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| State of Florida  pscSEAL | | 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)  Office of the General Counsel (Trierweiler) | | |
| 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 |

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]](#footnote-1) On June 9, 2016, the Commission approved a limited extension of the riders, changing the termination date from December 31, 2016 to December 31, 2017.[[2]](#footnote-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]](#footnote-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.

Discussion of Issues

Issue :

 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.

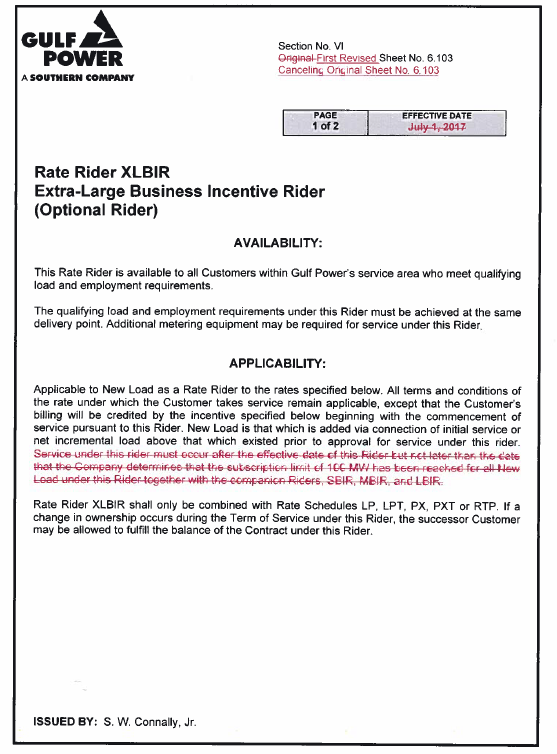
Issue :

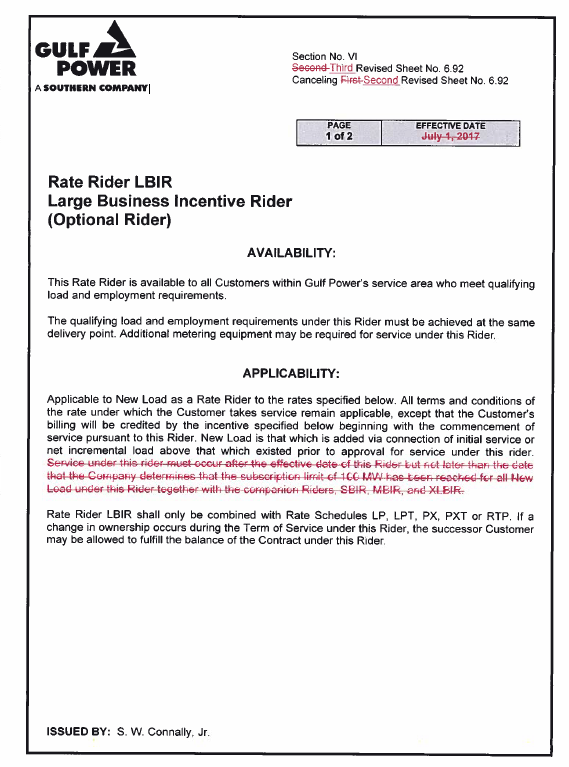
 Should this docket be closed?

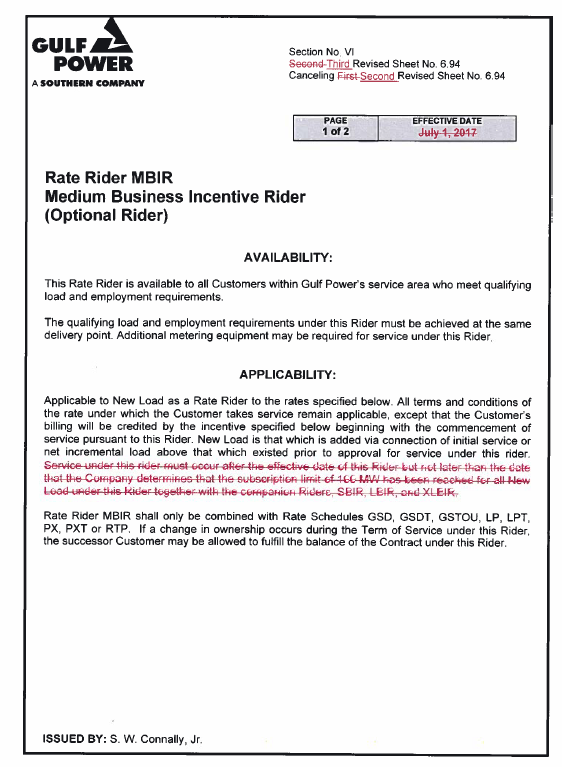
Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenue held subject to refund, pending resolution of a protest. If no timely protest is filed, this docket should be closed upon the issuance of a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

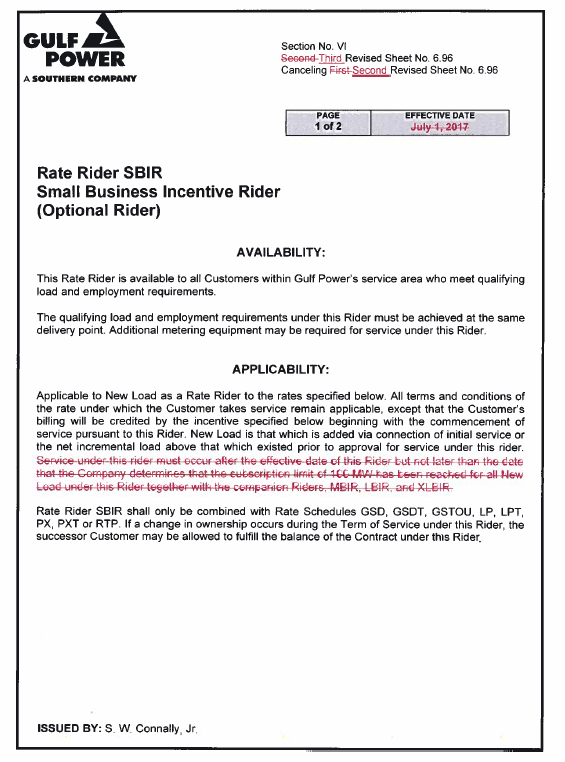
Staff Analysis:

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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*. [↑](#footnote-ref-1)
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.* [↑](#footnote-ref-2)
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.* [↑](#footnote-ref-3)