey of State Economic Development Utility Rates and Policies Staff Report," July 1994. This survey was also published in the National Association of Regulatory Utility Commissioners "Utility Regulatory Policy in the United States and Canada: Compilation 1994-1995," Section 40, pages 471-477.

²Woolf, Tim and Michals, Julie, "Flexible Pricing and PBR: Making Rate Discounts Fair for Core Customers," *Public Utilities Fortnightly*, July 15, 1996, page 30.

³The remaining states responded that foregone revenues are either: paid by ratepayers, not determined until a rate case, handled in another manner, or not considered.

⁴*Public Utilities Fortnightly*, July 15, 1996, pages 30-31.

well as the increasingly competitive electric market, it is appropriate to focus one's attention on those states in close proximity to Florida namely: Alabama, Georgia and Mississippi. Section III addresses each state in turn.

Table II-1 Summary of State Activities Regarding Flexible Pricing Practices⁵

State Agency	Load Retention Rates			Economic Development Rates			
	Rates Offered	Rates Exceed MC	Lost Rev Treatment ⁶	Rates Offered	Rates Exceed MC	Lost Rev Treatment ⁶	Applicable Load ⁷
Alabama PSC	Yes	Yes	1	Yes	No	1	A,C
Alaska PUC	No	n/a	n/a	No	n/a	n/a	n/a
Arizona CC	Yes	Yes	4	Yes	Yes	1	A,C
Arkansas PSC	Yes	Yes	3	Yes	Yes	1	A,C
California PUC	Yes	Yes	3	Yes	Yes	1	A,C
Colorado PUC	Yes	Yes	2	No	n/a	n/a	n/a
Connecticut DPUC	Yes	n/a	n/a	Yes	n/a	n/a	A,C
Delaware PSC	No	n/a	n/a	No	n/a	n/a	n/a
DC PSC	Yes	Yes	3	Yes	n/a	n/a	B,C
Florida PSC	Yes	Yes	4	n/a	n/a	n/a	n/a
Georgia PSC	Yes	Yes	3	Yes	Yes	n/a	A,C
Hawaii PUC	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Idaho PUC	No	n/a	n/a	No	n/a	n/a	n/a
Illinois CC	Yes	Yes	3	Yes	Yes	1	A,C
Indiana URC	Yes	Yes	3	Yes	Yes	2	A,C
Iowa UB	Yes	Yes	2	Yes	Yes	2	B,C
Kansas SCC	Yes	Yes	3	Yes	Yes	6	A,C
Kentucky PSC	Yes	Yes	3	Yes	Yes	5	A,C
Louisiana PSC	Yes	n/a	n/a	Yes	n/a	n/a	A,C
Maine PUC	Yes	Yes	5	Yes	Yes	5	B,C
Maryland PSC	No	n/a	n/a	Yes	Yes	6	B,C
Massachusetts DPU	Yes	Yes	3	Yes	Yes	6	B,C
Michigan PSC	Yes	Yes	3	Yes	Yes	1	A,C
Minnesota PUC	Yes	Yes	3	Yes	Yes	1	A,C
Mississippi PSC	No	n/a	n/a	No	n/a	n/a	n/a
Missouri PSC	Yes	Yes	3	Yes	No	5	A,C
Montana PSC	Yes	Yes	3	No	n/a	n/a	n/a
Nevada PSC	Yes	Yes	3	No	n/a	n/a	n/a
New Hampshire PUC	Yes	Yes	3	Yes	Yes	6	A,C
New Jersey BPU	Yes	n/a	4	Yes	n/a	n/a	A,C
New Mexico PUC	Yes	n/a	n/a	Yes	n/a	4	A,C
New York PSC	Yes	Yes	3	Yes	Yes	6	B,C
North Carolina UC	Yes	Yes	1	Yes	Yes	6	B,C
North Dakota PSC	Yes	Yes	3	Yes	Yes	4	A,C
Ohio PUC	Yes	Yes	2	Yes	Yes	6	A,C
Oklahoma CC	No	n/a	n/a	Yes	No	1	A,C
Oregon PUC	Yes	Yes	3	Yes	Yes	6	A,C
Pennsylvania PUC	Yes	No	3	Yes	No	6	A,C
Rhode Island PUC	No	n/a	n/a	Yes	Yes	6	A,C
South Carolina PSC	Yes	No	1	Yes	No	6	A,C
South Dakota PUC	Yes	Yes	3	Yes	Yes	6	A,C
Tennessee PSC	Yes	Yes	3	Yes	No	1	A,C
Texas PUC	Yes	Yes	3	Yes	Yes	6	A,C
Utah PSC	Yes	Yes	3	No	n/a	n/a	n/a
Vermont PSB	No	n/a	n/a	Yes	Yes	6	A,C
Virginia SCC	Yes	Yes	3	Yes	Yes	2	A,C
Washington UTC	Yes	n/a	n/a	Yes	n/a	n/a	B,C
West Virginia PSC	Yes	Yes	3	Yes	Yes	1	A,C
Wisconsin PSC	Yes	Yes	4	No	n/a	n/a	n/a
Wyoming PSC	Yes	Yes	3	Yes	Yes	6	B,C
Total ("YES")	41	34		39	27		

⁵Given the extent of recent activity, this table may not include every example of flexible pricing in practice today.

⁶Lost Revenues Treatment: 1=Paid by Ratepayers, 2=Paid by Stockholders, 3=Not Determined Until Rate Case, 4=Shared Between RP/SH, 5=Other, 6=Not Considered

⁷Applicable Load: A=Existing Business Incremental Load, B=Existing Business Entire Load, C=New Business Entire Load

III. State Economic Development and Load Retention Ratemaking Activities

In August, 1996 RRR conducted a telephone survey of representatives of the Alabama, Georgia and Mississippi Public Service Commissions. The results of this survey are summarized in Table III-1. Appendix B contains a blank copy of the survey document. Appendix C contains the survey response and documentation from Alabama; while Appendices D and E contain the same information for Georgia and Mississippi, respectively.

Alabama

As Alabama's only regulated investor owned electric utility, Alabama Power Corporation (Alabama Power) has informally, over a number of years, offered rate reductions to commercial and industrial customers. These reductions were considered contract rates under the *Code of Alabama* (1975), Section 37-4-22. Recently, savings generated from Alabama Power's downsizing have flowed to certain industrial customers in the form of special contracts. Therefore, Alabama Power's shareholders have absorbed the foregone revenues of the contract rates.

On April 1, 1996, the Alabama Public Service Commission (APSC) approved Alabama Power's petition for its new "Flexible Contract Rate." This rate, which embodies both economic development and load retention characteristics, responds to the increasing need for Alabama Power's customers to receive prompt regulatory attention to the utility's requests for discounted rates. Appendix C contains a copy of the Flexible Contract Rate tariff, applicable statute and the APSC order approving the tariff.

Alabama Power provides retail service to nearly the entire state. The approved Flexible Contract Rate applies to customers with existing total loads greater than one megawatt.

For approval of special contracts negotiated under the Flexible Contract Rate tariff, economic evaluations must be made in accordance with the APSC's accepted methodology. Specifically, Alabama Power must demonstrate that pricing under each contract will provide positive benefits to all ratepayers over the term of the contract.⁸ In addition, prices charged to customers must not fall below Alabama Power's incremental costs and contracts must recover all applicable fuel costs and taxes.

The tariff provides that Flexible Contracts are presumptively approved by the APSC at ten

⁸This is accomplished by using the "Rate Impact Measure Test" or "RIM."

days after filing, unless Alabama Power is notified to the contrary within that period. Approved contracts are filed with the APSC; however, customer specific information is coded to ensure confidentiality. There are no formal periodic reporting requirements. Finally, the APSC does not conduct any assessment of the economic benefits produced as a result of discounted rates.

Georgia

At its Administrative Session on August 3, 1993, the Georgia Public Service Commission (GPSC) voted to open a generic docket (Docket number 4697-U) to establish "a uniform state policy regarding economic development incentives for all utilities under its jurisdiction." Although there is no legislative mandate for LRRs or EDRs in the state per se, the docket was opened in response to encouragement by the Governor and the Department of Economic Development. On November 3, 1994, the GPSC issued an order in the docket which contained generic guidelines for the GPSC to use in evaluating economic development incentives filed by the electric, gas and telecommunications companies under the Commission's jurisdiction. These guidelines were used to evaluate EDRs for Georgia Power Company (Georgia Power), Savannah Electric and Power Company and Atlanta Gas Light Company. Copies of the GPSC's order and the economic development service riders for these companies are in Appendix D. However, this discussion will focus on Georgia Power, Georgia's only investor owned electric utility.

According to Bill Clay, Rates and Research Specialist of the GPSC, Georgia Power has had discounted rates for large customers in place since the 1980s. Mr. Clay further stated that the GPSC includes interruptible and time-of-use rates in the definition of load retention rates. Georgia Power currently can offer discounted rates to large commercial and industrial customers under a job creation rider and a modernization rider. Due to excess capacity, the job creation and modernization riders were primarily justified based on utilization of existing plant. The GPSC has also recently given Georgia Power the authority to file special contracts for large customers for the purpose of economic development. One special contract has been filed; however, the GPSC has 60 days to approve the contract.

The job creation rider applies to new and existing commercial and industrial customers of Georgia Power who add a minimum of one job above their highest employment level over the previous twelve months. The job creation rider was approved in 1993 and is in effect until 1998. There is no minimum load required for a customer to apply for the rate.

The modernization rider is available to customers whose billing demand is 500 kilowatts or greater. In order to qualify, applicants for the rate must electrically modernize a process that has been in operation for at least 24 months, resulting in at least a five percent or 50 kilowatt increase in demand, whichever is greater.

The job creation rider is a filed tariff with the GPSC. Customers must sign a contract under the tariff. The job creation rider allows for a discount of from 10 to 25 percent, based on the number of jobs created. For example, there is a 10 percent discount if less than nine jobs are created, rising to a maximum 20 percent discount if over twenty jobs are created.⁹ An additional 5 percent discount is available for new customers locating in vacant facilities, or existing customers expanding in one of Georgia's 80 most economically distressed counties. The discount factor is applied to incremental base (non-fuel) revenues and applies only to the customer facility where jobs are increased. The discount may not be applied to prices which are based on marginal costs, such as time-of-use rates. The rider is limited to three years for existing customers and two years for new customers. An administrative fee of \$20 per year is charged to cover costs associated with the rider.

The modernization rider is also a filed tariff. The modernization rider is limited to a five year contract term and a customer must apply for the rider prior to a modernization process. The discount is calculated by multiplying the customer's billing demand by an adjustment factor. The adjustment factor is based on the percentage increase in billing demand resulting from the modernized process, the load factor resulting from this process and the contract year. The adjustment factor increases over the term of the contract, resulting in a smaller discount each successive year. The tariff also sets a minimum billing demand for the customer, thus limiting the extent of the discount.

For both riders, the utility is responsible for determining if the customer meets the requirements of the tariff. In the job creation rider, the customer must provide the utility with an estimated number of jobs created before the contract inception. The utility may verify this estimate at any time during the life of the contract. The utility is required to include information on the job creation rider to the GPSC as a part of its monthly surveillance report. This information includes: specific information on the customers receiving the discount, the number

⁹Savannah Electric and Power Company's economic development incentive rider is similar to Georgia Power's job creation rider in that the discount is based on the number of jobs created.

of new jobs created and the level of the discount. The GPSC uses the information provided on these monthly surveillance reports to perform an assessment of the total employment effects of the job creation rider.

Mississippi

Mississippi's early experience with EDRs and LRRs parallels that of Alabama and Georgia. According to Mr. Bob Marsh, Manager of Financial Modeling for the Mississippi Public Service Commission (MPSC), Mississippi's utilities have negotiated contracts and offered incentives to manufacturing customers since the early 1980s. However, it was not until 1995 that the MPSC was formally granted the statutory authority to review or approve special contracts.

In 1995, *Mississippi Code*, Section 77-3-35, was amended to include specific minimum load requirements for qualifying electric and natural gas customers as well as authorization for the MPSC's review and approval prior to the contract effective date. The statute allows all regulated electric and natural gas utilities to contract with customers having a minimum annual electricity or natural gas consumption of 2,500 megawatt hours, or 8,500,000 cubic feet, respectively. Copies of the relevant statute and tariffs are contained in Appendix E.

With regard to the EDR and LRR contract negotiations, the MPSC does not assume any formal role nor does it require the inclusion of any specific contract terms. In general, EDRs have been applied to the customer charge, demand charge and energy charge and have been set at incremental cost plus a percentage contribution above incremental cost.

To date, contracts reviewed by the MPSC have also included the following features:

1. Back-out clauses that allow a customer to buy out by paying a minimum dollar amount based on the remaining number of years in the contract;
2. Automatic renewal provisions unless there is notification by the customer; and
3. Term lengths of 5-15 years.

Finally, although the MPSC is now authorized to review and approve EDRs and LRRs, it has not adopted any rules governing how it or a utility should verify customer rate eligibility claims. Mr. Marsh indicated that some customers may be asked by a utility to produce a "study" illustrating an alternate power source. The Mississippi Department of Economics and Commercial Development does, however, conduct an EDR/LRR impact assessment (e.g., job creation) that is independent of any MPSC regulatory action.

SUMMARY OF STATE PSC SURVEY RESPONSES

TABLE III-1

	ALABAMA	GEORGIA	MISSISSIPPI
1. Has your state adopted the following rates: Economic development rates (EDRs) Load retention rates (LRRs)	Yes ¹⁰ Yes ¹⁰	Yes Yes	Yes Yes
2. Adopted in response to legislative mandate?	Yes	No	Yes ¹¹
3. Justification for rate adoption: Promote job creation Encourage industry expansion Increase utility plant utilization Other	--- --- --- Load Retention/ Rate Relief	Yes Yes Yes ---	Yes Yes Yes ---
4. What type(s) of utilities offer EDRs or LRRs: Electric - investor owned Electric - municipals & cooperatives (unregulated) Natural Gas	Yes Yes No	Yes Yes Yes	Yes Yes Yes
5. Have rules been adopted for designing EDRs/LRRs?	No	No	No
6. Are the EDRs or LRRs the same: Throughout the state Utility specific Customer specific	--- Yes ---	--- Yes Yes	--- Yes Yes
7. Do EDRs and LRRs apply to a: Specific industry Customer type (specific size commercial or industrial)	--- Yes	--- Yes	Yes Yes

¹⁰Although Alabama answered "no" to adopting EDRs and LRRs, the tariff revisions and rate discounts tailored for individual customers that Alabama has used have equated to the same thing.

¹¹Some contracts existed prior to passage of the legislation.

SUMMARY OF STATE PSC SURVEY RESPONSES - *continued*

TABLE III-1

	ALABAMA	GEORGIA	MISSISSIPPI
8. Minimum load size requirement for taking service: Electric Natural gas	Yes ---	Yes, tariff specific Yes, tariff specific	Yes Yes
9. Do contract terms include any of the following: Out-clauses (release of customer obligation) Renewal provisions Maximum or minimum contract length Discount phase out over life of contract Require participation in conservation/load management programs	Yes Yes Yes No No	Yes Yes Yes No No	Yes Yes Negotiated None to date None to date
10. Are EDRs and LRRs offered under: Tariffs Special contracts Combination of tariffs and contracts	--- --- Yes	--- --- Yes	--- Yes ---
11. To what rate elements do the EDRs and LRRs apply: Customer charge Demand charge Energy charge Other	--- --- Yes ---	Yes Yes Yes ---	Yes Yes Yes ---
12. How is the EDR or LRR determined: Negotiated from incremental cost Flat percentage discount from firm rates Incremental cost (plus % contribution above) Incremental cost plus a minimum T&D cost Other	Yes --- --- --- ---	Yes --- --- --- # of jobs created	--- --- Yes --- ---
13. Do standard rates include non-base rate charges or cost recovery clauses such as fuel? If yes, are these subject to discount?	Yes No	Yes No	Yes No
14. Is the customer required to state any alternatives to taking power from the utility in order to qualify for an EDR or LRR?	No	No	Yes

SUMMARY OF STATE PSC SURVEY RESPONSES - *continued*

TABLE III-1

	ALABAMA	GEORGIA	MISSISSIPPI
15. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the EDR or LRR:			
Customer	---	---	---
Utility company	Yes	Yes	Yes
Public service commission	---	Yes	---
Other	---	---	---
16. If a formal assessment is made, when is it conducted:			
Prior to contract/tariff inception	Yes	Yes	Yes
Contract/tariff renewal date	---	---	---
Other	---	During contract term	---
17. Are there PSC mandated utility reporting criteria for EDRs or LRRs?	No	Yes	No
18. How often must this information be reported:			
Quarterly	---	---	---
Semi-annually	---	---	---
Annually	---	---	---
Other	---	Monthly	---
19. Is any or all of what is reported considered confidential?	Yes (contracts)	Yes	No
20. Does your PSC assess the impacts of EDRs or LRRs? For example, in terms of employment or load building?	No No	Yes Employment	No No

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SUMMARY OF STATE PSC SURVEY RESPONSES - *continued*

TABLE III-1

	ALABAMA	GEORGIA	MISSISSIPPI
21. How is the difference in revenue collected under standard rates and under discounted EDRs or LRRs:			
Recovered from the general body of ratepayers	---	---	Yes
Recovered from the customers within the rate class which is eligible for discounted rates	---	N/A ¹²	---
Recovered "below the line" from stockholder earnings	Yes	---	---
Shared by ratepayers and stockholders	---	---	---
22. Are you aware of any other activity by any of the following groups with regard to these rate types or economic development issues?			
Public Service Commission			
Gas or electric utility	---	---	---
Legislature	---	---	---
Other	---	---	---
	Business Council of Alabama	St. Dept. of Economic Development	St. Dept. of Economics & Commercial Dev.

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¹²Response not provided because there has not yet been a rate case.

IV. Conclusions

It is evident that the majority of states offer some form of EDR or LRR. The administration of these rates varies across states. However, the majority of states offering such rates appear to be sharing foregone revenues between stockholders and ratepayers. It is also evident that the rates are not discounted below marginal costs in a majority of states.

With regard to the investor owned electric utilities in Alabama, Georgia and Mississippi, discounted rates for large commercial and industrial customers are offered but not necessarily referred to as EDRs and LRRs.¹³ All three states have used discounted rates for a number of years to encourage electric load growth and retention. Recent initiatives in Georgia, including Georgia Power's modernization and job growth tariff riders, have focused on load growth. The GPSC has also recently authorized Georgia Power to offer special contracts for the purpose of economic development. Beginning in the early 1980s, Mississippi has offered incentives to commercial and industrial customers. Manufacturing customers, both new and existing, have been targeted to receive these incentives. In contrast, although Alabama has offered commercial and industrial rate reductions for a number of years, it appears the primary motivation for such discounts has been load retention.

In addition, Georgia and Mississippi have discounted rates for natural gas customers. Another interesting result of the survey was the recognition by all three commissions that interruptible rates and time-of-use rates can be used to encourage load retention.

Both the Alabama and Mississippi Public Service Commissions have been authorized to approve discounted rates by a legislative mandate. However, survey respondents indicated that examples of the rates existed prior to the passage of the legislation. Georgia's Public Service Commission does not have a legislative mandate to approve discounted rates, but it has been encouraged to do so by the Governor.

¹³Although unregulated, municipal utilities and cooperatives in the three surveyed states also have the right to offer discounted rates.

The table below illustrates the primary results of the survey conducted by RRR.

STATE	LEGISLATION TO AUTHORIZE DISCOUNTS	ELECTRIC EDRs	ELECTRIC LRRs	VIEW INTERRUPTIBLE OR TIME-OF-USE RATES AS LRRs
AL	YES†	YES*	YES*	YES
GA	NO	YES	YES	YES
MS	YES†	YES	YES	YES

*Although Alabama answered "no" to adopting EDRs and LRRs, the tariff revisions and rate discounts tailored for individual customers that Alabama has used have equated to the same thing.

†Some contracts for discounts existed prior to the passage of legislation.

APPENDICES

APPENDIX A

NARUC SURVEY

TABLE 215 - ECONOMIC DEVELOPMENT RATES FOR ELECTRIC AND GAS UTILITIES

AGENCY	Economic Development Rates Offered?	Offered By Electric and/or Gas Utilities?	Rate Mechanism A=Special Contract B=Tariff	Rate Type If Tariffs Allowed 1=Fixed 2=Flexible	Applicable Load SEE KEY BELOW	Rates Exceed Marginal Cost?	Rate Treatment SEE KEY BELOW	Impacts Assessed?
ALABAMA PSC	Yes	Gas	A, B	1, 2	A, C	No	1	Yes
ALASKA PUC	No							
ARIZONA CC	Yes	E & G	A, B	1, 2	A, C	Yes	1	No
ARKANSAS PSC	Yes	Electric	A, B	1, 2	A, C	Yes	1	Yes
CALIFORNIA PUC	Yes	Electric	B	1	A, C	Yes	1	Yes
COLORADO PUC	No							
CONNECTICUT DPUC	Yes		A, B	1	A, C			
DELAWARE PSC	No							
DC PSC	Yes	Gas	A, B	1, 2	B, C			
FLORIDA PSC	No							
GEORGIA PSC	Yes	Electric	B	1	A, C	Yes		Yes
HAWAII PUC								
IDAHO PUC	No							
ILLINOIS CC	Yes	E & G	A, B	1, 2	A, C	Yes	1	Yes
INDIANA URC	Yes	Electric	A, B	1, 2	A, C	Yes	2	No
IOWA UB	Yes	E & G	A, B	1, 2	B, C	Yes	2	Yes
KANSAS SCC	Yes	E & G	A, B	1	A, C	Yes	5	No
KENTUCKY PSC	Yes	E & G	A	2	A, C	Yes	4	Yes
LOUISIANA PSC	Yes		A, B	1	A, C			
MAINE PUC	Yes	Electric	A, B	1, 2	B, C	Yes	4	No
MARYLAND PSC	Yes	Electric	B	1	B, C	Yes	5	Yes
MASSACHUSETTS DPU	Yes	E & G	A, B	1, 2	B, C	Yes	5	Yes
MICHIGAN PSC	Yes	E & G	A, B	1, 2	A, C	Yes	1	Yes
MINNESOTA PUC	Yes	Electric	B	1	A, C	Yes	1	Yes
MISSISSIPPI PSC	No							
MISSOURI PSC	Yes	E & G	A, B	1	A, C	No	4	Yes
MONTANA PSC	No							
NEBRASKA PSC	PSC has no jurisdiction over energy utilities.							
NEVADA PSC	No							
NEW HAMPSHIRE PUC	Yes	E & G	A	2	A, C	Yes	5	Yes
NEW JERSEY BPU	Yes		A, B	1	A, C			
NEW MEXICO PUC	Yes		A, B	2	A, C			
NEW YORK PSC	Yes	Electric	A, B	1, 2	B, C	Yes	3	Yes
NORTH CAROLINA UC	Yes	Gas	B	1	B, C	Yes	5	No
NORTH DAKOTA PSC	Yes	Electric	A, B	1, 2	A, C	Yes	5	No
OHIO PUC	Yes	Electric	A, B	1, 2	A, C	Yes	3	Yes
OKLAHOMA CC	Yes	E & G	A	2	A, C	No	5	No
OREGON PUC	Yes	E & G	A, B	2	A, C	Yes	1	No
PENNSYLVANIA PUC	Yes	E & G	A, B	2	A, C	No	5	Yes
RHODE ISLAND PUC	Yes	Electric	A, B	1	A, C	Yes	5	Yes
SOUTH CAROLINA PSC	Yes	Electric	A, B	1, 2	A, C	No	5	Yes
SOUTH DAKOTA PUC	Yes	Electric	A, B	1, 2	A, C	Yes	5	No
TENNESSEE PSC	Yes	Gas	A, B	1, 2	A, C	No	1	Yes
TEXAS PUC	Yes	Electric	B	1	A, C	Yes	5	No
TEXAS RC	Yes							
UTAH PSC	No							
VERMONT PSB	Yes	Electric	A, B	1, 2	A, C	Yes	5	No
VIRGINIA SCC	Yes	Gas	A, B	1, 2	A, C	Yes	2	Yes
WASHINGTON UTC	Yes				B, C			
WEST VIRGINIA PSC	Yes	E & G	A, B	1, 2	A, C	Yes	1	No
WISCONSIN PSC	No							
WYOMING PSC	Yes	E & G	A, B	1, 2	B, C	Yes	5	No

A=Existing Business Incremental Load
 B=Existing Business Entire Load
 C=New Business Entire Load
 1=Ratepayers
 2=Stockholders
 3=Shared Between Ratepayers/Stockholders
 4=Other
 5=None Considered

**TABLE 216 - JUSTIFICATION FOR ECONOMIC DEVELOPMENT RATES FOR
ELECTRIC AND GAS UTILITIES**

AGENCY	What Has Been the Justification for Authorizing Economic Development Rates? Encourage expansion of existing industry; Increase utilization of utility plant; Promote job creation; and Other
ALABAMA PSC ALASKA PUC ARIZONA CC ARKANSAS PSC CALIFORNIA PUC	Promote job creation. No economic development rates. Other Encourage expansion of existing industry and other Other
COLORADO PUC CONNECTICUT DPUC DELAWARE PSC DC PSC FLORIDA PSC	No economic development rates Encourage expansion of existing industry No economic development rates Other No economic development rates
GEORGIA PSC HAWAII PUC IDAHO PUC ILLINOIS CC INDIANA URC	Promote job creation. No economic development rates Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and other Promote job creation; Increase utilization of utility plant; Encourage expansion of existing industry
IOWA UB KANSAS SCC KENTUCKY PSC LOUISIANA PSC MAINE PUC	Other Promote job creation; Encourage expansion of existing industry; Other Promote job creation; Other Encourage expansion of existing industry; Increase utilization of utility plant; Promote job creation; and Other Increase utilization of utility plant; Other
MARYLAND PSC MASSACHUSETTS DPU MICHIGAN PSC MINNESOTA PUC MISSISSIPPI PSC	Promote job creation Increase utilization of utility plant Encourage expansion of existing industry; Promote job creation Encourage expansion of existing industry; Promote job creation No economic development rates
MISSOURI PSC MONTANA PSC NEBRASKA PSC NEVADA PSC NEW HAMPSHIRE PUC	Increase utilization of utility plant; Other No economic development rates PSC has no jurisdiction over energy utilities No economic development rates Promote job creation; encourage expansion of existing industry
NEW JERSEY BPU NEW MEXICO PUC NEW YORK PSC	Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other Encourage expansion of existing industry; Increase utilization of utility plant; Other Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other
NORTH CAROLINA UC NORTH DAKOTA PSC	Increase utilization of utility plant Encourage expansion of existing industry; Promote job creation; and Other
OHIO PUC OKLAHOMA CC OREGON PUC PENNSYLVANIA PUC RHODE ISLAND PUC	Encourage expansion of existing industry; Promote job creation; and Other Increase utilization of utility plant Other Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other
SOUTH CAROLINA PSC SOUTH DAKOTA PUC TENNESSEE PSC TEXAS PUC	Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other Increase utilization of utility plant Encourage expansion of existing industry Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other
TEXAS RC UTAH PSC VERMONT PSB	No economic development rates Encourage expansion of existing industry; Increase utilization of utility plant; promote job creation; and Other Increase utilization of utility plant; Promote job creation
VIRGINIA SCC WASHINGTON UTC WEST VIRGINIA PSC	Other Encourage expansion of existing industry; Promote job creation; and Other
WISCONSIN PSC WYOMING PSC	No economic development rates Increase utilization of utility plant; Other

TABLE 217 - LOAD RETENTION RATES FOR ELECTRIC AND GAS UTILITIES

AGENCY	Load Retention Rates Offered?	Offered By Electric and/or Gas Utilities?	Rate Mechanism A=Special Contract B=Tariff	Rate Type If Tariffs Allowed		Rates Exceed Marginal Cost?	Rate Treatment SEE KEY BELOW	Impacts Assessed?
				1=Fixed	2=Flexible			
ALABAMA PSC	Yes	Gas	A, B		2	Yes	1	Yes
ALASKA PUC	No							
ARIZONA CC	Yes	E & G	A, B			Yes	4	No
ARKANSAS PSC	Yes	Electric	A		2	Yes	3	No
CALIFORNIA PUC	Yes	E & G	A		2	Yes	3	Yes
COLORADO PUC	Yes	E & G	A		2	Yes	2	No
CONNECTICUT DPUC	Yes		A, B		1			
DELAWARE PSC	No							
DC PSC	Yes	Gas	A, B		1, 2	Yes	3	Yes
FLORIDA PSC	Yes	E & G	A, B		2	Yes	4	Yes
GEORGIA PSC	Yes	Gas	B		2	Yes	3	Yes
HAWAII PUC								
IDAHO PUC	No							
ILLINOIS CC	Yes	E & G	A, B		1, 2	Yes	3	No
INDIANA URC	Yes	Electric	A, B		1, 2	Yes	3	No
IOWA UB	Yes	E & G	A, B		2	Yes	2	Yes
KANSAS SCC	Yes	Gas	A, B		2	Yes	3	Yes
KENTUCKY PSC	Yes	E & G	A		2	Yes	3	Yes
LOUISIANA PSC	Yes		A, B		1			
MAINE PUC	Yes	E & G	A, B		1, 2	Yes	5	Yes
MARYLAND PSC	No							
MASSACHUSETTS DPU	Yes	E & G	A		2	Yes	3	No
MICHIGAN PSC	Yes	E & G	A, B		1, 2	Yes	3	No
MINNESOTA PUC	Yes	E & G	B		2	Yes	3	Yes
MISSISSIPPI PSC	No							
MISSOURI PSC	Yes	Gas	A		2	Yes	3	Yes
MONTANA PSC	Yes	E & G	A, B		2	Yes	3	No
NEBRASKA PSC	PSC has no jurisdiction over energy utilities.							
NEVADA PSC	Yes	Gas	B		2	Yes	3	No
NEW HAMPSHIRE PUC	Yes	Electric	B		1	Yes	3	Yes
NEW JERSEY BPU	Yes	Electric	A, B		1		4	
NEW MEXICO PUC	Yes		A, B		2			
NEW YORK PSC	Yes	E & G	A, B		1, 2	Yes	3	Yes
NORTH CAROLINA UC	Yes	Gas	B		2	Yes	1	Yes
NORTH DAKOTA PSC	Yes	Electric	A		2	Yes	3	No
OHIO PUC	Yes	Electric	A, B		1, 2	Yes	2	Yes
OKLAHOMA CC	No							
OREGON PUC	Yes	E & G	A, B		2	Yes	3	No
PENNSYLVANIA PUC	Yes	E & G	A, B		2	No	3	Yes
RHODE ISLAND PUC	No							
SOUTH CAROLINA PSC	Yes	Gas	A, B		2	No	1	Yes
SOUTH DAKOTA PUC	Yes	E & G	A, B		2	Yes	3	No
TENNESSEE PSC	Yes	Gas	A		2	Yes	3	Yes
TEXAS PUC	Yes	Electric	A, B		1, 2	Yes	3	No
TEXAS RC								
UTAH PSC	Yes	E & G	A, B		1	Yes	3	Yes
VERMONT PSB	No							
VIRGINIA SCC	Yes	Gas	B		2	Yes	3	Yes
WASHINGTON UTC	Yes							
WEST VIRGINIA PSC	Yes	Gas	A, B		2	Yes	3	No
WISCONSIN PSC	Yes	Gas	A, B		1	Yes	4	Yes
WYOMING PSC	Yes	Electric	A, B		1, 2	Yes	3	No

1=Ratepayers
 2=Stockholders
 3=Not Determined Until Rate Case
 4=Shared Between RP/SH
 5=Other

TABLE 218 - JUSTIFICATION FOR LOAD RETENTION RATES FOR ELECTRIC AND GAS UTILITIES

AGENCY	What Has Been the Justification for Authorizing Load Retention Rates? Retain existing jobs; Maintain utilization of utility plant; Retain existing industry; and Other
ALABAMA PSC	Maintain utilization of utility plant; Retain existing industry
ALASKA PUC	No load retention rates
ARIZONA CC	Retain existing industry; other
ARKANSAS PSC	Maintain utilization of utility plant; Retain existing industry
CALIFORNIA PUC	Other
COLORADO PUC	Retain existing industry
CONNECTICUT DPUC	
DELAWARE PSC	No load retention rates
DC PSC	Maintain utilization of utility plant; Other
FLORIDA PSC	Maintain utilization of utility plant; Retain existing industry
GEORGIA PSC	Maintain utilization of utility plant
HAWAII PUC	
IDAHO PUC	No load retention rates
ILLINOIS CC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
INDIANA URC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
IOWA UB	Other
KANSAS SCC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
KENTUCKY PSC	Retain existing jobs; Retain existing industry
LOUISIANA PSC	
MAINE PUC	Maintain utilization of utility plant; Other
MARYLAND PSC	No load retention rates
MASSACHUSETTS DPU	Maintain utilization of utility plant
MICHIGAN PSC	Retain existing jobs; Retain existing industry
MINNESOTA PUC	Maintain utilization of utility plant
MISSISSIPPI PSC	No load retention rates
MISSOURI PSC	Maintain utilization of utility plant; Retain existing industry
MONTANA PSC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
NEBRASKA PSC	PSC has no jurisdiction over energy utilities
NEVADA PSC	Maintain utilization of utility plant
NEW HAMPSHIRE PUC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
NEW JERSEY BPU	Maintain utilization of utility plant
NEW MEXICO PUC	
NEW YORK PSC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
NORTH CAROLINA UC	Maintain utilization of utility plant
NORTH DAKOTA PSC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
OHIO PUC	Maintain utilization of utility plant
OKLAHOMA CC	No load retention rates
OREGON PUC	Other
PENNSYLVANIA PUC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
RHODE ISLAND PUC	No load retention rates
SOUTH CAROLINA PSC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
SOUTH DAKOTA PUC	Maintain utilization of utility plant; Retain existing industry
TENNESSEE PSC	Other
TEXAS PUC	Retain existing jobs; Maintain utilization of utility plant; Retain existing industry
TEXAS RC	
UTAH PSC	Other
VERMONT PSB	No load retention rates
VIRGINIA SCC	Other
WASHINGTON UTC	
WEST VIRGINIA PSC	Maintain utilization of utility plant
WISCONSIN PSC	Other
WYOMING PSC	Other

TABLE 219 - ECONOMIC DEVELOPMENT-RELATED RATES FOR ELECTRIC AND GAS UTILITIES

AGENCY	Economic Development Related Rates Offered?	Offered By Electric and/or Gas Utilities?	Type of Rate Offered			Rate Mechanism A=Special Contract B=Tariff	Rate Type if Tariffs Allowed 1=Fixed 2=Flexible	Impacts Assessed?
			Interruptible	Time-of-Day	Real Time			
ALABAMA PSC	Yes	Electric	Yes	Yes	Yes	B	1	Yes
ALASKA PUC	No							
ARIZONA CC	Yes	Electric	Yes	Yes		A, B	1, 2	No
ARKANSAS PSC	Yes	Electric	Yes	Yes		A	2	No
CALIFORNIA PUC	Yes	Electric	Yes	Yes	Yes	B	1	Yes
COLORADO PUC	Yes	E & G	Yes			B	1	Yes
CONNECTICUT DPUC	Yes							
DELAWARE PSC	Yes	E & G	Yes			B	1	Yes
DC PSC	Yes	E & G	Yes			A, B	1, 2	Yes
FLORIDA PSC	Yes	Electric	Yes	Yes		B	1	Yes
GEORGIA PSC	Yes	E & G	Yes	Yes	Yes	B	1, 2	Yes
HAWAII PUC								
IDAHO PUC	No							
ILLINOIS CC	Yes	E & G	Yes	Yes		A, B	1, 2	No
INDIANA URC	Yes	Electric	Yes	Yes	Yes	A, B	1, 2	No
IOWA UB	Yes	E & G	Yes	Yes	Yes	A, B	1, 2	Yes
KANSAS SCC	Yes	E & G	Yes	Yes	Yes	A, B	2	Yes
KENTUCKY PSC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
LOUISIANA PSC	Yes							
MAINE PUC	Yes	Electric	Yes	Yes		B	1	Yes
MARYLAND PSC	No							
MASSACHUSETTS DPU	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
MICHIGAN PSC	Yes	Electric	Yes	Yes	Yes	A, B	1	Yes
MINNESOTA PUC	No							
MISSISSIPPI PSC	No							
MISSOURI PSC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
MONTANA PSC	Yes	E & G	Yes			B	1	No
NEBRASKA PSC	PSC has no jurisdiction over energy utilities.							
NEVADA PSC	Yes	E & G	Yes	Yes		B	1, 2	No
NEW HAMPSHIRE PUC	Yes	E & G	Yes	Yes		B	1	No
NEW JERSEY BPU	Yes	E & G						
NEW MEXICO PUC	Yes							
NEW YORK PSC	Yes	E & G	Yes	Yes	Yes	B	1	Yes
NORTH CAROLINA UC	Yes	Gas	Yes			B	2	Yes
NORTH DAKOTA PSC	Yes	E & G	Yes	Yes		B	1	No
OHIO PUC	Yes	Electric	Yes	Yes	Yes	A, B	1, 2	Yes
OKLAHOMA CC	Yes	E & G	Yes	Yes	Yes	A, B	1, 2	Yes
OREGON PUC	Yes	E & G	Yes	Yes	Yes	A, B	1, 2	Yes
PENNSYLVANIA PUC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
RHODE ISLAND PUC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
SOUTH CAROLINA PSC	Yes	Electric	Yes	Yes	Yes	A, B	1, 2	No
SOUTH DAKOTA PUC								
TENNESSEE PSC	Yes	E & G	Yes	Yes	Yes	B	1	Yes
TEXAS PUC	Yes	Electric	Yes	Yes		A, B	1, 2	No
TEXAS RC								
UTAH PSC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
VERMONT PSC	Yes	E & G	Yes	Yes		A, B	1, 2	Yes
VIRGINIA SCC	No							
WASHINGTON UTC	Yes							
WEST VIRGINIA PSC	Yes	Electric	Yes	Yes	Yes	A, B	2	No
WISCONSIN PSC	Yes	Electric	Yes	Yes		B	1	Yes
WYOMING PSC	Yes	E & G	Yes	Yes	Yes	A, B	1, 2	No

**TABLE 220 - JUSTIFICATION FOR ECONOMIC DEVELOPMENT-RELATED RATES FOR
ELECTRIC AND GAS UTILITIES**

AGENCY	What Has Been the Justification for Authorizing Economic Development-Related Rates? Enhance the Competitiveness of a Specific Industry; Increase the Utilization of Utility Plant; Other
ALABAMA PSC	Enhance competitiveness of a specific industry; Other
ALASKA PUC	No economic development-related rates
ARIZONA CC	Enhance competitiveness of a specific industry; Other
ARKANSAS PSC	Other
CALIFORNIA PUC	Increase utilization of utility plant
COLORADO PUC	Increase utilization of utility plant
CONNECTICUT DPUC	
DELAWARE PSC	Increase utilization of utility plant
DC PSC	Increase utilization of utility plant; Other
FLORIDA PSC	Other
GEORGIA PSC	Increase utilization of utility plant; Other
HAWAII PUC	
IDAHO PUC	No economic development-related rates
ILLINOIS CC	Increase utilization of utility plant; Other
INDIANA URC	Increase utilization of utility plant
IOWA UB	Increase utilization of utility plant; Other
KANSAS SCC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
KENTUCKY PSC	Other
LOUISIANA PSC	
MAINE PUC	Other
MARYLAND PSC	No economic development-related rates
MASSACHUSETTS DPU	Increase utilization of utility plant
MICHIGAN PSC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
MINNESOTA PUC	No economic development-related rates
MISSISSIPPI PSC	No economic development-related rates
MISSOURI PSC	Increase utilization of utility plant
MONTANA PSC	Increase utilization of utility plant
NEBRASKA PSC	PSC has no jurisdiction over energy utilities
NEVADA PSC	Increase utilization of utility plant; Other
NEW HAMPSHIRE PUC	Increase utilization of utility plant
NEW JERSEY BPU	
NEW MEXICO PUC	
NEW YORK PSC	Increase utilization of utility plant
NORTH CAROLINA UC	Increase utilization of utility plant
NORTH DAKOTA PSC	Increase utilization of utility plant
OHIO PUC	Increase utilization of utility plant; Other
OKLAHOMA CC	Increase utilization of utility plant
OREGON PUC	Increase utilization of utility plant
PENNSYLVANIA PUC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
RHODE ISLAND PUC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
SOUTH CAROLINA PSC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
SOUTH DAKOTA PUC	
TENNESSEE PSC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
TEXAS PUC	Increase utilization of utility plant
TEXAS RC	
UTAH PSC	Increase utilization of utility plant
VERMONT PSB	Enhance competitiveness of a specific industry; Increase utilization of utility plant
VIRGINIA SCC	No economic development-related rates
WASHINGTON UTC	
WEST VIRGINIA PSC	Enhance competitiveness of a specific industry; Increase utilization of utility plant
WISCONSIN PSC	Enhance competitiveness of a specific industry; Increase utilization of utility plant; Other
WYOMING PSC	Increase utilization of utility plant; Other

APPENDIX B

FPSC SURVEY DOCUMENT

STATE _____

I. INTRODUCTION

Name/title of respondent

Name _____

Title _____

Telephone _____

There is currently an open docket before our Commission regarding Gulf Power Company's petition for a commercial industrial service rider (i.e., an economic development and load retention rate). The Research Division of the FPSC has been asked by our Commission to look at what other states/utilities are doing with regard to these types of rates.

II. ECONOMIC DEVELOPMENT RATES:

1. Recognizing that I'll be asking you questions about load retention rates later, has your state adopted economic development rates?

_____ Yes _____ No

If yes, continue.

If no, go to section III.

2. Were economic development rates developed in response to a legislative mandate?

If yes, what specific statutory language was added (changed)? **Please send us a copy of the statute.**

3. What was the justification for the adoption of the economic development rate? (circle answer(s))

- a. Promote job creation
- b. Encourage expansion of existing industry
- c. Increase utilization of utility plant
- d. Other (please specify)

4. Has the Commission adopted rules for designing economic development rates?
 _____ Yes _____ No
5. Are the economic development rates the same throughout the state, utility specific or customer specific?
6. What type(s) of utility companies offer economic development rate(s)? (circle answer(s))
- a. Electric--IOUs
 - b. Electric--Municipals and Cooperatives
 - c. Gas
7. Do economic development rates apply to a specific industry or customer type?
8. Is there a minimum load size requirement for a new economic development customer taking service under an economic development rate?
 _____ Yes _____ No
 If yes, what is the minimum? _____
 Is the minimum defined in terms of peak or connected load? _____
9. Do the contract terms include any of the following:
- a. Out-clauses
 Explanation _____

 - b. Renewal provisions
 Explanation _____

c. Maximum or minimum contract length

Explanation _____

d. Phase out of discount over life of contract

Explanation _____

e. Participation in conservation and load management programs

Explanation _____

10. Is the economic development rate offered under: (circle answer)
- a. Tariff
 - b. Special contract
 - c. Combination of tariff and contract
11. To what rate element(s) does the economic development rate apply? (circle answer(s))
- a. Customer charge
 - b. Demand charge
 - c. Energy charge
 - d. Other
12. How is the economic development rate determined? (circle answer)
- a. Negotiated from incremental cost
 - b. Flat percentage discount from firm rates
 - c. Incremental cost plus percentage contribution above incremental
 - d. Incremental cost plus a minimum transmission/distribution cost
 - e. Other
13. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? If so, are these subject to discount?
14. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the economic development rate? (i.e. another power source, relocation opportunities, etc.)

15. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the economic development rate? (circle answer)

- a. Customer
- b. Utility company
- c. Public service commission
- d. Other

16. If a formal assessment is made, when is it conducted? (circle answer)

- a. Prior to contract/tariff inception
- b. Contract/tariff renewal date
- c. Other (please specify)

17. Are there any utility reporting requirements regarding economic development rates?

Yes No
If no, go to question 21.

18. What is required to be reported?

Explanation _____

19. How often must this information be reported? (circle answer)

- a. Quarterly
- b. Semi-annually
- c. Annually
- d. Other

Explanation _____

20. Is any or all of what is reported considered confidential?

Yes No

21. Does your Commission assess the impacts of the economic development rates? For example, in terms of employment and/or load building?

_____ Yes _____ No

Explanation _____

22. How is the difference in revenue collected under standard rates and under discounted economic development rates treated?

- a. Recovered from the general body of ratepayers?
- b. Recovered from the customers within the rate class which is eligible for discounted rates?
- c. Recovered "below the line" from stockholder earnings?
- d. Shared by ratepayers and stockholders? Explain _____

23. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

III. **LOAD RETENTION RATES:**

1. Has your state adopted load retention rates?

Yes No

If yes, continue.

If no, go to section IV.

2. Are the answers you gave in the section regarding economic development rates identical to those you would give for load retention rates?

Yes No

If yes, go to section IV.

If no, continue.

3. Were load retention rates developed in response to a legislative mandate?

If yes, what specific statutory language was added (changed)?

Please send us a copy of the statute.

4. What was the justification for the adoption of the load retention rates? (circle answer(s))

- a. Retain existing jobs
- b. Maintain utilization of utility plant
- c. Retain existing industry
- d. Other (please specify)

5. Has the Commission adopted rules for designing load retention rates?

Yes No

6. Are the load retention rates the same throughout the state, utility specific or customer specific?

7. What type(s) of utility companies offer load retention rate(s)? (circle answer(s))

- a. Electric--IOUs
- b. Electric--Municipals and cooperatives
- c. Gas

8. Do load retention rates apply to a specific industry or customer type?

9. Is there a minimum load size requirement for the existing customer taking service under the load retention rate?

_____ Yes _____ No

If yes, what is the minimum? _____

Is the minimum defined in terms of peak or connected load? _____

10. Do the contract terms include any of the following:

a. Out-clauses

Explanation _____

b. Renewal provisions

Explanation _____

c. Maximum or minimum contract length

Explanation _____

d. Phase out of discount over life of contract

Explanation _____

e. Participation in conservation and load management programs

Explanation _____

11. Is the load retention rate offered under: (circle answer)

a. Tariff

b. Special contract

c. Combination of tariff and contract

12. To what rate element(s) does the load retention rate apply? (circle answer(s))

a. Customer charge

b. Demand charge

c. Energy charge

d. Other

13. How is the load retention rate determined? (circle answer)
- a. Negotiated from incremental cost
 - b. Flat percentage discount from firm rates
 - c. Incremental cost plus percentage contribution above incremental
 - d. Incremental cost plus a minimum transmission/distribution cost
 - e. Other (please specify)
14. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? Yes No If so, are these subject to discount? Yes No
15. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the load retention rate? (i.e. another power source, relocation opportunities, etc.)
16. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the load retention rate? (circle answer)
- a. Customer
 - b. Utility
 - c. Public service commission
17. If a formal assessment is made, when is it conducted? (circle answer)
- a. Prior to contract/tariff inception
 - b. Contract/tariff renewal date
 - c. Other
18. Are there any utility reporting requirements regarding load retention rates?
- Yes No
- If no, go to question 23.
19. What is required to be reported?

Explanation _____

20. How often must this information be reported? (circle answer)

- a. Quarterly
- b. Semi-annually
- c. Annually
- d. Other

Explanation _____

21. Is any or all of what is reported considered confidential?

_____ Yes _____ No

22. Does your Commission assess the impacts of the load retention rate? For example, in terms of employment and/or load retention?

_____ Yes _____ No

Explanation _____

23. How is the difference in revenue collected under standard rates and under discounted load retention rates treated?

- a. Recovered from the general body of ratepayers?
- b. Recovered from the customers within the rate class which is eligible for discounted rates?
- c. Recovered "below the line" from stockholder earnings?
- d. Shared by ratepayers and stockholders? Explain _____

24. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

IV. INITIATIVES FOR FUTURE LOAD RETENTION OR ECONOMIC DEVELOPMENT RATES

1. Are you aware of any other activity by any of the following groups with regard to these rate types or economic development issues? (circle answer)
 - a. Public service commission
 - b. Gas or electric company (petitions)
 - c. Legislature
 - d. Other

Please send any available information on these initiatives.

APPENDIX C

ALABAMA

STATE ALABAMA

I. INTRODUCTION

Name/title of respondent

Name Robert Taylor

Title Public Utility Analyst, Electric Section of the Energy Division

Telephone 334-242-5218 Fax: 334-242-0207

There is currently an open docket before our Commission regarding Gulf Power Company's petition for a commercial industrial service rider (i.e., an economic development and load retention rate). The Research Division of the FPSC has been asked by our Commission to look at what other states/utilities are doing with regard to these types of rates.

II. ECONOMIC DEVELOPMENT RATES:

1. Recognizing that I'll be asking you questions about load retention rates later, has your state adopted economic development rates?

 Yes X No

If yes, continue.

If no, go to section III.

Mr. Taylor answered no to this question. However, he also stated that in response to customer requests, Alabama Power on its own initiative has petitioned the Commission to offer reduced industrial rates for individual customers. Contracts for individual customers have been in place for a number of years. Alabama Power received legislative authority to offer such contracts beginning in 1975.

2. Were economic development rates developed in response to a legislative mandate?

Yes. Alabama Power has had the authority to offer discounted contracts since 1975. There is also a recent statute on responding to competition.

If yes, what specific statutory language was added (changed)? **Please send us a copy of the statute.**

See attached.

3. What was the justification for the adoption of the economic development rate? (circle answer(s))
- a. Promote job creation
 - b. Encourage expansion of existing industry
 - c. Increase utilization of utility plant
 - d. Other (please specify)-load retention/rate relief.
4. Has the Commission adopted rules for designing economic development rates?
- Yes X No
5. Are the economic development rates the same throughout the state, utility specific or customer specific?
- Utility specific
6. What type(s) of utility companies offer economic development rate(s)? (circle answer(s))
- a. Electric--IOUs
 - b. Electric--Municipals and Cooperatives
Commission has no authority over muni and co-op rates
 - c. Gas
7. Do economic development rates apply to a specific industry or customer type?
- Customer type.
8. Is there a minimum load size requirement for a new economic development customer taking service under an economic development rate?
- X Yes No
- If yes, what is the minimum? 1 megawatt
- Is the minimum defined in terms of peak or connected load? Connected.
9. Do the contract terms include any of the following:
- a. Out-clauses - Explanation: Penalty for early withdrawal based on number of years remaining in the contract.
 - b. Renewal provisions - Explanation: Yes
 - c. Maximum or minimum contract length - Explanation: Yes
 - d. Phase out of discount over life of contract - Explanation: No
 - e. Participation in conservation and load management programs - Explanation: No

10. Is the economic development rate offered under: (circle answer)
- Tariff
 - Special contract
 - Combination of tariff and contract
11. To what rate element(s) does the economic development rate apply? (circle answer(s))
- Customer charge
 - Demand charge
 - Energy charge
 - Other
12. How is the economic development rate determined? (circle answer)
- Negotiated from incremental cost
 - Flat percentage discount from firm rates
 - Incremental cost plus percentage contribution above incremental
 - Incremental cost plus a minimum transmission/distribution cost
 - Other
13. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? If so, are these subject to discount?
Yes, there is a fuel clause. Discount does not apply to fuel clause.
14. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the economic development rate? (i.e. another power source, relocation opportunities, etc.) No.
15. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the economic development rate? (circle answer)
- Customer
 - Utility company
 - Public service commission
 - Other
16. If a formal assessment is made, when is it conducted? (circle answer)
- Prior to contract/tariff inception
 - Contract/tariff renewal date
 - Other (please specify)

17. Are there any utility reporting requirements regarding economic development rates?
 Yes No

If no, go to question 21.

18. What is required to be reported?

Explanation Not applicable.

19. How often must this information be reported? (circle answer)

a. Quarterly

b. Semi-annually

c. Annually

d. Other - Explanation: Not applicable.

20. Is any or all of what is reported considered confidential?

Yes No

Commission does get copies of contracts, which are held confidential.

21. Does your Commission assess the impacts of the economic development rates? For example, in terms of employment and/or load building?

Yes No

Explanation _____

22. How is the difference in revenue collected under standard rates and under discounted economic development rates treated?

a. Recovered from the general body of ratepayers?

b. Recovered from the customers within the rate class which is eligible for discounted rates?

c. Recovered "below the line" from stockholder earnings? Rates are above incremental costs, however Alabama Power is downsizing, therefore it has the ability to reduce rates through special contracts.

d. Shared by ratepayers and stockholders? Explain _____

23. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

See attached.

III. LOAD RETENTION RATES:

1. Has your state adopted load retention rates?

Yes No

If yes, continue.

If no, go to section IV.

2. Are the answers you gave in the section regarding economic development rates identical to those you would give for load retention rates?

Yes No

If yes, go to section IV.

If no, continue.

3. Were load retention rates developed in response to a legislative mandate?

If yes, what specific statutory language was added (changed)?

Please send us a copy of the statute.

4. What was the justification for the adoption of the load retention rates? (circle answer(s))

- a. Retain existing jobs
- b. Maintain utilization of utility plant
- c. Retain existing industry
- d. Other (please specify)

5. Has the Commission adopted rules for designing load retention rates?

Yes No

6. Are the load retention rates the same throughout the state, utility specific or customer specific?

7. What type(s) of utility companies offer load retention rate(s)? (circle answer(s))

- a. Electric--IOUs
- b. Electric--Municipals and cooperatives
- c. Gas

8. Do load retention rates apply to a specific industry or customer type?

9. Is there a minimum load size requirement for the existing customer taking service under the load retention rate?

_____ Yes _____ No

If yes, what is the minimum? _____

Is the minimum defined in terms of peak or connected load? _____

10. Do the contract terms include any of the following:

a. Out-clauses

Explanation _____

b. Renewal provisions

Explanation _____

c. Maximum or minimum contract length

Explanation _____

d. Phase out of discount over life of contract

Explanation _____

e. Participation in conservation and load management programs

Explanation _____

11. Is the load retention rate offered under: (circle answer)

a. Tariff

b. Special contract

c. Combination of tariff and contract

12. To what rate element(s) does the load retention rate apply? (circle answer(s))

a. Customer charge

b. Demand charge

c. Energy charge

d. Other

13. How is the load retention rate determined? (circle answer)

a. Negotiated from incremental cost

b. Flat percentage discount from firm rates

c. Incremental cost plus percentage contribution above incremental

d. Incremental cost plus a minimum transmission/distribution cost

e. Other (please specify)

14. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? Yes No If so, are these subject to discount? Yes No
15. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the load retention rate? (i.e. another power source, relocation opportunities, etc.)
16. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the load retention rate? (circle answer)
- a. Customer
 - b. Utility
 - c. Public service commission
17. If a formal assessment is made, when is it conducted? (circle answer)
- a. Prior to contract/tariff inception
 - b. Contract/tariff renewal date
 - c. Other
18. Are there any utility reporting requirements regarding load retention rates?
 Yes No
 If no, go to question 23.
19. What is required to be reported?
 Explanation _____

20. How often must this information be reported? (circle answer)
- a. Quarterly
 - b. Semi-annually
 - c. Annually
 - d. Other
- Explanation _____

21. Is any or all of what is reported considered confidential?
 Yes No

22. Does your Commission assess the impacts of the load retention rate? For example, in terms of employment and/or load retention?
- _____ Yes _____ No

Explanation _____

23. How is the difference in revenue collected under standard rates and under discounted load retention rates treated?
- a. Recovered from the general body of ratepayers?
 - b. Recovered from the customers within the rate class which is eligible for discounted rates?
 - c. Recovered "below the line" from stockholder earnings?
 - d. Shared by ratepayers and stockholders? Explain _____
- _____

24. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

IV. INITIATIVES FOR FUTURE LOAD RETENTION OR ECONOMIC DEVELOPMENT RATES

1. Are you aware of any other activity by any of the following groups with regard to these rate types or economic development issues? (circle answer)
 - a. Public service commission
 - b. Gas or electric company (petitions)
 - c. Legislature
 - d. Other-Business Council of Alabama

Please send any available information on these initiatives.

§ 37-4-22 PUBLIC UTILITIES AND PUBLIC TRANSPORTATION § 37-4-22

Cited in *Alabama Water Co. v. City of Attalla*, 211 Ala. 301, 100 So. 490 (1924). Collateral references. — 73 C.J.S., Public Utilities, §§ 64-67.

§ 37-4-22. Contract rates.

(a) Rates and service regulations may be established by contract between a municipality and utility for a specified term, not exceeding 30 years, but only by and with the approval of the commission to be expressed by its order. Utilities may contract with each other and with persons who are not utilities in respect of the use of their properties and facilities, the sale or exchange of water, gas, electricity or other products or commodities, otherwise than pursuant to established rates, the distribution to the public of such products and commodities jointly or singly, and the territory within which such joint or single service shall be rendered and other matters deemed to be of mutual advantage, subject, however, in all such cases, to the approval of the commission; but no person shall participate in such distribution who is not a utility.

(b) Whenever any such contract shall be made, it shall, before becoming effective, be submitted to the commission. If the commission shall find the provisions of any such contract consistent with the public interest, it shall approve the same. Otherwise, it shall disapprove the same, and unless and until so approved, such contract shall be of no effect; but if it is approved, it shall in all respects be lawful. Whenever a utility provides for itself by contract, as above provided, a source of supply of any product or commodity which it would otherwise be under the duty to generate or manufacture, it shall, to such extent as the commission may order, be excused from the construction or maintenance of plant, facilities and equipment necessary for such generation or manufacture. (Acts 1920, No. 87, p. 38; Code 1923, §§ 9769, 9784; Code 1940, T. 48, §§ 325, 326.)

By whom application to commission made. — Subsection (b) does not provide that the application to the commission must be made by the utility or that the application cannot be made by the municipality. *Alabama Elec. Co-op. v. Alabama Power Co.*, 274 Ala. 332, 148 So. 2d 613 (1963).

Thus, because of the absence of an explicit statutory provision requiring that the application to the commission be filed by the utility and not by the city, and because no prejudice was shown, the commission did not err in overruling a motion to dismiss the city's petition on the ground that the application for approval of the contract was made to the commission by the city and not by the power company. *Alabama Elec. Co-op. v. Alabama Power Co.*, 274 Ala. 332, 148 So. 2d 613 (1963).

Commission decides effect of approval of contract. — The question of the effect of approval of a contract on an electric cooperative's ability to serve its customers, is pecu-

liarily one for decision by the commission, a body of experts whose business calls for such decisions in its ordinary course. *Alabama Elec. Co-op. v. Alabama Power Co.*, 274 Ala. 332, 148 So. 2d 613 (1963).

And whether contract is consistent with public interest. — The question of whether the contract is consistent with the public interest involves a quasi-judicial as well as quasi-judicial function of the commission, a body of experts, whose business calls for such decisions in its ordinary course. *Alabama Elec. Co-op. v. Alabama Power Co.*, 274 Ala. 332, 148 So. 2d 613 (1963).

Commission cannot set aside a contract it has approved. — When electric rate was fixed by contract between electric company and city, and approved by public service commission, the commission must not, without consent of parties, set aside the contract. *Birmingham Elec. Co. v. Alabama Pub. Serv. Comm'n.*, 233 Ala. 676, 179 So. 2d 1437.

STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 991
MONTGOMERY ALABAMA 36101-0991

JIM SULLIVAN, PRESIDENT
JAN COOK, ASSOCIATE COMMISSIONER
CHARLES B. MERTIN, ASSOCIATE COMMISSIONER

WALTER L. THOMAS, JR.
SECRETARY

ALABAMA POWER COMPANY,
PETITIONER

PETITION: FOR APPROVAL OF
NEW RATE FCR (FLEXIBLE
CONTRACT RATE)

INFORMAL DOCKET U-3672

ORDER

BY THE COMMISSION:

By petition filed February 27, 1996, Alabama Power seeks approval of the new Rate FCR (Flexible Contract Rate).

The Commission finds that this new rate is in furtherance of the Company's continuing objective to provide competitive prices to its customers as cost reductions are realized by the Company. Also, this rate will further enable the Company and its customers to obtain timely approval of contracts, thereby enabling the customers to meet essential financing and other commitments. This rate will afford necessary rate flexibility for Alabama Power's commercial and industrial customers, and will result in an economic benefit for all classes of Alabama Power customers.

The Commission further finds that the Review Criteria set forth in Rate FCR memorialize the criteria utilized by the Commission in its review of special contracts filed under Code of Alabama (1975), Section 37-1-22, and finds that contracts between the Company and its eligible commercial and industrial customers which meet these criteria, as confirmed by Commission staff review, may be deemed approved unless expressly disapproved by the Commission, all in accordance with the terms of the rate.

As further guidance to the Commission staff and the Company in assuring that the review criteria are met, the Commission notes the following:

- Prices charged to customers under Rate FCR shall not be below the Company's incremental costs of providing service to the customer's location. Components of incremental costs generally include production, power delivery, operation and maintenance, revenue taxes, promotional and administrative costs. The amount and magnitude of these incremental costs are determined by several factors, the most important of which include the hours of the year that the load is added to the Company's electric system and the maximum demand that the customer places on the system (the "loadshape"), the number of years in the term of the contract, and the cost of power delivery hook-up and applicable revenue taxes at the location of the load. The cost-to-serve ratios in the Company's service extension policy shall not apply to contracts under this rate schedule.

- Contracts utilizing this rate shall be supported by economic evaluations made in accordance with methods accepted by the Commission, which demonstrate that pricing under each contract will promote positive benefits to all ratepayers over the term of the contract. This evaluation of each contract shall assess whether a load addition increases the efficiency of the power system, which determines whether or not the load addition exerts "downward pressure on rates" for all of the Company's customers (the "Rate Impact Measure Test" or "RIM"). To determine whether or not a new load addition passes the RIM test, the incremental costs of serving the new load are subtracted from the incremental revenues to be generated from the new load accumulated over the duration of the contract term. The resulting difference is discounted in recognition of the time-value of money to achieve a net present value of the load addition. When the net present value is positive, the RIM test has been passed.

- All of the Company's costs of fuel and taxes applicable to the contract shall be recovered. This criterion requires recovery of at least the ECR and Rate T billing over the contract term.

Upon examination of the filing, the Commission finds that it is in the public interest to approve the same.

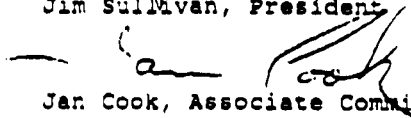
IT IS, THEREFORE, ORDERED BY THE COMMISSION, That the new Rate PCR as set out in the above-styled petition, be and the same is hereby approved.

IT IS FURTHER ORDERED, That this order be effective as of the date hereof.

DONE at Montgomery, Alabama this ~~1st~~ day of April, 1996.

ALABAMA PUBLIC SERVICE COMMISSION


Jim Sullivan, President


Jan Cook, Associate Commissioner


Charles B. Martin, Associate Commissioner

ATTEST: A True Copy,


Walter L. Thomas, Sr., Secretary

Alabama Power Company
600 North 18th Street
P. O. Box 2641
Birmingham, Alabama 35291
Telephone: (205) 250-4423

Michael L. Scott
Vice President
Marketing

FEB 1996
RECEIVED
ADVISORY STAFF
AFSC



February 27, 1996

Alabama Public Service Commission
Post Office Box 991
Montgomery, Alabama 36101

FEB 1996
Filed
Secretary
Alabama
Public Service
Commission

Re: Filing of New Flexible Contract Rate, Rate FCR

Dear Commissioners:

Pursuant to Code of Alabama (1975), §37-1-81, the Company is filing herewith thirteen (13) copies of a new Flexible Contract Rate. Rate FCR (Flexible Contract Rate) is applicable to commercial and industrial customers who have a need for flexibility in rates and service and who have an account that is no less than one megawatt (1MW). Contracts under this rate must meet the following criteria to obtain Commission approval:

- Prices charged shall not be less than the Company's incremental costs of providing service to the consumer's location.
- Pricing under this rate shall be structured to meet the consumer's requirements while providing benefits to all other customer groups.
- Contracts utilizing this rate shall be supported by economic evaluations recognized by the Commission to promote a positive benefit to all ratepayers over the term of the contract.
- Premature cancellation of any contract utilizing this rate shall require the customer to pay full compensation to the Company as if service under the contract were being furnished under the Company's standard rate schedules.
- All of the Company's costs of fuel and taxes shall be recovered under the contract.

The filing of this rate is in furtherance of the Company's on-going commitment to be responsive to the needs of our commercial and industrial customers in the current environment of increased competitive pressures on the customers as well as on Alabama Power Company. In view of the changes now occurring in the electric utility industry, it is imperative that Alabama Power be able to provide service at competitive rates. The Company is presently competing on a daily basis for service to new and expanded industrial operations. Additionally, we are receiving a rapidly increasing number of requests from existing industrial and commercial customers who need additional flexibility in order to compete, often in national and international markets. Many of these customers have the capability and are prepared to install self-generation facilities or, in some cases, to close their Alabama operations and relocate to a more economically favorable environment if they cannot obtain the flexibility they require from Alabama Power Company. Retention of these customers is crucial to Alabama Power in order to avoid stranded investment, the cost of which would be shared by remaining customers.

Many of the Company's customers are presently served under contracts which have been approved by the Commission under Code of Alabama (1975), §37-~~4~~-22. In view of the increasing competition faced by the Company's commercial and industrial customers, it will be necessary for the Company to enter into an increased number of these special contracts. Moreover, we have observed that customers' need for prompt approval of these contracts is rapidly increasing, due to their increasing need to meet tighter financing, internal approval and other deadlines. Currently, a lapse of as much as two months can occur between the time a special contract is executed by the parties and the time Commission approval is obtained.

Accordingly, Alabama Power has designed the Flexible Contract Rate, which will not only afford rate flexibility to commercial and industrial customers in need of such, but will also streamline the approval process for the contracts incorporating Rate FCR. This rate contains the criteria utilized by the Commission to review special contracts under §37-~~4~~-22. These criteria are enumerated above. The rate provides that any contract meeting all of these criteria shall be deemed approved within ten days of filing unless the Commission expressly disapproves the contract within such period. During the ten-day period, the Commission staff will review and have the right to audit the contract for compliance with the above criteria. The Commission review of contracts under the Flexible Rate Schedule thus will be no less stringent than reviews under current procedures. In view of the great increase in filings of special contracts in the near future, the Flexible Contract Rate procedure will reduce considerably the Commission staff time and effort involved in the filing, review and approval of these contracts. The Commission's procedures with respect to maintaining approved special contracts on file will be the same as those currently utilized for special contracts.

The implementation of the Flexible Contract Rate thus will enable the Company to compete more effectively while obtaining a more timely, but no less thorough, review by the Commission. We have observed that other utility companies in the Southeast have developed rates that are designed to meet these goals, and this rate will be valuable to the Company in meeting the challenge of these competitors.

For the foregoing reasons, the Company respectfully requests that the Commission enter an order approving the Flexible Contract Rate proposed herein.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Michael A. Scott".

MLS/jb

ALABAMA POWER COMPANY
FLEXIBLE
CONTRACT RATE SCHEDULE

AVAILABILITY

Available in all areas served from the interconnected system of the Company and regulated by the Alabama Public Service Commission.

Applicability

Applicable to commercial and industrial customers where there is a need for additional rate or service flexibility. Application of this rate will be for a consumer which has an account that is no less than one megawatt (1MW).

Review Criteria

- Prices charged under this rate shall not be less than the Company's incremental costs of providing service to the consumer's location.
- Pricing under this rate shall be structured to meet the consumer's requirements while providing benefits to all other customer groups.
- Contracts utilizing this rate shall be supported by economic evaluations, made in accordance with methods accepted by the Commission, that demonstrate that pricing under each contract will promote a positive benefit to all ratepayers over the term of the contract.
- Premature cancellation of any such contract shall require the customer to pay full compensation to the same extent as if the rates under standard rate schedules and contracts applied.
- All of the Company's costs of fuel and taxes shall be recovered.

Contract Review and Approval

Each contract conforming to the criteria specified in this rate schedule will be reviewed by the Commission Staff to determine compliance with the above Review Criteria to assure consistency with the public interest. Contracts will be deemed approved ten (10) days after filing with the Commission, unless the Company is notified within such period that the contract is disapproved.

APPENDIX D

GEORGIA

STATE GEORGIA

I. INTRODUCTION

Name/title of respondent

Name Bill Clay

Title Rates and Research Specialist

Telephone 404-656-6645

There is currently an open docket before our Commission regarding Gulf Power Company's petition for a commercial industrial service rider (i.e., an economic development and load retention rate). The Research Division of the FPSC has been asked by our Commission to look at what other states/utilities are doing with regard to these types of rates.

II. ECONOMIC DEVELOPMENT RATES:

1. Recognizing that I'll be asking you questions about load retention rates later, has your state adopted economic development rates? Yes No
If yes, continue. If no, go to section III.

The GPSC has not mandated a specific rate, but has had a series of hearings from which guidelines were developed. Certain tariffs have been approved by the GPSC. The GPSC was encouraged by the Governor and the Governor's Office of Economic Development to promote economic development. Also, Georgia Power has a section which works closely with the Office of Economic Development to encourage industry.

2. Were economic development rates developed in response to a legislative mandate?

No, as a result of hearings. Also, time-of-use rates and some other load retention rates were in place prior to hearings (beginning in the 1980s).

If yes, what specific statutory language was added (changed)? **Please send us a copy of the statute.**

3. What was the justification for the adoption of the economic development rate? (circle answer(s))
- a. Promote job creation
 - b. Encourage expansion of existing industry
 - c. Increase utilization of utility plant-Excess capacity available.
 - d. Other (please specify)

4. Has the Commission adopted rules for designing economic development rates? Yes No The GPSC has not adopted rules, but has guidelines in the attached order.

5. Are the economic development rates the same throughout the state, utility specific or customer specific?
Utility specific--filed as tariffs by Georgia Power Company, Georgia's only IOU.
6. What type(s) of utility companies offer economic development rate(s)? (circle answer(s))
- a. Electric--IOUs
 - b. Electric--Municipals and Cooperatives
No GPSC ratesetting authority over muni's and co-op's. Georgia's muni's and co-op's follow Georgia Power's lead and have similar discounted rates.
 - c. Gas
7. Do economic development rates apply to a specific industry or customer type?
Up to Georgia Power, but in practical terms, large commercial and industrial customers.
8. Is there a minimum load size requirement for a new economic development customer taking service under an economic development rate? X Yes No
 If yes, what is the minimum? Tariff specific. However, no minimum for job creation rider.
 Is the minimum defined in terms of peak or connected load? Connected.
9. Do the contract terms include any of the following:
- a. Out-clauses
 Explanation Each schedule differs. Generally speaking, contract is for a specific period (5 years for economic development) and there is a penalty for early withdrawal.
 - b. Renewal provisions
 Explanation Contracts are generally renewable.
 - c. Maximum or minimum contract length
 Explanation 5 year maximum contract length for economic development.
 - d. Phase out of discount over life of contract
 Explanation Not up to this point. With the exception of Georgia Power's modernization rider which has a reduced discount each year of the contract.
 - e. Participation in conservation and load management programs
 Explanation Not required.

10. Is the economic development rate offered under: (circle answer)
- Tariff
 - Special contract
 - Combination of tariff and contract
Tariffs predominantly, then customer signs a contract which states the specifics and term. Georgia Power has recently been given authority to file special contracts; one has been filed (load retention), but has not yet been approved. PUC has 60 days to approve.
11. To what rate element(s) does the economic development rate apply? (circle answer(s))
- Customer charge
 - Demand charge
 - Energy charge
 - Other Varies by schedule. May discount total rate base bill which includes A, B & C.
12. How is the economic development rate determined? (circle answer)
- Negotiated from incremental cost
 - Flat percentage discount from firm rates
In the case of Georgia Power's Job Creation Rider, discount percentage is based on the number of jobs created.
 - Incremental cost plus percentage contribution above incremental
 - Incremental cost plus a minimum transmission/distribution cost
 - Other
13. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? If so, are these subject to discount?
- All add-ons (fuel clause) are considered part of incremental cost and are covered by the rate. No discounts below incremental cost. No harm to any other customer is allowed.
14. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the economic development rate? (i.e. another power source, relocation opportunities, etc.)
- No.

15. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the economic development rate? (circle answer)
- a. Customer
 - b. Utility company
 - c. Public service commission
 - d. Other

In the case of Georgia Power's job creation rider, the customer must estimate the number of jobs created before a contract is signed (discount percentage is based on the number of jobs). The utility may verify this at any time throughout the life of the contract with the Department of Labor. PSC studies total number of jobs created.

16. If a formal assessment is made, when is it conducted? (circle answer)
- a. Prior to contract/tariff inception-Utility can also follow up throughout the life of the contract.
 - b. Contract/tariff renewal date
 - c. Other (please specify)

17. Are there any utility reporting requirements regarding economic development rates?
 Yes No

If no, go to question 21.

18. What is required to be reported?

Explanation See attached Order #46-22 for specific information. Filed as a part of the monthly surveillance report for the Job Creation Rider.

19. How often must this information be reported? (circle answer)

- a. Quarterly
- b. Semi-annually
- c. Annually
- d. Other--Monthly

Explanation Filed as part of monthly surveillance report for the Job Creation Rider.

20. Is any or all of what is reported considered confidential?

Yes No

Certain information, such as the name of the customer is held confidential, however GPSC staff can go to the utility's headquarters to study the information.

21. Does your Commission assess the impacts of the economic development rates? For example, in terms of employment and/or load building?

Yes No

Explanation The GPSC examines the number of jobs created by companies contracted under the Job Creation Rider.

22. How is the difference in revenue collected under standard rates and under discounted economic development rates treated?

- a. Recovered from the general body of ratepayers?
- b. Recovered from the customers within the rate class which is eligible for discounted rates?
- c. Recovered "below the line" from stockholder earnings?
- d. Shared by ratepayers and stockholders? Explain _____

Mr. Clay could not respond because there has not yet been a rate case. (Last Georgia Power rate case in 1992.) However, in his opinion, the difference would be recovered from the customers within the commercial and industrial classes.

23. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

See attached.

III. **LOAD RETENTION RATES:**

1. Has your state adopted load retention rates? Yes No
If yes, continue. If no, go to section IV.

Mr. Clay qualified his answer to say that the state had approved load retention rates (rather than adopted). Also, Georgia Power's time-of-use and real time pricing tariffs are considered load retention tariffs by the Commission.

2. Are the answers you gave in the section regarding economic development rates identical to those you would give for load retention rates? Yes No
If yes, go to section IV. If no, continue.

Georgia Power has just received the authority to file special load retention contracts. One has been filed, but has not yet been to hearing. GPSC must act to approve or disapprove within 60 days.

3. Were load retention rates developed in response to a legislative mandate? No
If yes, what specific statutory language was added (changed)?

Please send us a copy of the statute.

4. What was the justification for the adoption of the load retention rates? (circle answer(s))

- a. Retain existing jobs
- b. Maintain utilization of utility plant
Georgia Power currently has excess capacity.
- c. Retain existing industry
- d. Other (please specify)

5. Has the Commission adopted rules for designing load retention rates? Yes No
There are no written guidelines, but the utility has been encourage by GPSC to offer load retention rates. The GPSC approves rate conditions submitted by the utility.

6. Are the load retention rates the same throughout the state, utility specific or customer specific? Utility specific in the form of tariffs. However, Georgia Power has also recently been given the authority to offer special contracts.

7. What type(s) of utility companies offer load retention rate(s)? (circle answer(s))

- a. Electric--IOUs
- b. Electric--Municipals and cooperatives
- c. Gas

8. Do load retention rates apply to a specific industry or customer type?

Up to Georgia Power, but in practical terms, large commercial and industrial customers.

9. Is there a minimum load size requirement for the existing customer taking service under the load retention rate? X Yes No
 If yes, what is the minimum? Tariff specific.
 Is the minimum defined in terms of peak or connected load? Connected.
10. Do the contract terms include any of the following:
- Out-clauses - Explanation: Penalty for early withdrawal.
 - Renewal provisions - Explanation: Renewable.
 - Maximum or minimum contract length - Explanation: Yes, varies per schedule.
 - Phase out of discount over life of contract - Explanation: No.
 - Participation in conservation and load management programs - Explanation: Not required.
11. Is the load retention rate offered under: (circle answer)
- Tariff
 - Special contract
 - Combination of tariff and contract
12. To what rate element(s) does the load retention rate apply? (circle answer(s))
- Customer charge
 - Demand charge
 - Energy charge
 - Other Total bill may be reduced by participating in real time pricing.
13. How is the load retention rate determined? (circle answer)
- Negotiated from incremental cost. Must at least cover incremental cost.
 - Flat percentage discount from firm rates
 - Incremental cost plus percentage contribution above incremental
 - Incremental cost plus a minimum transmission/distribution cost
 - Other (please specify)
14. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? X Yes No If so, are these subject to discount? Yes X No
All clauses are covered by rate because they are considered part of incremental cost.
15. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the load retention rate? (i.e. another power source, relocation opportunities, etc.)
One time-of-use schedule addresses this. Also, Atlanta Gas and Light has a rider in which a gas customer must prove they have an alternative (affidavit filed with GPSC) on a monthly basis in order to qualify for a discount.

16. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the load retention rate? (circle answer)
- Customer
 - Utility
 - Public service commission-in the case of Atlanta Gas and Light, see question 15.
17. If a formal assessment is made, when is it conducted? (circle answer)
- Prior to contract/tariff inception - on a monthly basis in the case of Atlanta Gas and Light
 - Contract/tariff renewal date
 - Other
18. Are there any utility reporting requirements regarding load retention rates?
 Yes No If no, go to question 23.
19. What is required to be reported?
 Explanation See order from docket 41-77.
20. How often must this information be reported? (circle answer)
- Quarterly
 - Semi-annually
 - Annually
 - Other Explanation Monthly. Filed as part of monthly surveillance report.
21. Is any or all of what is reported considered confidential? Yes No
Some information is held confidential on special contracts. None is held confidential for Atlanta Gas and Light rider.
22. Does your Commission assess the impacts of the load retention rate? For example, in terms of employment and/or load retention? Yes No
 Explanation: The impacts of Atlanta Gas and Electric's retention rider is fully discussed. Also, Georgia Power's load retention efforts are discussed as a part of each rate case.
23. How is the difference in revenue collected under standard rates and under discounted load retention rates treated?
- Recovered from the general body of ratepayers?
 - Recovered from the customers within the rate class which is eligible for discounted rates?
 - Recovered "below the line" from stockholder earnings?
 - Shared by ratepayers and stockholders? Explain Mr. Clay could not respond to

this question because there has not been a rate case yet. However, in his opinion, answer B. will apply.

24. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

See attached.

IV. INITIATIVES FOR FUTURE LOAD RETENTION OR ECONOMIC DEVELOPMENT RATES

1. Are you aware of any other activity by any of the following groups with regard to these rate types or economic development issues? (circle answer)
 - a. Public service commission
 - b. Gas or electric company (petitions)
 - c. Legislature
 - d. Other

There is ongoing work on industry retention by the Office of Economic Development.

Please send any available information on these initiatives.

None sent.

COMMISSIONERS

BOB DURDEN, CHAIRMAN
DAVID N. (DAVE) BAKER
ROBERT B. (BOBBY) BAKER
MAC BARBER
STAN WISE



WILLIAM J. DOVER
EXECUTIVE DIRECTOR
TERRILL M. LYNCHALL
EXECUTIVE SECRETARY

Georgia Public Service Commission

244 WASHINGTON STREET S.W.
ATLANTA, GEORGIA 30334-5701
(404) 656-4501 OR 1 (800) 282-5813

RECEIVED

DEC 11 1995

DOCKET NO. 4697-U

Executive Secretary
Ga. Public Service Commission

FIRST SUPPLEMENTAL ORDER

IN RE: Economic Development Incentive Policy (EDIP)

Record Submitted: June 21, 1994 Decided: September 6, 1994
September 12, 1995 October 3, 1995

APPEARANCES

ON BEHALF OF THE COMMISSION STAFF:

John E. Hennelly, Assistant Attorney General
David L. Burgess, Director, Rates and Research Section

ON BEHALF OF CONSUMERS' UTILITY COUNSEL:

Jim Hurt, Consumers' Utility Counsel
Jeanette Mellinger

ON BEHALF OF GEORGIA POWER COMPANY:

Douglas L. Miller, Attorney
Robert P. Williams, II, Attorney
Susan Wilkerson, Attorney

ON BEHALF OF SAVANNAH ELECTRIC AND POWER COMPANY:

Leamon R. Holliday, III, Attorney

ON BEHALF OF ATLANTA GAS LIGHT COMPANY:

L. Craig Dowdy, Attorney

ON BEHALF OF UNITED CITIES GAS COMPANY:

Julius M. Hulsey, Attorney

ON BEHALF OF SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY:

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ON BEHALF OF GEORGIA ELECTRIC MEMBERSHIP CORPORATION

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ON BEHALF OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA:

Robert J. Middleton, Jr., Attorney
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ON BEHALF OF GEORGIA TELEPHONE ASSOCIATION:

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Randall D. Quintrell, Attorney

ON BEHALF OF GEORGIA TEXTILE MANUFACTURERS ASSOCIATION:

Peyton S. Hawes, Jr., Attorney

ON BEHALF OF THE U. S. DEPARTMENT OF DEFENSE AND OTHER FEDERAL EXECUTIVE AGENCIES:

David A. McCormick, Attorney

ON BEHALF OF CAMPAIGN FOR A PROSPEROUS GEORGIA:

Deborah Sheppard, Executive Director
Julie Simon

BY THE COMMISSION:

INTRODUCTION

This matter comes before the Georgia Public Service Commission ("Commission") for determination whether to approve or modify the compliance filings submitted by the utilities to implement the Commission's previously announced guidelines in this docket.

At its Administrative Session on August 3, 1993, the Commission voted to open a comprehensive generic docket to establish a uniform state policy regarding economic development incentives for all utilities under its jurisdiction. After extensive hearings in Atlanta and Tifton, the Commission issued an order on November 3,

1994, which articulated a set of general guidelines which the Commission would utilize to evaluate economic development incentives filed by utilities under its jurisdiction.

The Commission also directed that each regulated utility file: (1) a statement of its own economic development policy that conforms with the Commission's EDIP; (2) an evaluation of the extent to which existing economic development programs and tariffs conform to the Commission's EDIP; (3) a listing of economic development incentives it proposes to offer in response to the Commission's EDIP; and (4) any modification of existing programs in response to the Commission's EDIP.

On December 16, 1994, Georgia Power Company, Atlanta Gas Light Company, Southern Bell Telephone and Telegraph Company, United Cities Gas Company, and Savannah Electric and Power Company submitted their filings in compliance with the Commission's November 3, 1994, Order. On February 15, 1995, the Commission voted to allow parties thirty (30) days to comment on the compliance filings of the regulated utilities.

At its Administrative Session on August 15, 1995, the Commission voted to hear brief Oral Arguments regarding the compliance filings. This matter was properly noticed and assigned for Oral Argument which was held before the Commission on September 12, 1995. Subsequently the Commission Staff prepared and presented a report with recommendations for certain modifications in some aspects of the compliance filings.

II.

FINDINGS AND CONCLUSIONS OF FACT, LAW AND REGULATORY POLICY

Based upon the entire record in this proceeding, including those matters incorporated by reference, the Commission formally adopts the Staff's report with the exceptions as stated in the ordering paragraphs below which fully reflect the Commission's findings and conclusions of fact, law and regulatory policy.

WHEREFORE, based on the findings and conclusions as stated and supported herein, and based on all the evidence of record in this docket, it is

ORDERED, that Georgia Power Company's EDIP plan is approved with the modifications contained herein.

ORDERED FURTHER, that Georgia Power Company's use of Special Contract Service Arrangements for existing load shall be strictly limited to instances where a customer through its authorized representative and its company officer certifies by way of a sworn affidavit that without the offering of such it would significantly

downsize or discontinue the operation of a qualifying facility and therefore eliminate or substantially reduce the number of jobs and energy consumption at the facility; or that the Customer would not expand an existing operation which would serve to provide additional jobs and energy consumption at the facility.

ORDERED FURTHER, that Georgia Power Company shall modify its existing Monthly Job Creation Rider Surveillance Report to include a separate accounting of all prepayments. Georgia Power Company shall also provide to the Commission its proposed accounting treatment for prepayments issued.

ORDERED FURTHER, that Georgia Power Company shall include a provision in the prepayment clause contained within its Job Creation Rider which specifies a repayment procedure with applicable interest in the event a qualifying customer fails to meet the eligibility requirements contained in the Rider over its entire effective period.

ORDERED FURTHER, that all Special Contracts Service Arrangements entered into by Georgia Power Company shall be subject to an approval process identical to that which has been adopted by the Commission in Docket No. 5392-U (Investigation of Atlanta Gas Light Company Bypass and Other Issues). This process requires that within sixty (60) days of execution of the contract and the provision of necessary information to the Commission to evaluate the contract, the contract may be disapproved by the Commission.

ORDERED FURTHER, that Georgia Power Company may proactively file with this Commission a request for a waiver of the 60-day review. The Commission may decide whether to grant a waiver on a case-by-case basis, if Georgia Power Company shows that its negotiations with a potential customer are both time sensitive and of enough concern to the potential customer that the 60-day review process would put them at a competitive disadvantage.

ORDERED FURTHER, that Savannah Electric and Power Company's EDIP plan is approved with the modification contained herein.

ORDERED FURTHER, that Savannah Electric and Power Company refile its time-of-use fuel cost recovery in compliance with The Fuel Cost Recovery Act specified in the Official Code of Georgia Annotated Section 46-2-26.

ORDERED FURTHER, that Southern Bell Telephone and Telegraph Company's EDIP plan is approved as filed.

ORDERED FURTHER, that Southern Bell Telephone and Telegraph Company shall file tariffs that comply with the granting of this approval.

ORDERED FURTHER, that United Cities Gas Company's EDIP shall be approved with the modifications contained herein.

ORDERED FURTHER, that United Cities Gas Company shall expand the availability of its incentives to target all entities contained in the policy guidelines adopted by the Commission.

ORDERED FURTHER, that United Cities Gas Company shall revise its Schedule 880 to comply with the five-year maximum contained in the Commission's Economic Development Incentive Policy guidelines.

ORDERED FURTHER, that the Commission approves Atlanta Gas Light's plan as filed with the following modification. The cost recovery provision contained in the plan shall be denied.

ORDERED FURTHER, that Atlanta Gas Light shall separately account for all costs incurred under the plan and submit these costs to the Commission as a part of the Company's next general rate proceeding.

ORDERED FURTHER, that all utilities submitting compliance filings in this docket shall:

- (1) File a monthly surveillance report with the Commission detailing the results experienced with the offering of said incentives. This report shall include at a minimum the nature of business of the entity provided incentives, customer location (County and Tier), applicable Tariff or Rider upon which incentives were based, level and amount of any discounts provided, number of jobs provided by qualifying entity, the actual level of utility consumption (KWHs, Therms, Access Lines).
- (2) The surveillance report shall also account for participation levels in energy efficiency programs and highlight any cost-effective opportunities taken by a qualifying applicant to improve energy efficiency.

ORDERED FURTHER, that each affected utility shall separately identify and account for all costs incurred as a result of implementation of their approved Economic Development Incentive Plans. The Commission shall prescribe a cost recovery mechanism for each utility in the context of its next general rate proceeding.

ORDERED FURTHER, that the Commission shall conduct a bi-annual review of the Economic Development Incentive Plans approved to ascertain their effectiveness and compliance with the Commission's Mission Statement and Guidelines.


ORDERED FURTHER, that the Commission shall initiate a docket to review its current policies, procedures, rules and regulations governing competitive load situations in Georgia. This docket shall also include a review of the Georgia Territorial Act and specific provisions within the Act which govern competitive load situations. This proceeding will also assess the need to modify existing regulation to reflect the current robust competitive load environment which exists in the State.

ORDERED FURTHER, that all affected utilities shall file a compliance tariff, plan, rules and guidelines reflecting the revisions approved by the Commission within 30 days of the effective date of this Order.

ORDERED FURTHER, that jurisdiction over this proceeding is expressly retained for the propose of entering such further order or orders as the Commission may deem proper and


ORDERED FURTHER, that a motion for reconsideration, rehearing or oral argument shall not stay the effective date of this Order unless expressly so ordered by the Commission.

The above by action of the Commission in Administrative Session on October 3, 1995.


Terri M. Lyndall
Executive Secretary

DATE

December 8, 1995


Bob Darden
Chairman

DATE

12/18/95



COMMISSIONERS:

DAVE BAKER, CHAIRMAN
ROBERT B. (BOBBY) BAKER
MAC BARBER
BOB DURDEN
STAN WISE

WILLIAM J. DOVER
EXECUTIVE DIRECTOR
TERRI M. LYNDALL
EXECUTIVE SECRETARY

Georgia Public Service Commission

344 WASHINGTON STREET, S.W.
ATLANTA, GEORGIA 30334-5701
(404) 656-4501 OR 1 (800) 282-5813

RECEIVED

JUL 26 1996

LETTER ORDER

Docket No. 4622-U

Executive Secretary
Of Public Service Commission

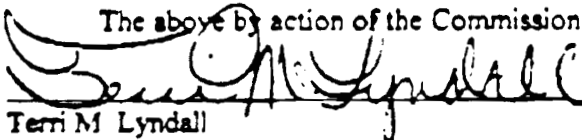
Mr. Bryan Fletcher, Manager
Regulatory Affairs
Georgia Power Company
Bin 10230
333 Piedmont Ave., NE
Atlanta, GA 30308-3374

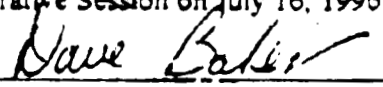
IN RE Docket No. 4622-U Georgia Power Company's Application for Renewal of the Job
Creation Rider (Filed 6/19/96).

Dear Mr. Fletcher:

The Commission considered the above cited application and approved the renewal and
extension of the Job Creation Rider for an additional two (2) years subject to an expiration date of
August 3, 1998.

The above by action of the Commission in Administrative Session on July 16, 1996.


Terri M. Lyndall
Executive Secretary


Dave Baker
Chairman

DATE

July 26, 1996

DATE

July 26, 1996

Attachment

cc. Jim Hurt, Consumers' Utility Counsel

COMMISSIONERS

MAC BARBER, CHAIRMAN
ROBERT B. BOBBY, BAKER, JR.
BOB DURDEN
ROBERT C. (BOBBY) PAFFORD
ROBERT A. (BOBBY) ROWAN



WILLIAM J. DOVER
EXECUTIVE DIRECTOR

Georgia Public Service Commission

244 WASHINGTON STREET, S.W.
ATLANTA, GEORGIA 30334-5701

404/856-4501 OR 1/800/292-6813

LETTER ORDER

Docket No. 4622-U

Mr. Douglas E. Jones
Manager, Regulatory Affairs
Georgia Power Company
P.O. Box 4545
Atlanta, GA 30306

IN RE: Georgia Power Company's Proposed Job Creation Rider (Schedule "JC-1"). (Filed 6-15-93)

Dear Mr. Jones:

In its Administrative Session on August 3, 1993, the Commission considered the above cited proposed rates and approved same subject to the following conditions:


1. Rider shall be approved as filed on an interim basis.
2. The Commission shall initiate a comprehensive generic proceeding designed to establish a uniform state policy regarding economic development incentives for all utilities under its regulatory jurisdiction during this interim period.
3. This Rider shall automatically expire at the time the Commission implements its new found policy adopted as a result of the aforementioned generic proceedings.
4. In order to monitor the effectiveness of the Rider during this interim period, GPC shall submit the following information to the Commission and Consumers' Utility Counsel on a monthly basis for all customers qualifying for the proposed Rider:


Docket No. 4622-U

- a. Nature of business.
- b. Location of facility served.
- c. New customers - number of jobs created.
Existing customers - number of jobs prior to
Rider; number of jobs after receiving Rider.
- d. Average wage level for newly created jobs.
- e. Level of discount provided (10%-25%).
- f. Total discount applied to the bill.
- g. Rate schedule discount applied.
- h. New customers - KWH usage.
Existing customers - KWH usage before and after
receiving Rider.

Georgia Power Company shall file appropriate revised tariff pages reflecting the provisions of this Order.

The above by action of the Commission in Administrative Session on August 3, 1993.


 William D. Dover
 Acting Executive Secretary


 Mac Barber
 Chairman

Aug 6, 1993
 DATE

Aug. 5, 1993
 DATE

cc: Nancy G. Gibson, CUC

MB/WJD/JM/go

Docket No. 4622-U

Regulatory Affairs



July 13, 1993

Via Hand-Delivery

Commissioner Mac Barber
Chairman
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, Georgia 30334

Dear Mr. Chairman:

Georgia Power filed, for Commission consideration, its Job Creation Rider on June 15, 1993 with a proposed effective date of July 20, 1993. The Staff has requested the Company to extend the tariff's proposed effective date so that the Staff could be prepared to present the tariff at the next Energy Committee meeting and subsequent Administrative Session, which is currently scheduled for August 3rd.

To support the Commission Staff as it analyzes the rider, the Company is extending the proposed effective date of the tariff to August 4, 1993. Attached are revised tariff sheets for the Job Creation Rider reflecting the new proposed effective date.

Please call if I may answer any questions.

Sincerely,


Douglas E. Jones
Manager, Regulatory Affairs

Attachment

cc: Commissioner Robert B. Baker, Jr.
Commissioner Bob Darden
Commissioner Robert C. Pafford
Commissioner Robert A. Rowan
Nancy Gibson, Consumers' Utility Counsel
Bev Knowles, Georgia Public Service Commission
David Burgess, Georgia Public Service Commission

GEORGIA POWER COMPANY

Job Creation Rider Schedule "JC-1"

AVAILABILITY:

Available to new and existing Commercial and Industrial customers who add a minimum of one (1) job above their highest level of employment in the most recent twelve (12) months. This rider will be available for a period of three (3) years beginning August 4, 1993. Applications for the rider will not be accepted after August 3, 1996, and billing under the rider will begin no later than November 4, 1996. The rider provides varying levels of discount based on the number of jobs added by the customer. For existing customers the discount will become effective the first billing month after the job(s) are added. For new customers, the discount will become effective when the meter is set or service is put in their name. The discount will then remain in effect for twenty-four (24) consecutive billing months from the date billing under the rider begins.

APPLICABILITY:

The rider will not apply to load contracted under prices that are based on marginal cost such as in Real Time Pricing (RTP), to temporary or construction service under any rate schedule, or to load contracted under the Limited Stand-By (LS), Back-Up (BU), or Modernization (M) riders. The discount in the rider will apply to all other incremental base (non-fuel) revenue for electric sales under the remaining rate and rider schedules available to Commercial and Industrial customers. The rider will only apply to the customer facility where jobs are increased.

APPLICATION:

Application for the rider will be made by letter from the customer's President, Owner, or CEO. If the customer is an existing customer, the letter must state the highest level of jobs during the last twelve (12) months. All customer letters will provide the number of jobs to be added at the customer's facility and when the jobs are to be added. The customer will provide from time to time upon request, at the Company's discretion, evidence satisfactory to the Company of the actual increase in employment. The customer will also notify the Company of any reduced employment during the term of the rider at which time the discount factor may be adjusted or the customer may cease to qualify for the rider until the job(s) are again added. Customers may apply for this rider only once during the effective period of the rider.

An annual administration fee will be required to cover costs associated with the rider.

Administration Fee \$20.00

DISCOUNT FACTOR:

The appropriate discount factor from the table below will be applied to Incremental Base (Non-Fuel) Revenues:

<u>Added Jobs (Full or Part-Time)</u>	
Adding 1 to 9 Jobs	10%
Adding 10 to 19 Jobs	15%
Adding 20 or More Jobs	20%

Additional Discount

An additional five percent (5%) discount is available for either:

- (1) new customers locating in existing structures in the Company's service territory where the Company has existing service facilities, or
- (2) new customers locating or existing customers expanding in the 80 most economically distressed counties as defined by the State of Georgia under O.C.G.A. § 48-7-10.

The additional discount for locating in an existing structure will only be available provided that:

- (1) the structure has been vacant for the last six (6) or more months, and

- (2) any additional expenditures made by the Company at that location do not exceed ten percent (10%) of the current replacement value of the Company's existing facilities, as depreciated for the number of years such facilities have been in service.

Only one additional five percent (5%) discount will be given per customer. As with the basic discount factor from the table above, the additional five percent (5%) discount will remain in effect as long as the customer retains the increase of jobs during the two year period, and may be adjusted to reflect changes in the initial levels of jobs.

DEFINITIONS

Incremental Base Revenues

New Customers: All firm base revenues as defined in the applicability clause will be deemed incremental

Existing Customers: All current month base revenues above historical average summer and winter monthly base revenues, as determined from the most recent twelve months as of the date billing under this rider begins, will be deemed incremental. If a customer has not been taking service for a full twelve months before the effective date of this rider, an estimate of a full twelve months of revenue will be made to determine the historical summer and winter average monthly base revenues that are used in calculating incremental base revenues. The historical averages will be adjusted for any subsequent rate or tariff changes.

New or Existing Customer

A customer will be considered a new customer provided its meter is set or service is put in its name after the effective date of this rider. A name change or other superficial change at an existing location, whereby the ownership and control over the premises are not changed, will not be considered as a new customer. All customers who are not new customers will be considered existing customers.

Increase in Employment

Only net increases in jobs will qualify and transfers of jobs between commonly owned or controlled facilities or leased facilities, within the State of Georgia will not be deemed to be an increase in jobs.

Job

Each full or part-time employee as reported on the U.S. Department of Labor's Form DOL-4 constitutes one job

Service hereunder subject to Rules and Regulations for Electric Service on file with the Georgia Public Service Commission.

GEORGIA POWER COMPANY

Job Creation Rider Schedule "JC-1" (Revised)

AVAILABILITY

Available to new and existing Commercial and Industrial customers who add a minimum of one (1) job above their highest level of employment in the most recent twelve (12) months. This rider will be available for a period of three (3) years beginning August 4, 1993. Applications for the rider will not be accepted after August 3, 1996, and billing under the rider will begin no later than November 4, 1996. The rider provides varying levels of discount based on the number of jobs added by the customer. For existing customers the discount will become effective the first billing month after the job(s) are added. For new customers, the discount will become effective when the meter is set or service is put in their name. The discount will then remain in effect for twenty-four (24) consecutive billing months from the date billing under the rider begins.

APPLICABILITY

The rider will not apply to marginally priced energy under Real Time Pricing (RTP), or to load contracts under Limited Stand-By (LS), Back-Up (BU), or Modernization (M) or to temporary or construction service under any rate schedule. The discount in the rider will apply to all other incremental base (non-fuel) revenues for electric sales under the remaining rate and rider schedules available to Commercial and Industrial customers. The rider will only apply to the customer facility where jobs are increased.

APPLICATION

Application for the rider will be made by letter from the customer's President, Owner, or CEO. If the customer is an existing customer, the letter must state the highest level of jobs during the last twelve (12) months. All customer letters will provide the number of jobs to be added at the customer's facility and when the jobs are to be added. The customer will provide from time to time upon request, at the Company's discretion, evidence satisfactory to the Company of the actual increase in employment. The customer will also notify the Company of any reduced employment during the term of the rider at which time the discount factor may be adjusted or the customer may cease to qualify for the rider until the job(s) are again added. Customers may apply for this rider only once during the effective period of the rider.

An annual administration fee will be required to cover costs associated with the rider.

Administration Fee \$20.00

DISCOUNT FACTOR

The appropriate discount factor from the table below will be applied to Incremental Base (Non-Fuel) Revenues

Added Jobs (Full or Part-Time)	
Adding 1 to 9 Jobs	10%
Adding 10 to 19 Jobs	15%
Adding 20 or More Jobs	20%

Additional Discount

An additional five percent (5%) discount is available for either:

- (1) new customers locating in existing structures in the Company's service territory where the Company has existing service facilities.
- (2) new customers locating or existing customers expanding in the Tier 1 and Tier 2 counties as defined by O.C.G.A. §48-7-40, or

- (3) new customers locating or existing customers expanding in the less developed areas as defined by O.C.G.A. § 48-7-40.1.

The additional discount for locating in an existing structure will only be available provided that:

- (1) the structure has been vacant for the last six (6) or more months, and
- (2) any additional expenditures made by the Company at that location do not exceed ten percent (10%) of the current replacement value of the Company's existing facilities, as depreciated for the number of years such facilities have been in service.

Only one additional five percent (5%) discount will be given per customer. As with the basic discount factor from the table above, the additional five percent (5%) discount will remain in effect as long as the customer retains the increase of jobs during the two-year period, and may be adjusted to reflect changes in the initial levels of jobs.

ADVANCE PAYMENT PROVISION:

A "business enterprise" as defined in the Georgia Business Expansion Support Act of 1994, or rules promulgated thereunder, who locates a new facility or expands an existing facility on Company's fees may elect to receive the entire Jobs Creation discount associated with such facility in the form of an advance payment to be made during Company's first month of service to such facility. An advance payment must be requested in writing. The amount of such advance payment must be determined by Company based on the base rate revenues Company projects the customer will provide during the twenty-four billing months to which the rider will apply, as adjusted to reflect the net present value of such revenues. At the conclusion of the twenty-four month period, the amount of such advance payment will be adjusted, in the form of either a credit or a charge on the customer's bill, to reflect the actual base rate revenues received from the customer during such period. The customer shall be required to sign an agreement describing the terms of the pre-payment arrangement. If the customer discontinues service or fails to meet the requirements of this arrangement prior to the expiration of the two-year period, the Company will determine the unearned portion of the prepayment and the associated interest and require the customer to re-pay this amount immediately.

DEFINITIONS:

Incremental Base Revenues

New Customers: All firm base revenues as defined in the applicability clause will be deemed incremental.

Existing Customers: All current month base revenues above historical average summer and winter monthly base revenues, as determined from the most recent twelve months as of the date billing under this rider begins, will be deemed incremental. If a customer has not been taking service for a full twelve months before the effective date of this rider, an estimate of a full twelve months of revenue will be made to determine the historical summer and winter average monthly base revenues that are used in calculating incremental base revenues. The historical averages will be adjusted for any subsequent rate or tariff changes.

New or Existing Customer

A customer will be considered a new customer provided its meter or meter service is put in its name after the effective date of this rider. A name change or other superficial change at an existing location, whereby the ownership and control over the premises are not changed, will not be considered as a new customer. All customers who are not new customers will be considered existing customers.

Increase in Employment

Only net increases in jobs will qualify and transfers of jobs between commonly owned or controlled facilities, or leased facilities, within the State of Georgia will not be deemed to be an increase in jobs.

Job

Each full or part-time employee as reported on the Department of Labor's Form DOL-4, as filed with the State of Georgia, constitutes one job.

GEORGIA POWER COMPANY

Modernization Rider

SCHEDULE "M-2" (First Revised)

AVAILABILITY:

Throughout the Company's service area from existing lines of adequate capacity.

APPLICABILITY:

Applicable as a modification of the rate schedules for Power and Light (PLL and PLH), Full Use to Governmental Institutions (G), and Time of Use (TOU) upon request by any customer whose billing demand is 500 kW or greater and who electrically modernizes a process that has been in operation for at least 24 months by changing the existing process such that the billing demand, as a result of only the process modernization, would have increased at least five (5) percent or 50 kW, whichever is greater.

The customer must sign a contract for electric service for the rider prior to the modernized process becoming operational. A period of up to six months prior to the effective date of the contract will be allowed for the completion of the modernized process. During this time, increases in the billing demand will not be considered in the determination of the Billing Demand Adjustment Factor (BDAF), nor will this period be considered as part of the five (5) year term. Once the rider is in effect, qualifications must be demonstrated within 12 months from the effective date of the contract.

Additional qualifying modernizations replace the one in effect and start a new five (5) year term. The new Billing Demand Adjustment Factor (BDAF) is determined using the modified billing demand of the previous modernization.

BILLING DEMAND DETERMINATION:

The Billing Demand as modified by this rider shall be the product of the Billing Demand as determined by the applicable rate and the Billing Demand Adjustment Factor (BDAF):

$$\text{BDAF} = \left[\frac{1}{1 + .05 (D^* \times P^*)} \right]^{(5-N)/5}$$

Where D^* = Percentage increase in Billing Demand (expressed as a decimal) that results from the modernization and any expansion done in connection with the modernization.

P^* = Percent of the process operating hours that the qualifying electrical load will be in use (expressed as a decimal).

N = Number of years process has been modernized ($N = 0$ for initial year).

The Billing Demand Adjustment Factor (BDAF) shall not be less than 0.800.

During the first twelve months following the application of the rider, D^* will be based on the estimated increase in billing demand agreed to in the contract. The BDAF will be recalculated at the start of the second year using the actual increase in billing demand resulting after the first year of applying the modernization rider. Billing which occurred during the first year will not be changed due to this recalculation.

MINIMUM BILLING DEMAND:

The minimum billing demand shall be the greater of:

- (1) ninety-five percent (95%) of the billing demand in effect at the time the customer contracts for service under this rider, or
- (2) the prior billing demand if based on a contract or rate-established minimum.

A customer on the "SE" rider qualifying for the modernization rider will have his minimum firm tariff billing demand increased to the "SE" demand threshold demonstrated during the first year of the modernization.

The minimum demand used for billing purposes for the Time of Use (TOU) rate shall remain as stated in the TOU tariff.

SPECIAL FOR TIME OF USE RATE:

The percent increase in Billing Demand (D*) for the Time of Use (TOU) rate will be determined by the average of the maximum actual non-economy period demands for the twelve month period immediately prior to the modernization and the average of the maximum non-economy demands for the twelve month period subsequent to the modernization.

The Billing Demand Adjustment Factor (BDAF) as applicable to the Time of Use (TOU) tariff is to be applied to modify the maximum actual demand in the billing of the non-economy demand in any month where the maximum actual demand in the non-economy period (Noon through 8 P.M.) exceeds the average of the maximum actual non-economy period demands for the twelve months immediately prior to the modernization.

TERM OF CONTRACT:

Five (5) years. While the customer is taking service on the modernization rider, the customer may not change the tariff to which the modernization rider applies.

TERMINATION NOTICE:

Should termination of this schedule become necessary, the customer shall be provided with a minimum of twenty-four (24) months notice.

Service hereunder subject to Rules and Regulations for Electric Service on file with the Georgia Public Service Commission.

Effective with meter readings on or after July 2, 1991.

SAVANNAH ELECTRIC AND POWER COMPANY

ECONOMIC DEVELOPMENT RATE

SCHEDULE ED-2

AVAILABILITY:

This schedule is available to any industrial customer (manufacturer or processor) served from existing lines of adequate capacity through the metered service and having a minimum contract demand of not less than 350 kilowatts.

CHARACTER OF SERVICE:

All electric energy shall be 3 phase, 60 cycle, alternating current. Delivery voltage is at the option of the Company. Service may be metered at the delivery voltage, or at higher or lower voltages at the option of the Company.

RATELY RATE:

	<u>OFF-PEAK</u> (October - May)	<u>ON-PEAK</u> (June - September)
FACILITIES CHARGE	\$500.00	\$500.00
DEMAND CHARGE:		
Billing Demand KW @	\$ 4.50	\$ 9.00
ENERGY CHARGE:		
For KWH up to 500 KWH per KW of Base Demand:		
KWH @	1.20¢	1.20¢
For KWH in excess of 500 per KW of Base Demand:		
KWH @	1.00¢	1.00¢

REACTIVE DEMAND CHARGE:

50¢ per KVA of Excess Reactive Demand per month.

RATING PERIODS:

OFF-PEAK HOURS: The charges stated in this schedule for off-peak will be applied to customer bills rendered for the billing months of October through May.

PEAK HOURS: The charges stated in this schedule for on-peak will be applied to customer bills rendered for the billing months of June, July, August, and September.

ON-PEAK HOURS: On-peak hours are defined as all hours of all months from 10:00 a.m. to 10:00 p.m. Sunday through Friday, excluding New Year's Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

OFF-PEAK HOURS: All hours not included in on-peak hours.

MINIMUM MONTHLY CHARGE:

The minimum monthly charge will be the sum of (1) the facilities charge, (2) the demand charge, (3) the energy charge for 100 to 500 Kw per Kw of Billing Demand, and (4) the excess reactive demand charge.

FUEL COST RECOVERY:

The amount calculated at the above rate will be increased under provision of the Company's effective Fuel Cost Recovery Schedule.

ENERGY CONSERVATION RIDER:

The amount calculated at the above rate will be increased under provision of the Company's effective Energy Conservation Rider.

REQUIREMENT OF DEMAND:

BILLING DEMAND: The billing demand shall be the greater of (1) the applicable contract demand, or (2) the highest measured thirty (30) minute demand during on-peak hours, or (3) the sum of the on-peak demand and the amount that off-peak demand exceeds two (2) times the on-peak demand.

BASE DEMAND: Base demand shall be the highest measured thirty (30) minute demand established during calendar year 1988 by the customer then taking service under Industrial Power Schedule IP-3 at the location for which service under this schedule is contracted.

CONTRACT DEMAND: Contract demand shall consist of both an off-peak contract demand to be utilized for billing for service during the months of October through May and an on-peak contract demand to be utilized for billing for service during the months of June through September. The off-peak contract demand shall be equal to or greater than the on-peak contract demand. On-peak contract demand shall be equal to or greater than 1.4 times the base demand. For new service, contract demand will be negotiated for the first year of operation BUT in no case will be less than 250 Kw.

CONTRACT DEMAND ADJUSTMENT: Contract demand shall be adjusted prior to October billing. On-peak contract demand shall be adjusted to be the greater of (1) the previous contract demand, or (2) the highest billing demand during the immediately preceding June through September billing months.

The off-peak contract demand shall be adjusted to be the greater of (1) the new on-peak contract demand, or (2) the previous off-peak demand, or (3) the highest actual billing demand measured during the most recent October through May billing months.

OFF-PEAK RIDER:

Customers taking service under this rate schedule may establish a measured demand of up to two (2) times the existing billing demand during off-peak hours without affecting the existing billing demand. Demands established greater than two (2) times existing billing demand will increase billing demand by the amount that measured demand exceeds two (2) times existing billing demand. Capacity and energy taken under this Rider is not intended to be used for standby service for customers who have on-site generating facilities. Customers who take service under this Rider shall notify the Company when additional energy is taken during off-peak hours as a result of on-site generating equipment failure. Such notice should be provided within twelve (12) hours of the time equipment failure occurs. Standby service for on-site generating equipment should be contracted and paid for under the Company's applicable rate schedule(s).

CONTRACT:

Customers served under this schedule must sign a new contract with a minimum term of five (5) years.

Effective with the first billing cycle of October, 1993.

SAVANNAH ELECTRIC AND POWER COMPANY
ECONOMIC DEVELOPMENT INCENTIVE RIDER
SCHEDULE ED-1

AVAILABILITY:

This schedule is available to any eligible new economic base business customer for incremental increases in electric energy usage resulting from start-up of a qualifying establishment which adds new jobs and/or makes capital investments within the State of Georgia.

ELIGIBILITY FOR ECONOMIC DEVELOPMENT INCENTIVE:

Eligibility is determined by meeting one of the two following criteria:

(1) New economic base business customers eligible for this schedule are manufacturing, warehousing and distribution, processing, and research and development business enterprises who take service under time-of-use or industrial power rate schedules, and who increase employment by at least ten new, full time jobs at an establishment taking electrical service from the company.

(2) New economic base business customers eligible for this schedule are manufacturers who take service under time-of-use or industrial power rate schedules and who purchase or acquire qualified investment property with an aggregate cost of at least \$1,000,000 at an establishment taking electric service from the company.

AMOUNT OF ECONOMIC DEVELOPMENT INCENTIVE:

Customers taking service under a time-of-use rate schedule will receive a discount off the energy charge portion of their monthly billing in the amount of 70% from October through May and 25% in June and September. No discount will be applied in July and August. This rider does not apply to any marginal cost based rate schedule, temporary or stand-by and maintenance service.

Customers taking service under an industrial power schedule will receive a discount off the demand charge portion of their monthly billing in the amount of 75% from October through May and 25% in June and September. They will receive a discount off the energy charge portion of their monthly billing in the amount of 30% from October through May and 15% in June and September. No discounts will be applied in July or August. This rider does not apply to any marginal cost based rate schedule, temporary or stand-by and maintenance service.

APPLICABILITY FOR INCREASING EMPLOYMENT:

These discounts can be applied for up to sixty months based on the following monthly average number of full time employees added and documented in the manner prescribed by the Georgia Business Expansion Support Act of 1994:

10 or more employees added
25 or more employees added
50 or more employees added
100 or more employees added
200 or more employees added

- Discount applies for months 1 through 12
- Discount applies for months 13 through 24
- Discount applies for months 25 through 36
- Discount applies for months 37 through 48
- Discount applies for months 49 through 60

A customer receiving a discount for increasing employment may not receive additional discount for making capital investment.

APPLICABILITY FOR MAKING CAPITAL INVESTMENT:

These discounts can be applied for up to sixty months based on the following amounts of aggregate costs for qualified investment property purchased or acquired and documented in the manner prescribed by the Georgia Business Expansion Support Act of 1994.

- | | |
|--------------------------------------|---|
| \$ 1,000,000 or more aggregate costs | - Discount applies for months 1 through 12 |
| \$ 3,000,000 or more aggregate costs | - Discount applies for months 13 through 24 |
| \$ 5,000,000 or more aggregate costs | - Discount applies for months 25 through 36 |
| \$10,000,000 or more aggregate costs | - Discount applies for months 37 through 48 |
| \$20,000,000 or more aggregate costs | - Discount applies for months 49 through 60 |

A customer receiving a discount for making capital investment may not receive additional discount for increasing employment.

OPTION FOR "UP FRONT" PAYMENT OF DISCOUNT:

A customer may choose to receive a discount payment "up front" rather than receiving the discount applied to monthly billings for up to the first thirty months of service. The amount of the "up front" payment will be equal to the net present value of estimated monthly discount amounts calculated by the company for which the customer is anticipated to qualify. During the months on which this "up front" payment is based, the customer will not receive any discount to monthly billings.

Once per year the monthly discount amounts the customer would have received based on actual usage will be compared to the estimated monthly discount amounts used to calculate the "up front" payment. The company will credit the customer's following monthly bill any amount by which the actual usage would have created a greater discount than the estimated monthly discounts used to calculate the "up front" payment. The company will add to the customer's following monthly bill any amount by which the actual usage would have created a lesser discount than the estimated monthly discounts used to calculate the "up front" payment.

DEFINITIONS:

The definitions of the following terms used in this rider are the same as those defined by Regulations for the Job Tax Credit Program and the Manufacturer's Investment Tax Credit in the Georgia Business Expansion Support Act of 1994, except as noted otherwise.

"manufacturing, warehousing and distribution, processing, and research and development", "new, full time job", "establishment", "manufacturing support facility", "qualified investment property", "monthly average number of full time employees", "business enterprise" - except not including "tourism".

MINIMUM CONTRACT PERIOD:

The minimum contract period for service to receive this rider is five years or two times the length of the period for which the company anticipates the discount will be applied, whichever is greater.

TERMS AND CONDITIONS:

Service under the provisions of this schedule is subject to Rules and Regulations approved by the Georgia Public Service Commission.

Effective with the first billing cycle of January, 1995

UNITED CITIES GAS COMPANY

ECONOMIC DEVELOPMENT GAS SERVICE

Schedule 880: All Service Areas

Availability

Service under this Schedule is available to customers engaged in the manufacturing process at discounted or incentive rates. To be eligible for service under this schedule certain conditions must be met by the customer. Existing customers served under another rate schedule to be eligible for service under this rate schedule must contract for sufficient natural gas demand to produce an increase in consumption of 135,000 Ccf annually. New customers served under this rate schedule to be eligible must contract for at least 270,000 Ccf annually.

This Schedule is intended to allow the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development within the Company's service areas.

Special Terms and Conditions

A contract shall be executed by the customer for a minimum of 4 years. The contract shall specify the customer's natural gas requirements.

To receive service under this rate schedule, the customer's written application to the Company shall include sufficient information to permit the Company to determine the customer's eligibility.

Qualifying consumption shall result from an increase in business activity and not merely from the resumption of normal operations following a period of abnormal operating conditions. If in the Company's opinion an abnormal operating period has occurred as a result of strike, equipment failure, or any other abnormal condition during the twelve (12) month period prior to the date of the application by the customer for service under this rate schedule, the Company shall adjust the customer's consumption to eliminate any abnormal condition. The Company through use of historical data shall determine "Base Load" for existing customers. Volumes used in excess of "Base Load" shall be considered "Qualifying Consumption" and eligible under this schedule. Loads which are or have been served by the Company during all or part of the twelve (12) month period prior to service under this rate schedule, and which are relocated to another metering point within the Company's service area, shall not qualify for this rate schedule.

The existing facilities of the Company must be adequate in the judgement of the Company to supply the new or expanded natural gas requirements. If construction of new or expanded local facilities by the Company is required, the customer may be required to make a Contribution in Aid of Construction for the installed cost of such facilities. The Company will evaluate the customer's request for service and determine the necessity

ECONOMIC DEVELOPMENT GAS SERVICE

Schedule 880: All Service Areas (Continued)

of a contribution for construction of facilities based on the Extension of Service provisions of the General Terms and Conditions of the Company's filed tariff. The Company shall review the Customer's consumption each year to determine whether the Customer has fulfilled their projected usage requirement to remain eligible for service under this rate schedule.

Customer Charge

A monthly customer charge of \$100.00 is payable regardless of the use of gas.

Monthly Rate

The following adjustment factors will be applied to the "Qualifying Consumption" and based on the rate schedule which would apply to the Customer absent this rate schedule.

<u>Billing Months In Contract Year</u>	<u>Adjustment Factor</u>
1st Through 12th	60.00%
13th Through 24th	70.00%
25th Through 36th	80.00%
36th Through 48th	90.00%
After 48 Month	100.00%

Minimum Bill

The minimum monthly bill shall be the Customer Charge.

Payment

Each monthly bill for service is due when rendered at the rate shown above and shall be paid in full at any office of the Company within fifteen (15) days from the date mailed or otherwise delivered.

Service Regulations

Gas service at these schedules will be furnished in accordance with the Company's Service Regulations, copies of which are available for public reference during business hours at each of the Company's offices.

UNITED CITIES GAS COMPANY

ECONOMIC DEVELOPMENT GAS SERVICE

Schedule 880: All Service Areas (Continued)

Service Regulations (Continued)

If any sales, excise or other new or additional taxes are hereafter imposed against Company and/or the Company from whom they purchase the gas, or transportation or sale of gas deliverable hereunder, such tax or taxes are to be reimbursed by Customer to Company. However, if Customer does not pay such tax or taxes, this contract may be cancelled by Company as of date such tax or taxes first apply.

Purchased Gas Adjustment

Bills for service are subject to adjustment for changes in the cost of purchased gas in accordance with the provisions of the Purchased Gas Adjustment Rider filed as part of each of the rate schedules of the Company with the Georgia Public Service Commission and approved by such Commission.

Priority of Service Provision

Service under this schedule may be curtailed in whole, or in part, by Company at any time when necessary in the judgment of Company to protect service for essential human needs such as residences, hospitals, schools, institutions and essential businesses, or by reason of an event of force majeure, or to facilitate Company's compliance with curtailment or load control plans approved by the Georgia Public Service Commission or by any governmental body or agency having jurisdiction with respect to Company or to Company's suppliers.

APPENDIX E
MISSISSIPPI

STATE MISSISSIPPI

I. INTRODUCTION

Name/title of respondent

Name Bob L. Marsh

Title Manager of Financial Modeling

Telephone 601-961-5488 Fax 601-961-5804

There is currently an open docket before our Commission regarding Gulf Power Company's petition for a commercial industrial service rider (i.e., an economic development and load retention rate). The Research Division of the FPSC has been asked by our Commission to look at what other states/utilities are doing with regard to these types of rates.

II. ECONOMIC DEVELOPMENT RATES:

1. Recognizing that I'll be asking you questions about load retention rates later, has your state adopted economic development rates?

Yes No

If yes, continue.

If no, go to section III.

2. Were economic development rates developed in response to a legislative mandate?
Yes. Authorization to allow special contracts MS Code 77-3-35 (a), (b) and (c). These 3 sections were added in 1995.

If yes, what specific statutory language was added (changed)? **Please send us a copy of the statute. MS Code 77-3-35 (a), (b) and (c)**

Prior to 1995, Mississippi allowed special contracts for certain industrial customers namely large manufacturers. During the last 15 years, there were a few special industrial incentives, but these have been phased out.

3. What was the justification for the adoption of the economic development rate? (circle answer(s))

- a. Promote job creation
- b. Encourage expansion of existing industry
- c. Increase utilization of utility plant
- d. Other (please specify)

4. Has the Commission adopted rules for designing economic development rates?

Yes No

5. Are the economic development rates the same throughout the state, utility specific or customer specific?
Utilities are allowed to negotiate terms with their customers.
6. What type(s) of utility companies offer economic development rate(s)? (circle answer(s))
- a. Electric--IOUs
 - b. Electric--Municipals and Cooperatives
 - c. Gas
7. Do economic development rates apply to a specific industry or customer type?
In Mississippi EDRs apply to specific industries and customer types.
8. Is there a minimum load size requirement for a new economic development customer taking service under an economic development rate?
X Yes _____ No
 If yes, what is the minimum?
Electricity - 2500 megawatt hours per year - minimum annual consumption
Natural gas - 8,500,000 cubic feet per year - minimum annual consumption
Is the minimum defined in terms of peak or connected load? For new customers minimum consumptions are estimated by the utility prior to signing a contract. Estimates are verified after a customer has developed a consumption history.
9. Do the contract terms include any of the following:
- a. Out-clauses
 Explanation Yes. A customer could back out by paying a minimum dollar amount based on the remaining number of years in the contract.
 - b. Renewal provisions
 Explanation Yes. Contracts are negotiable. Some contracts are automatically renewed unless there is notification by the customer.
 - c. Maximum or minimum contract length
 Explanation Yes. Contracts are negotiable. Most contracts run between 5-15 years.
 - d. Phase out of discount over life of contract
 Explanation No contracts reviewed to date have included such a clause, but all contract terms are negotiable.
 - e. Participation in conservation and load management programs
 Explanation No contracts reviewed to date have included such a clause, but all contract terms are negotiable.

10. Is the economic development rate offered under: (circle answer)
- Tariff
 - Special contract
 - Combination of tariff and contract
11. To what rate element(s) does the economic development rate apply? (circle answer(s))
- Customer charge
 - Demand charge
 - Energy charge
 - Other
12. How is the economic development rate determined? (circle answer)
- Negotiated from incremental cost
 - Flat percentage discount from firm rates
 - Incremental cost plus percentage contribution above incremental
 - Incremental cost plus a minimum transmission/distribution cost
 - Other
13. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? If so, are these subject to discount?
Yes. A fuel clause is included in standard rates.
Clauses are not subject to discount.
14. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the economic development rate? (i.e. another power source, relocation opportunities, etc.)
The customer is not required by the MPSC to state any alternatives. However, within the context of utility and customer negotiations, alternate power sources are discussed. Customers typically provide a study to the utility that shows possible alternative sources.
15. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the economic development rate? (circle answer)
- Customer
 - Utility company
The MPSC has access to the information described in response to question 14, but the MPSC does not conduct a formal assessment of customer claims.
 - Public service commission
 - Other

16. If a formal assessment is made, when is it conducted? (circle answer)
- a. Prior to contract/tariff inception
 - b. Contract/tariff renewal date
 - c. Other (please specify)
17. Are there any utility reporting requirements regarding economic development rates?
 _____ Yes X No
 If no, go to question 21.
18. What is required to be reported?
 Explanation _____
19. How often must this information be reported? (circle answer)
- a. Quarterly
 - b. Semi-annually
 - c. Annually
 - d. Other
- Explanation _____
20. Is any or all of what is reported considered confidential?
 _____ Yes X No
21. Does your Commission assess the impacts of the economic development rates? For example, in terms of employment and/or load building?
 _____ Yes X No
 Explanation The State Department of Economics and Commercial Development performs this function outside of any MPSC regulatory action.
22. How is the difference in revenue collected under standard rates and under discounted economic development rates treated?
- a. Recovered from the general body of ratepayers?
 - b. Recovered from the customers within the rate class which is eligible for discounted rates?
 - c. Recovered "below the line" from stockholder earnings?
 - d. Shared by ratepayers and stockholders? Explain _____
23. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

III. **LOAD RETENTION RATES:**

1. Has your state adopted load retention rates?
 Yes No
If yes, continue.
If no, go to section IV.

2. Are the answers you gave in the section regarding economic development rates identical to those you would give for load retention rates?
 Yes No
If yes, go to section IV.
If no, continue.

3. Were load retention rates developed in response to a legislative mandate?
If yes, what specific statutory language was added (changed)?
Please send us a copy of the statute.

4. What was the justification for the adoption of the load retention rates? (circle answer(s))
 - a. Retain existing jobs
 - b. Maintain utilization of utility plant
 - c. Retain existing industry
 - d. Other (please specify)

5. Has the Commission adopted rules for designing load retention rates?
 Yes No

6. Are the load retention rates the same throughout the state, utility specific or customer specific?

7. What type(s) of utility companies offer load retention rate(s)? (circle answer(s))
 - a. Electric--IOUs
 - b. Electric--Municipals and cooperatives
 - c. Gas

8. Do load retention rates apply to a specific industry or customer type?

9. Is there a minimum load size requirement for the existing customer taking service under the load retention rate? Yes No
If yes, what is the minimum? _____
Is the minimum defined in terms of peak or connected load? _____

10. Do the contract terms include any of the following:
- a. Out-clauses
Explanation _____
 - b. Renewal provisions
Explanation _____
 - c. Maximum or minimum contract length
Explanation _____
 - d. Phase out of discount over life of contract
Explanation _____
 - e. Participation in conservation and load management programs
Explanation _____
11. Is the load retention rate offered under: (circle answer)
- a. Tariff
 - b. Special contract
 - c. Combination of tariff and contract
12. To what rate element(s) does the load retention rate apply? (circle answer(s))
- a. Customer charge
 - b. Demand charge
 - c. Energy charge
 - d. Other
13. How is the load retention rate determined? (circle answer)
- a. Negotiated from incremental cost
 - b. Flat percentage discount from firm rates
 - c. Incremental cost plus percentage contribution above incremental
 - d. Incremental cost plus a minimum transmission/distribution cost
 - e. Other (please specify)
14. Do standard rates include non-base rate charges or cost recovery clauses for items such as fuel? ___ Yes ___ No If so, are these subject to discount? ___ Yes ___ No
15. Is the customer required to state any alternatives to taking power from the utility in order to qualify for the load retention rate? (i.e. another power source, relocation opportunities, etc.)
16. Is there a formal assessment by any of the following parties to determine the validity of the claims for the rate discount offered through the load retention rate? (circle answer)
- a. Customer
 - b. Utility

- c. Public service commission
17. If a formal assessment is made, when is it conducted? (circle answer)
- a. Prior to contract/tariff inception
 - b. Contract/tariff renewal date
 - c. Other
18. Are there any utility reporting requirements regarding load retention rates?
 _____ Yes _____ No If no, go to question 23.
19. What is required to be reported?
 Explanation _____
20. How often must this information be reported? (circle answer)
- a. Quarterly
 - b. Semi-annually
 - c. Annually
 - d. Other
- Explanation _____
21. Is any or all of what is reported considered confidential? _____ Yes _____ No
22. Does your Commission assess the impacts of the load retention rate? For example, in terms of employment and/or load retention?
 _____ Yes _____ No
 Explanation _____

23. How is the difference in revenue collected under standard rates and under discounted load retention rates treated?
- a. Recovered from the general body of ratepayers?
 - b. Recovered from the customers within the rate class which is eligible for discounted rates?
 - c. Recovered "below the line" from stockholder earnings?
 - d. Shared by ratepayers and stockholders? Explain _____

24. **Please forward any material that would allow us to compare your rate(s) to ours.** For example, tariff sheets, Commission orders with specific rate language, rate implementation or reporting standards, etc.

IV. INITIATIVES FOR FUTURE LOAD RETENTION OR ECONOMIC DEVELOPMENT RATES

1. Are you aware of any other activity by any of the following groups with regard to these rate types or economic development issues? (circle answer)
 - a. Public service commission
 - b. Gas or electric company (petitions)
 - c. Legislature
 - d. Other Department of Economics and Commercial Development

Please send any available information on these initiatives.

REGULATION OF PUBLIC UTILITIES § 77-3-35

authorizing such sale, lease, assignment or transfer upon such terms and conditions as it shall find to be just and reasonable and with such modifications as it may prescribe.

Notwithstanding any provision of this section to the contrary, the application may be granted as applied for without a hearing in uncontested cases; however, the commission may hear any uncontested case if it determines that the public interest will be served thereby.

SOURCES: Laws, 1992, ch. 417, § 3; 1994, ch. 351, § 1, ~~eff~~ from and after passage (approved March 14, 1994).

Amendment Note—

The 1994 amendment revised the first paragraph to clarify that the Public Service Commission must approve a sale or transfer of certain utility property.

Cross references—

Unlawful sale, lease, assignment or transfer of utility property described in this section, see § 77-3-25.

Attorney General's Opinions—

There does not appear to be any prohibition of negotiated arrangement made with water system to provide free sewer hookups to all members of water association as of date of transfer. Woods Oct. 21, 1993. A.G. Op. # 93-0963.

§ 77-3-25. Unlawful sale, lease, assignment or transfer of certificate or certain other utility property.

It shall be unlawful for any person, except as provided in Section 77-3-23 to accomplish or effectuate, or to participate in the accomplishing and effectuating, the sale, lease, assignment or transfer of a certificate or other utility property described in Section 77-3-23, however the result is attained.

SOURCES: Laws, 1994, ch. 351, § 2, ~~eff~~ from and after passage (approved March 14, 1994).

Amendment Note—

The 1994 amendment inserted the words: "or other utility property described in Section 77-3-23."

§ 77-3-35. Regulation of rates and charges generally; approval of certain contracts of utilities; regulation of provision of telecommunication services; adoption of alternative methods of regulation.

(1) Subject to the provisions of subsection (2) of this section, under such reasonable rules and regulations as the commission may prescribe, every public utility, the rates of which are subject to regulation under the provisions of this article, shall file with the commission, within such time and in such form as the commission may designate, schedules showing all rates and charges established by it and collected and enforced, or to be collected or enforced within the jurisdiction of the commission. The utility shall keep copies of such schedules open to public inspection under such reasonable rules and regulations as the commission may prescribe.

No such public utility shall directly or indirectly, by any device whatsoever, or in anywise, charge, demand, collect or receive from any person or corporation for any service rendered or to be rendered by such public utility a greater or less compensation than that prescribed in the schedules of such public utility applicable thereto then filed in the manner provided in this section, and no person or corporation shall receive or accept any service from any such public utility for a compensation greater or less than prescribed in such schedules.

Utilities of the same type as herein covered, engaged in rendering interstate service to and from points and places in the state, shall file with the commission tariffs of rates and charges of such and rates and charges affecting service to or from points and places in the state. Also, utilities selling commodities or rendering any service to cooperatives, municipalities or other nonprofit organizations, shall, at the order of the commission, file schedules of such rates and charges for information purposes only.

The commission may provide, by rules and regulations to be adopted by it, the following:

(a) That utilities may contract with a manufacturer that is not a utility for furnishing the services or commodities described in Section 77-3-3(d)(i), (ii) and (iii) for use in manufacturing;

*Added
1995* }

(b) That utilities described in Section 77-3-3(d)(i) also may contract with a customer that has a minimum yearly electric consumption of two thousand five hundred (2,500) megawatt hours per year or greater for furnishing the services or commodities described in Section 77-3-3(d)(i); and

(c) That utilities described in Section 77-3-3(d)(ii) also may contract with a customer that has a minimum yearly consumption of eight million five hundred thousand (8,500,000) cubic feet of gas per year or greater for furnishing the services or commodities described in Section 77-3-3(d)(ii).

These contracts may be entered into without reference to the rates or other conditions which may be established or fixed pursuant to other provisions of this article. Such regulations shall provide that before becoming effective any such contract shall be approved by the commission.

(2)(a) The Legislature recognizes that the maintenance of universal telephone service in Mississippi is a continuing goal of the commission and that the public interest requires that the commission be authorized and encouraged to formulate and adopt rules and policies that will permit the commission, in the exercise of its expertise, to regulate and control the provision of telecommunications services to the public in a changing environment where competition and innovation are becoming more commonplace, giving due regard to the interests of consumers, the public, the providers of telecommunications services and the continued availability of good telecommunications service. The commission is authorized to issue more than one competing certificate of public convenience and necessity to provide local exchange telephone service in the same geographical area; provided, that the issuing of any such additional certificates shall not otherwise affect any certificate of public convenience and necessity heretofore issued to any provider of such services.

The commission shall adopt all rules and regulations necessary for implementing this subsection (2)(a).

The commission retains the authority to issue orders to implement its rules, regulations and the provisions of this chapter, including the authority to grant and modify, impose conditions upon, or revoke a certificate.

(b) Notwithstanding any provisions of this chapter or any other statute, the commission may, on its own motion or at the request of any interested party, enter an order, after notice and opportunity for hearing, determining and directing that, in the provision of a service or facility by a utility of the type defined in Section 77-3-3(d)(iii), competition or other market

forces adequately protect the public interest, or that a service or facility offered by the utility is discretionary, and that the public interest requires that the utility's rates and charges for such service or facility shall not thereafter be subject to regulation by the commission.

(c) In making its determination whether the rates and charges for a service or facility shall not be subject to regulation by the commission, the commission may consider individually or collectively:

(i) Whether the exercise of commission jurisdiction produces tangible benefits to the utility's customers that exceed those available by reliance on market forces or other factors;

(ii) Whether technological changes, competitive forces, discretionary nature of the service or facility, or regulation by other state and federal regulatory bodies render the exercise of jurisdiction by the Mississippi commission unnecessary or wasteful;

(iii) Whether the exercise of commission jurisdiction inhibits a regulated utility from competing with unregulated providers of functionally similar telecommunications services or equipment;

(iv) Whether the existence of competition tends to prevent abuses, unjust discrimination and extortion in the charges of telecommunications utilities for the service or facility in question;

(v) The availability of the service or facility from other persons and corporations; or

(vi) Any other factors that the commission considers relevant to the public interest.

In making the determination as above set forth, the commission may specify the period of time during which the utility's rates and charges for the service or facility shall not thereafter be subject to regulation. Likewise, after notice and opportunity for hearing, the commission may revoke a determination and direction made under this section, when the commission finds that commission regulation of the utility's rates and charges for the service or facility in question is necessary to protect the public interest.

(3)(a) Notwithstanding any other provisions of this article or any other statute to the contrary, the commission is authorized to consider and adopt alternative methods of regulation proposed by a utility of the type defined in Section 77-3-3(d)(i), (ii) or (iii) to establish rates for the services furnished by such utility that are fair, just and reasonable to the public and that provide fair, just and reasonable compensation to the utility for such services.

(b) For purposes of this subsection, the phrase "alternative methods of regulation" means the regulation of utility rates and charges by methods other than the rate base or rate of return method of regulation set forth in other provisions of this article.

SOURCES: Laws, 1994, ch. 315, § 1; 1995, ch. 348, § 1; 1996, ch. 304, § 1, eff. from and after passage (approved March 7, 1996).

Amendment Note—

The 1994 amendment added subsection (3), which pertains to the authorization of the public service commission to adopt alternative methods of regulation of the rates and charges of telecommunication utilities.

The 1996 amendment rewrote the last paragraph of subsection (1) so as to authorize the public service commission to approve certain contracts of utilities with manufacturers and certain customers for furnishing services or commodities of gas or electricity.

APPROVED

MISSISSIPPI POWER & LIGHT COMPANY
Availability: At any point on Company's existing distribution lines of Adequate Capacity and Suitable Voltage

Date Filed: March 18, 1994

Date to be Effective: March 25, 1994

Docket No. 93-UA-0301

FILED
JUL 21 1993

MISSISSIPPI PUBLIC SERVICE COMMISSION

P.S.C. Schedule No. I-14.1

Revised Page No. 14.1, Date: March 25, 1994

Superseded Page No. 14.1, Date: June 25, 1994

Schedule Consists of: One Sheet

MAR 25 1994

MISS. PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES STAFF

Kind and Class of Service: Electric; Alternate Large General Service

RATE SCHEDULE ALGS-4

APPLICATION

To all service for which no specific schedule is provided, supplied to customers at transmission or primary distribution voltage delivery, contracting for not less than 5,000 kW, when all service required on the premises is supplied at one point of delivery and measured by one kilowatt-hour meter.

Applicable to standby and supplementary service only in conjunction with the applicable rider for such service.

Not applicable to temporary, breakdown, resale, or shared service.

CHARACTER OF SERVICE

Three phase, 60 cycles, and at one standard nominal voltage required by Customer, as described in Company's Standards For Electrical Installations.

NET MONTHLY RATE

\$29,529.00 for the first 5,000 kW or less of Customer's Demand
\$5.706 per kW for all additional kW of Customer's Demand
3.436¢ per KWh
29¢ per KVAR of Excess KVAR

MINIMUM BILL

The charges based on Customer's Demand and Excess KVAR for the current month or such higher amounts as may be required for line extension customers.

ADJUSTMENTS

First - Plus or minus an amount determined in accordance with Company's effective Fuel Adjustment Rider on file with the Mississippi Public Service Commission.

Second - Plus or minus a percentage adjustment on the pre-tax billing sufficient to compensate Company for any increase in income taxes above the 1993 level or to reduce Customer's billing to adjust for any decrease in any effective income tax rates.

Upon any change in the effective rates of income taxes the Company will file within 30 days the percentage adjustment to be applied for the remainder of the year based on operations for the prior calendar year. Subsequently the percentage adjustment to be applied during a year will be filed with the Commission prior to February 1 of each year and will be based on the prior calendar year's operations. The adjustment will be such percentage as may be necessary to obtain the same after-tax income under the effective tax rates as would have been realized under the income tax rates in effect for the year 1993 without this income tax adjustment.

Third - Plus the applicable proportionate part of any directly allocable tax, impost, or assessment imposed or levied by any governmental authority, which is assessed or levied against the Company or directly affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of the energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

TRANSMISSION OR PRIMARY DISTRIBUTION VOLTAGE DELIVERY

Customer may elect to take service at transmission (115 KV or higher) or primary distribution (greater than 2 KV but less than 15 KV) voltage that is available, or in Company's judgment, can be made available in the most practicable manner. When customer contracts to take service at such transmission or primary distribution voltage and provides all facilities necessary to take service at this voltage, the Demand Charge, before adjustments, will be reduced as follows:

\$0.946 per kW for delivery at transmission voltage
\$0.589 per kW for delivery at primary distribution voltage at the secondary terminals of the Company's 115 KV or 230 KV substation

Where metering is at primary voltage, the metering equipment installed will compensate for transformer losses, or in lieu thereof, an allowance of 1% will be made in the measured quantities.

CUSTOMER'S DEMAND

The average kW supplied during the fifteen-minute period of Customer's greatest use in Day Hours (Day Load) of the current month plus 25% of the amount by which the average kW supplied during the fifteen-minute period of Customer's greatest use in the Night Hours (Night Load) of the current month exceeds the Day Load, but not less than the highest of the following:

- (1) 80% of the highest kW so established in the prior eleven months, or
- (2) the minimum kW provided in the Agreement For Service, or
- (3) 5,000 kW.

If the instantaneous load exceeds the highest average fifteen-minute load by an unusual amount, such instantaneous load may be taken as the demand used for billing.

93-UA-0301
(over)

DAY HOURS

Initially 7 a.m. to 9 p.m. C.S.T. (8 a.m. to 10 p.m. D.S.T.) on five week days. These hours are subject to change by the Company upon thirty days' written notice, but shall not exceed fourteen hours per day.

NIGHT HOURS

Hours in each week day other than those included in Day Hours, and all hours on Saturdays, Sundays, and holidays.

EXCESS KVAR

The average KVAR supplied during the 15-minute period of greatest KVAR use during the current month in excess of 50% of Customer's Demand for the current month. A KVAR meter will be installed where tests indicate a power factor less than 90%.

PAYMENT

Bills are due and payable each month upon presentation. If a bill is not paid within ten days from the date thereof, Company shall have the right to suspend service.

CONTRACT PERIOD

Not less than five years, and for like periods thereafter, in accordance with Company's Agreement For Service.

RESERVATION

Subject to orders of regulatory authorities having jurisdiction and to the provisions of Company's Service Policy currently on file with the Mississippi Public Service Commission.

APPROVED

MAR 25 1994

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

FILED

JUL 21 1993

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

98-UA-0301

Issued by R.C. Grenfell, Director of Regulatory Affairs, Mississippi Power & Light Company, Jackson, Mississippi

MISSISSIPPI POWER & LIGHT COMPANY

Availability: At any point on Company's existing distribution lines of Adequate Capacity and Suitable Voltage

Date Filed: March 18, 1994

Date to be Effective: March 26, 1994

Docket No. 93-UA-0301

FILED

JUL 21 1993

MISSISSIPPI PUBLIC SERVICE COMMISSION

P.S.C. Schedule No. H-14.2

MAR 25 1994

Schedule Consists of One Sheet

MISS. PUBLIC SERVICE COMMISSION PUBLIC UTILITIES STAFF

Kind and Class of Service: Electric; High Load Factor General Service

MISS. PUBLIC SERVICE COMMISSION PUBLIC UTILITIES STAFF SCHEDULE HLF-1

APPLICATION

To all service for which no specific schedule is provided, supplied to customers contracting for not less than 200 kW, when all service required on the premises is supplied at one point of delivery and measured by one kilowatt-hour meter.

Applicable to standby and supplementary service only in conjunction with the applicable rider for such service.

Not applicable to temporary, breakdown, resale, or shared service.

CHARACTER OF SERVICE

Three phase, 60 cycles, and at one standard nominal voltage required by Customer, as described in Company's Standards For Electrical Installations.

NET MONTHLY RATE

\$1,082.23	for the first 200 kW or less of Customer's Demand
\$3.03	per kW for all additional kW of Customer's Demand
4.66¢	per kWh up to 400 kWh per kW of Customer's Demand
3.43¢	per kWh for all additional kWh
29¢	per KVAR of Excess KVAR

MINIMUM BILL

The charges based on Customer's Demand and Excess KVAR for the current month or such higher amount as may be required for line extension customers.

ADJUSTMENTS

First - Plus or minus an amount determined in accordance with Company's effective Fuel Adjustment Rider on file with the Mississippi Public Service Commission.

Second - Plus or minus a percentage adjustment on the pre-tax billing sufficient to compensate Company for any increase in income taxes above the 1993 level or to reduce Customer's billing to adjust for any decrease in any effective income tax rates.

Upon any change in the effective rates of income taxes the Company will file within 30 days the percentage adjustment to be applied for the remainder of the year based on operations for the prior calendar year. Subsequently the percentage adjustment to be applied during a year will be filed with the Commission prior to February 1 of each year and will be based on the prior calendar year's operations. The adjustment will be such percentage as may be necessary to obtain the same after-tax income under the effective tax rates as would have been realized under the income tax rates in effect for the year 1993 without this income tax adjustment.

Third - Plus the applicable proportionate part of any directly allocable tax, impost, or assessment imposed or levied by any governmental authority, which is assessed or levied against the Company or directly affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of the energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

PRIMARY DELIVERY

Customer may elect to take service at the primary voltage that is available, or in Company's judgment, can be made available in the most practicable manner. When Customer contracts to take service at such primary voltage and provides all facilities necessary to take service at this voltage, the demand charge, before adjustments, will be reduced 29¢ per kW for nominal 13,800 volt delivery or 38¢ per kW for nominal 115,000 volt delivery. Company may elect to measure such service on the secondary side of Customer's transformer installation. Where metering is at primary, the metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities.

CUSTOMER'S DEMAND

The average kW supplied during the fifteen-minute period of Customer's greatest use in the Day Hours (Day Load) of the current month plus 25% (for Primary Service) or 33 1/3% (in all other cases) of the amount by which the average kW supplied during the fifteen-minute period of Customer's greatest use in the Night Hours (Night Load) of the current month exceeds the Day Load, but not less than the highest of the following:

- (1) 50% of the highest kW so established in the prior eleven months where the minimum kW provided in the Agreement For Service is less than 1,000 kW, or 80% of the highest kW so established in the prior eleven months where the minimum kW provided in the Agreement For Service is 1,000 kW or greater, or
- (2) the minimum kW provided in the Agreement For Service, or
- (3) 200 kW.

If the instantaneous load exceeds the highest average fifteen-minute load by an unusual amount, such instantaneous load may be taken as the demand used for billing.

93-UA-0301

(over)

DAY HOURS

Initially 7 a.m. to 9 p.m. C.S.T. (8 a.m. to 10 p.m. D.S.T.) on five week days. These hours are subject to change by the Company upon thirty days' written notice, but shall not exceed fourteen hours per day.

NIGHT HOURS

Hours in each week day other than those included in Day Hours, and all hours on Saturdays, Sundays, and holidays.

EXCESS KVAR

The average KVAR supplied during the fifteen-minute period of greatest KVAR use during the current month in excess of 60% of Customers Demand for the current month. A KVAR meter will be installed where tests indicate a power factor less than 85%.

PAYMENT

Bills are due and payable each month upon presentation. If a bill is not paid within ten days from the date thereof, Company shall have the right to suspend service.

CONTRACT PERIOD

Not less than five years, and for like periods thereafter, in accordance with Company's Agreement For Service.

RESERVATION

Subject to orders of regulatory authorities having jurisdiction and to the provisions of Company's Service Policy currently on file with the Mississippi Public Service Commission.

FILED

JUL 21 1993

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

APPROVED

MAR 25 1994

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

93-UA-0301

Issued by R.C. Grenfell, Director of Regulatory Affairs, Mississippi Power & Light Company Jackson, Mississippi

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
Availability: This Rate Schedule is
Available on Uniform Basis Through-
out Service Territory of Company.
Date Filed: March 22, 1996
Effective Date: April 23, 1996

MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 5
Revised Pg. No. 15 Date: April 23, 1996
Superseding Pg. No. 15 Date: April 24, 1995
Schedule Consists of 3 Pages

**LARGE GENERAL SERVICE ELECTRIC SERVICE
RATE SCHEDULE "LGS-25"**

APPLICABILITY

This rate schedule applies to electric service used by one Customer in a single establishment on one premise. Service under this schedule for requirements in excess of 30,000 KW shall be at option of Company.

All service under this rate schedule shall be received at one voltage from a single delivery point, shall be measured by one meter, is for exclusive use of Customer, and shall not be resold or shared with others.

AVAILABILITY AND KIND OF SERVICE

Service under this rate schedule is available on uniform basis throughout service territory of Company. The kind of service under this schedule shall be three phase, unregulated, at Customer's nominal operating voltage, or at a primary voltage designated as available by Company. Service for requirements in excess of 5,000 KW shall be served from lines rated at less than 115 KV only at option of Company.

MONTHLY RATE FOR SECONDARY SERVICE

\$ 795.00	customer charge; plus
\$ 4.25	per KW for KW required; plus
4.155	cents per KWH for all KWH not greater than 200 hours times the billing demand; plus
3.853	cents per KWH for all KWH in excess of 200 hours and not greater than 400 hours times the billing demand; plus
3.361	cents per KWH for all KWH in excess of 400 hours times the billing demand.

DETERMINATION OF CUSTOMER'S MONTHLY KW BILLING REQUIREMENT

Customer's KW billing requirement each month shall be average KW he requires from Company during fifteen minute period of his greatest use in month, as measured by suitable meter, and rounded to nearest whole KW. In no case shall such KW billing requirement be less than 75% of his greatest KW requirement established during preceding months of May through October, inclusive, nor less than 75% of KW contracted for, nor less than five hundred (500) KW. The Company may, at its option, install a KVA meter or other appropriate meter to determine KVA and base the KW requirement on 90% of the KVA requirement so metered.

DISCOUNT FOR PRIMARY SERVICE

When Company renders service at a primary voltage available under this rate schedule and Customer furnishes, operates, and maintains complete step-down transformer substation necessary to receive and use such service, above charges will be subject to a discount of 25 cents per month per KW for all KW.

FILED

MAR 22 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

90-UN-0301

APPROVED

APR 23 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Rate Schedule "LGS-25"
Page 1 of 3
Continued on Page 16

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 5
Revised Pg. No. 16 Date: April 23, 1996
Superseding Pg. No. 16 Date: April 24, 1995
Schedule Consists of 3 Pages

LARGE GENERAL SERVICE ELECTRIC SERVICE RATE SCHEDULE "LGS-25"

MINIMUM MONTHLY BILL

In consideration of readiness of Company to furnish service under this rate schedule, no monthly bill will be rendered for less than Seven Hundred and Ninety-Five Dollars (\$795.00); plus the charge for Customer's KW billing requirement based upon the largest of: (a) The Customer's maximum KW billing requirement established during the current month or (b) The maximum billing requirement established during preceding months of May through October, inclusive, or (c) The KW contracted for by Customer.

FUEL ADJUSTMENT CLAUSE

To total of above charges for electric service under this rate schedule, there shall be added or subtracted an amount determined in accordance with provisions of Company's Fuel Adjustment Clause Schedule, approved by Order of Mississippi Public Service Commission dated June 20, 1983, or as may be later filed. A copy of schedule is available at any office of Company.

MISCELLANEOUS RATE ADJUSTMENTS

To the total of all of the above charges for electric service under this rate schedule, there shall be added or subtracted any amounts determined in accordance with clauses or plans filed and in effect with the Mississippi Public Service Commission.

TAX CLAUSE

To total of all of above charges for electric service under this rate schedule, there shall be added applicable existing Mississippi state and municipal sales taxes, and any new or additional tax, or taxes, or increases in rates of existing taxes, imposed after effective date of this rate schedule by any governmental authority upon service rendered by Company hereunder.

ORDER OF BILLING

Charges are applied in the sequence they appear in rate schedule: Monthly Rate for Service, Minimum Monthly Bill (allow primary discount if applicable), Fuel Adjustment Clause, Miscellaneous Rate Adjustments and Tax Clause.

PAYMENT

Bills rendered under this rate schedule are payable on receipt.

DEPOSIT

A cash deposit equal to twice estimated maximum monthly bill may be required of Customer before service is connected to guarantee payment of all bills.

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

Rate Schedule "LGS-25"
Page 2 of 3
Continued on Page 15.1

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 5
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Superseding Orig. Pg. No. 16.1 Date: April 24, 1995
Schedule Consists of 3 Pages

**LARGE GENERAL SERVICE ELECTRIC SERVICE
RATE SCHEDULE "LGS-25"**

TERM OF CONTRACT

Initial term of service to an establishment under this rate schedule shall be for a minimum term of five or more years, and continuing thereafter until terminated by six months' written notice by either party to other. Term of service to an establishment after initial term shall be for one or more years and continuing thereafter until terminated by six months' written notice by either party to other. Provided however, when a Customer has been served under the terms of another of the Company's rate schedules and the Company is not required to furnish additional facilities investment to serve that Customer under this schedule, the Customer may be granted an initial term of service under this schedule of less than five years, provided that the sum of the time actually served under the prior rate schedule and the initial term of service of this schedule shall be at least five years; but in no case shall the initial term of service under this rate schedule be less than one year.

Service under this rate schedule is subject to Service Rules of Company.

FILED

MAR 22 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

APPROVED

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MISS. PUBLIC SERVICE
COMMISSION
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Vice President
Gulfport, Mississippi

Rate Schedule "LGS-25"
Page 3 of 3 Final

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MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 7
Revised Pg. No. 19 Date: April 23, 1996
Superseding Pg. No. 19 Date: April 24, 1995
Schedule Consists of 3 Pages

**LARGE POWER - HIGH LOAD FACTOR ELECTRIC SERVICE
RATE SCHEDULE "LPO-29"**

APPLICABILITY

This rate schedule applies to electric service used by one Customer in a single establishment on one premise, who requires not less than 10,000 KW, with a load factor of not less than 75%.

All service under this rate schedule shall be received at one voltage from a single delivery point, shall be measured by one meter, is for exclusive use of Customer, and shall not be resold or shared with others.

AVAILABILITY AND KIND OF SERVICE

Service under this rate schedule is available on uniform basis throughout service territory of Company from lines rated at not less than 115 KV or at a lesser voltage at the option of the Company. The kind of service under this schedule shall be three phase, unregulated, at Customer's nominal operating voltage.

MONTHLY RATE FOR SECONDARY SERVICE

Charge for Monthly KW Requirement:

\$ 81,000.00 for first 10,000 KW; plus
\$ 7.00 per KW for next 60,000 KW; plus
\$ 5.90 per KW for all over 70,000 KW; plus

Charge for Power Factor Correction:

40 cents per KVA for those kilovolt-amperes at time of peak KW, if any, by which maximum KVA exceeds kilovolt-amperes corresponding to a power factor of ninety percent (90%); plus

Charge for KWH used per Month:

3.249 cents per KWH, but not less than 18 times number of days in billing period times monthly billing KW requirement for billing months July-October, inclusive.
3.080 cents per KWH, but not less than 18 times number of days in billing period times monthly billing KW requirement for billing months November-June, inclusive.

FILED

MAR 22 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

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MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF
Rate Schedule LPO-29
Page 1 of 3
Continued on Page 20

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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MISSISSIPPI PUBLIC SERVICE COMMISSION
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Superseding Pg. No. 20 Date: April 24, 1995
Schedule Consists of 3 Pages

**LARGE POWER - HIGH LOAD FACTOR ELECTRIC SERVICE
RATE SCHEDULE "LPO-29"**

DETERMINATION OF CUSTOMER'S KW BILLING REQUIREMENT

Customer's KW billing requirement each month shall be the average KW he requires from Company during fifteen minute period of his greatest use in month as measured by suitable meter, but not less than the largest of following:

- (1) 10,000 KW.
- (2) Contracted KW requirement.
- (3) Maximum KW requirement established during most recent billing months of July, August, September, and October.
- (4) Ninety percent of maximum KW requirement established during any of remaining eight billing months during most recent 12-month period.

Company reserves the right to revise items (3) and (4) or withdraw item (4) above upon 48 months' written notice to each Customer served herewith.

DISCOUNT FOR PRIMARY SERVICE

When Company renders service at 115 KV or higher, and Customer furnishes, operates, and maintains complete step-down transformer substation necessary for him to receive and use such service, above charges will be subject to a discount of 45 cents per month per KW of Customer's requirement as determined above. In the event Company elects to install low side metering with such equipment necessary to compensate for transformer and customer owned line losses, such discount will be conditioned on the Company being supplied the characteristics of transformers and lines for use in determining such losses.

MINIMUM MONTHLY BILL

In consideration of readiness of Company to furnish service under this schedule, no monthly bill will be rendered for less than the charge for Customer's KW billing requirement as determined above; plus KWH charge for KWH equal to a 75% load factor for the billing period.

FUEL ADJUSTMENT CLAUSE

To total of above charges for electric service under this rate schedule, there shall be added or subtracted an amount determined in accordance with provisions of Company's Fuel Adjustment Clause Schedule, approved by Order of Mississippi Public Service Commission dated June 20, 1983, or as may be later filed. A copy of schedule is available at any office of Company

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

Rate Schedule "LPO-29"
Page 2 of 3
Continued on Page 21

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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MISSISSIPPI PUBLIC SERVICE COMMISSION
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Superseding Pg. No. 21 Date: April 24, 1995
Schedule Consists of 3 Pages

**LARGE POWER - HIGH LOAD FACTOR ELECTRIC SERVICE
RATE SCHEDULE "LPO-29"**

MISCELLANEOUS RATE ADJUSTMENTS

To the total of all of the above charges for electric service under this rate schedule, there shall be added or subtracted any amounts determined in accordance with clauses or plans filed and in effect with the Mississippi Public Service Commission.

TAX CLAUSE

To total of all of above charges for electric service under this rate schedule, there shall be added applicable existing Mississippi state and municipal sales taxes, and any new or additional tax, or taxes, or increases in rates of existing taxes, imposed after effective date of this rate schedule by any governmental authority upon service rendered by Company hereunder.

ORDER OF BILLING

Charges are applied in the sequence they appear in rate schedule: Monthly Rate for Service, Minimum Monthly Bill (allow primary discount if applicable), Fuel Adjustment Clause, Miscellaneous Rate Adjustments and Tax Clause.

PAYMENT

Bills rendered under this rate schedule are payable on receipt.

DEPOSIT

A cash deposit equal to twice estimated maximum monthly bill may be required of Customer before service is connected to guarantee payment of all bills.

TERM OF CONTRACT

Initial term of service to an establishment under this rate schedule shall be for a minimum term of five (5) or more years, and continuing thereafter until terminated by six (6) months written notice by either party to other. Term of service to an establishment after initial term shall be for one or more years and continuing thereafter until terminated by six (6) months written notice by either party to other.

Service under this rate schedule is subject to Service Rules of Company.

FILED

MAR 22 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

90-UN-0301

121

APPROVED

APR 23 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Rate Schedule "LPO-29"
Page 3 of 3 Final

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MISSISSIPPI POWER COMPANY [EC-120-0097-00]
Availability: This Rate Schedule is
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Date Filed: January 31, 1996
Effective Date: April 18, 1996

MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 40
Revised Pg. No. 141 Date: April 18, 1996
Superseding Pg. No. 141 Date: June 30, 1994
Schedule Consists of 3 Pages

**INTERRUPTIBLE SERVICE
RIDER SCHEDULE "IS-2"**

APPLICABILITY

This rider is applicable to qualifying customers as a demand side option until December 31, 1997. The contract term is for a minimum of three years, and any customer initiating service by December 31, 1997 will receive the full three year term. This rider is supplemental to Company's electric service contract with customer and modifies billing as follows.

AVAILABILITY

Interruptible service provided under this rider is available to any customer with a projected load factor of at least 50% for each of the calendar months of June through September (summer months). The customer, after receiving service under this rider, must maintain a load factor for each of the summer months of at least 45%. If the calculated load factor for any two consecutive summer months is less than 45%, this rider is considered terminated with no notice and with the appropriate penalty applied. The minimum interruptible service provided under this rider is 500 kW.

LOAD FACTOR DETERMINATION

Load factors will be determined for each calendar month from metered data accumulated during the on-peak hours as defined in this rider. The load factor will be the metered kWh divided by the product of the actual maximum kW established and the total hours available. Excluded from load factor determination will be all interruptible periods and the holidays of New Year's Day, July 4th, Labor Day, Thanksgiving Day, and Christmas Day.

AMOUNT OF INTERRUPTIBLE CREDIT

The monthly interruptible credit will be:

\$2.58 times the difference between the actual maximum kW requirement established during the billing month during on-peak hours and the firm contracted capacity kW, times the load factor.

On-peak hours for the following calendar months are defined as:

June through September: 12:01 p.m. through 8:00 p.m. local time Monday through Friday.
October through May: 6:01 a.m. through 10:00 a.m. and
6:01 p.m. through 10:00 p.m. local time Monday through Friday.

All other hours are off-peak hours including all hours during New Year's Day, July 4th, Labor Day, Thanksgiving Day, and Christmas Day.

For interruptible customers, the firm contracted capacity will be the firm capacity the Company expects to supply during on-peak hours.

FILED

JAN 31 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

APPROVED

APR 18 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Rate Schedule "IS-2"
Page 1 of 3
Continued on Page 142

96-UN-0031

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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MISSISSIPPI PUBLIC SERVICE COMMISSION
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Revised Pg. No. 142 Date: April 18, 1996
Superseding Pg. No. 142 Date: June 30, 1994
Schedule Consists of 3 Pages

INTERRUPTIBLE SERVICE RIDER SCHEDULE "IS-2"

The credit as calculated previously will be applied to each of customer's monthly bills. No credit will be given if the load factor is not greater than or equal to 50%.

INTERRUPTIONS

It is expected that interruptible capacity will be required most often during the summer months; however, Company reserves the right to call for interruptible capacity at any hour during the year. The interruptions will be limited to not more than 8 hours per day, not more than five days per week, and not more than 240 hours per year.

Notification for interruptions will be made by telephone at least one hour in advance of the interruption period.

PENALTY FOR NOT INTERRUPTING WHEN CALLED

If customer's capacity requirement is greater than firm contract capacity between one hour after being notified and before the end of the interruptible period, a charge of \$0.38 per kW of capacity supplied in excess of firm contract capacity will be assessed per each 15 minute period of non-compliance. In addition, an incident of non-compliance during any of the calendar months of June through September will result in customer forfeiting credit for the corresponding billing month.

Total non-compliance charges per calendar year will be limited to a maximum of \$37.24 times the difference of the maximum kW supplied to customer during the calendar months of June through September and the firm contract capacity. However, if more than two (2) incidents of non-compliance occur in any calendar year, Company reserves the right to increase firm contract capacity under the rider.

Any non-compliance charges assessed will be billed as part of the next regular monthly billing.

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

Rate Schedule "IS-2"
Page 2 of 3
Continued on Page 143

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
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Superseding Pg. No. 143 Date: June 30, 1994
Schedule Consists of 3 Pages

**INTERRUPTIBLE SERVICE
RIDER SCHEDULE "IS-2"**

TERM OF CONTRACT

The contract term will be for a minimum of three years, and continuing thereafter until terminated by twelve (12) months' written notice by either party to the other.

TERMINATION OF CONTRACT

Any customer wishing to terminate the contract before the end of the three year minimum term may do so as follows. Company will determine the maximum kW supplied to customer during the previous calendar months of June through September and subtract from this amount the firm contract capacity. This kW so determined will be multiplied times the following:

Termination during the second year of the contract:	\$31.00 per kW
Termination during the third year of the contract:	\$15.50 per kW

A customer whose contract is terminated due to an insufficient load factor will pay the appropriate termination charge as listed above.

FILED

JAN 31 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

APPROVED

APR 18 1996

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

96-UN-0031

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

Rate Schedule "IS-2"
Page 3 of 3 Final

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MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 45
Original Page No. 157 Date: August 18, 1995
Schedule Consists of 3 Pages

**LARGE GENERAL SERVICE TIME OF USE ELECTRIC SERVICE
RATE SCHEDULE "LGS-TOU"**

APPLICABILITY

This rate schedule is experimental in nature and is offered as an option to qualifying customers until December 31, 1998. The contract term is for five years and any customer initiating service by December 31, 1998, will receive the full five year term. Service under this schedule for requirements in excess of 40,000 KVA will be at option of Company.

All service under this rate schedule shall be received at one voltage from a single delivery point, shall be measured by one meter, is for exclusive use of customer, and shall not be resold or shared with others.

AVAILABILITY AND KIND OF SERVICE

Service under this rate schedule is available on a uniform basis throughout the service territory of Company. The kind of service under this schedule shall be three phase, unregulated, at customer's nominal operating voltage, or at a primary voltage designated as available by company. Service for requirements in excess of 6,000 KVA shall be served from lines rated at less than 115 kV only at option of Company.

MONTHLY RATE FOR SECONDARY SERVICE

\$1245.00 customer charge, plus

For the calendar months of June through September:

\$13.00 per KVA for KVA billing requirement; plus
3.368 cents per KWH for all on-peak KWH, plus
3.038 cents per KWH for all other KWH.

For the calendar months of October through May:

\$8.00 per KVA for KVA billing requirement; plus
3.287 cents per KWH for all on-peak KWH, plus
2.831 cents per KWH for all other KWH.

FILED

JUL 18 1995

MISS. PUBLIC SERVICE
COMMISSION
ISSUED BY PUBLIC UTILITIES STAFF
Vice President
Gulfport, Mississippi

APPROVED

AUG 18 1995

MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF

Rate Schedule "LGS-TOU"
Page 1 of 3
Continued on page 158

95-UN-0299

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
Availability: This Rate Schedule is
Available on a Uniform Basis Throughout
Service Territory of Company.
Date Filed: July 19, 1995
Effective Date: August 18, 1995

MISSISSIPPI PUBLIC SERVICE COMMISSION
P.S.C. Schedule No. 45
Original Page No. 158 Date: August 18, 1995
Schedule Consists of 3 Pages

**LARGE GENERAL SERVICE TIME OF USE ELECTRIC SERVICE
RATE SCHEDULE "LGS-TOU"**

DETERMINATION OF CUSTOMER'S MONTHLY KVA BILLING REQUIREMENT

Customer's KVA billing requirement each month shall be the maximum KVA requirement established during on-peak hours. In no case shall such KVA billing requirement be less than (1) 75% of the maximum KVA requirement established during on-peak hours during the preceding calendar months of June through September, (2) 50% of contract KVA, (3) 50% of maximum KVA established during off-peak hours, or (4) less than 2500 KVA.

On-Peak hours:

June through September: 12:01 p.m. through 8:00 p.m. local time Monday through Friday.
October through May: 6:01 a.m. through 10:00 a.m. and
6:01 p.m. through 10:00 p.m. local time Monday through Friday.

All other hours are off-peak hours including all hours during New Year's Day, July 4th, Labor Day, Thanksgiving Day, and Christmas Day.

DISCOUNT FOR PRIMARY SERVICE

When Company renders service at a primary voltage available under this rate schedule and customer furnishes, operates, and maintains any transformation necessary to receive and use such service, above charges will be subject to a discount as follows:

Nominal Voltage Supplied	Discount Per Month Per Billing KVA
115 kV and above	\$1.25
12 kV up to 115 kV	\$0.95

FUEL ADJUSTMENT CLAUSE

To total of above charges for electric service under this rate schedule, there shall be added or subtracted an amount determined in accordance with provisions of Company's Fuel Adjustment Clause Schedule on file with the Mississippi Public Service Commission. A copy of schedule is available at any office of Company. (The fuel adjustment factor applicable to the LGS rate schedule is applicable to this rate.)

MISCELLANEOUS RATE ADJUSTMENTS

To the total of all of the above charges for electric service under this rate schedule, there shall be added or subtracted any amounts determined in accordance with clauses or plans filed and in effect with Mississippi Public Service Commission.

Issued By: H. E. Blakeslee
Vice President
Gulfport, Mississippi

Rate Schedule "LGS-TOU"
Page 2 of 3
Continued on page 159

MISSISSIPPI POWER COMPANY [EC-120-0097-00]
Availability: This Rate Schedule is
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Original Page No. 159 Date: August 18, 1995
Schedule Consists of 3 Pages

**LARGE GENERAL SERVICE TIME OF USE ELECTRIC SERVICE
RATE SCHEDULE "LGS-TOU"**

TAX CLAUSE

To total of all of above charges for electric service under this rate schedule, there shall be added applicable existing Mississippi state and municipal sales taxes, and any new or additional tax, or taxes, or increases in rates of existing taxes, imposed after effective date of this rate schedule by any governmental authority upon service rendered by Company here under.

ORDER OF BILLING

Charges are applied in the sequence they appear in rate schedule: Monthly Rate for Secondary Service, Discount for Primary Service (when applicable), Fuel Adjustment Clause, Miscellaneous Rate Adjustments, and Tax Clause.

PAYMENT

Bills rendered under this rate schedule are payable on receipt.

DEPOSIT

A cash deposit equal to twice the estimated maximum monthly bill may be required of customer before service is connected to guarantee payment of all bills.

EARLY TERMINATION

In view of the experimental nature of the LGS-TOU rate, customer will be given the opportunity to terminate service under this rate and initiate service under the applicable standard rate during a 60-day period immediately following each full year of service under the contract. In order to terminate, customer must within the 60-day period (1) notify Company in writing of the intent to terminate the LGS-TOU service contract, and (2) execute a new electric service agreement on the applicable standard rate schedule for a term not less than the unexpired term on the LGS-TOU contract. The new contract will supersede the previous contract upon approval by Company, with billing under the new contract commencing the first full billing month following such approval. No charges, reimbursements, or refunds will be required of either party as a result of the transfer from the LGS-TOU rate to the standard rate.

Should the customer wish to completely terminate service at any time during the term of the contract, customer will be subject to termination charges based on the customer fulfilling the remaining minimum terms of the LGS-TOU rate.

Service under this rate schedule is subject to Service Rules of Company.

FILED

Issued By: **I. H. E. Stokeslee**
Vice President
Gulfport, Mississippi
**MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF**

95-UN-0299

APPROVED

AUG 18 1995
Rate Schedule "LGS-TOU"
**MISS. PUBLIC SERVICE
COMMISSION
PUBLIC UTILITIES STAFF**

Gulf Power Company
100 North Michigan Street
Tallahassee, Florida 32301
Telephone: (904) 487-1789
Telex: 520000 GULFPOW

ATTACHMENT 4

Robert C. Livingston
Manager, Public Affairs



August 15, 1996

Mr. Joe Jenkins
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399

RE: Docket No. 96Q789-EI Gulf Power Company's Petition for Authority to
Implement a Proposed Commercial/Industrial Service Rider on a
Pilot/Experimental Basis

Dear Mr. Jenkins:

We are providing as Attachment No. 1 the information that Chairman Clark requested concerning what the states of Alabama, Georgia and Mississippi have done on flexible pricing options. We have also included for comparative purposes columns for our proposed CIS rider and the current FPSC rule for special contracts.

Please advise if you need further information or have any questions concerning this information.

Sincerely,

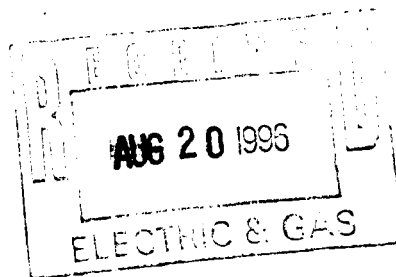
RGL/fg

CC: Commissioners
Mr. William Talbott
Dr. Mary Bane
Ms. Vicki Johnson
Ms. Gail Kamaras
Mr. Joseph McGlothlin
Ms. Blanca Bayo

COMPARISON OF FLEXIBLE PRICING OPTIONS

Special Contract or Flexible Pricing Limit	Special Contract	Commission Review	Confidentiality	Eligibility	Term of Contract	Price Restrictions (Minimum)	Other
Proposed Commercial/Industrial Service (CIS) Rider, experimental	Special Contract	Review triggered by (a) general rate case, or (b) imputed revenues resulting in above-authorized ROE	Yes	Commercial/Industrial "trial" customers with qualifying load that equals or exceeds a minimum level of demand. For Retained Load level of demand, For Retained Load that minimum demand is 500 KW of maximum monthly demand. For New Load that minimum demand 1,000 KW of installed, connected demand.	Negotiable	Price floor is incremental cost plus a contribution to fixed costs applicable cost recovery clauses.	Rider availability to subscription limited to 12 contracts, 200 MW connected load, or 4 years from initial availability.
(Authorized by State legislation)	(Authorized by PSC Order following flexible pricing option. This is not a special contract or Special Contract)	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No unless confidentiality requested and approved.	Customers with no less than 1 MW who have a competitive alternative or are "at risk".	Not addressed	Not addressed	Must pay all fuel costs and taxes. Effective beginning April, 1998.
Georgia Power	(Authorized by PSC Order following flexible pricing option. This is not a special contract or Special Contract)	Discussed with Commission Staff; (a generic docket)	Yes	Commercial or Industrial. The new or existing load must qualify for job or investment credits under Georgia Business Expansion Support Act of 1984 and be engaged in manufacturing or warehousing distribution or new load must be subject to competition between Georgia and any other state or country. Existing load (jobs) must be leaving the state.	No more than 5 years	Recover all relevant incremental costs.	Led to the State of Georgia's EDP - Economic Development Incentive Policy.
Georgia Power (Customer Choice Rules)	(Authorized by State legislation)	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No, not applicable.	New customers with a connected electrical load in excess of 900 KW, locating outside the 1973 territorial boundaries of Georgia's electric suppliers may also sometimes choose between two or more suppliers when their service corridors overlap.	No limitations	Price offers must be based on existing, approved rates and riders.	Georgia's customer choice rules are found in the Territorial Act of 1973.
Gulf Power Proposed at 7:30 Agenda	Special Contract	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No, not applicable.	New customers with a connected electrical load in excess of 900 KW, locating outside the 1973 territorial boundaries of Georgia's electric suppliers may also sometimes choose between two or more suppliers when their service corridors overlap.	No limitations	Price offers must be based on existing, approved rates and riders.	Georgia's customer choice rules are found in the Territorial Act of 1973.
Alabama Power	Special Contract	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No, not applicable.	New customers with a connected electrical load in excess of 900 KW, locating outside the 1973 territorial boundaries of Georgia's electric suppliers may also sometimes choose between two or more suppliers when their service corridors overlap.	No limitations	Price offers must be based on existing, approved rates and riders.	Georgia's customer choice rules are found in the Territorial Act of 1973.
EPSC Rule 28-9-094	Special Contract	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No, not applicable.	New customers with a connected electrical load in excess of 900 KW, locating outside the 1973 territorial boundaries of Georgia's electric suppliers may also sometimes choose between two or more suppliers when their service corridors overlap.	No limitations	Price offers must be based on existing, approved rates and riders.	Georgia's customer choice rules are found in the Territorial Act of 1973.
Miscellaneous Power	Special Contract	PSC review only when a customer's choice is disputed, resulting in what is known in Georgia as a "retail dispute".	No, not applicable.	New customers with a connected electrical load in excess of 900 KW, locating outside the 1973 territorial boundaries of Georgia's electric suppliers may also sometimes choose between two or more suppliers when their service corridors overlap.	No limitations	Price offers must be based on existing, approved rates and riders.	Georgia's customer choice rules are found in the Territorial Act of 1973.

Robert G. Livingston
Regulatory Affairs Manager



August 20, 1996

Mr. Joe Jenkins
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399

RE: Docket No. 960789-EI Gulf Power Company's Petition for Authority to Implement a Proposed Commercial/Industrial Service Rider on a Pilot/Experimental Basis

Dear Mr. Jenkins:

Consistent with the discussion at our August 13, 1996 meeting, we are providing as Document No. 1 a package that includes the following:

- Attachment A - Gulf Power (4 pages) Updated Matrix dated 8-20-96.
- Attachment B - Gulf Power 1 page Summary of Changes, items (a-i).
- Updated Implementation Plan CISR dated 8-20-96- Gulf Power 2 Pages.
- CISR Example Tariff - Gulf Power 2 Pages dated 8-20-96.

Letter to Joe Jenkins
August 20, 1996
Page 2

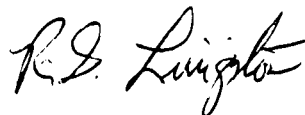
In addition, we are providing as Document No. 2 an alternative package that reflects an alternative for item 6 at page 2 of the matrix. This package includes the following:

- Attachment A - Gulf Power Alternative 4 pages Updated Matrix 8-20-96.
- Attachment B - Gulf Power Alternative 1 page Summary of Changes, items (a-I).
- Updated Implementation Plan CISR dated 8/20/96 - Gulf Power Alternative 2 Pages.
- CISR Example Tariff - Gulf Power Alternative 2 Pages.

The difference between the Gulf Power Alternative proposal and the proposal discussed at the July 30, 1996 agenda is shown as item 6b in the matrix. This alternative provides for an up-front review by the Commission within 60 days of the filing of each executed CSA contract. The impact of this alternative is also reflected on item 16 because the timing of the prudence review would be accelerated under the alternative proposal.

Please advise if you need further information or have any questions concerning this information.

Sincerely,



RGL/fg

cc: Mr. William Talbott
Dr. Mary Bane
Ms. Vicki Johnson
Ms. Gail Kamaras
Mr. Joseph McGlothlin
Ms. Blanca Bayo

Docket No. 960789-EI

August 20, 1996

Document No. 1

- Attachment A - Gulf Power
- Attachment B - Gulf Power
- Updated Implementation Plan - Gulf Power
- CISR Example Tariff - Gulf Power

DOCKET NO. 960789-EI
LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF
August 20, 1996

a.

NOTE: In the next recommendation, staff plans to show Gulf's tariff that was withdrawn at the 7/30 agenda (Gulf) and staff's proposed one-customer experimental tariff (staff at 7/30 agenda) in terms of items from the following list. This will be in addition to other staff proposals and any new proposals from Gulf.

This list includes all the changes discussed at the August 13, 1996 meeting between Gulf and staff.

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff							
One Year							
Two Years							
Three Years							
Four Years	X	X					
Longer							
Permanent, no experiment							
Other							
2. Maximum length of CSA contracts							
Three Years							
Four Years							
Five Years							
Ten Years							
Fifteen Years							
Twenty Years							
No Maximum Contract Term Limit	X	X	X				
Ceases when retail access allowed							
Ceases on the in-service date of the next currently avoidable generating unit							
All contracts terminate at a certain date, e.g., year 2002							
3. Maximum load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW) of connected load							
50							
100							
150							
200	X	X					
No size Limitation			X				
4. Total number of contracts - the CISR will be closed to further subscription if the Company has executed a certain number of contracts							
One			X				
Up to Eight							
Up to Twelve	X	X					
No Limitation							

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	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
5. Minimum demand - minimum level of demand (KW) customer must have to be eligible for CISR							
None							
500 KW (0.5MW) of maximum monthly demand for existing customers	X	X	X				
1000 KW (1 MW) of connected load for new customers	X	X	X				
6. Prior approval - should the Commission pre-approve each negotiated contract							
Yes							
No	X		X				
b. Alternative—Each executed CSA contract should have a regulatory out clause that allows the Commission 60 days to review the agreement and the utility's justification; if no action to disapprove occurs within this "reg-out" period then CSA contract becomes effective (modeled after Georgia and Alabama programs)		X					
7. Availability of CISR tariff - Staff notes that it believes any "at-risk" evaluation by the Commission after the contract is signed to be very difficult							
c. Existing "at risk" load of existing commercial/industrial customer - load retention	X	X	X				
d. New "at risk" load of existing commercial/industrial customer - load expansion	X	X	X				
e. New "at risk" load of a new commercial/industrial customer - load building	X	X	X				
8. Customer competition - discounted rates to other competing customers classified to the same SIC Code							
Order Gulf to include in CSA contract that it may be cancelled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors							
Yes			X				
No	X	X					
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer to be unfairly disadvantaged							
Yes							
No	X	X					
9. Alternative source competition - competition with other electric utilities and natural gas utilities							
If the Commission determines in a territorial dispute that all other cost and design factors are equal (leaving customer choice as the deciding factor), and that the availability of the CISR was used to unfairly influence the customer's choice of provider, should Gulf be required to cancel the CISR contract?							
Yes							
No	X	X					
If the Commission determines that the availability of the CISR was used to influence the customer's choice to use electricity, instead of natural gas, and thereby adversely affect natural gas ratepayers, should Gulf be required to cancel the CISR contract? (Competing with direct pipeline sales or oil is appropriate since they are unregulated)							
Yes							
No	X	X					

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
10. Customer charge - the CSA customer should pay the following customer charge Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X	X					
Actual incremental costs to negotiate the CSA contract							
Actual incremental costs to administer the CSA contract							
The otherwise applicable customer charge plus \$250 per month			X				
11. The CSA minimum revenues will							
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X	X					
Be sufficient to cover all costs in the price floor plus 20%							
12. Price floor components - in addition to any customer charge, "all costs in the price floor" are defined as:							
Incremental generation capacity costs	X	X	X				
Incremental transmission capacity costs	X	X					
Incremental distribution capacity costs	X	X					
Incremental administrative & general overhead costs	X	X					
Average embedded generation capacity costs							
Average embedded transmission capacity costs			X				
Average embedded distribution capacity costs			X				
Average embedded administrative and general costs			X				
All otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation)	X	X	X				
13. Sharing - how should any unrecovered embedded cost associated with the CSA load be shared between stockholders and non CSA-customers?							
Gulf will absorb any unrecovered embedded cost until the next rate case. Future allocation should be deferred until Gulf's next rate case and the associated prudence evaluation.	X	X					
Commission should establish upfront, when approving a CISR tariff, a percentage sharing formula							
14. Required documentation - the Company would be required to have the following documentation readily available for the Commission's inspection (and/or copying if requested) during regulatory prudence review							
For each contract all workpapers, calculations, and supporting documentation, including customer specific information, used by Gulf's management to determine the eligibility of a customer for a CSA contract	X	X					
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not							
Affidavit from customer indicating customer's intention on the day of signing the CSA							
Customer's investment options at the time of the CSA signing							

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f.

g.

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
15. Required reports - the company would be required to file the following reports, for informational purposes, with the Commission on a regular basis Summary reporting information filed quarterly, and any additional relevant information available to the Commission upon request	X	X	X				
Other							
16. Initiation of contract prudence review							
h. Immediately after Commission notice regarding CSA contract execution		X	X				
i. Upon Gulf exceeding ROE ceiling after taking imputed revenue differential into account	X						
In Gulf's next rate case	X						
Upon the Commission's own motion	X						
For all CISR customers signed within:							
One Year							
18 Months							
Two Years							
Three Years							
Four Years							
17. Items to be included in a contract review							
Commission determination of whether Gulf's decision that the CSA qualifying load was "at-risk" was prudent							
Yes	X	X					
No							
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract							
Yes	X	X					
No							
Determination of whether the contract at the time it was executed adequately accounted for future cost uncertainty							
Yes	X	X					
No							

Description of columns 6, 7, and 8 (related to other approaches recently approved by the Commission):

Limited Contract - the non-fuel energy recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's and City of Homestead's recently approved Contract Rate Schedule)

Guaranteed buy-through - The utility shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSX-6 rate), and transmits it to the customer. Transmission and distribution costs will be recovered under this proposal.

Separation of costs - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.

ATTACHMENT B**Summary of Changes**

- a. New date.
- b. New option.
- c. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load retention."
- d. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load expansion."
- e. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "New 'at risk' commercial industrial customer - load building."
- f. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Determination of allocation should be deferred until Gulf's next rate case and the associated prudence evaluation"
- g. Changed wording to conform to process currently used in Commission audits and in formal discovery. Intended to reduce document handling burden on Commission and Company. Former wording was "Required documentation - the Company would be required to file the following documentation with Commission for regulatory prudence review"
- h. Changed wording to reflect that initiation of review follows notice to Commission that CSA has been executed. Former wording was "Immediately after execution of CSA contract"
- i. Changed wording to better reflect Gulf's original filing. Former wording was "Upon Gulf exceeding ROE ceiling after discounted revenue imputation"

Gulf Power Company
Commercial/Industrial Service Rider
Pilot Study Implementation Plan
[Page 1 of 2]

Gulf Power

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:** 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;¹ (2) The Company has executed twelve CSAs with eligible customers under the CIS Rider;² or (3) Forty-eight months has passed from the initial effective date.³ The period defined by these conditions is the pilot study period. 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.
- 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 by a 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. 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.
- Revenue Allocation:** Any revenues received by the Company pursuant to a CSA shall be allocated first to the various applicable cost-specific cost recovery clauses so that the revenues associated with the respective cost recovery clauses for true-up purposes will be the same with the CSA as they would be without the CSA.
- 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 all 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 the offering.
 - on an annual basis, the cumulative total of revenues associated with all CSAs executed by the Company.

¹As a frame of reference, Gulf's eight largest industrial customers have a coincident peak load of approximately 200 megawatts.

²Gulf's experimental/pilot real time pricing program has a maximum subscription limit of twelve customers.

³Gulf's experimental/pilot real time pricing program has a scheduled forty-eight month study period.

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

Gulf Power

[Page 2 of 2]

Regulatory review: 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 shall be as long as necessary for the Commission's staff to conduct all reasonable discovery needed to evaluate the prudence of Gulf's decision to execute each CSA then in existence. For this review by the Commission, Gulf will continue to have the burden of proof. At the conclusion of this regulatory review, if Gulf has not demonstrated to the Commission's satisfaction that Gulf's decision to enter into 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 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 standard tariff rates and the revenues that are produced by 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 top of the Company's authorized range will be held subject to refund as possible over earnings pending completion of the Commission's review.

GULF POWER COMPANY**RATE SCHEDULE CIS
Limited Availability Experimental Rate
Commercial/Industrial Service**

(Optional Rider)

AVAILABILITY - Available, at the Company's option, to 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 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 this rider; or (3) Forty-eight months has passed from the initial effective date. The period defined by these conditions is the pilot study period. This limitation on subscription can be removed by the Commission at any time upon good cause having been shown by the Company based on data and experience gained during 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 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.

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

GULF POWER COMPANY

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.

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 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.

Docket No. 960789-EI

August 20, 1996

Document No. 2

- Attachment A - Gulf Power Alternative
- Attachment B - Gulf Power Alternative
- Updated Implementation Plan - Gulf Power Alternative
- CISR Example Tariff - Gulf Power Alternative

GULF POWER ALTERNATIVE
ATTACHMENT A

DOCKET NO. 960789-EI
LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF

August 20, 1996

NOTE: In the next recommendation, staff plans to show Gulf's tariff that was withdrawn at the 7/30 agenda (Gulf) and staff's proposed one-customer experimental tariff (staff at 7/30 agenda) in terms of items from the following list. This will be in addition to other staff proposals and any new proposals from Gulf.

This list includes all the changes discussed at the August 13, 1996 meeting between Gulf and staff.

1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff	Gulf	Revised	Staff	7/30	Revised	Staff	Limited	Contract	Guaranteed	Separation
One Year										
Two Years										
Three Years										
Four Years										
Five Years										
Ten Years										
Fifteen Years										
Twenty Years										
No Maximum Contract Term Limit		X			X					
Ceases when retail access allowed										
Ceases on the in-service date of the next currently avoidable generating unit										
All contracts terminate at a certain date, e.g., year 2002										
3. Maximum load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW) of connected load										
50										
100										
150										
200										
No size limitation		X			X					
4. Total number of contracts - the CISR will be closed to further subscription if the Company has executed a certain number of contracts										
One										
Up to Eight										
Up to Twelve		X			X					
No Limitation										

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
5. Minimum demand - minimum level of demand (KW) customer must have to be eligible for CISR							
None							
500 KW (0.5MW) of maximum monthly demand for existing customers	X	X	X				
1000 KW (1 MW) of connected load for new customers	X	X	X				
6. Prior approval - should the Commission pre-approve each negotiated contract							
Yes							
No	X		X				
b. Alternative—Each executed CSA contract should have a regulatory out clause that allows the Commission 60 days to review the agreement and the utility's justification; if no action to disapprove occurs within this "reg-out" period then CSA contract becomes effective (modeled after Georgia and Alabama programs)		X					
7. Availability of CISR tariff - Staff notes that it believes any "at-risk" evaluation by the Commission after the contract is signed to be very difficult							
c. Existing "at risk" load of existing commercial/industrial customer - load retention	X	X	X				
d. New "at risk" load of existing commercial/industrial customer - load expansion	X	X	X				
e. New "at risk" load of a new commercial/industrial customer - load building	X	X	X				
8. Customer competition - discounted rates to other competing customers classified to the same SIC Code							
Order Gulf to include in CSA contract that it may be cancelled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors							
Yes			X				
No	X	X					
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer to be unfairly disadvantaged							
Yes							
No	X	X					
9. Alternative source competition - competition with other electric utilities and natural gas utilities							
If the Commission determines in a territorial dispute that all other cost and design factors are equal (leaving customer choice as the deciding factor), and that the availability of the CISR was used to unfairly influence the customer's choice of provider, should Gulf be required to cancel the CISR contract?							
Yes							
No	X	X					
If the Commission determines that the availability of the CISR was used to influence the customer's choice to use electricity, instead of natural gas, and thereby adversely affect natural gas ratepayers, should Gulf be required to cancel the CISR contract? (Competing with direct pipeline sales or oil is appropriate since they are unregulated)							
Yes							
No	X	X					

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
10. Customer charge - the CSA customer should pay the following customer charge Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X	X					
Actual incremental costs to negotiate the CSA contract							
Actual incremental costs to administer the CSA contract							
The otherwise applicable customer charge plus \$250 per month			X				
11. The CSA minimum revenues will							
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X	X					
Be sufficient to cover all costs in the price floor plus 20%							
12. Price floor components - in addition to any customer charge, "all costs in the price floor" are defined as:							
Incremental generation capacity costs	X	X	X				
Incremental transmission capacity costs	X	X					
Incremental distribution capacity costs	X	X					
Incremental administrative & general overhead costs	X	X					
Average embedded generation capacity costs							
Average embedded transmission capacity costs			X				
Average embedded distribution capacity costs			X				
Average embedded administrative and general costs			X				
All otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation)	X	X	X				
13. Sharing - how should any unrecovered embedded cost associated with the CSA load be shared between stockholders and non CSA-customers?							
f. Gulf will absorb any unrecovered embedded cost until the next rate case. Future allocation should be deferred until Gulf's next rate case and the associated prudence evaluation.	X	X					
Commission should establish upfront, when approving a CISR tariff, a percentage sharing formula							
14. Required documentation - the Company would be required to have the following documentation readily available for the Commission's inspection (and/or copying if requested) during regulatory							
g. prudence review							
For each contract all workpapers, calculations, and supporting documentation, including customer specific information, used by Gulf's management to determine the eligibility of a customer for a CSA contract	X	X					
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not							
Affidavit from customer indicating customer's intention on the day of signing the CSA							
Customer's investment options at the time of the CSA signing							

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
15. Required reports - the company would be required to file the following reports, for informational purposes, with the Commission on a regular basis							
Summary reporting information filed quarterly, and any additional relevant information available to the Commission upon request	X	X	X				
Other							
16. Initiation of contract prudence review							
Immediately after Commission notice regarding CSA contract execution		X	X				
h. Upon Gulf exceeding ROE ceiling after taking imputed revenue differential into account	X						
i. In Gulf's next rate case	X						
Upon the Commission's own motion	X						
For all CISR customers signed within:							
One Year							
18 Months							
Two Years							
Three Years							
Four Years							
17. Items to be included in a contract review							
Commission determination of whether Gulf's decision that the CSA qualifying load was "at-risk" was prudent							
Yes	X	X					
No							
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract							
Yes	X	X					
No							
Determination of whether the contract at the time it was executed adequately accounted for future cost uncertainty							
Yes	X	X					
No							

Description of columns 6, 7, and 8 (related to other approaches recently approved by the Commission):

Limited Contract - the non-fuel energy recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's and City of Homestead's recently approved Contract Rate Schedule)

Guaranteed buy-through - The utility shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSX-6 rate), and transmits it to the customer. Transmission and distribution costs will be recovered under this proposal.

Separation of costs - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.

ATTACHMENT B

Summary of Changes

- a. New date.
- b. New option.
- c. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load retention."
- d. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load expansion."
- e. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "New 'at risk' commercial industrial customer - load building."
- f. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Determination of allocation should be deferred until Gulf's next rate case and the associated prudence evaluation"
- g. Changed wording to conform to process currently used in Commission audits and in formal discovery. Intended to reduce document handling burden on Commission and Company. Former wording was "Required documentation - the Company would be required to file the following documentation with Commission for regulatory prudence review"
- h. Changed wording to reflect that initiation of review follows notice to Commission that CSA has been executed. Former wording was "Immediately after execution of CSA contract"
- i. Changed wording to better reflect Gulf's original filing. Former wording was "Upon Gulf exceeding ROE ceiling after discounted revenue imputation"

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:** 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;¹ (2) The Company has executed twelve CSAs with eligible customers under the CIS Rider;² or (3) Forty-eight months has passed from the initial effective date.³ The period defined by these conditions is the pilot study period. 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.
- 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 by a 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. 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.
- Revenue Allocation:** Any revenues received by the Company pursuant to a CSA shall be allocated first to the various applicable cost-specific cost recovery clauses so that the revenues associated with the respective cost recovery clauses for true-up purposes will be the same with the CSA as they would be without the CSA.
- 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 all 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 the offering.
 - on an annual basis, the cumulative total of revenues associated with all CSAs executed by the Company.

¹As a frame of reference, Gulf's eight largest industrial customers have a coincident peak load of approximately 200 megawatts.

²Gulf's experimental/pilot real time pricing program has a maximum subscription limit of twelve customers.

³Gulf's experimental/pilot real time pricing program has a scheduled forty-eight month study period.

Regulatory review: Each executed CSA shall be fully reviewed by the Commission under conditions that protect the confidentiality of proprietary information. Each executed CSA shall have a "regulatory out" clause that allows the Florida Public Service Commission a period of sixty (60) days to review the agreement and Gulf Power's justification related thereto. If no action to disapprove the CSA occurs within this sixty (60) day period, then the CSA shall become effective and the regulatory out provision shall become moot.

Upon the execution of a 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 standard tariff rates and the revenues that are produced by 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.

GULF POWER COMPANY**RATE SCHEDULE CIS
Limited Availability Experimental Rate
Commercial/Industrial Service**

(Optional Rider)

AVAILABILITY - Available, at the Company's option, to 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 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 this rider; or (3) Forty-eight months has passed from the initial effective date. The period defined by these conditions is the pilot study period. This limitation on subscription can be removed by the Commission at any time upon good cause having been shown by the Company based on data and experience gained during 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 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.

Each executed CSA shall have a "regulatory out" clause that allows the Florida Public Service Commission a period of sixty (60) days to review the agreement and Gulf Power's justification related thereto. If no action to disapprove the CSA occurs within this sixty (60) day period, then the CSA shall become effective and the regulatory out provision shall become moot.

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;

GULF POWER 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.

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 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.

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)

RE: DOCKET NO. 960789-EI - 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 in 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.

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.

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 of 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 approximately 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 and 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.

State of Florida

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 19, 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. **RATECAP** - 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.

Mr. Arlan Scarborough
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July 19, 1996

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 tThe 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-EL, 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.