

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

DATE: April 28, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Draper) *EDJ PD*
Office of the General Counsel (Corbari, Cuello, Lherisson) *SAC BZ TM*

RE: Docket No. 160186-EI – Petition for rate increase by Gulf Power Company.
Docket No. 160170-EI – Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

AGENDA: 05/4/17 – Special Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: 07/01/17 (Pursuant to the Stipulation and Settlement Agreement, Rates are effective July 1, 2017)

SPECIAL INSTRUCTIONS: None

Case Background

On August 12, 2016, Gulf Power Company (Gulf) filed a test year letter, as required by Rule 25-6.140, Florida Administrative Code (F.A.C.), notifying the Commission of its intent to file a petition between October 11 and October 28, 2016, for an increase in rates effective in 2017. Pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), and Rules 25-6.0425 and 25-6.043, F.A.C., Gulf filed its Petition for Base Rate Relief and Motion to Consolidate Dockets (Petition), Minimum Filing Requirements, and direct testimony on October 12, 2016. On

Docket No. 160186-EI

Date: April 28, 2017

November 9, 2016, Docket Nos. 160170-EI (2016 Depreciation and Dismantlement Studies) and 160186-EI (Rate Case) were consolidated.¹

The Office of Public Counsel (OPC), Federal Executive Agencies (FEA), Southern Alliance for Clean Energy (SACE), Florida Industrial Power Users Group (FIPUG), League of Women Voters of Florida (LWVF), Wal-Mart Stores East, LP and Sam's East, Inc. (Walmart), and Sierra Club are parties to this matter.²

A technical hearing was scheduled for March 20 through March 24, 2017. At the beginning of the hearing, Gulf and OPC presented the Commission with a Stipulation and Settlement Agreement (Settlement).³ Subsequently, FIPUG and SACE signed the Settlement.⁴ The remaining parties (FEA, LWVF, Walmart, and Sierra Club) have stated on the record that they have not signed the Settlement but do not oppose the Settlement. On March 21, 2017, staff, Gulf, and the intervenors held an informal meeting to discuss the Settlement and provide staff and intervenors an opportunity to ask questions on the Settlement. On March 29, 2017, Gulf provided responses to staff's questions from the informal meeting on the Settlement.⁵ The hearing was reconvened on April 4, 2017, wherein the Commission approved the Settlement.

Paragraph 8(a) of the Settlement contains a provision that Gulf will file rate schedules that implement the Settlement for Commission review and approval within 20 days following the approval of the Settlement. Accordingly, Gulf filed tariffs and rates on April 18, 2017. Staff reviewed Gulf's filing and emailed Gulf clarifying follow-up questions. Gulf responded via email on April 21, 2017, and staff placed the questions and Gulf's responses in the docket file.⁶ The Commission has jurisdiction pursuant to the provisions of Chapter 366, F.S.

¹ Order No. PSC-16-0511-PCO-EI, issued on November 9, 2016, in Docket No. 160186-EI, *In re: Petition for rate increase by Gulf Power Company*; and Docket No. 160170-EI, *In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company*.

² "Order Acknowledging Intervention," Order No. PSC-16-0466-PCO-EI, issued on October 14, 2016; and "Orders Granting Intervention," Order No. PSC-16-0546-PCO-EI, issued on December 2, 2016; Order No. PSC-16-0550-PCO-EI, issued on December 8, 2016; Order No. PSC-16-0568-EI, issued on December 19, 2016; Order No. PSC-16-0585-PCO-EI, issued on December 30, 2016; Order No. PSC-17-0013-PCO-EI, issued on January 4, 2017, and Order No. PSC-17-0035-PCO-EI, issued on January 26, 2017, in Docket Nos. 160186-EI and 160170-EI.

³ Document Nos. 03681-17 and 03713-17 (Stipulation and Settlement Agreement).

⁴ Document Nos. 03712-17 (FIPUG) and 04013-17 (SACE).

⁵ Document Nos. 03903-17 and 04225-17.

⁶ Document No. 04386-17.

Discussion of Issues

Issue 1: Should the Commission approve Gulf's proposed tariffs and rate schedules?

Recommendation: Yes, the Commission should approve Gulf's proposed tariffs and rate schedules effective July 1, 2017. (Draper)

Staff Analysis:

The Settlement provides for a base rate increase of \$61.99 million and a \$7.7 million revenue credit to the capacity clause from the existing wholesale contract with Flint EMC, resulting in a net increase of \$54.3 million. Gulf's new rates will be effective July 1, 2017, and the new rates will be applied to meter readings beginning with billing cycle one for July 2017.

On April 18, 2017, Gulf submitted its proposed tariffs and rate schedules pursuant to paragraph 8(a) of the Settlement.⁷ The proposed tariffs are shown in clean format in Attachment A to Gulf's filing and in legislative format in Attachment B to Gulf's filing.⁸ Due to the voluminous nature the tariffs are not attached to this recommendation. Attachment A to the recommendation shows a summary of current and proposed base rates for all the rate classes except the lighting rate schedules.

In addition to the proposed tariffs, Gulf provided the following supporting information:

- Attachment C - rate summary table, allocation of rate increase to the rate classes, proof of revenue.⁹
- Attachment D - derivation of revised 2017 purchased power capacity clause factors for all rate classes resulting from the \$7.7 million credit of Flint EMC revenues through the capacity clause as contained in paragraph 5 of the Settlement.¹⁰
- Attachment E - support for the On-Peak Demand Credit and Critical Peak Demand Charge for the Critical Peak Option for the Large Power Time of Use rate schedule as contained in paragraphs 8(b) and 18 of the Settlement.¹¹

The impact of the Settlement on a 1,000 kilowatt-hour (kWh) residential bill is shown in the table below.

⁷ Document No. 04264-17.

⁸ *Id.* at pgs 2-129.

⁹ *Id.* at pgs 130-163.

¹⁰ *Id.* at pgs 164-166.

¹¹ *Id.* at pgs 167-169.

Table 1-1
Current and Proposed 1,000 kWh Residential Bill

	Current	Proposed	Increase/(Decrease)
Base Charge	\$18.60	\$19.50	\$0.90
Energy Charge	\$45.85	\$51.81	\$5.96
Fuel Charge	\$31.63	\$31.63	\$0
Capacity Charge	\$8.88	\$8.07	(\$0.81)
Conservation Charge	\$1.60	\$1.60	\$0
Environmental Charge	\$21.58	\$21.58	\$0
Gross Receipts Tax	\$3.29	\$3.44	\$0.15
Total Bill	\$131.43	\$137.63	\$6.20

Source: Gulf's April 18, 2017 filing.

Staff notes that Gulf's Base Charge is stated as a daily charge in its tariff. Gulf's current Base Charge is \$0.62 per day, while the proposed Base Charge is \$0.65 per day. The above calculation for the Base Charge assumes 30 days in the month. The reduction in the capacity charge is the result of the \$7.7 million credit in the capacity clause as provided in Paragraph 5 of the Settlement.

Bill impacts on commercial and industrial customers will vary depending on usage; however, on average commercial/industrial bills will increase by approximately three to six percent. Gulf provided typical bill calculations for residential and the major commercial/industrial rate schedules.¹²

As required by Rule 25-22.0406(8), F.A.C., Gulf will notify its customers of the approved rates with customers' July 2017 bills. Gulf will provide a copy of the customer notification for staff's review and approval prior to its mailing.

Staff has reviewed Gulf's proposed tariffs and supporting information as filed on April 18, 2017, and staff believes they are consistent with the approved Settlement. Therefore, staff recommends approval of Gulf's tariffs and rate schedules effective July 1, 2017.

¹² Document No. 04386-17.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves the tariffs, the docket should be closed if no appeal is timely filed. (Corbari)

Staff Analysis: If the Commission approves the tariffs, the docket should be closed if no appeal is timely filed.

Docket No. 160186-EI
Gulf Power Company
Current and Proposed Rates

(1) Rate Schedule	(2) Type of Charge	(3) Current Rate	(4) Proposed Rate
RS	BASE (\$/Customer)	\$0.62	\$0.65 /Day
	ENERGY (¢/kWh)	4.585	5.181
GS	BASE (\$/Customer)	\$21.62	\$27.00
	ENERGY (¢/kWh)	5.012	5.256
GSD	BASE (\$/Customer)	\$45.43	\$48.10
	DEMAND (\$/KW)	\$6.60	\$7.38
	ENERGY (¢/kWh)	1.698	1.894
	PRIMARY DISCOUNT (\$/KW)	(\$0.34)	(\$0.30)
LP	BASE (\$/Customer)	\$262.80	\$262.80
	DEMAND (\$/KW)	\$11.63	\$12.87
	ENERGY (¢/kWh)	0.880	0.972
	PRIMARY DISCOUNT (\$/KW)	(\$0.48)	(\$0.40)
	TRANSMISSION DISCOUNT (\$/KW)	(\$0.69)	(\$0.61)
PX	BASE (\$/Customer)	\$718.28	\$838.43
	DEMAND (\$/KW)	\$10.48	\$12.23
	ENERGY (¢/kWh)	0.385	0.449
	MINIMUM MONTHLY BILL DEMAND CHARGE (\$/KW)	\$12.59	\$14.69
RSVP	BASE (\$/Customer)	\$0.62	\$0.65 /Day
	ENERGY Critical (¢/kWh)	4.585	5.181
	ENERGY High (¢/kWh)	4.585	5.181
	ENERGY Medium (¢/kWh)	4.585	5.181
	ENERGY Low (¢/kWh)	4.585	5.181
RSTOU	BASE (\$/Customer)	\$0.62	\$0.65 /Day
	ENERGY On-Peak (¢/kWh)	4.585	5.181
	ENERGY Off-Peak (¢/kWh)	4.585	5.181

(1)	(2)	(3)	(4)	
Rate Schedule	Type of Charge	Current Rate	Proposed Rate	
GSTOU	BASE (\$/Customer)	\$45.43	\$48.10	
	ENERGY Summer On (¢/kWh)	18.244	20.342	
	ENERGY Summer Int. (¢/kWh)	6.811	7.594	
	ENERGY Summer Off (¢/kWh)	2.832	3.158	
	ENERGY Winter (¢/kWh)	3.964	4.420	
GSDT	BASE (\$/Customer)	\$45.43	\$48.10	
	DEMAND Maximum (\$/KW)	\$3.14	\$3.51	
	DEMAND On-Peak (\$/KW)	\$3.53	\$3.95	
	ENERGY On-Peak (¢/kWh)	1.698	1.894	
	ENERGY Off-Peak (¢/kWh)	1.698	1.894	
	PRIMARY DISCOUNT (\$/KW)	(\$0.34)	(\$0.30)	
	CRITICAL PEAK OPTION:			
	DEMAND Maximum (\$/KW)	\$3.14	----	
	DEMAND On-Peak (\$/KW)	\$1.77	----	
	DEMAND Critical Peak (\$/KW)	\$5.30	----	
LPT	BASE (\$/Customer)	\$262.80	\$262.80	
	DEMAND Maximum (\$/KW)	\$2.38	\$2.63	
	DEMAND On-Peak (\$/KW)	\$9.34	\$10.34	
	ENERGY On-Peak (¢/kWh)	0.880	0.972	
	ENERGY Off-Peak (¢/kWh)	0.880	0.972	
	PRIMARY DISCOUNT (\$/KW)	(\$0.48)	(\$0.40)	
	TRANSMISSION DISCOUNT (\$/KW)	(\$0.69)	(\$0.61)	
	CRITICAL PEAK OPTION:			
	DEMAND Maximum (\$/KW)	\$2.38	\$2.63	
DEMAND On-Peak (\$/KW)	\$1.87	\$10.34		
DEMAND Critical Peak (\$/KW)	\$16.81	----		

(1)	(2)	(3)	(4)
Rate Schedule	Type of Charge	Current Rate	Proposed Rate
PXT	BASE (\$/Customer)	\$718.28	\$838.43
	DEMAND Maximum (\$/KW)	\$0.86	\$1.00
	DEMAND On-Peak (\$/KW)	\$9.72	\$11.35
	ENERGY On-Peak (¢/kWh)	0.385	0.449
	ENERGY Off-Peak (¢/kWh)	0.385	0.449
	MINIMUM MONTHLY BILL		
	DEMAND CHARGE (\$/KW)	\$12.69	\$14.81
SBS	100 TO 499 KW		
	BASE (\$/Customer)	\$261.88	\$261.88
	DEMAND CHARGE:		
	LOCAL FACILITIES (\$/KW)	\$2.80	\$3.06
	ON-PEAK DEMAND (\$/KW)	\$3.61	\$3.95
	RESERVATION CHARGE (\$/KW)	\$1.10	\$1.44
	SUM DAILY ON-PK STANDBY (\$/KW)	\$0.53	\$0.68
	ENERGY (¢/kWh)	2.783	3.225
	500 TO 7,499 KW		
	BASE (\$/Customer)	\$261.88	\$261.88
	DEMAND CHARGE:		
	LOCAL FACILITIES (\$/KW)	\$2.48	\$2.79
	ON-PEAK DEMAND (\$/KW)	\$9.37	\$10.34
	RESERVATION CHARGE (\$/KW)	\$1.10	\$1.44
	SUM DAILY ON-PK STANDBY (\$/KW)	\$0.53	\$0.68
ENERGY (¢/kWh)	2.783	3.225	
ABOVE 7,499 KW			
BASE (\$/Customer)	\$623.10	\$623.10	
DEMAND CHARGE:			
LOCAL FACILITIES (\$/KW)	\$0.89	\$0.96	
ON-PEAK DEMAND (\$/KW)	\$9.88	\$11.35	
RESERVATION CHARGE (\$/KW)	\$1.13	\$1.47	
SUM DAILY ON-PK STANDBY (\$/KW)	\$0.54	\$0.69	
ENERGY (¢/kWh)	2.783	3.225	