

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:** August 31, 2016

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Guffey) SKG EJD  
Office of the General Counsel (Mapp) KRM JSC

**RE:** Docket No. 160173-EI – Petition for approval of modification to and extension of the approved economic development and re-development rider experimental pilot tariffs, by Duke Energy Florida, LLC.

RECEIVED-FPSC  
2016 AUG 31 AM 9:12  
COMMISSION CLERK

**AGENDA:** 09/13/16 – Regular Agenda – Tariff Filing - Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 09/19/16 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

## Case Background

On July 19, 2016, Duke Energy Florida, LLC (DEF or company) filed a petition requesting approval of modifications to and an extension of the approved pilot Economic Development (ED-1) and Economic Re-Development (EDR-1) riders (economic development riders). Modifications to these tariffs (Sheet Nos. 6.380 and 6.385) are needed to continue the pilot program for an additional three years, along with clarifications to the accompanying standard service agreement forms (Sheet Nos. 7.500 and 7.510). The tariffs and forms in this petition were initially approved by the Commission in Order No. PSC-13-0598-FOF-EI as part of DEFs' Revised and Restated Stipulation and Settlement Agreement (RRSSA).<sup>1</sup> Paragraph 17 and Exhibit 15 of the RRSSA provided that DEF introduce these tariffs on a pilot basis for three

<sup>1</sup> Order No. PSC-13-0598-FOF-EI, issued November 12, 2013, in Docket No. 130208-EI, *In re: Petition for limited proceeding to approve revised and restated stipulation and settlement agreement by Duke Energy Florida, Inc. d/b/a Duke Energy.*

Docket No. 160173-EI  
Date: August 31, 2016

years (from October 2013 to October 2016). The riders, which require a five-year electric service contract, provide base rate credits/reduction for new businesses that meet certain requirements such as minimum load, job creation, and verification that the availability of the riders are a significant factor in the customer's location or expansion decision.

Staff issued one data request to DEF on August 4, 2016, for which responses were received on August 12, 2016. The tariff pages and service agreement forms 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 DEF's petition to extend its economic development riders until October 17, 2019, and approve the revised service agreement forms?

**Recommendation:** Yes, the Commission should approve DEF's petition to extend its economic development riders until October 17, 2019, and approve the revised service agreement forms. (Guffey)

**Staff Analysis:** The economic development riders are designed to attract new commercial and industrial customers to DEF's service territory and foster economic growth. The riders offer base rate electric price incentives over a five-year period for new or expanding businesses that meet certain electric load, capital investment, and job creation requirements. As shown in Table 1-1, the two riders require that the rider customers hire and maintain the following number of full-time employees.

**Table 1-1  
 Required Full Time Employees & Capital Investments**

Rider	Minimum kW Load	Number of FTEs	Capital Investment
ED-1	500	25	\$500,000 or greater
EDR-1	350	15	\$200,000 or greater

Source: Tariff Sheet Nos. 6.380 & 6.385

To take service under the subject riders, the customers must agree to a minimum five-year service agreement and the company will request verification from the rider customers of the number of jobs created as a direct result of the riders. DEF states that the first ED-1 customer enrolled in April 2014, and since then DEF has attracted five more customers for a total of six (one EDR-1 customer and five ED-1 customers) that has the potential to create 968 FTE jobs. DEF is also working on attracting additional customers for whom the economic development rider is a significant factor in their location/expansion decisions. DEF proposes to extend the pilot program for an additional three years, until October 17, 2019.

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	ED-1	EDR-1 <sup>2</sup>
1	50%	50%
2	40%	35%
3	30%	15%
4	20%	0%
5	10%	0%

Source: Tariff Sheet Nos. 6.380 & 6.385

<sup>2</sup> The EDR-1 rider also provides a reduction of the non-fuel and non-asset securitization charge factors.

The company, in its response to staff's data request and a follow-up request, stated that the enrolled customers are currently not taking service under the economic development riders because they are not yet ready to commence their respective discounts. The single EDR-1 applicant who is in the process of ramping up the operation expects to meet the minimum service threshold by September 2016. Of the five ED-1 applicants, four are ramping up their new operations by installing new equipment, increasing product output and/or adding more shifts/increasing hours of operation. However, these four customers have not yet met the minimum ED-1 kW demand and/or load factor threshold. The company estimates these customers might receive their discounts in September 2017. The fifth ED-1 applicant has yet to construct their building.

DEF's petition states that the company is not requesting the pilot tariffs be made permanent at this time, because the company wants additional time to market the tariff and determine customers' interest in the program. In response to a staff's data request and follow-up question regarding if the company would make the riders permanent after October 17, 2019, DEF stated that if this petition is approved, DEF would make a request to the Commission on or before October 17, 2019 to: (1) continue the riders as is; (2) continue the riders with modifications based on the experienced gained from the current customers; or (3) discontinue the riders.

The riders appear to be successful in attracting new load and incremental base revenues to DEF's service territory, which benefits the general body of ratepayers. Therefore, staff recommends that the Commission approve DEF's petition for an extension of its economic development riders until October 17, 2019 and approve the revised service agreement forms as shown in Attachment A to this recommendation.

**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. (Mapp)

**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.



**SECTION NO. VI**  
**FIRST REVISED SHEET NO. 6.380**  
**CANCELS ORIGINAL SHEET NO. 6.380**

Page 1 of 2

**RATE SCHEDULE ED-1**  
**ECONOMIC DEVELOPMENT RIDER**  
**EXPERIMENTAL PILOT PROGRAM**

**Availability:**

Available throughout the entire territory served by the Company. Customers desiring to take service under this tariff must make a written request for service. Application for service under this tariff is available to qualifying customers ~~for 3 years after its original issue date until October 17, 2019.~~

**Applicable:**

To any customer taking firm service, other than residential, for light and power purposes who meet the Qualifying Criteria set forth in this tariff. This tariff provides for an Economic Development Rate Reduction Factor as described herein for new load which is defined as load being established after the date of the original issue of this tariff sheet by a new business or the expansion of an existing business. This rider is not available for retention of existing load or for relocation of existing load within the Company's service territory. Relocating businesses that provide expansion of existing business may qualify for the expanded load only. This rider is not available for short-term, construction, temporary service, or renewal of a previously existing service. Customers must execute an Economic Development Service Agreement and such agreement must specify all qualifying criteria customer expects to meet for this rider to be applicable.

**Qualifying Criteria:**

- a) The minimum qualifying new load must be at least 500 kW with a minimum load factor of 50% at a single point of delivery.
- b) The new or expanding business must be a targeted industry as defined by the state of Florida's most current economic development policy.
- c) The new or expanding business must also meet at least one of the following two requirements at the project location:
  - 1) The addition of 25 net new full time equivalent (FTE) jobs in the Company's Florida service area; or
  - 2) Capital investment of \$500,000 or greater and a net increase in FTE jobs in the Company's Florida service area.
- d) Customer must provide written documentation attesting that the availability of this rider is a significant factor in the Customer's location/expansion decision.

**Limitation of Service:**

Service under this tariff is limited to a total load served under both this tariff and the EDR-1 tariff of 300 megawatts or a total of 25 customer ~~accounts~~ served under both this tariff and the EDR-1 tariff. Standby or resale service not permitted hereunder. Service under this tariff is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service." Service under this tariff may not be combined with service under the EDR-1 tariff. Service under this tariff is available on a first come, first served basis.

**Otherwise Applicable General Service Tariff:**

Service under this rider shall be provided under any of the Company's currently available general service tariffs to be initially determined by mutual agreement of the Company and customer based on the usage characteristics provided by the customer for new load. All provisions, terms and conditions of the Otherwise Applicable General Service Tariff shall apply.

**Rate Per Month:**

All charges shall be those set forth in the Otherwise Applicable General Service Tariff adjusted by the Economic Development Rate Reduction Factor.

**Economic Development Rate Reduction Factor:**

The following rate reduction factors shall apply:

Year of Agreement	Reduction of Base Rate Demand and Energy Charges
Year 1	50%
Year 2	40%
Year 3	30%
Year 4	20%
Year 5	10%

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Director, Rates & Regulatory Strategy - FL

EFFECTIVE: ~~October 17, 2013~~





SECTION NO. VI  
~~FIRST-SECOND~~ REVISED SHEET NO. 6.385  
 CANCELS ~~ORIGINAL-FIRST REVISED~~ SHEET NO. 6.385

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RATE SCHEDULE EDR-1  
 ECONOMIC RE-DEVELOPMENT RIDER  
 EXPERIMENTAL PILOT PROGRAM

**Availability:**

Available throughout the entire territory served by the Company. Customers desiring to take service under this tariff must make a written request for service. Application for service under this tariff is available to qualifying customers ~~for 3 years after its original issue date until October 17, 2019.~~

**Applicable:**

To any customer taking firm service, other than residential, for light and power purposes who meet the Qualifying Criteria set forth in this tariff. This tariff provides for an Economic Re-Development Rate Reduction Factor as described herein for new load which is defined as load being established after the date of the original issue of this tariff sheet by a new business or the expansion of an existing business. This rider is not available for retention of existing load or for relocation of existing load within the Company's service territory. Relocating businesses that provide expansion of existing business may qualify for the expanded load only. This rider is not available for short-term, construction, temporary service, or renewal of a previously existing service. Customers must execute an Economic Re-Development Service Agreement and such agreement must specify all qualifying criteria customer expects to meet for this rider to be applicable.

**Qualifying Criteria:**

- a) New load must be at an existing Company premise location previously served by the Company which has been unoccupied or otherwise essentially dormant (evidenced by minimal to no electric usage) for a minimum period of 90 days.
- b) Customer must not have a relationship with the previous occupant of the unoccupied premise location.
- c) The minimum qualifying new load must be at least 350 kW with a minimum load factor of 50% at a single point of delivery.
- d) The new or expanding business must be a targeted industry as defined by the state of Florida's most current economic development policy.
- e) The new or expanding business must also meet at least one of the following two requirements at the project location:
  - 1) The addition of 15 net new full time equivalent (FTE) jobs in the Company's Florida service area; or
  - 2) Capital investment of \$200,000 or greater and a net increase in FTE jobs in the Company's Florida service area.
- f) Customer must provide written documentation attesting that the availability of this rider is a significant factor in the Customer's location/expansion decision.

**Limitation of Service:**

Service under this tariff is limited to a total load served under both this tariff and the ED-1 tariff of 300 megawatts or a total of 25 customers ~~accounts~~ served under both this tariff and the ED-1 tariff. Standby or resale service not permitted hereunder. Service under this tariff is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service." Service under this tariff may not be combined with service under the ED-1 tariff. Service under this tariff is available on a first come, first served basis.

**Otherwise Applicable General Service Tariff:**

Service under this rider shall be provided under any of the Company's currently available general service tariffs to be initially determined by mutual agreement of the Company and customer based on the usage characteristics provided by the customer for new load. All provisions, terms and conditions of the Otherwise Applicable General Service Tariff shall apply.

**Rate Per Month:**

All charges shall be those set forth in the Otherwise Applicable General Service Tariff adjusted by the Economic Re-Development Rate Reduction Factor.

**Economic Re-Development Rate Reduction Factor:**

The following rate reduction factors shall apply:

Year of Agreement	Reduction of Base Rate Demand and Energy Charge	Reduction of the Non-Fuel and non-ASC BA-1 Tariff Charges
Year 1	50%	50%
Year 2	35%	35%
Year 3	15%	15%
Year 4	0%	0%
Year 5	0%	0%

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Director, Rates & Regulatory Strategy - FL

EFFECTIVE: ~~April 19, 2016~~



SECTION NO. VII  
FIRST REVISED SHEET NO. 7.500  
CANCELS ORIGINAL SHEET NO. 7.500

Page 1 of 1

**DUKE ENERGY FLORIDA, INC.  
ECONOMIC DEVELOPMENT RIDER**

**Service Agreement**

For a New Establishment or an Existing Establishment with Expanding Load

\_\_\_\_\_  
CUSTOMER NAME

\_\_\_\_\_  
ADDRESS

\_\_\_\_\_  
TYPE OF BUSINESS

The Customer hereto agrees as follows:

1. To create \_\_\_\_\_ full - time jobs or new capital investment of \$ \_\_\_\_\_ and a net increase of full - time jobs.
2. That the quantity of new or expanded load shall be \_\_\_\_\_ KW of demand with a \_\_\_\_\_ % load factor.
3. ~~The nature of this new or expanded load is~~ Type of business and expected hours of operation are \_\_\_\_\_
4. To initiate service under this rider on \_\_\_\_\_, \_\_\_\_\_, and terminate service under this rider on \_\_\_\_\_, \_\_\_\_\_. This shall constitute a period of 5 years.
5. In case of early termination by the Customer, or an early discontinuation by the Company for a violation of the terms and conditions of this rider, the Customer shall be required to repay Duke Energy Florida, Inc. the cumulative discounts received to date under this rider plus interest.
6. If a change in ownership occurs after the Customer contracts for service under this rider, the successor Customer may be allowed to fulfill the balance of the contract under rider ED-1 and continue the schedule of rate reductions.
7. All terms of Rate Schedule ED-1, Economic Development Rider, apply to this agreement and are incorporated by reference herein.

By signing below, I hereby attest that the availability of this rider is a significant factor in this Customer's location / expansion decision.

Signed: \_\_\_\_\_

Customer

Accepted by: \_\_\_\_\_

Duke Energy Florida, Inc.

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

ISSUED BY: Javier J. Portuondo, Director, Rates & Regulatory Strategy - FL  
EFFECTIVE: October 17, 2013

ECON DEV





SECTION NO. VII  
FIRST REVISED SHEET NO. 7.510  
CANCELS ORIGINAL SHEET NO. 7.510

Page 1 of 1

**DUKE ENERGY FLORIDA, INC.  
ECONOMIC RE-DEVELOPMENT RIDER  
Service Agreement**

For new load established at existing Company premise location that has been vacant for at least 90 days

\_\_\_\_\_  
CUSTOMER NAME

\_\_\_\_\_  
ADDRESS

\_\_\_\_\_  
TYPE OF BUSINESS

The Customer hereto agrees as follows:

1. To establish service at a currently vacant Company premise location and create \_\_\_\_\_ full - time jobs or new capital investment of \$ \_\_\_\_\_ and a net increase of full - time jobs.
2. That the quantity of new or expanded load shall be \_\_\_\_\_ KW of demand with a \_\_\_\_\_ % load factor.
3. ~~The nature of this new or expanded load is~~ Type of business and expected hours of operation are \_\_\_\_\_
4. The Company premise location for the new or expanded load has been vacant for at least 90 days.
5. The Customer load will be served with existing facilities or the Customer may be subject to contribution in aid to construction, construction advances or equipment rental charges as may be applicable in accordance with the Company's Rules and Regulations.
6. To initiate service under this rider on \_\_\_\_\_, \_\_\_\_\_, and terminate service under this rider on \_\_\_\_\_, \_\_\_\_\_. This shall constitute a period of 5 years.
7. In case of early termination by the Customer, or an early discontinuation by the Company for a violation of the terms and conditions of this rider, the Customer shall be required to repay Duke Energy Florida, Inc the cumulative discounts received to date under this rider plus interest.
8. If a change in ownership occurs after the Customer contracts for service under this rider, the successor Customer may be allowed to fulfill the balance of the contract under Rider EDR-1 and continue the schedule of rate reductions.
9. All terms of Rate Schedule EDR-1, Economic Re-Development Rider, apply to this agreement and are incorporated by reference herein.

By signing below, I hereby attest that the availability of this rider is a significant factor in this Customer's location / expansion decision and Customer has no affiliation with the previous occupant of the premise.

Signed: \_\_\_\_\_  
Customer

Accepted by: \_\_\_\_\_  
Duke Energy Florida, Inc.

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

ISSUED BY: Javier J. Portuondo, Director, Rates & Regulatory Strategy - FL  
EFFECTIVE: October 17, 2013

ECON RE-DEV