Gulf Power

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January 18, 2018

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

Re: Docket No. 20170252-EI – Petition for approval of experimental curtailable demand-side management program, by Gulf Power Company

Dear Ms. Stauffer:

Attached for electronic filing is Gulf Power Company's response to Staff's First Data Request in Docket 20170252-EI.

Sincerely,

Rhonda J Alexander

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Regulatory, Forecasting and Pricing Manager

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Attachments

cc: Gulf Power Company
 Jeffrey A. Stone, Esq., General Counsel
 Beggs & Lane
 Russell Badders, Esq.
 Florida Public Service Commission
 Moniaishi Mtenga, Division of Engineering

1. Please refer to paragraph 8(i) of the petition. Are the customers in the rate classes LP, LPT, PX, or PXT eligible for any other Demand Side Management rate or program?

RESPONSE:

Yes. Customers in rate classes LP, LPT, PX, and PXT are eligible to participate in other Commercial/Industrial Demand-Side management (DSM) programs as described in the Company's approved DSM Plan. These programs include an energy audit program, HVAC retrocommissioning, Commercial Building Efficiency, and Commercial/Industrial Custom incentive programs. As noted in the Availability section of the proposed Rate Rider CL, (Tariff Sheet No. 6.105), customers cannot participate in the CL Rider in conjunction with the Critical Peak Option for Rate LPT (LPT-CPO).

2. Please refer to paragraph 9 of the petition. How was the initial monthly bill credit of $3.35 per kW determined?

RESPONSE:

In the same way that Gulf evaluates other Demand-Side management (DSM) programs, Gulf utilized the FIRE (Florida Integrated Resource Evaluator) Model to determine the maximum monthly Curtailable Load Credit that could be paid and remain cost effective by passing the RIM cost effectiveness test. The initial monthly credit of $3.35 per kW was determined to be the maximum recurring monthly credit that could be paid beginning 2018 and continuing through 2032 and not cause the program costs to be higher than the benefits realized from the avoided capacity. The evaluation period of 15 years matches the proposed contract period for Rate Rider CL and provides 10 years of capacity benefit to Gulf Power and its general body of customers beyond the current year of need (2023). The avoided capacity cost is based on Gulf's current avoided unit as described in the Company's 2017 Ten-Year Site Plan (TYSP). These cost effectiveness results are provided as Exhibit B within Gulf's Petition for Approval of Experimental Curtailable Demand Side Management Program.

3. How many customers are eligible for this program? How many customers does Gulf expect to enroll in this program?

RESPONSE:

Gulf does not know the number of customers whose operations would allow for participation in such a specialized program. Gulf currently has 24 accounts which take service under its Critical Peak Option for Rate LPT (LPT-CPO) and anticipates that these accounts would be eligible to take service under the new program. Additionally, Gulf currently has 23 individual customers with annual loads greater than 4 megawatts; however, it is unknown whether all or a portion of this load could be subjected to curtailment under Rate Rider CL.

4. Referring to the proposed Curtailable Load (CL) tariff, please explain the basis for the 50 MW subscription limit.

RESPONSE:

The 50 MW subscription limit was determined based on several factors including potential customer interest, capacity needs, the pilot nature of the program, and the rate impact to customers through the Energy Conservation Costs Recovery (ECCR) clause.

5. Referring to proposed tariff sheet 6.107, the section labeled Credit:
   a. Please illustrate through a numerical example the second sentence in the paragraph which starts, "Should the sum of Customer's Firm Demand…"
   b. Explain under what circumstances the sum of the customer's firm demand and non-firm demand can exceed the customer's maximum measured demand.

RESPONSE:

a.

<u>Customer's Original Rider Terms</u>

(A) Firm Demand = 5,000 kW
(B) Non-Firm Demand = 5,000 kW
(C) Sum of Firm and Non-Firm Demand = (A) + (B) = 10,000 kW
(D) Monthly credit = (B) x $3.35 = $16,750

<u>Year 1 Review</u>

(E) Year 1 Maximum Demand = 10,000 kW
(F) Difference between the Sum of Customer's Firm and Non-Firm Demand and the Customer's Max Demand = (C) – (E) = 0 kW
No Change to Non-Firm Demand

<u>Year 2 Review</u>

(G) Year 2 Maximum Demand = 9,000 kW
(H) Difference between Sum of Customer's Firm and Non-Firm Demand and Customer's Max Demand = (C) – (G) = 1,000 kW

<u>Customer's Revised Rider Terms</u>

(I) Non-Firm Demand = (B) – (H) = 4,000 kW
(J) Monthly credit = (I) x $3.35 = $13,400

b. Over time, a customer's Maximum Demand could decline due to a number of factors, including the loss of a production line or equipment upgrades. Under these circumstances the customer should not and would not continue to receive monthly Curtailable Load Credits for load reductions they can no longer provide.

6. Please discuss what happens to CL customers on December 31, 2021, if Gulf does not petition the Commission for an extension of the CL tariff or, in the alternative, the Commission does not approve an extension.
    a. Will CL credits terminate effective January 1, 2022, and what notice will Gulf provide for customers that are on the CL tariff at that time?

RESPONSE:

For Curtailable Load Service Agreements executed prior to December 31, 2021, the CL credits will continue to be paid until the expiration of each customer's Curtailable Load Service Agreement. Should the Commission not approve an extension, the CL Rider will close to new customers on December 31, 2021.

7. The proposed CL tariff has been presented as an experimental Rider with a December 31, 2021, termination date. Please discuss what criteria Gulf will use to determine whether the Rider has been successful and should continue.

RESPONSE:

Gulf will consider several factors in evaluating the Curtailable Load Rider pilot including:

- Customers' interest in the program
- Customers' response to curtailment periods
- Customers' feedback
- Program implementation and management costs
- Company capacity needs

8. The proposed CL tariff states that the Rider is not applicable for public health or safety premises unless adequate on-site back up generation is available.
   a. Please explain how Gulf will verify that a customer has on-site back up generation if the customer applies for service under the CL tariff.

RESPONSE:

The language referenced is intended to limit program participation by customers whose response to a curtailment period could jeopardize public safety or health. Examples of such applications might include water treatment plants, sewage lift stations, air traffic control towers, etc. While Gulf does not anticipate needing to exercise this provision, each application will be evaluated on a case-by-case basis and will involve customer site visits, if deemed necessary.

9. What happens to the credits of a customer who ceases taking service under the Rider prior to the expiration of the full contract term without the required advanced written notification if the customer goes out of business or declares bankruptcy?

RESPONSE:

If a customer ceases taking service under the Rider prior to the expiration of the full contract term without the required advanced written notification due to ceasing business operations and/or declaring bankruptcy, the customer would owe the Company the total value of the credits received during a period equal to the lesser of: (i) the prior 60 months; (ii) the number of months which have elapsed since the occurrence of the most recent curtailment period; or (iii) the number of months which have elapsed since the Customer began service under this Rider. In the event of a customer bankruptcy, the disposition of amounts owed would be subject to the jurisdiction of the bankruptcy court.

10. Please explain the basis for the five years advanced written termination notice.

RESPONSE:

The five years advanced written notice is intended to provide assurance that participating CL Rider customers provide curtailable load value to Gulf’s customers. As shown in Gulf’s response to Item No. 2, the anticipated in-service date of the Company’s next avoided unit or resource is five years away, in 2023.

11. At the proposed rate, please provide the anticipated dollar impact on the ECCR clause in 2018.

RESPONSE:

The dollar impact on the ECCR clause in 2018 could range from $0 to approximately $1,570,000 if all 50 megawatts are subscribed in March. Gulf anticipates current customers receiving service under the Critical Peak Option for Rate LPT (LPT-CPO) to be likely participants in the CL Rider, which would result in an increase of approximately $134,000 to the ECCR clause in 2018, assuming they take service in March. The retail impact to the ECCR factor for this scenario is $0.00002/kWh.

12. Has Gulf sought comment or input from the signatories of the settlement filed in Docket No. 20160186-EI? If so, has any signatory expressed concern or objections to the program?

RESPONSE:

Yes, Gulf did discuss the proposal with signatories representing customers who could avail themselves of the offering. However, Gulf is not aware of any signatory having material concerns with the offering.