

Rule 25-6.0426, F.A.C., Recovery of Economic Development Expenses

Presentation at
Rule Development Workshop
Docket No. 20180143-EI



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January 16, 2019

Outline

- Economic Development prior to 1994
- Statutory Change and 1995 Rulemaking
- Revisions to the Rule
- Overview of Petition



Prior to 1994

- Prior to 1994, the Commission did not allow investor-owned electric utilities to recover economic development expenses from ratepayers.
- 1989 - Gulf Power Company rate case – recovery denied
- 1991 - Progress Energy rate case – testimony on economic development
- 1993 - Commission generic investigation – no statutory authority to allow recovery from ratepayers



1994 Legislation

- In 1994, the Florida Legislature enacted Section 288.035, F.S., Economic Development Activities
- The Commission may authorize public utilities to recover reasonable economic development expenses
- Department of Commerce to establish criteria as to what are authorized economic development activities
- The Commission shall adopt rules, including the sharing of expenses by shareholders



1995 Rulemaking

- In 1995, the Commission adopted Rule 25-6.0426, F.A.C.
- Docket No. 930165-PU
- Ratio of sharing between ratepayers and stockholders established at 90 percent/10 percent
- Cap at 0.15% of gross annual revenues or \$3M



Further Rule Revisions

- In 1998, the Commission changed the ratio of sharing between ratepayers and stockholders from 90/10 percent to 95/5 percent to create a further incentive for utilities to take part in economic development
- Changed reference from Department of Commerce (abolished) to Office of Tourism, Trade, and Economic Development
- In 2000, the Commission incorporated the Department of Commerce rules into its rules



Recoverable Expenses under Rule 25-6.0426(7)(a)-(c), F.A.C.

- Operational Assistance (trade shows, prospecting missions, financial support for other organizations and programs, etc.)
- Strategic Planning Assistance (financial and technical) for state and local governments
- Marketing and Research Assistance for state and local governments
- Rate discounts provided under economic development tariffs



Petition to Initiate Rulemaking

- Docket No. 20180143-EI
- Petitioners - Florida Power & Light Company (FPL), Gulf Power Company (Gulf), and Tampa Electric Company (TECO)
- Increase the cap from the lesser of 0.15 percent of gross annual revenues or \$3M to the greater of 0.15 percent of gross annual revenues or \$3M
- Phased in increase of percent of gross annual revenues from 2020 (0.175%) – 2023 (0.25%)



Cap under Current Rule 25-6.0426(3)(b), F.A.C.

Utility	2018 Jurisdictional Operating Revenues*	0.15 Percent of Revenues	Rounded (Millions)	Cap under Current Rule (Millions)
FPL	\$10,859,737,000	\$16,289,606	\$16.3	\$3.0
Duke	\$4,634,310,885	\$6,951,466	\$7.0	\$3.0
TECO	\$2,025,300,072	\$3,037,950	\$3.0	\$3.0
Gulf	\$1,265,112,225	\$1,897,668	\$1.9	\$1.9

*Source: Forecasted 2018 Earnings Surveillance Report filed with the FPSC.



Economic Development Expenses by Major IOUs (Millions)

Utility	2016 Expenses	2017 Expenses	2018 Projected Expenses
FPL	\$2.74	\$2.83	\$2.96
Duke	\$0.77	\$0.82	\$1.11
TECO	\$0.26	\$0.27	\$0.25
Gulf	\$1.00	\$1.24	\$1.60

Source: Responses to Staff's Data Requests in Docket No. 20180143-EI



Summary of Requested Rule Amendments for 2019-2023 (Millions)

Utility	Current Cap	2019: 0.15%	2020: 0.175%	2021: 0.2%	2022: 0.225%	2023: 0.25%
FPL	\$3.0	\$16.3	\$18.1	\$20.6	\$23.2	\$25.8
Duke	\$3.0	\$7.0	\$8.5	\$9.7	\$10.9	\$12.1
TECO	\$3.0	\$3.0*	\$3.7	\$4.3	\$5.0	\$5.6
Gulf	\$1.9	\$3.0*	\$3.0*	\$3.2	\$3.6	\$3.8

Source: Responses to OPC's First Set of Interrogatories in Docket No. 20180143-EI

*The calculated percentage is less than \$3M; however, under requested rule amendment \$3M would be cap.



Questions?

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