

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:** April 22, 2016

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

**FROM:** Division of Economics (Ollila) *l.o.*  
Office of the General Counsel (Leathers) *ED*

**RE:** Docket No. 160059-EI – Petition to extend economic development rider on a permanent basis, by Tampa Electric Company.

RECEIVED-FPSC  
2016 APR 22 AM 9:44  
COMMISSION  
CLERK

**AGENDA:** 05/05/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 05/13/16 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

### Case Background

On March 14, 2016, Tampa Electric Company (Tampa Electric or company) filed a petition to extend its Economic Development Rider program (rider or program) on a permanent basis. The rider was introduced as a three-year pilot in the stipulation and settlement agreement (settlement) the Commission approved in Tampa Electric's 2013 base rate proceeding.<sup>1</sup> The program became effective on the implementation date of the settlement (November 1, 2013) and ends on December 31, 2016. The rider, which requires a five-year contract, provides base rate discounts for new businesses that meet certain requirements such as minimum size, job creation, and verification that the availability of the rider is a significant factor in the customer's location or expansion decision.

<sup>1</sup> Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket No. 130040-EI, *In re: Petition for rate increase by Tampa Electric Company*.

Docket No. 160059-EI

Date: April 22, 2016

Staff issued one data request to Tampa Electric, to which the company responded on April 1, 2016. On April 19, 2016, Tampa Electric filed a letter in the docket file clarifying paragraph 7 of the petition. The proposed tariff pages are contained in Attachment 1. 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 Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis?

**Recommendation:** Yes, the Commission should approve Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis effective May 5, 2016. (Ollila)

**Staff Analysis:** The economic development rider is designed to attract new business to Tampa Electric's service territory. The rider is available for load associated with initial permanent service to new establishments or the expansion of existing establishments and requires a five-year customer contract. Under the rider, the new load must be a minimum of 350 kilowatt (kW) at a single delivery point and the customer must employ an additional work force of at least 25 full time equivalent employees (FTEs). Each customer taking service under the rider must sign an attestation letter stating that the customer will employ at least 25 FTEs. The percentage discount applicable to the base demand and energy charges of the customer's otherwise applicable rate schedule begin at 20 percent in the first year, and declines by five percentage points every year (e.g., 15 percent discount in year 2) until the fifth year when the discount is zero.

The first customer took service under the rider in June 2014. Since that time, Tampa Electric stated that the program has attracted new load resulting in approximately \$760,000 in incremental base revenue and the addition of 405 FTEs in Tampa Electric's service territory. The discount amount associated with the new load is approximately \$130,000, which represents the difference between the rider rates and the otherwise applicable tariffed rates for the period June 2014 through February 2016. Currently, there are two commercial customers taking service under the rider.

The proposed permanent rider tariff deletes the pilot program's beginning and end dates and adds additional language to specify that the discount will begin once the customer has achieved minimum load and job requirements and that the agreement will terminate automatically if the minimum load and job requirements have not been achieved within 120 days of the effective date of the service agreement. Tampa Electric is developing an annual attestation letter that customers will have to sign and return which states that the customers are maintaining the minimum 25 FTEs required to remain on the program. The rider contains provisions for early termination and requires a customer to reimburse Tampa Electric for any discounts received under the rider if the agreement is terminated prior to the end of the five-year contract.

Pursuant to Rule 25-6.0426(5), Florida Administrative Code (F.A.C.), Tampa Electric is currently reporting any economic development expenses associated with the rider (e.g., marketing) on its earnings surveillance reports filed with the Commission. In response to staff's data request and the letter filed on April 19, Tampa Electric explained that in the next rate case the company will request recovery of any base rate reductions, i.e., difference between tariffed base rates and discounted base rates pursuant to the rider, as a cost of the rider. Only discounts provided in the test year will be eligible for cost recovery. Pursuant to Rule 25-6.0426(4),

F.A.C., the Commission will determine the level of sharing of prudent economic development costs in the company's next rate case.

Any direct impact on the general body of ratepayers will depend on the amount of discounts, if any, in the test year and the level of sharing determined by the Commission. Staff notes that economic development provides indirect positive impacts to ratepayers including economic and job growth. Furthermore, any increased load as a result of the rider benefits the general body of ratepayers by spreading fixed cost among a larger customer base.

The company avers it is working on additional customer projects that would not have been viable without the rider incentive. According to Tampa Electric, economic development contacts and negotiations are often conducted a substantial amount of time before a prospective customer would begin to take service from the company. The company asserts that being able to assure that the rider will be available when the customer is ready to make a decision is very important to continue the success of the program. Therefore, the company requests approval to make the rider permanent several months before the pilot program expires at the end of this year. Tampa Electric believes that a permanent program will encourage business growth in its territory.

The rider appears to be successful in attracting new load and incremental base revenues to Tampa Electric's service territory, which benefits the general body of ratepayers. Therefore, staff recommends that the Commission should approve Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis effective May 5, 2016.

**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. (Leathers)

**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.



SECOND REVISED SHEET NO. 6.720  
CANCELS FIRST SHEET NO. 6.720

**ECONOMIC DEVELOPMENT RATE - EDR**

**SCHEDULE:** EDR

**AVAILABLE:** Entire service area.

This Rider is available for load associated with initial permanent service to new establishments or the expansion of existing establishments. Service under the Rider is limited to Customers who make application to the Company for service under this Rider, and for whom the Company approves such application. The New Load applicable under this Rider must be a minimum of 350 kW at a single delivery point. To qualify for service under this Rider, the Customer must employ an additional work force of at least 25 full-time equivalent (FTE) employees at the location of the single point of delivery.

Initial application for this Rider is not available to existing load. However, 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 and continue the schedule of credits outlined below. This Rider is also not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. This Rider is also not available for load shifted from one establishment or delivery point on the Tampa Electric system to another on the Tampa Electric system.

The load and employment requirements under the Rider must be achieved at the same delivery point. Additional metering equipment may be required to qualify for this Rider. The Customer Service Agreement under this Rider must include a description of the amount and nature of the load being provided, the number of FTE's resulting, and documentation verifying that the availability of the Economic Development Rider is a significant factor in the Customer's location/expansion decision.

**LIMITATION OF SERVICE:** The Company reserves the right to limit applications for this Rider when the Company's Economic Development expenses from this Rider and other sources exceed the amount set for the Company under Rule 25-6.0426 FAC.

Service under this Rider may not be combined with service under the Commercial/Industrial Service Rider.

**DEFINITION:** New Load: New Load is that which is added to the Company's system by a new establishment. For existing establishments, New Load is the net incremental load above that which existed prior to approval for service under this Rider.

Continued to Sheet No. 6.725

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:



FIRST REVISED SHEET NO. 6.725  
CANCELS ORIGINAL SHEET NO. 6.725

Continued from Sheet No. 6.720

**DESCRIPTION:** A credit based on the percentages below will be applied to the base demand charges and base energy charges of the Customer's otherwise applicable rate schedule associated with the Customer's New Load:

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

\* All other charges including basic service, fuel cost recovery, capacity cost recovery, conservation cost recovery, and environmental cost recovery will also be based on the Customer's otherwise applicable rate. The otherwise applicable rates may be any of the following: GSD, GSDT. Any Customer taking service under the CISR Rider is ineligible to take service under this EDR Rider.

The credit will begin once the Customer has achieved the minimum load and job requirements.

**TERM OF SERVICE:** The Customer agrees to a five-year contract term. Service under this Rider will terminate at the end of the fifth year.

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 the level of employment specified in the Customer's Service Agreement and/or 2) purchase from the Company the amount of load specified in the Customer's Service Agreement may be considered grounds for termination.

**PROVISIONS FOR EARLY TERMINATION:** If the Company terminates service under this Rider for the Customer's failure to comply with its provisions, the Customer will be required to reimburse the Company for any discounts received under this Rider plus interest.

If the Customer opts to terminate service under this Rider before the term of service specified in the Service Agreement the Customer will be required to reimburse the Company for any discounts received under this Rider plus interest.

The Service Agreement will automatically terminate if the minimum load and job requirements has not been achieved within 120 days of the effective date of the Service Agreement.

**RULES AND REGULATIONS:** Service under this schedule is subject to orders of governmental bodies having jurisdiction and to the currently effective "General Rules and Regulations for Electric Service" on file with the Florida Public Service Commission. In case of conflict between any provision of this schedule and said "General Rules and Regulations for Electric Service" the provision of this schedule shall apply.

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:



FIRST REVISED SHEET NO. 7.740  
CANCELS ORIGINAL SHEET NO. 7.740

**SERVICE AGREEMENT FOR ECONOMIC DEVELOPMENT RIDER**

- \* New Establishment
- \* Existing Establishment with an Expanded Load

\_\_\_\_\_

CUSTOMER NAME

\_\_\_\_\_

ADDRESS

TYPE OF BUSINESS

The Customer hereto agrees as follows:

1. To create \_\_\_\_\_ full-time jobs.
2. That the quantity of new or expanded load shall be \_\_\_\_\_ KW of Demand.
3. That the demand and energy baselines for existing load are as shown in Exhibit A.
4. The nature of this new or expanded load is \_\_\_\_\_.
5. To initiate service under this Rider on \_\_\_\_\_, \_\_\_\_\_, and terminate Service under this Rider on \_\_\_\_\_, \_\_\_\_\_. This shall constitute a period of five Years.
6. In case of early termination, the Customer must pay Tampa Electric Company the difference between the otherwise applicable rate and the payments made, up to that point in time, plus interest.
7. To provide verification that the availability for this Rider is a significant factor in the Customer's location/expansion decision.
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 and continue the schedule of credits.

Signed: \_\_\_\_\_ Accepted by: \_\_\_\_\_  
TAMPA ELECTRIC COMPANY

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

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Continued to Sheet No. 7.745

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:





ORIGINAL SHEET NO. 7.745

Continued from Sheet No. 7.740

EXHIBIT A

Established Monthly Baselines for Existing Load

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE: