

# Economic Development Incentive (EDI) Rate Rider

December 19, 2013



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# Why is GRU proposing this incentive?

- Electric sales projections are relatively flat
- Electric capacity is greater than system sales
- Fixed costs for the electric system are borne by *all* electric customers
- GRU electric rates for businesses are higher than peer utilities
- Electric system growth and sales of electricity reduce upward rate pressure, which benefits *all* customers
- Additional tool that can be used in collaboration with the City's ongoing economic development efforts

# Overview - Existing Rate Option

- Retained, expanded or attracted load (REAL) service rider
- Tool to retain, expand or attract electric load of 100 kW or greater
- Maximum discount of 13%
- Four year term
- Rarely used
- Rate discount is funded with General Fund Transfer revenue (General Government foregoes this revenue in exchange for the ability to offer the REAL discount)
- Each discount requires City Commission approval
- Recommend keeping the REAL rate option & adding a new economic development rate

# New EDI Rate

- Electric discount available both to new customers and to existing customers who grow their business
- Discount designed so that base rate revenue to GRU remains the same and *overall* electric revenue increases
- Additional revenue pays for the discount
- Additional revenue helps pay for fixed costs
- Allows the utility to respond quickly to economic development opportunities
- Can be used in conjunction with the existing REAL service rider

# New EDI Rate (Continued)

- The EDI rate rider is designed to attract large, regionally competitive customers and incentivize significant local growth
- The EDI rate discount is designed so that electric revenue will not decrease
- Increased revenue benefits more than just large customers by helping utility pay fixed costs

Annual Increased Energy from Economic Development				
	One Customer Added at 100,000 kWh/mo	≈ Four Customers Added at 100,000 kWh/mo	≈ Eight Customers Added at 100,000 kWh/mo	≈ Forty Customers Added at 100,000 kWh/mo
Annual MWh Increase	1,200	5,000	10,000	50,000
Reduction to FA per 1,000/kWh/mo bill	(\$0.03)	(\$0.13)	(\$0.25)	(\$1.23)

# New Customer Eligibility

- Must qualify as a General Service Demand (GSD) or Large Power (LP) Customer
  - GSD = electric demand > 50 kW per month
  - LP = electric demand > 1,000 kW per month
- Must have a **minimum** metered electric usage of 100,000 kWh per month
- All qualifying electric usage must be through a single meter point.
- 20% discount on base rates.
  - Discount is not applied to fuel adjustment charges
- Five year term

FY '14 Electric Rates		
	GSD	LP
Customer Charge	\$100/meter	\$350/meter
Demand Charge	\$9.25/kW	9.25/kW
Energy Charge	\$0.045/kWh	\$0.0405/kWh
Fuel Charge	\$0.071/kWh	\$0.071/kWh

# Existing Customer Eligibility

- Must qualify as a General Service Demand (GSD) or Large Power (LP) Customer
- Must increase baseline usage by 20% or greater and have a resulting minimum metered electric usage of 100,000 kWh per month
- All qualifying electric usage must be through a single meter point.
- 15% discount on base rates, for both incremental and existing electric load
- Five year term



# What does this customer look like?

≈ 150 existing customers who meet eligibility requirements with 20% growth

Industry Type	Count	Industry Type	Count
Hospitals/Clinics/Medical Office	20	Insurance	7
Retail	18	Telecommunications	5
Education/Schools	16	Utilities	5
Government/Public Buildings	14	Warehouse/Storage	5
Grocery	13	Printing/Publications	3
Retirement Community/Assisted Living	10	Restaurant	2
Real Estate/Property Management	9	Recreation/Fitness	2
Manufacturing	9	Transportation	2
Hotel/Motel	7	Public Housing	1

# Existing Demand Customer Example

	Electric Use (kWh/month)	Cost/month
Current GRU Bill	90,000	\$14,507
Expands 20% (No Discount)	108,000	\$17,384
Expands 20% (Receives EDI Discount)	108,000	\$16,178
Customer Savings		-\$1,206

- GRU collects the same amount of base rate revenue of \$6,500/month
- GRU collects an **additional \$15,336 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$301 per year in utility taxes from tax eligible customers

# Existing Large Power Customer Example

	Electric Use (kWh/month)	Cost/month
Current GRU Bill	1,000,000	\$142,992
Expands 20% (No Discount)	1,200,000	\$171,568
Expands 20% (Receives EDI Discount)	1,200,000	\$160,207
Customer Savings		-\$11,361

- GRU collects about the same amount of base rate revenue of \$63,000/month
- GRU collects an **additional \$170,400 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$3,289 per year in utility taxes from tax eligible customers

# New Large Power Customer Example

- New customer is considering Gainesville as a potential site for a data center with a projected electric load of 500,000 kWh/month
- Projected GRU bill with no discount is \$77,270/month
- Customer applies for and receives EDI discount rate of 20%
- GRU bill with discount is projected at \$70,406/month
- Customer saves \$6,864 per month vs. standard rate
- GRU collects an **additional \$844,872 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$33,252 per year in utility taxes from tax eligible customers

# Program Implementation

## How will the program work?

- Customer must make application to GRU
- GRU will establish a baseline usage for existing customers looking to expand
  - The baseline will be the average kWh consumption for the 12-month period immediately preceding the Customer's application
- Customer must notify GRU in writing when target electric usage has been achieved
- Upon GRU verification of billed meter data, Customer will begin receiving discount on the next full billing cycle

# Program Implementation (Continued)

## When will the discount end?

- GRU may terminate service under this rider if the Customer fails to maintain the monthly target electric load in any given billing cycle (minimum 28 days)
- Upon first termination of service, customer may petition GRU for resumption of the discount provided that the target electric load has been met for three (3) consecutive months
- Upon GRU verification of requirements, service discount will resume for the remainder of the original five year term
- Upon any subsequent termination of service, service under this rider will be canceled
- Customer may elect to terminate this rider at any time, provided they give GRU thirty (30) days written notice

# Other Utility Economic Development Rates

## JEA

- Six year discount, starts at 30% and decreases 5% per year
- Available to customers with a minimum demand of 300 kW and employ an additional 15 full-time employees (FTE)

## FP&L

- Four year discount, starts at 20% and decreases 5% per year
- Available to customers with a minimum demand of 350 kW, who employ an additional 25 FTEs per 350 kW

## Duke Energy

- One-year discount of 50%
- Available to customers with a minimum demand of 500 kW who either add 35 FTEs or \$200,000 of capital investment per 500 kW

# Recommendation

- Direct the City Attorney to draft and the City Clerk to advertise an ordinance implementing the Economic Development Incentive rate rider and present to the City Commission