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June 10, 2014

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

RE: Docket No. 130202-EI

Dear Ms. Stauffer:

Attached is the Pre-hearing Statement of Gulf Power Company to be filed in the above referenced docket.

Sincerely,

A handwritten signature in black ink that reads "Robert L. McGee, Jr." in a cursive script.

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Attachments

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

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Commission review of numeric  
conservation goals (Gulf Power Company).

Docket No.: 130202-EI  
Filed: June 10, 2014

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company (“Gulf Power,” “Gulf,” or “the Company”), by and through its undersigned counsel and pursuant to Order No. PSC-13-0386-PCO-EU (as revised by Order Nos. PSC-14-0112-PCO-EU and PSC-14-0189-PCO-EU) establishing procedure in this docket, files this prehearing statement saying:

A. **APPEARANCES:**

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS,  
Esquire, and STEVEN R. GRIFFIN, Esquire, of Beggs & Lane,  
P.O. Box 12950, Pensacola, FL 32591-2950  
On behalf of Gulf Power Company.

B. **WITNESSES:** All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness’s testimony, are as follows:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
1. J.N. Floyd (Gulf)	Gulf Power Company’s Proposed DSM goals for 2015- 2024	1-11
<u>(Rebuttal)</u>		
1. J.N. Floyd (Gulf)	Response to intervenor assertions regarding proposed goals, cost-effectiveness analyses, criteria for setting goals and renewable policy	1-11

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(JNF-1)	Floyd	Proposed Numeric Conservation Goals; Existing/Proposed Goal Comparison; Achieved kW and kWh reductions; Technical Potential Update Process; Technical Potential Measure List; Summary of Technical Potential Results; Technical Potential Results Comparison to 2009 Technical Potential; Summary of Economic Potential Results; Economic Potential Measures List; Summary of Achievable Potential Results; Achievable Potential Measure List; Annual Bill Impact for 1,200 kWh/month Residential Customer; Summary of Fuel Sensitivity Results; Summary of Free-Ridership Sensitivity Results; Solar Pilot Participation History; Solar Pilot Expense History; Solar PV Historical Customer Equipment Cost; Solar PV & STWH Cost Effectiveness Results

D. STATEMENT OF BASIC POSITION:

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the seasonal peak demand and annual energy conservation goals proposed by Gulf Power Company for the period 2015-2024 are based on a full assessment of technical, economic and achievable potential for demand-side conservation and efficiency measures, including demand-side renewable energy systems. The proposed goals are appropriate and meet the requirements of Section 366.82, F.S. and Rule 25-17.0021, Florida Administrative Code.

E. STATEMENT OF ISSUES AND POSITIONS:

**ISSUE 1:** Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems, pursuant to Section 366.82(3), F.S.?

**GULF:** Yes. Through its update to the 2009 Itron Technical Potential Study, Gulf has performed an adequate assessment of the full technical potential of all available demand-side conservation and efficiency measures, including demand-side renewable energy systems. This assessment included the evaluation of 285 individual end-use energy efficiency, demand response and solar photovoltaic measures. Gulf has not conducted an assessment of supply-side efficiencies in the same manner as its assessment of demand-side measures. Consistent with Rule 25-17.001(5), Florida Administrative Code, Gulf routinely considers energy efficiency in selecting supply-side projects across generation, transmission and distribution functions. Supply-side efficiencies are considered in utility Ten Year Site Plans and in connection with need determinations for new generation resources. In light of the foregoing, and because there are no guidelines in place in this docket which would provide a methodological approach to identifying, quantifying and proposing goals for supply-side efficiencies, Gulf does not believe that consideration of supply-side efficiencies is appropriate in this proceeding. (Floyd)

**ISSUE 2:** Do the Company's proposed goals adequately reflect the costs and benefits to customers participating in the measure, pursuant to Section 366.82(3)(a), F.S.?

**GULF:** Yes. The measures included in the development of Gulf's goals adequately reflect the costs and benefits to participating customers. This is accomplished by performing the Participant's Test and requiring that all measures included in the goals pass this test. (Floyd)

**ISSUE 3:** Do the Company's proposed goals adequately reflect the costs and benefits to the general body of rate payers as a whole, including utility incentives and participant contributions pursuant to Section 366.82(3)(b), F.S.?

**GULF:** Yes. By passing the RIM test, Gulf's proposed goals reflect the costs (including incentives) and benefits that minimize overall rate impacts for the general body of customers, whether or not they participate in one of the resulting conservation programs. In addition, by only including measures that also pass the Participant's Test, these proposed goals adequately consider participant contributions as a component of overall customer impact. (Floyd)

**ISSUE 4:** Do the Company's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82, F.S.?

**GULF:** Yes. Gulf's proposed goals were developed utilizing the RIM and Participant's tests. In practice, these tests provide incentives to participating customers through the payment of rebates, to the general body of customers by preventing cross-subsidization between DSM program participants and non-participants, and to the utility by ensuring that incorporation of DSM in the resource planning process results in net benefits that put downward pressure on rates. Gulf Power does not believe that additional utility incentives are necessary under a RIM-based goal proposal. (Floyd)

**ISSUE 5:** Do the Company's proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of greenhouse gases, pursuant to Section 366.82(3)(d), F.S.?

**GULF:** Yes. Gulf is not incurring costs associated with state or federal regulations on the emission of greenhouse gasses. Therefore, Gulf has appropriately not included assumptions for costs of greenhouse gas emissions in the development of its proposed goals. Gulf's DSM evaluations are consistent with the statute's directive and with the assumptions used in determining the next generating unit identified in the Company's 2013 Ten Year Site Plan. (Floyd)

**ISSUE 6:** What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

**GULF:** The Commission should use the combination of RIM and Participant's tests to set goals for Gulf Power. This combination of tests is consistent with the language contained within section 366.82(3)(b), Florida Statutes. These tests provide an appropriate balance between participating and non-participating customer benefits and ensure downward pressure on overall electric rates while still supporting significant conservation activities. (Floyd)

**ISSUE 7:** Do the Company's proposed goals appropriately reflect consideration of free riders?

**GULF:** Yes. As required by Rule 25-17.0021, Florida Administrative Code, the goals established in this proceeding must account for the effects of free ridership. Consistent with past DSM goals proceedings, Gulf utilized a two-year payback criterion to account for free ridership. Measures having a customer payback of less than two years without any utility incentive were considered to present customers with a reasonable economic proposition and were screened from Gulf's achievable potential. The two-year payback criterion is an objective, reasonable and efficient method of addressing free ridership during the goal-setting process as required by Commission rule. (Floyd)

**ISSUE 8:** What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2015-2024?

**GULF:**

Proposed Numeric Conservation Goals – Savings at the Generator											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Residential</b>											
Annual Energy (GWh)	2.3	3.2	4.2	5.1	6.0	6.8	7.6	8.3	8.9	9.5	62.1
Summer Peak Demand (MW)	2.3	3.2	4.1	5.0	5.9	6.7	7.5	8.1	8.8	9.3	60.9
Winter Peak Demand (MW)	1.3	1.8	2.3	2.9	3.4	3.8	4.3	4.6	5.0	5.3	34.8

**ISSUE 9:** What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2015-2024?

**GULF:**

Proposed Numeric Conservation Goals – Savings at the Generator											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Commercial/Industrial</b>											
Annual Energy (GWh)	0.8	1.2	1.5	1.8	2.2	2.5	2.7	3.0	3.2	3.4	22.2
Summer Peak Demand (MW)	0.3	0.4	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.1	7.1
Winter Peak Demand (MW)	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	1.9

**ISSUE 10:** What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

**GULF:** All demand-side renewable energy systems were evaluated using the same cost-effectiveness standards as other energy efficiency measures. No renewable measures are cost-effective under either the RIM or TRC cost-effectiveness tests and, therefore, none are reflected in Gulf’s achievable potential results. In past FEECA proceedings, the Commission determined that it was appropriate to set goals equal to zero in cases where no DSM measures were found to be cost-effective. Given that no renewable measures passed the Commission’s approved cost-effectiveness criteria, setting renewable goals at a level above zero in this proceeding would not be appropriate. (Floyd)

**ISSUE 11:** Should the Company’s existing Solar Pilot Programs be extended and, if so, should any modifications be made to them?

**GULF:** No. Based on the results of the pilot, Gulf recommends not continuing the pilot programs past 2014. Neither the PV nor the solar thermal water heating technologies are cost-effective under the RIM or TRC test and therefore cause a cross-subsidy to occur. The solar pilots ultimately cost Gulf’s general body of customers more than the benefits realized by these systems. This is not to say that PV systems cannot be cost-effective to the participating customer. In fact, the decreases in system costs have improved the cost-effectiveness of PV systems to the point that additional customer-subsidized funding is not appropriate. (Floyd)

F. STIPULATED ISSUES:

**GULF:** Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

G. PENDING MOTIONS:

None

H. PENDING CONFIDENTIALITY REQUESTS:

1. Request for Confidential Classification and Motion for Protective Order filed on May 19, 2014 [DN 02350-14] relating to Gulf Power's responses to Staff's First Set of Interrogatories (Nos. 1-16) and First Request for Production (Nos. 1-3)
2. Request for Confidential Classification and Motion for Protective Order filed on May 29, 2014 [DN 02590-14] relating to certain information produced in response to Staff's Second Set of Interrogatories (Nos. 17-66), specifically No. 53.

I. OTHER MATTERS:

**GULF:** To the best knowledge of counsel, Gulf has complied with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for July 21-23 and July 30-31, 2014 Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 10th day of June, 2014.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeffrey A. Stone', is written over a horizontal line.

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**Attorneys for Gulf Power Company**



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Commission review of numeric  
conservation goals )

Docket No.: 130202-EI

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 10th day of June, 2014 to the following:

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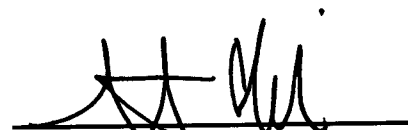
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