

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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2016 MAY 26 AM 10:06
COMMISSION CLERK

DATE: May 26, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Guffey) SKG
Office of the General Counsel (Brownless) [Handwritten initials]

RE: Docket No. 160090-EI – Petition for limited extension of experimental large business incentive rate rider, medium business incentive rate rider, and small business incentive rate rider, by Gulf Power Company.

AGENDA: 06/09/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 60 Day Suspension Date: June 18, 2016

SPECIAL INSTRUCTIONS: None

Case Background

On April 18, 2016, Gulf Power Company (Gulf or company) filed a petition requesting a limited extension of the company’s experimental Large Business Incentive Rate Rider (LBIR), Medium Business Incentive Rate Rider (MBIR), and Small Business Incentive Rate Rider (SBIR), collectively referred to as the riders. The riders were introduced in the Stipulation and Settlement Agreement that the Commission approved during Gulf’s 2013 base rate proceeding as a three-year pilot program (January 1, 2014 through December 31, 2016).¹ The riders, which require a five-year electric service contract, provide base rate credits for new businesses that meet certain requirements such as minimum size, job creation, and verification that the availability of the riders are a significant factor in the customer’s location or expansion decision.

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*.

Docket No. 160090-EI

Date: May 26, 2016

Staff issued one data request to Gulf on April 26, 2016, for which responses were received on May 10, 2016. After reviewing the responses, staff requested the company's employment verification form referenced in a response which was filed in the docket on May 16, 2016. The tariff pages with proposed changes are contained in Attachment A of this recommendation. The Commission has jurisdiction over this matter pursuant to Sections 288.035 and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Gulf's petition for an extension of its business incentive rate riders until December 31, 2017?

Recommendation: Yes, the Commission should approve Gulf's petition for an extension of its business incentive rate riders until December 31, 2017. (Guffey)

Staff Analysis: The business incentive rate 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-year period for new or expanding businesses that meet certain electric load, and job creation requirements. The LBIR also requires new capital investment of at least \$1 million. As shown in Table 1-1, the three riders require that the customers hire and maintain the following number of full-time employees within one year of receiving power service at the qualified delivery point.

**Table 1-1
Required Full Time Employees**

Riders	kW Load	Number of Full Time Employees
SBIR	200 to 349	10
MBIR	350 to 999	25
LBIR	1,000 kW or greater	25 FTEs per 1,000 kW of qualifying load

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

To take service under the riders, the customers must agree to a minimum five-year service agreement and submit documentation verifying the current number of full-time employees. The rider customers are required to annually complete an employment verification form before receiving additional year credits. Table 1-2 illustrates the credits that will be applied to base demand and energy charges.

**Table 1-2
Percentage Reduction in Base Demand & Energy Charges**

Year	SBIR	MBIR	LBIR
1	20%	40%	60%
2	15%	30%	45%
3	10%	20%	30%
4	5%	10%	15%
5	0%	0%	0%

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

Gulf stated in its response to staff discovery that since its approval the program has attracted two retail establishments that started service under the riders in 2015. This new load resulted in approximately \$75,735 in incremental base revenue and the addition of 79 employees in Gulf's service territory. The discount amount associated with the new load to date is \$9,513.

Gulf explained in its petition that it has received commitments from one new and one expanding customer with a possibility of adding 5,300 new jobs and approximately 4.5 megawatts (MW) of new load. The availability of the riders was a significant factor for the customers' decisions to take service from Gulf. The customers have commenced initial construction work but do not anticipate completion of construction and taking service prior to the expiration of the current riders on December 31, 2016. The company is also actively negotiating with four potential customers to relocate/expand. If successful, Gulf stated they will add over 2,000 jobs and will have a new load demand of 25 MW.

If Gulf's petition is approved, Gulf would make a request to the Commission on or before December 31, 2017 to: (1) continue the riders in their existing form; (2) continue the riders with modifications based on lessons learned; or (3) discontinue the riders in their entirety. Staff notes that the Commission recently approved Tampa Electric Company's petition in Docket No. 160059-EI to extend its economic development rider on a permanent basis. In response to staff inquiry, Gulf explained that the company wishes to continue the pilot program for another year to collect additional information before making a decision on the future of the riders.

The riders appear to be successful in attracting new load and incremental base revenues to Gulf's service territory, which benefits the general body of ratepayers. Therefore, staff recommends that the Commission should approve Gulf's petition for an extension of its business incentive rate riders until December 31, 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 tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Brownless)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



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Section No. VI
~~First Revised Original Sheet No. 6.92~~
~~Cancelling Original Sheet No. 6.92~~

PAGE	EFFECTIVE DATE
1 of 2	January 1, 2014

**Rate Rider LBIR
Experimental Rate Rider
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 after the effective date of this Rider but not later than December 31, 2016~~7~~ or such earlier 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 and MBIR. This Rider does not apply to provision of electric service through existing delivery points.

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
Original Sheet No. 6.93

PAGE 2 of 2	EFFECTIVE DATE January 1, 2014
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(Continued from Rate Rider LBIR, Sheet No. 6.92)

INCENTIVES:

Subject to compliance with the terms and conditions hereof, the following credits will be applied to the base demand charges and base energy charges of the Customer's applicable rate schedule:

- Year 1 – 60% reduction in base demand and base energy charges
- Year 2 – 45% reduction in base demand and base energy charges
- Year 3 – 30% reduction in base demand and base energy charges
- Year 4 – 15% reduction in base demand and base energy charges
- Year 5 – 0% reduction in base demand and base energy charges

Qualifying Loads:

- (1) Qualifying load must be at least 1,000 kW, as determined by the Company.
- (2) The Customer must provide audit documentation by the Florida Department of Economic Opportunity proving the hiring of 25 full-time employees per 1,000 kW of qualifying load.
- (3) The Customer must demonstrate new capital investment of at least \$1,000,000.
- (4) The Customer must provide an affidavit verifying that the availability of this Rate Rider is a significant factor in the Customer's decision to request service from Gulf Power Company.

TERM:

Service under this Rate Rider requires a Contract for Electric Service that includes a minimum five-year term. Service under this Rider will terminate at the end of the contract term.

During the term of service under this Rate Rider, the Customer may elect to change to an applicable rate to which Rate Rider LBIR does not apply so long as the Customer commits to take service under the newly selected rate for the unexpired duration of the term of the original Contract for Electric Service. The Company may terminate service under this Rider at any time if the Customer fails to comply with the terms and conditions of this Rider. Failure to: (1) maintain that level of employment specified in this Rider and/or (2) purchase from the Company the amount of load specified in this Rider may be considered grounds for termination.

Service under this Rider is subject to the Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: S. W. Connally, Jr.



Section No. VI
First Revised Original Sheet No. 6.94
Canceling Original Sheet No. 6.94

PAGE 1 of 2	EFFECTIVE DATE January 1, 2014
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**Rate Rider MBIR
Experimental Rate Rider
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 after the effective date of this Rider but not later than December 31, 2017~~6~~ or such earlier 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 and LBIR. This Rider does not apply to provision of electric service through existing delivery points.

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
Original Sheet No. 8.95

PAGE	EFFECTIVE DATE
2 of 2	January 1, 2014

(Continued from Rate Rider MBIR, Sheet No. 8.94)

INCENTIVES:

Subject to compliance with the terms and conditions hereof, the following credits will be applied to the base demand charges and base energy charges of the Customer's applicable rate schedule:

- Year 1 – 40% reduction in base demand and base energy charges
- Year 2 – 30% reduction in base demand and base energy charges
- Year 3 – 20% reduction in base demand and base energy charges
- Year 4 – 10% reduction in base demand and base energy charges
- Year 5 – 0% reduction in base demand and base energy charges

Qualifying Loads:

- (1) Qualifying load must be at least 350 kW, as determined by the Company.
- (2) The Customer must provide audit documentation by the Florida Department of Economic Opportunity proving the hiring of 25 full-time employees.
- (3) The Customer must provide an affidavit verifying that the availability of this Rate Rider is a significant factor in the Customer's decision to request service from Gulf Power Company.

TERM:

Service under this Rate Rider requires a Contract for Electric Service that includes a minimum five-year term. Service under this Rider will terminate at the end of the contract term.

During the term of service under this Rate Rider, the Customer may elect to change to an applicable rate to which Rate Rider MBIR does not apply so long as the Customer commits to take service under the newly selected rate for the unexpired duration of the term of the original Contract for Electric Service. The Company may terminate service under this Rider at any time if the Customer fails to comply with the terms and conditions of this Rider. Failure to: (1) maintain that level of employment specified in this Rider and/or (2) purchase from the Company the amount of load specified in this Rider may be considered grounds for termination.

Service under this Rider is subject to the Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: S. W. Connally, Jr.



Section No. VI
First Revised Original Sheet No. 6.96
Canceling Original Sheet No. 6.96

PAGE 1 of 2	EFFECTIVE DATE January 1, 2014
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**Rate Rider SBIR
Experimental Rate Rider
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 after the effective date of this Rider but not later than December 31, 2017~~6~~ or such earlier 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 and LBIR. This Rider does not apply to provision of electric service through existing delivery points.

Rate Rider SBIR shall only be combined with Rate Schedules GSD, GSDD, 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
Original Sheet No. 6.97

PAGE 2 of 2	EFFECTIVE DATE January 1, 2014
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(Continued from Rate Rider SBIR, Sheet No. 6.96)

INCENTIVES:

Subject to compliance with the terms and conditions hereof, the following credits will be applied to the base demand charges and base energy charges of the Customer's applicable rate schedule:

- Year 1 – 20% reduction in base demand and base energy charges
- Year 2 – 15% reduction in base demand and base energy charges
- Year 3 – 10% reduction in base demand and base energy charges
- Year 4 – 5% reduction in base demand and base energy charges
- Year 5 – 0% reduction in base demand and base energy charges

Qualifying Loads:

- (1) Qualifying load must be at least 200 kW, as determined by the Company.
- (2) The Customer must provide audit documentation by the Florida Department of Economic Opportunity proving the hiring of 10 full-time employees.
- (3) The Customer must provide an affidavit verifying that the availability of this Rate Rider is a significant factor in the Customer's decision to request service from Gulf Power Company.

TERM:

Service under this Rate Rider requires a Contract for Electric Service that includes a minimum five-year term. Service under this Rider will terminate at the end of the contract term.

During the term of service under this Rate Rider, the Customer may elect to change to an applicable rate to which Rate Rider SBIR does not apply so long as the Customer commits to take service under the newly selected rate for the unexpired duration of the term of the original Contract for Electric Service. The Company may terminate service under this Rider at any time if the Customer fails to comply with the terms and conditions of this Rider. Failure to: (1) maintain that level of employment specified in this Rider and/or (2) purchase from the Company the amount of load specified in this Rider may be considered grounds for termination.

Service under this Rider is subject to the Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: S. W. Connally, Jr.