GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

P. Bernard Jacob

Docket No. 110138-EI

In Support of Rate Relief

Date of Filing: July 8, 2011

Q. Please state your name and business address.

A. My name is Bernard Jacob. My business address is One Energy Place, Pensacola, Florida 32520. I am Vice President of Customer Operations for Gulf Power Company.

Q. Please summarize your educational and professional background.

A. I have a Master of Business Administration and a Bachelor of Science degree from Mississippi State University. I joined the Southern Company at Mississippi Power in August 1982. I have held a variety of positions within Mississippi Power, Southern Company Services, and Gulf Power Company (Gulf or the Company) in the areas of External Affairs, Customer Service, Telecommunications, Information Technology, and Corporate Services. I was elected Vice President External Affairs and Corporate Services for Gulf Power in June 2003. I assumed my current responsibilities as Vice President, Customer Operations, in March 2007.

Q. Please state your general responsibilities.

A. I provide executive leadership over the Customer Operations function at Gulf, which includes Transmission, Distribution, Customer Service (Customer Service and Information, Customer Accounts and Sales), and

 Customer Operations Support. I ensure the development of business plans, which include initiatives, goals, and performance indicators for each of the functional areas of Customer Operations. My responsibilities are to actively promote safety as a core value throughout Customer Operations, set expectations and hold employees accountable for working safely every day. In addition to safety, a special emphasis is placed on the promotion of customer value and increased customer satisfaction, electric service reliability, workforce productivity and employee development, and effective management of budgets.

Q. What is the purpose of your testimony?

A. My testimony provides an overview of Gulf’s Customer Operations business functions directly involved in the delivery of electric service to our customers. Specific details of these business functions will be provided by other witnesses. Gulf Witness Caldwell will discuss Transmission; Gulf Witness Moore will discuss Distribution; and Gulf Witness Neyman will discuss Customer Service.

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring Exhibit PBJ-1, Schedule 1. Exhibit PBJ-1 was prepared under my direction and control, and the information contained therein is true and correct to the best of my knowledge and belief.

Q. Please discuss the role of Customer Operations at Gulf.

A. Gulf Power delivers electric service to our customers around the clock. As a result, certain functions in Customer Operations must be staffed 24 hours a day, 7 days a week in order to effectively operate the electric network and to be able to respond to customer needs when they arise. Customer Operations is the face of the Company to the customer. Customer Operations consists of Transmission, Distribution, Customer Service, and Customer Operations Support business functions. Transmission’s function is to deliver power from the generating source to the distribution substations at voltages of 46 kilovolts (kV), 115 kV, and 230 kV through lines and substations. Distribution receives electric power from Transmission and steps down the voltage to 12 kV or 25 kV for providing service from the distribution substations to the customer’s metering point. The purpose of Customer Service is to promote the efficient and effective use of electricity through conservation programs, pricing development, and technical assistance to various classes of customers. Customer Service is also responsible for daily interaction with the customer through the Customer Service Center, or call center, and District Offices. Customer Operations Support is responsible for the effective management of budgets and business controls.

Q. Please provide an overview of Gulf’s service area.

A. Gulf Power serves customers in eight counties: Bay, Escambia, Holmes, Jackson, Okaloosa, Santa Rosa, Walton, and Washington. These counties cover approximately 7,550 square miles and encompass 71 towns and communities in Northwest Florida. Gulf’s service area spans from the Alabama border 153 miles to the East and from the Northwest Florida coast of the Gulf of Mexico north to the Alabama/Florida border.

 As of March 2011, Gulf’s customer base includes 431,741 industrial, commercial, and residential customers located in three districts. Gulf has district headquarters in Pensacola, Ft. Walton and Panama City.

Q. Please provide an overview of Gulf’s transmission system.

1. Gulf Power’s transmission system carries the bulk power flow from and between generation sources and substations. The transmission system consists of approximately 1,600 miles of lines which are operated at 230 kV, 115 kV, and 46 kV. Gulf’s 230kV system carries the bulk power flow from generation sources and neighboring utilities. These lines supply the path for power to flow from the generation sources to Gulf’s transmission level substations in the various regional areas of demand. The 115kV transmission facilities move the power from the transmission substations to the local areas of demand to facilitate the further distribution of the power to the customer. This is accomplished in one of our 109 distribution stations utilizing a transformer to reduce the voltage to a level appropriate for Gulf’s distribution network. In these distribution substations, the power is split into individual feeders for distribution to customer load centers. The 46kV system serves some of our more remote areas where lower amounts of power need to be directed to fewer loads. We also have a number of tie-lines with other utilities. These lines act as conduits for power to flow both into and out of our network, depending upon the current system conditions. Capital additions for replacement of routine items (such as poles, transformers, voltage regulation equipment, switches and conductors) and for transmission system improvements are necessary to support reliability, safety, and customer demand. Mr. Caldwell will address the details associated with Gulf’s transmission system.

Q. Please provide an overview of Gulf’s distribution facilities.

A. Gulf’s distribution system provides power from the distribution substations to the meter and, as of January 2011, comprises 5,898 miles of overhead lines, 1,786 miles of underground lines, and 253,365 poles. This distribution infrastructure, consisting of 276 distribution feeders, operates predominately at primary voltages of 12 kV with some 25 kV facilities in limited areas. The distribution primary voltage is then stepped-down to service level voltages for our customers, with typical residential 120/240 volt service. Capital additions for infrastructure upgrades, the use of technological innovation, vegetation management programs, storm hardening initiatives, implementation of Advanced Metering Infrastructure (AMI), and other productivity improvements are expected to enhance Gulf’s safe and reliable service to our customers. Mr. Moore will discuss these improvements as well as other details associated with Gulf’s distribution system.

Q. Please provide an overview of Gulf’s Customer Service function.

A. Gulf’s Customer Service function includes employees who interface with our customers on a daily basis in the following business units: Customer Service Center, Mass Markets (residential and small business customers), Major Accounts (large business customers), District Customer Service, Meter Reading, Collections and Support Services, Market Research and Planning, and Economic Development.

 The Customer Service Center (CSC) is the first point of contact for most customers. The CSC is staffed 24 hours per day, 7 days per week with representatives trained to assist customers with billing questions, service requests, outage reports, new product requests, and a multitude of other questions.

 The Mass Markets group develops and supports programs, products, and services for the benefit of the residential and small business segments. This includes conservation programs and efficient energy sales. Additionally, the Mass Markets team performs energy audits and assists customers with equipment purchasing decisions.

 The Major Accounts group supports the largest industrial and commercial customers who are highly specialized and require knowledgeable specialists to serve their electrical needs.

 District Customer Service includes personnel in the Company’s district offices in Panama City, Fort Walton, and Pensacola and local offices in Chipley, Crestview, DeFuniak Springs, Milton, and Niceville. District Customer Service is responsible for processing customer payments and for helping customers with billing questions, service requests, and new product requests. Additionally, District Customer Service includes personnel spread throughout our service area whose primary responsibilities are to read meters and perform collections activities.

 Market Research and Planning includes pricing, load research, market reporting and economic evaluation, customer-sited renewable generation, and forecasting. Market Research and Planning is also responsible for the development and reporting of the Company’s Demand Side Management Plan, including the projection and true-up filings for the Energy Conservation Cost Recovery (ECCR) clause.

 Economic Development personnel are focused on identifying opportunities to recruit new, or retain existing, commercial and/or industrial customers in Gulf Power’s service area and fostering networking and information exchange with our region’s community, business, and elected leadership.

 All of Gulf’s employees take personal responsibility to ensure customers’ expectations are exceeded. Every customer touch is an opportunity to exceed customer expectations. Gulf’s employees also take pride in creating value for our customers by excelling at the fundamentals. Each response to a customer is aligned with the customer’s sense of urgency as each employee thinks and acts like a customer. Gulf understands its services are vital to each customer’s lifestyle as well as the communities we serve. Ms. Neyman will further describe Customer Service programs in her testimony.

Q. Please describe Gulf’s commitment to safety.

A. Gulf’s first priority is the safety of employees and the customers we serve. Gulf’s corporate safety program, Target Zero, is based on the expectation that employees experience zero unsafe acts both while on the job or off duty. Employees participate in general and job specific safety training, monthly safety topics via email, website safety topics, and other safety related resources and wellness programs for personal health and wellbeing. Safety is the core of Gulf’s culture.

Q. Please describe Gulf’s customer satisfaction commitment.

A. Gulf continually focuses on creating a culture of adding value to customer experiences through various methods of communication. Personal contact, letters, e-mails, telephone calls, and surveys are methods customers use to let us know how we are doing. We value the collective voices of our customers.

 One of our primary corporate goals is to be in the upper quartile in customer value when measured against a peer group of utilities. To measure ourselves, Gulf Power utilizes a Customer Value Benchmark (CVB) to compare and contrast itself against an elite group of 16 peer utilities in the Southeast and nationally. Ms. Neyman will further discuss the CVB in her testimony. I am pleased that, since 2000, Gulf has remained in the top quartile overall. We are proud of our performance when compared to the top utilities across the country. This outstanding performance is a testament to the focus Gulf’s employees maintain on exceeding our customers’ expectations each and every day.

Q. Please describe Gulf’s commitment to the communities we serve.

A. The communities we serve are our customers, neighbors, friends, family, and coworkers. Gulf’s employees have a strong history of active involvement in making these communities a better place to live.

An example of Gulf’s commitment to the communities we serve is Gulf’s efforts related to storm restoration. Gulf takes great pride in our restoration efforts to ensure our customers and communities return to normalcy as quickly as possible following major storm events. In the 2004 storm season, Gulf’s distribution system endured three named storms: Tropical Storms Bonnie and Frances and Hurricane Ivan (Category 3).While Gulf was still recovering from the active 2004 storm season, the 2005 storm season arrived with four named storms: Tropical Storms Arlene and Cindy along with Hurricane Dennisand Hurricane Katrina. The most severe, Hurricane Ivan, a Category 3, struck Gulf’s service area on September 16, 2004, followed by Hurricane Dennis (Category 3) approximately ten months later.

Hurricane Ivan-related damage to Gulf’s distribution system was the worst on record for Gulf. Damage to Gulf’s facilities was extensive, and in many cases, catastrophic. Outages were widespread throughout Gulf’s service area; 368,644 customers, or 91.6 percent of Gulf’s total customer base, lost power. Every customer in Escambia and Santa Rosa Counties lost power. Electric utility resources were extremely limited as transmission, distribution, and tree trimming contractor crews were committed to South Florida’s hurricane restoration efforts resulting from Hurricanes Charlie and Frances. Gulf secured limited available resources with the understanding that the resources were dependent upon releases of these crews from the South Florida utilities. Electric service was restored in 13 days to those customers who could take power from Gulf, utilizing crews, crew methods, and materials from 23 states across the United States and even crews from Canada. As Gulf was in the completion phase of Hurricane Ivan restoration, Hurricane Jeanne struck South Florida on Sunday night, September 26, 2004. In anticipation of landfall of Hurricane Jeanne, crew releases to South Florida began on Thursday, September 23, 2004, seven days after Hurricane Ivan struck Gulf’s service area. Schedule 1 of Exhibit PBJ-1 is a compilation of customer and press accounts regarding Gulf’s Hurricane Ivan restoration efforts.

Q. Please describe Gulf’s transmission system performance.

A. Gulf’s transmission system performance has been strong over the past five years, and the Company has met its goal of maintaining the reliability of its transmission system. Mr. Caldwell will discuss Gulf’s transmission system performance.

Q. Please describe Gulf’s distribution system performance.

A. Gulf’s distribution system performance has also been good over the past five years and the Company has met its goal of maintaining the reliability of its distribution system. Mr. Moore will discuss Gulf’s distribution system performance.

Q. Has Gulf implemented any transmission and distribution projects that take advantage of new technological advances in the electric industry?

A. Yes. Gulf is expanding its transmission and distribution automation capabilities. This expansion consists of the installation of protective devices (reclosers), substation relaying changes, and a Distribution Supervisory Control and Data Acquisition (DSCADA) System. In addition, Gulf has partnered with the Department of Energy and Southern Company in a Smart Grid Investment Grant (SGIG) initiative dedicated to installing the latest transmission and distribution technology. This new technology will provide better operation and control of the transmission and distribution networks. Mr. Moore and Mr. Caldwell discuss these programs in their testimony. Gulf is also deploying AMI throughout our service area. AMI is the deployment of new meters having communication capabilities and the tower-based communication infrastructure that accompanies them. Mr. Moore will discuss the deployment of AMI. Ms. Neyman will provide additional detail regarding the customer and energy services benefits of AMI. Gulf Witness Erickson will discuss AMI meter depreciation.

Q. What is the requested level of Customer Operations Operation and Maintenance (O&M) expenses and capital additions?

A. Gulf is requesting $99,133,000 in Customer Operations O&M expenses and $129,530,000 in capital additions for the 2012 test year. These amounts are reasonable, prudent, and necessary for Gulf to continue to provide high quality customer service and maintain high reliability for our customers. The level of O&M expenses is representative of future levels required in the period the new rates will be in effect. Witnesses Caldwell, Moore, and Neyman will provide more detail on these requests.

Q. Please summarize your testimony.

A. Gulf is committed to the safety of its employees and customers, to ensuring customer value and customer satisfaction, and to providing reliable electric service to our customers. Gulf’s customer service standards and applications ensure consistent, reliable, high quality customer service across Northwest Florida. One of our primary business goals is to be an industry leader in customer service and customer satisfaction. Over the past few years, we have added new technologies to keep up with the growth in our service territory and the changing expectations of our customers. We take great pride in being ranked at the very top of our industry in delivering value to our customers. Our business results and commitment to continuous improvement demonstrates our past, present, and future commitment to providing electric service of superior value.

 The adjusted requested level of $99,133,000 in Customer Operations O&M expenses and the $129,530,000 in capital additions for my area of responsibility in the test year are reasonable, prudent, and necessary for Gulf to continue to provide customer service and maintain high reliability to our customers. This level of O&M expenses is representative of future levels required in the period the new rates will be in effect.

Q Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF FLORIDA ) Docket No. 110138-EI

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COUNTY OF ESCAMBIA )

 Before me the undersigned authority, personally appeared P. Bernard Jacob, who being first duly sworn, deposes, and says that he is the Vice President of Customer Operations of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

The signed original affidavit is attached to the

 original testimony on file with the FPSC.

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 P. Bernard Jacob

 Vice President of Customer Operations

 Sworn to and subscribed before me this \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2011.

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Notary Public, State of Florida at Large

Commission No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

My Commission Expires \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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 GULF POWER COMPANY

            Witness:  P. Bernard Jacob

 Exhibit No. \_\_\_\_ (PBJ-1)

 Schedule 1

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See Attached:

Hurricane Ivan Power Restoration

Pensacola News Journal Press Coverage

Customer Comments

September 2004