Diamond Williams

100154-EG

From: Marchman, Vickie L. [VLMARCHM@southernco.com]

Sent: Thursday, August 12, 2010 10:51 AM

To: Filings@psc.state.fl.us

Cc: Katherine Fleming; 'george@cavros-law.com'; 'suzannebrownless@comcast.net'; 'Rdc_law@swbell.net'; 'john.burnett@pgnmail.com'; 'jbeasley@ausley.com'; 'jessica.cano@fpl.com'; Griffin, Steven R. (Beggs & Lane); Badders, Russell A. (Beggs & Lane); Stone Jeff (jas@beggslane.com)

Attachments: Response to SACE Comments 8-12-2010.pdf

A. s/Susan D. Ritenour
Gulf Power Company
One Energy Place
Pensacola FL 32520
850.444.6231
Sdriteno@southernco.com

B. Docket 100154-EG

C. Gulf Power Company

D. Document consists of 6 pages.

E. The attached is a Gulf Power Company's Response to SACE Comments.

Vickie Marchman
Administrative Assistant
Corporate Secretary
Phone (850) 444-6696
Fax (850) 444-6026
e-mail vlmarchm@southernco.com

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com

GULF POWER
A SOUTHERN COMPANY

August 12, 2010

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

Dear Ms. Cole:

Re: Docket No. 100154-EG

Attached is Gulf Power Company's Response to SACE Comments filed on July 14, 2010.

Sincerely,

Susan D. Ritenour (vw)

vm

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Petition for Approval of**)
Demand-side Management Plan)
Of Gulf Power Company) Docket No.: **100154-EG**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 12th day of August, 2010, on the following:

RICK D. CHAMBERLAIN
BEHRENS, TAYLOR, WHEELER & CHAMBERLAIN
6 N.E. 63RD STREET, SUITE 400
OKLAHOMA CITY, OK 73105

GEORGE CAVROS, ESQ.
120 E. OAKLAND PARK BLVD, STE. 105
FORT LAUDERDALE, FL 33334

Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

AUSLEY LAW FIRM
JAMES D. BEASLEY
POST OFFICE BOX 391
TALLAHASSEE, FL 32302

SUZANNE BROWNLESS, PA
1975 BUFORD BLVD.
TALLAHASSEE, FL 32308

KATHERINE E. FLEMING, ESQ.
SENIOR ATTORNEY
FL PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE FL 32399-0863

FLORIDA POWER & LIGHT COMPANY
JESSICA A. CANO
700 UNIVERSE BOULEVARD
JUNO BEACH, FL 33408-0420

PROGRESS ENERGY SERVICE COMPANY
JOHN T. BURNETT
P.O. BOX 14042
ST. PETERSBURG, FL 33733-4042

s/Steven R. Griffin
JEFFREY A. STONE
Florida Bar No. 325953

RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Approval of Demand-Side Management Plan of Gulf Power Company	)))	Docket No.: 100154-EG Filed: August 12, 2010

GULF POWER RESPONSE TO SACE COMMENTS

Gulf Power filed a Demand Side Management ("DSM") Plan on March 30, 2010, to meet numeric conservation goals set by the Commission in Order No.PSC-09-0855-FOF-EG. On July 14, 2010, the Southern Alliance for Clean Energy ("SACE") filed "preliminary comments and recommendations" ("Comments") concerning Gulf's DSM Plan that include factual errors and miscomprehend the intent of the Company's Plan to achieve the numeric conservation goals set forth by the Commission.[1]

Gulf notes at the outset that SACE's Comments are improper from a procedural perspective. The Commission has elected to consider Gulf's DSM Plan –and the DSM plans filed by the other FEECA utilities– through the Commission's Proposed Agency Action ("PAA") process pursuant to Rule 25-22.029, Florida Administrative Code. Neither the PAA process nor the Commission's DSM rule contemplate the filing of comments or recommendations such as those filed by SACE. If SACE truly has concerns about the FEECA utilities' DSM plans, SACE may voice those concerns at the Agenda Conference and/or request a full evidentiary hearing where SACE's criticisms can be fully vetted. At this stage, however, Gulf has no effective means to address and counter the assertions contained in SACE's Comments. Nevertheless, Gulf feels compelled to briefly respond to these assertions in order to assist the Commission in its evaluation of the Company's DSM Plan.

[1] SACE filed "amended preliminary comments" on August 3, 2010. It appears that the only difference between the August 3 comments and the July 14 comments is that the August 3 comments include additional "findings" relating to the DSM Plan filed by Florida Public Utilities. Consequently, Gulf Power's Response will be directed to the July 14 Comments.

At page two of its Comments, SACE characterizes Gulf's projected costs to achieve its DSM goals as "excessive." As discussed in the Executive Summary of Gulf's DSM Plan, the Plan represents the largest expansion of DSM in the Company's history and includes many new programs and incentives for which Gulf has no historical experience. For this reason, Gulf utilized estimates developed by Itron during the goal setting process to project costs to achieve, in total, the energy and demand reductions associated with the goals. As SACE recognizes in its Comments (although incorrectly attributed to OUC), Gulf allocated the overall non-incentive budget on a per-kwh saved basis in order to respond to staff requests for cost breakdowns on a program by program basis. (Comments at Appx. I-2) For example, the CFL measure costs cited by SACE at pages four and I-2 of its Comments are explained by this methodology and are therefore not necessarily representative of what Gulf would expect to experience in actual program deployment. At page 1-2 of Gulf's DSM Plan, Gulf clearly states that its program budgets and cost-effectiveness evaluations are based on "maximum" incentive levels contemplated and that actual incentive levels will be set through Program Standards. Gulf's cost figures will be refined in a more "bottom-up" manner as programs are approved and standards are developed and are likely be lower than the preliminary estimates included in Gulf's DSM Plan.

Second, SACE asserts that Gulf's Plan incorporates "two-year payback measures" in a manner inconsistent with the Commission's goals order. (Comments at p. 5) This assertion is simply wrong. Gulf fully understands the Commission's intent in utilizing the technical potential of a limited number of "two-year payback measures" as a proxy to increase the achievable potential goals developed by Itron. Contrary to SACE's suggestion, Gulf did not limit the two-year payback measures included in its DSM Plan to only those measures identified in the "top ten" list.[2] For example, Gulf Power's low income Community Energy Saver Program includes mulitple two-year payback measures that were not included in the "top ten" list. Moreover, it is misleading for SACE to suggest that Gulf failed to follow best practices in program design when, in fact, Gulf's Plan incorporates many of these shorter payback measures in combination with other longer payback measures into programs designed to achieve a more integrated market approach. For example, HVAC tune-up and ECM fans are "two-year payback measures" included in Gulf's HVAC Efficiency program as complementary measures to unit upgrades and duct repairs resulting in a program design far superior to conventional equipment upgrade incentives alone. This mischaracterization of Gulf's Plan by SACE, if not a deliberate attempt to mislead the Commission, is at the very least disappointing and off-target.

Third, SACE criticizes use of a two-year payback as a criterion in Gulf's Commercial/Industrial Custom Incentive program. (Comments at Appx. R-1) [3] This program is designed to provide flexibility in offering customized incentives necessary for many commercial and industrial applications including landlord/tenant arrangements. This payback criterion serves as a practical way to manage program cost and is consistent with staff witness Spellman's testimony that two-year payback is a reasonable economic criterion for more sophisticated customers found in the commercial/industrial sector. See, Direct Testimony of Richard Spellman, p. 32, Docket 080410-EG ("[W]e believe the two-year payback constraint makes sense for the large commercial/industrial market because these customers often possess the knowledge and expertise to identify and implement cost-effective energy savings measures without incentives."). In fact, this program was previously approved by the Commission in Gulf's existing DSM Plan in the very format proposed in this Plan.

---

[2] Gulf did include many of the "top ten" two-year payback measures in its DSM Plan. This should come as no surprise given the fact that these measures possess the most potential for energy savings.

[3] While it is not apparent from SACE's selective quotation of Gulf's DSM Plan in Appendix R-1 of its Comments, Gulf notes that it did not apply the two-year payback criterion for any programs or measures other than its Commercial/Industrial Customer Incentive Program.

Gulf has filed a Plan currently under Commission review which is in full compliance with the letter and intent of the Commission's goals order. This Plan introduces a number of new programs designed to meet the goals set by this order. The proposed incentives and program expenses associated with this Plan do represent a significant increase in cost above Gulf's current DSM-related expenditures. Gulf recognizes the impact this has on customers and expects to operate these programs at the most reasonable cost possible in order to achieve its numeric conservation goals.

CONCLUSION

SACE's Comments lack any procedural or legal foundation and should not be relied upon by the Commission in assessing Gulf Power's DSM Plan. In the event that the Commission does consider SACE's Comments in its assessment of Gulf's DSM Plan, Gulf requests the opportunity to thoroughly address SACE's Comments before or during the Commission's Agenda Conference in this docket.

Respectfully submitted this 12th day of August, 2010.

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32591
(850) 432-2451
Attorneys for Gulf Power Company