

State of 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-

DATE: October 26, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Morgan, Coston, Guffey) *CMZ WSE ELD GTS WET*
Office of the General Counsel (Trierweiler) *JKK JH 90H*

RE: Docket No. 20170209-EI – Petition for approval of modifications to business incentive rate riders, by Gulf Power Company.

AGENDA: 11/07/17 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 60 Day Effective Date: 11/25/17

SPECIAL INSTRUCTIONS: None

RECEIVED - FPSC
2017 OCT 26 AM 9:13
COMMISSION
CLERK

Case Background

On September 25, 2017, Gulf Power Company (Gulf or company) filed a petition requesting modifications to its Extra Large Business Incentive Rate Rider (XLBIR), Large Business Incentive Rate Rider (LBIR), Medium Business Incentive Rate Rider (MBIR), and Small Business Incentive Rate Rider (SBIR), known collectively as the riders. The riders collectively share a 100 megawatt (MW) subscription limitation. Gulf is requesting in this petition to remove this limitation. The company's riders were approved by the Commission as a three-year pilot program (January 1, 2014 through December 31, 2016) pursuant to the Stipulation and Settlement Agreement in Gulf's 2013 base rate proceeding.¹ On June 9, 2016, the Commission approved a limited extension of the riders, changing the termination date from December 31,

¹ Order No. PSC-13-0670-S-EI, issued December 19, 2013, in Docket No. 130140-EI, *In re: Petition for rate increase by Gulf Power Company.*

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2016 to December 31, 2017.² On May 16, 2017, as part of the Stipulation and Settlement Agreement in Gulf's 2016 base rate proceeding, the Commission made the program a permanent tariff option.³ The XLBIR was also approved as part of the agreement. The riders, which require a five-year electric service contract (the XLBIR requires a ten-year contract), provide base rate credits for new businesses that meet certain requirements such as minimum monthly load, job creation, and capital investment. Customers must also verify that the availability of the riders is a significant factor in their location or expansion decision.

Staff issued a data request to Gulf on October 6, 2017, and the company responded on October 13, 2017. Attachment A of this recommendation provides the rider tariff sheets indicating the proposed changes. The Commission has jurisdiction over this matter pursuant to Sections 288.035 and 366.06, Florida Statutes.

² Order No. PSC-16-0269-CO-EI, issued July 15, 2016, in Docket No. 20160090-EI, *In re: GPC's petition for limited extension of experimental business incentive rate riders until 12/31/17.*

³ Order No. PSC-17-0178-S-EI, issued May 16, 2017, in Docket No. 160186-EI, *In re: Petition for rate increase by Gulf Power Company.*

Discussion of Issues

Issue 1: Should the Commission approve Gulf’s petition for modifications to its Business Incentive Rate Riders?

Recommendation: Yes, the Commission should approve Gulf’s petition for modifications to its Business Incentive Rate Riders effective November 7, 2017. (Morgan)

Staff Analysis: The riders are designed to attract new commercial and industrial customers to Gulf’s service territory and foster economic growth. The riders offer base rate electric price incentives over a four to nine-year period for new or expanding businesses that meet certain electric load and full-time employee (FTE) requirements. Table 1-1 shows the requirements for customers to join each rider.

**Table 1-1
 Requirements by Rider**

Rider	Monthly Load	Number of FTEs	Capital Investment
XLBIR	5 MW	50	\$1,000,000
LBIR	1,000 kW	50	\$1,000,000
MBIR	350 kW	25	None
SBIR	200 kW	10	None

Source: Tariff Sheet Nos. 6.93, 6.95, 6.97, 6.104

Eligible customers must agree to a minimum five-year service agreement (ten-year agreement in the XLBIR) and submit documentation verifying the current number of FTEs, each year. Table 1-2 illustrates the credits by rider which will be applied to the customer’s base demand and energy charges.

**Table 1-2
 Reduction in Base Demand and Energy Charges**

Year	XLBIR*	LBIR	MBIR	SBIR
1	60%	60%	40%	20%
2	53%	45%	30%	15%
3	47%	30%	20%	10%
4	40%	15%	10%	5%
5-9*	33% to 7 %	None	None	None

Source: Tariff Sheet Nos. 6.93, 6.95, 6.97, 6.104

* Not shown, the credits for the XLBIR decline from 27 percent in Year 6 to 7 percent in Year 9. In Year 10, there are no credits.

In response to staff's data request, Gulf stated that it currently has two subscribers to the riders, which carry a 504 kW load, employ 94 FTEs, and have a total capital investment of \$3.6 million. These subscribers have received total credits of \$42,059 to date. Gulf has four additional customers that have committed to joining the riders. These four customers are expected to bring a 15.5 MW load, 5,640 jobs, and \$42 million in electricity revenue to Gulf's territory between 2017 and 2018.

In addition, Gulf has begun negotiations with prospective customers whose load would bring the riders' total near or over the 100 MW limit. The company states that the limit hinders negotiations due to the uncertainty of the riders' future capacity. The 100 MW limit was originally placed on a three-year pilot program. Gulf asserts that removal of the limit on the now-permanent program will enhance its effectiveness. Per Rule 25-6.0426, Florida Administrative Code, utilities can recover 95 percent of economic development expenses, not to exceed the lesser of 0.15 percent of annual revenues or \$3 million. Despite this rule, Gulf is not seeking recovery of its economic development expenses as part of this request.

Gulf has demonstrated that the riders have successfully attracted new load, jobs, capital investment, and incremental base revenues to Gulf's service territory. The riders provide benefits to the general body of ratepayers through additional revenue and load, over which fixed costs are spread. Also, at this time, Gulf is not seeking recovery of these expenses. Therefore, staff recommends that the Commission should approve Gulf's petition for modifications to its Business Incentive Rate Riders effective November 7, 2017.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenue held subject to refund, pending resolution of a protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Trierweiler)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenue held subject to refund, pending resolution of a protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



Section No. VI
Original-First Revised Sheet No. 6.103
Canceling Original Sheet No. 6.103

PAGE 1 of 2	EFFECTIVE DATE July 1, 2017
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**Rate Rider XLBIR
Extra-Large Business Incentive Rider
(Optional Rider)**

AVAILABILITY:

This Rate Rider is available to all Customers within Gulf Power's service area who meet qualifying load and employment requirements.

The qualifying load and employment requirements under this Rider must be achieved at the same delivery point. Additional metering equipment may be required for service under this Rider.

APPLICABILITY:

Applicable to New Load as a Rate Rider to the rates specified below. All terms and conditions of the rate under which the Customer takes service remain applicable, except that the Customer's billing will be credited by the incentive specified below beginning with the commencement of service pursuant to this Rider. New Load is that which is added via connection of initial service or net incremental load above that which existed prior to approval for service under this rider. ~~Service under this rider must occur after the effective date of this rider but not later than the date that the Company determines that the subscription limit of 100 MW has been reached for all New Load under this Rider together with the companion Riders, SEIR, MBIR, and LBIR.~~

Rate Rider XLBIR shall only be combined with Rate Schedules LP, LPT, PX, PXT or RTP. If a change in ownership occurs during the Term of Service under this Rider, the successor Customer may be allowed to fulfill the balance of the Contract under this Rider.

ISSUED BY: S. W. Connally, Jr.



Section No. VI
Second-Third Revised Sheet No. 6.92
Canceling First-Second Revised Sheet No. 6.92

PAGE 1 of 2	EFFECTIVE DATE July 1, 2017
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**Rate Rider LBIR
Large Business Incentive Rider
(Optional Rider)**

AVAILABILITY:

This Rate Rider is available to all Customers within Gulf Power's service area who meet qualifying load and employment requirements.

The qualifying load and employment requirements under this Rider must be achieved at the same delivery point. Additional metering equipment may be required for service under this Rider.

APPLICABILITY:

Applicable to New Load as a Rate Rider to the rates specified below. All terms and conditions of the rate under which the Customer takes service remain applicable, except that the Customer's billing will be credited by the incentive specified below beginning with the commencement of service pursuant to this Rider. New Load is that which is added via connection of initial service or net incremental load above that which existed prior to approval for service under this rider. ~~Service under this rider must occur after the effective date of this Rider but not later than the date that the Company determines that the subscription limit of 100 MW has been reached for all New Load under this Rider together with the companion Riders, SBIR, MBIR, and XLEIR.~~

Rate Rider LBIR shall only be combined with Rate Schedules LP, LPT, PX, PXT or RTP. If a change in ownership occurs during the Term of Service under this Rider, the successor Customer may be allowed to fulfill the balance of the Contract under this Rider.

ISSUED BY: S. W. Connally, Jr.



Section No. VI
Second ~~Third~~ Revised Sheet No. 6.94
Canceling First ~~Second~~ Revised Sheet No. 6.94

PAGE	EFFECTIVE DATE
1 of 2	July 1, 2017

**Rate Rider MBIR
Medium Business Incentive Rider
(Optional Rider)**

AVAILABILITY:

This Rate Rider is available to all Customers within Gulf Power's service area who meet qualifying load and employment requirements.

The qualifying load and employment requirements under this Rider must be achieved at the same delivery point. Additional metering equipment may be required for service under this Rider.

APPLICABILITY:

Applicable to New Load as a Rate Rider to the rates specified below. All terms and conditions of the rate under which the Customer takes service remain applicable, except that the Customer's billing will be credited by the incentive specified below beginning with the commencement of service pursuant to this Rider. New Load is that which is added via connection of initial service or net incremental load above that which existed prior to approval for service under this rider. Service under this rider must occur after the effective date of this Rider but not later than the date that the Company determines that the subscription limit of 160 MW has been reached for all New Load under this Rider together with the companion Riders SBIR, LBIR, and XLEIR.

Rate Rider MBIR shall only be combined with Rate Schedules GSD, GSDT, GSTOU, LP, LPT, PX, PXT or RTP. If a change in ownership occurs during the Term of Service under this Rider, the successor Customer may be allowed to fulfill the balance of the Contract under this Rider.

ISSUED BY: S. W. Connally, Jr.



Section No. VI
~~Second Third~~ Revised Sheet No. 6.96
Canceling ~~First Second~~ Revised Sheet No. 6.96

PAGE 1 of 2	EFFECTIVE DATE July 1, 2017
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**Rate Rider SBIR
Small Business Incentive Rider
(Optional Rider)**

AVAILABILITY:

This Rate Rider is available to all Customers within Gulf Power's service area who meet qualifying load and employment requirements.

The qualifying load and employment requirements under this Rider must be achieved at the same delivery point. Additional metering equipment may be required for service under this Rider.

APPLICABILITY:

Applicable to New Load as a Rate Rider to the rates specified below. All terms and conditions of the rate under which the Customer takes service remain applicable, except that the Customer's billing will be credited by the incentive specified below beginning with the commencement of service pursuant to this Rider. New Load is that which is added via connection of initial service or the net incremental load above that which existed prior to approval for service under this rider. ~~Service under this rider must occur after the effective date of this Rider but not later than the date that the Company determines that the subscription limit of 100 MW has been reached for all New Load under this Rider together with the companion Riders, MBIR, LBIR, and XLEIR.~~

Rate Rider SBIR shall only be combined with Rate Schedules GSD, GSDT, GSTOU, LP, LPT, PX, PXT or RTP. If a change in ownership occurs during the Term of Service under this Rider, the successor Customer may be allowed to fulfill the balance of the Contract under this Rider.

ISSUED BY: S. W. Connally, Jr.