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January 21, 2016

Ms. Carlotta Stauffer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0868

Re: Docket No. 150248-EG – Gulf Power Company's Petition for Approval of
Community Solar Pilot Program

Dear Ms. Stauffer:

Attached is Gulf Power Company's response to Staff's Second Data Request in
the above-referenced docket.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." with a stylized flourish at the end.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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Attachments

cc w/att.: Beggs and Lane
Jeffrey A. Stone, Esquire
Division of Economics
Sue Ollila
Office of General Counsel
Theresa Tan

1. Would Gulf be willing to absorb costs to non-participants as Florida Power and Light has committed to in its voluntary solar partnership pilot program (Order No. PSC-14-0468-TRF-EI, page 3, in Docket No. 140070-EI)? Please explain your answer.

RESPONSE:

Gulf represents and acknowledges that its shareholders, as opposed to its non-participating customers, are assuming the risk that the program structure will not fully support the costs of the program. Gulf is not seeking by its petition in this docket to insulate itself or its shareholders from that risk and is not assuming that Commission approval of this program would have the effect of insulating the shareholders from such risk. While the Company has no present intent to make such a request Gulf would, however, reserve its right to petition the Commission for alternative treatment of the program and/or solar assets if circumstances develop in the future to warrant proposing such alternative treatment. For example, should the program assets become cost-effective for Gulf's general body of customers in the future, Gulf must retain the ability to petition the Commission for appropriate regulatory treatment of the assets based on the facts and circumstances as they exist at the time. Because its program is unique to Gulf, any circumstances involving it are likewise unique, meaning that Gulf is unable to express an opinion as to whether its commitment as stated above is, or is not, consistent with any commitments made by any other company in connection with that company's proposed program.

2. Please refer to Gulf's response to Staff's First Data Request, No. 14, and explain how the Federal Solar Investment Tax Credits are included in the revenue requirement calculation. If they are not included, please provide a version of the response to No. 14 including the impact of the tax credits.

RESPONSE:

The revenue requirement on Gulf's response to Staff's First Data Request, No. 14, includes the impacts of the 30% Federal Solar Investment Tax Credit (ITC). The impacts of the normalized ITCs are embedded in the "Income Tax" column of that response.

3. Please refer to Gulf's response to Staff's First Data Request, No. 28, and provide an estimate of the administrative costs required to use the actual as-available energy rate to provide bill credits to participants in the voluntary solar pilot program.

RESPONSE:

To provide monthly bill credits based on actual as-available energy rates to participants in Gulf's voluntary solar pilot program, Gulf estimates enhancements to its billing system would take up to a full year to implement and would add an estimated \$200,000 to the program administrative costs, which translates into an increase in the levelized annual revenue requirement of approximately \$14,000. Importantly, this added cost would have the consequence of decreasing the amount of the bill credit that each enrolled customer would receive because a greater number of enrollments would be required in order to meet the levelized annual revenue requirement. Actual costs would be contingent upon development of a final business case to make the modifications, as well as any as yet unforeseen additional enhancements that may be needed during the pilot.

Gulf has pursued a program design that relies upon annual projections of avoided cost for reasons that Gulf views as key to the program's success. In addition to increased cost, using actual as-available energy rates poses multiple other challenges for the program such as:

- A. The risk of securities law violations presented by an inability to determine whether the total monthly credits would exceed the annual subscription fee at the beginning of a program year. Federal and many state securities laws recognize "investment contracts" as securities. The U.S. Supreme Court has defined an investment contract as "a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party." *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293, 298-99 (1946). To the extent that bill credits are fixed annually and are known not exceed annual program subscription fees, there can be no expectation of profit and, therefore, no investment contract. The concept of community solar programs constituting securities has been the subject of research in scholarly and legal arenas in the recent past. For example, see the U.S. Department of Energy's publication titled "A Guide to Community Solar: Utility, Private and Non-Profit Project Development" at <http://www.nrel.gov/docs/fy11osti/49930.pdf>. Gulf Power designed its community solar program, including the element of a fixed bill credit based on projected avoided cost, with these considerations in mind.

- B. Customer receptivity to a credit that would change on a monthly basis. As stated in Gulf's response to Staff's First Data Request, No. 28, Gulf believes that establishing a fixed credit each year provides a simpler, more broadly appealing program design for the customer and is responsive to the customer research Gulf conducted prior to developing a community solar offering. Utilizing a fixed credit enables the customer to make an informed annual decision based upon a known credit amount, rather than having to find out each month what the credit is when the bill arrives. The inability of customers to determine the total value of program participation at the point of enrollment adds to the complexity of the program from the customer's standpoint and could discourage enrollment.
- C. Additional complexities associated with billing, administering and advertising the program. Utilizing actual as-available energy rates would introduce further complexities in administering the program. One such complexity would involve a lag in the period of time between calculation of the applicable as-available energy rate and application of that rate to billing for all program participants. For example, the rate calculated for November may not be applied to bills until the following January. Further employee training would be needed in order to attempt to set customer expectations accurately and respond to inquiries that will likely result from having a credit amount that fluctuates month to month. Moreover, advertising the program to customers would also become more complicated in order to adequately explain the monthly variations in the credit received by enrolled customers.
- D. Program delay. Implementing this type of billing system enhancement could take up to a year to complete. Assuming Commission approval of the program, Gulf would anticipate having to postpone its program launch until mid-2017 or later.

4. Please refer to Gulf's response to Staff's First Data Request, No. 43, and provide a copy of the study conducted by Southern Company Services and KPMG LLP for determining the useful life of various components of a generic solar plant referred to in this response.

RESPONSE:

Please see attachment A.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for approval of Community Solar Pilot)
Program by Gulf Power Company)
_____)

Docket No.: 150248-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 21st day of January, 2016 to the following:

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