

Economic Development Incentive (EDI) Rate Rider

Item #130576

October 16th, 2014



Need for Economic Development

- 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
- EDI Rate Rider is an additional tool that can be used in collaboration with the City's ongoing economic development efforts

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 Retained, Expanded, Attracted Load (REAL) service rider

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 for 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 '15 Electric Rates		
	GSD	LP
Customer Charge	\$100/meter	\$350/meter
Demand Charge	\$8.50/kW	\$8.50/kW
Energy Charge	\$0.040/kWh	\$0.036/kWh
Fuel Charge	\$0.078/kWh	\$0.078/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	\$14,457
Expands 20% (No Discount)	108,000	\$17,454
Expands 20% (Receives EDI Discount)	108,000	\$16,352
Customer Savings		-\$1,102

- GRU collects the same amount of base rate revenue of \$5,900/month
- GRU collects an **additional \$16,848 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$403 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	\$149,820
Expands 20% (No Discount)	1,200,000	\$179,700
Expands 20% (Receives EDI Discount)	1,200,000	\$169,593
Customer Savings		-\$10,107

- GRU collects about the same amount of base rate revenue of \$55,500/month
- GRU collects an **additional \$187,200 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$3,160 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 \$75,120/month
- Customer applies for and receives EDI discount rate of 20%
- GRU bill with discount is projected at \$69,456/month
- Customer saves \$5,664 per month vs. standard rate
- GRU collects an **additional \$468,000 per year** in fuel revenue to help pay for fixed costs being applied to all electric customers
- The City collects an additional \$28,437 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

Recommendation

The City Commission adopt the proposed ordinance 130576, Economic Development Incentive (EDI) Rate Rider