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October 12, 2016

VIA ELECTRONIC FILING

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

Re: Petition for an increase in rates by Gulf Power Company, Docket No. 160186-EI

Re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization by Gulf Power Company, Docket No. 160170-EI

Dear Ms. Stauffer:

Attached is the Direct Testimony and Exhibit of Gulf Power Company Witness Bentina C. Terry.

(Document 18 of 29)

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." with a stylized flourish at the end.

Robert L. McGee, Jr.
Regulatory & Pricing Manager

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 160186-EI



Gulf Power

**TESTIMONY AND EXHIBIT
OF
BENTINA C. TERRY**

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission

3 Direct Testimony of

4 Bentina C. Terry

5 Docket No. 160186-EI

6 In Support of Rate Relief

7 Date of Filing: October 12, 2016

8 Q. Please state your name and business address.

9 A. My name is Bentina Chisolm Terry. My business address is One Energy
10 Place, Pensacola, Florida 32520.

11 Q. What is your position?

12 A. I am the Customer Service and Sales Vice President for Gulf Power
13 Company (Gulf or the Company).

14 Q. What are your responsibilities as the Customer Service and Sales Vice
15 President?

16 A. In this role, I am responsible for the Company's customer service, marketing
17 and community and economic development organizations. I lead Gulf's
18 teams of customer facing employees who serve the Company's 450,000
19 customers, strengthen the communities Gulf Power serves, and help its
20 customers and communities grow.

21 Q. Please state your prior work experience and responsibilities.

22 A. I began my career with Southern Company in 2001 at Georgia Power
23 Company. I progressed through leadership roles in compliance, ethics and
24 power delivery, including customer service, external affairs and
25

1 customer operations. I also served as General Counsel and Vice President
2 of External Affairs for Southern Nuclear. Prior to my current role, I served
3 as Vice President of External Affairs and Corporate Services for Gulf Power.
4 Prior to joining Southern Company, I served as Associate General Counsel
5 for Progress Energy.

6

7 Q. What is your educational background?

8 A. I hold a Juris Doctorate degree from the University of Michigan Law School
9 and a Bachelor of Arts in English from North Carolina State University. I am
10 a member of the North Carolina State Bar and the Georgia State Bar.

11

12 Q. What is the purpose of your testimony?

13 A. My testimony describes the essential role that Gulf plays in serving our
14 customers and helping to build and sustain the communities in which we
15 reside. I describe the functions within the Company that serve and interact
16 with our customers and communities on a daily basis.

17

18 I will explain, in detail, the functions in our Customer Service and Marketing
19 and Sales organizations and how we provide "service to fit the lives" of our
20 customers. I will describe how we provide customer offerings (product and
21 services) and customer experiences that offer our customers the
22 customization, convenience and control they desire. I will set forth the
23 Company's goal to lead the industry in customer satisfaction and our
24 success in achieving that goal.

25

1 I will discuss Gulf's strategy for Economic Development, including our
2 success in this area and how that success benefits not only Gulf's customer
3 base, but also the region and the state. I also discuss Gulf's pilot economic
4 development riders and some changes that we propose to enhance the
5 riders and a request to establish them as permanent to better position both
6 the Company and the region for success.

7
8 My testimony further addresses the Operations and Maintenance (O&M)
9 expenses forecast for the 2017 test year in the Customer Service and
10 Information (CS&I), Customer Accounts and Sales groups as they are
11 defined by the Federal Energy Regulatory Commission (FERC) Uniform
12 System of Accounts. I show that these O&M expenses are reasonable,
13 prudent and representative of conditions when new rates will be in effect
14 and should be used to establish new base rates for Gulf to charge for its
15 service to customers. Finally, I address certain General Plant capital
16 additions in my areas of responsibility which are planned during 2016 and
17 2017.

18
19 Q. Are you sponsoring any exhibits?

20 A. Yes, I sponsor Exhibit BCT-1, Schedules 1 through 6. This exhibit was
21 prepared under my direction and control, and the information contained
22 therein is true and correct to the best of my knowledge and belief.

1 Q. Are you sponsoring any of the Minimum Filing Requirements (MFRs)
2 submitted by Gulf?

3 A. The MFRs that I sponsor or co-sponsor are listed on Schedule 1 of Exhibit
4 BCT-1. To the best of my knowledge and belief, the information contained
5 in these MFRs is true and correct.

6

7

8 **I. GULF'S CUSTOMER SERVICE BUSINESS UNITS**

9

10 Q. Please describe the business units within Gulf's Customer Service
11 organization.

12 A. Gulf's Customer Service organization handles the individual needs of our
13 customers every day. There are three departments within the Customer
14 Service organization at Gulf: the Customer Care Center (CCC), Customer
15 Service Support and District Customer Service.

16

17 The CCC is the most common point of contact for Gulf's customers.

18 Telephonic assistance is available 24 hours a day, 7 days a week. Gulf's

19 CCC is staffed by customer service representatives who are trained to

20 assist customers with a wide range of issues including service requests,

21 billing inquiries, outdoor lighting requests, efficiency options and outage

22 information. The CCC is also the hub for Gulf's online service options.

23 Gulf's Online Customer Care (OCC) options are managed within our CCC

24 to ensure consistency in the customer's experience whether on the phone

25 or online. Using the OCC portal on the Company's website, customers can

1 access self-service choices such as bill payment, billing arrangements,
2 payment options, usage information, outage status and various service
3 requests.

4
5 For Gulf's customers whose needs are also served by face to face
6 interaction, Gulf's District Customer Service teams are located in our district
7 offices in Panama City, Fort Walton Beach and Pensacola, as well as local
8 business offices in Chipley, Crestview, DeFuniak Springs, Milton and
9 Niceville. In addition to payment and billing inquires, the customer
10 representatives in our district locations can provide customers with a copy
11 of their recent bill activity and help them understand the resources that Gulf
12 provides all of its customers. At these sites, customers can also make
13 payment arrangements, provide proof of residency or complete other
14 transactions that necessitate an in person visit. Gulf's field service
15 personnel, who work out of district and local offices, set, remove and
16 inspect meters, perform revenue protection inspections and conduct field
17 audits.

18
19 The Customer Service Support organization provides back office support for
20 both the CCC and the District Customer Service teams. The representatives
21 on the Customer Service Support team provide all of the training for the
22 customer service personnel in the CCC and districts. The Support team also
23 handles customer inquiries that Gulf receives from the Florida Public Service
24 Commission (FPSC or Commission), billing exceptions, advanced metering
25 infrastructure (AMI) alerts, service order completion, and final bill collections.

1 **II. GULF'S CUSTOMER SERVICE STRATEGY**

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Q. What is Gulf's customer service philosophy?

A. Gulf's customer service philosophy is simple: we put our customers at the center of everything we do.

Q. Would you please elaborate on that philosophy?

A. Putting our customers at the center of everything we do means we provide service that fits the lives of our customers by giving them convenience, customization and control. That philosophy can take form in many different ways and rests on (1) capable employees, (2) tools and technology to anticipate customers' needs and (3) credible, trusting relationships. Gulf believes in empowering our customer service employees to assist customers as quickly and efficiently as possible, thereby enhancing the customer experience. Our customer service representatives both in the CCC and district offices are multi-skilled and able to address a multitude of customer requests, minimizing the number of transfers required to meet a customer's need. Training includes not only solid technical training (the whats), but also customer service training (the hows). As an example, since 2010, all of Gulf's customer-facing employees complete Power of Integrity training. This training is designed to reinforce the principles of listening to and addressing customer needs, creating value for our customers, taking responsibility and doing the right thing. This type of "soft skills" training is also included as part of the on-boarding process for all of our customer care representatives.

1 Q. In what other ways does Gulf's customer service philosophy take shape?

2 A. Gulf's customer service philosophy also takes shape in the tools and
3 technology that we use to serve our customers. Customers' needs continue
4 to evolve, but faster than that, their expectations are changing. Gulf's
5 customers are being influenced not only by local merchants, but also by a
6 global economy led by retailers such as Amazon. Customers expect
7 convenience – service on their schedule, customization – service
8 personalized to them and their needs, and control – service that allows
9 them to make decisions. Said another way, customers expect, and we aim
10 to deliver, service to fit their lives. We have developed an innovative
11 customer service strategy not only to modernize our customer experience,
12 but also to anticipate the changing needs of our customers.

13

14 Q. Ms. Terry, please describe your strategy for serving customers.

15 A. At the core of our strategy is the recognition that customer needs are
16 different. At the most basic level, the way we serve the needs of our
17 residential customers is very different from that of our commercial and
18 industrial customers whose needs can be much more unique and complex.

19

20 The majority of our residential customers reach out to us through our CCC.
21 Gulf continues to implement new processes or technologies at the CCC to
22 make our customers' experience as convenient as possible. We have
23 enhanced our voice response unit (VRU) to allow customers to use their
24 phone's keypad or their voice to make selections depending on their
25 preferences and abilities. We enhanced the VRU capability, expanding

1 qualifying customers' ability to make payment arrangements and enroll in
2 rate options using the automated system. We enhanced the electronic
3 communication provided to customers who request to connect, transfer or
4 stop service. These automated communications keep customers abreast of
5 the status of their request, minimizing their need to call back for status
6 information. The Company launched the Customer Preference Center, an
7 online platform allowing customers to control how Gulf communicates with
8 them. They can select to receive communication via telephone, email or
9 text messages. Enabled by the Company's advanced metering
10 infrastructure, CCC representatives have access to customers' daily usage
11 and are trained to assist customers by coupling that information with
12 weather impacts to help them understand how usage and weather affect
13 their bill.

14
15 Q. Does your strategy for serving customers include an enhanced digital
16 experience?

17 A. Yes, it does.

18
19 Q. Would you please elaborate?

20 A. Gulf offers an app which customers can install on their mobile device. The
21 Gulf Power app conveniently allows customers to pay their bill, view and
22 report outages and receive energy efficiency tips and recommendations all
23 while on the go.

1 Another tool for residential customers to enhance their experience in the
2 digital channel is Gulf's My Power Usage offered through our OCC portal.
3 My Power Usage provides customers with their home's usage data. In
4 addition to viewing data, customers can set up My Power Usage to alert
5 them daily if their usage exceeds their defined thresholds, putting the
6 control of their electric data in their hands in a customizable way.
7

8 Q. While most of your residential customers reach out to you through the CCC,
9 how do you meet the needs of the Company's customers that walk into one
10 of your district or local offices?

11 A. We have local offices, integrated into our local communities, where we
12 provide in-person services for customers who desire it. This is an important
13 and necessary part of our strategy. We also recognize that how we serve
14 customers within their communities will continue to evolve as customer
15 needs and expectations change. This evolution will necessitate changes to
16 the customer experience provided by Gulf.
17

18 Q. What changes are you making to the way you serve customers in your local
19 offices?

20 A. Continuing the Company's focus on providing service to fit the lives of our
21 customers, during 2016 and 2017, we will be deploying payment kiosks in
22 all of our district and local offices. This enhancement offers more flexibility
23 and helps to meet the changing needs of our customers. Surveys
24 conducted with our local office customers indicate that seventy percent of
25 these customers would welcome a self-service option at the local office.

1 These kiosks provide that option and allow customers to pay their bill
2 conveniently and privately using a variety of payment options. In addition,
3 the kiosks will have the capability to offer multi-lingual services and
4 recognize payment arrangements or other billing adjustments that were
5 previously made. Some locations will also be equipped with kiosks on the
6 outside of the building. This feature opens up these services to customers
7 at certain local offices 24 hours per day, 7 days per week.

8
9 Our local offices will continue to be staffed with employees who can assist
10 customers who require face to face service. For example, some customers
11 do not have routine access to technology, or they may have relatively
12 complex billing or energy usage situations and prefer to meet with a
13 customer service representative to discuss such specific needs. Others
14 may seek to meet with a customer service representative to learn more
15 about energy efficiency opportunities for their home or business. These
16 representatives will also be trained and available to consult with customers
17 on the benefits of electric end-use technologies. In addition, some
18 customers prefer the value of the personal touch afforded by face to face
19 services in resolving issues with finality and with the assurance that they
20 have, in fact, worked directly with the Company.

21
22 Q. Are you implementing other changes to make customers' experience with
23 the Company more convenient?

24 A. Yes. Our goal is to have efficient payment options to meet the needs of our
25 diverse customer base. In addition to the enhancements to payment

1 options offered by the kiosks at our local offices, and offering customers the
2 ability to conveniently pay online and by telephone, Gulf has also recently
3 contracted for authorized payment locations (APLs) such as MoneyGram
4 and Western Union. The Company is offering these APLs to allow for cash
5 based payment services typically only offered at the Company's offices.
6 This enhancement responds to customer feedback and offers more
7 convenience for customers. Those customers who require more full service
8 options will still be able to visit one of our business office locations.

9
10 Q. Ms. Terry, you mentioned that commercial customers have unique needs.
11 Would you please discuss how you meet the needs of your small business
12 or commercial customers?

13 A. Gulf recognizes that small business customers are working tirelessly to
14 meet the needs of their own customers and make their businesses
15 successful. To that end, we want to make their interactions with us as
16 efficient as possible. When calling our CCC, business customers are
17 promptly directed to a customer representative who is skilled in handling
18 business customers' needs. These representatives have specific training
19 and are able to efficiently resolve the customer's issue and provide more
20 customized service.

21
22 Our small business customers tell us that they need customized
23 recommendations and support, but have little time to reach out to the
24 Company during their business hours. As a result, Gulf's representatives
25

1 attempt to reach out to these customers offering energy audits and
2 providing other valuable energy advice.

3
4 We recognize that we cannot reach all of our business customers in person
5 during business hours. As a result, we have recently launched our Small
6 Business Resource Center. This is an innovative web portal offering small
7 business customers access to necessary Gulf Power services 24 hours a
8 day, 7 days a week, while also providing a host of other valuable resources.
9 This portal is available to small business customers at any time of the day
10 or night, so they can take advantage of the services at their convenience,
11 offering small business customers service to fit their lives. The portal allows
12 small business customers the opportunity to obtain specific information
13 regarding their energy usage and relevant Company programs and rate
14 offerings as well as additional data and information aligning with their
15 business needs. For example, through the portal, a customer can obtain
16 demographic information that is helpful in making location or expansion
17 decisions. The portal also provides a one stop shop for small business
18 customers to access resources such the Small Business Development
19 Council (SBDC) as well as entities that provide local, regional, state and
20 federal resources.

21
22 Q. Do you manage the needs of your large commercial and industrial
23 customers in the same way?

24 A. No, as I describe later in my testimony, our Major Accounts team handles
25 the complex and unique needs of these customers on an individual basis.

1 forest products, military, health care, etc.), and each segment is assigned to
2 an account manager. Because of the unique nature of these customers, it
3 is necessary that each segment account manager be extremely
4 knowledgeable about the assigned businesses and their processes,
5 outputs, markets, and competition. This level of customized service is
6 necessary given the complexity of their energy demands.
7

8 Q. Please describe the Lighting Services department.

9 A. Lighting Services helps customers design, install and maintain outdoor
10 lighting systems tailored to meet their specific needs. These solutions
11 range in size from a single street light to a lighting project that involves large
12 roadways, an entire subdivision or downtown area. Through these
13 customized solutions, Gulf's experienced lighting team brings value to
14 customers on a daily basis.
15

16 Q. Describe the Energy Efficiency and Renewables team.

17 A. This team develops and supports conservation programs, products, and
18 services for the benefit of the residential and small business customers. An
19 important aspect of these offerings is how they allow customers to control
20 their energy usage. Many of the program offerings supported by this group
21 are included in Gulf's approved Demand-Side Management (DSM) Plan.
22 Program offerings include conservation programs like Gulf's
23 **EnergySelect®** program. This team is also responsible for Gulf's demand-
24 side renewable generation programs and services. Finally, this team
25 includes Gulf's Energy Services organization, which provides project

1 management and consulting services to the Company's federal government
2 customers located within the area Gulf serves. The bulk of these customers
3 consist of military installations.
4

5 Q. Describe the Innovation and Sales team.

6 A. This team develops and supports products and services that promote the
7 sale of efficient electric end uses. This includes ensuring Gulf's team of
8 Marketing representatives are trained and credible experts in the areas of
9 electro-technologies like heating ventilation and air conditioning (HVAC)
10 systems, water heating, electric transportation, etc. This team is engaged in
11 organizations like the American Society of Heating, Refrigerating and Air
12 Conditioning Engineers (ASHRAE) and the Electric Power Research
13 Institute (EPRI) to follow trends in technologies, participate in new
14 technology research and thoroughly understand building codes. This
15 expertise is transferred to our District Sales and Efficiency team so that they
16 are equipped as energy experts and can credibly consult with customers,
17 builders, developers and others when making energy decisions.
18

19 Q. Please describe the Marketing Services organization.

20 A. The Marketing Services team includes end-use research, customer
21 research, market reporting, contracts administration and economic
22 evaluation. Marketing Services is responsible for measuring Gulf's
23 customers' satisfaction and also for the development and reporting of the
24 Company's demand side management plan, including the projection and
25 true-up filings for the Energy Conservation Cost Recovery (ECCR) clause.

1 This team is also responsible for developing and administering customer
2 contracts and performing cost effectiveness and economic evaluations.

3

4 Q. How does your Marketing and Sales team meet the needs of your
5 customers?

6 A. Gulf's Marketing and Sales team is unique in that it is among a small group
7 of Gulf employees who are invited to assist customers inside their homes
8 and businesses every day. This positions this team of Gulf personnel to
9 understand the customer situation and provide very customized
10 recommendations and solutions. Gulf's team of energy consultants is
11 viewed by customers as energy experts. They are called upon by
12 customers to provide advice about the energy usage in their homes or
13 businesses. They partner with local builders, developers and architects to
14 provide energy advice as they design new residential and commercial
15 developments. Gulf's team of energy experts is in homes and businesses
16 every day performing energy audits. In the last five years, each of our
17 residential and commercial energy consultants performed, on average, 457
18 and 320 energy audits per year, respectively. In addition, through our
19 online audit tool, over 26,000 customers have taken advantage of
20 completing an online energy audit. As part of an energy audit, our energy
21 experts evaluate a customer's energy usage, equipment and building
22 envelope. They provide customized recommendations to the customer
23 addressing their concerns and providing credible and actionable
24 recommendations for how to make the most of their energy purchases.

25

1 Our Marketing and Sales team participates in many professional
2 organizations such as ASHRAE, the U.S. Green Building Council (USBGC),
3 and the Consortium for Energy Efficiency (CEE) to continuously stay
4 abreast of new technologies, policies, codes and standards that may affect
5 our customers and their energy usage. Our energy consultants are
6 provided technical training to ensure they are well equipped to perform
7 energy audits. Over half of our consultants hold advanced certifications
8 such as certified raters by the Residential Energy Services Network
9 (RESNET) or Certified Energy Managers (CEM). These advanced
10 certifications require that representatives master building science, which
11 includes understanding the physical behavior of a building as a system and
12 how it impacts the overall efficiency of the structure. They are required to
13 be proficient in understanding efficiencies associated with windows, HVAC
14 systems, lighting systems, etc. They are trained in how to identify
15 inefficiencies in a home or business such as leaky ducts, poor insulation
16 and the causes of heat gain and loss. Representatives holding CEMs are
17 further skilled in areas more essential for assisting commercial and
18 industrial customers such as green buildings, energy management systems,
19 boilers, cogeneration, motors, chillers, etc. Ensuring our team of energy
20 experts is trained and prepared to make actionable recommendations that
21 really make a difference for customers is a priority of Gulf.

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1 Q. Can you provide an example of the service provided by Gulf's energy
2 experts?

3 A. A customer in Niceville, Florida requested that Gulf perform an energy audit
4 at his residence. Upon arriving at the customer's home, the Gulf Marketing
5 representative engaged with the customer to understand his concerns and
6 expectations from the audit. The customer expressed to the representative
7 that he was working hard to improve the efficiency of his home. He recently
8 obtained multiple quotes on a new HVAC system and was considering
9 installing high efficiency windows. However, he was overwhelmed and
10 confused with all of the information. The HVAC dealer had performed the
11 sizing calculation, but the customer suspected the quoted HVAC systems
12 were over-sized for his home. Gulf's Marketing representative completed
13 the audit for the customer, and then recognized the opportunity to help the
14 customer navigate the HVAC option he was considering. Our reputation as
15 energy experts, developed over years of giving credible advice, leads
16 customers to seek counsel from our representatives in cases such as this.
17 For this customer, our skilled representative performed another sizing
18 analysis to re-calculate the home's load and estimate the appropriate HVAC
19 size. Gulf's Marketing representatives are trained to offer credible, technical
20 advice to customers in the area of energy usage. Their training and
21 experience allows them to exceed the customer's expectation. This is one
22 example which left this customer, in his words, feeling "blessed to be one of
23 Gulf's customers."
24
25

1 Another example of our representatives exceeding customer expectations
2 involved a customer in Pensacola. A mother with a disabled child was
3 struggling to pay her bills. Adding to her stress was the fact that her electric
4 bill showed an unusually high increase. This customer rents her home and
5 had already contacted her landlord. Her landlord had multiple contractors
6 come out to try and determine the cause of her bill increase and had not
7 found any issues. When she called Gulf, she was desperate for assistance.
8 Determined to assist this customer, Gulf's representative did a thorough
9 audit of her home including accessing the customer's attic. Upon entering
10 the attic, the Company representative found that the top of her plenum, the
11 heart of the duct system, had come loose. This allowed most all of the
12 conditioned air to blow into the attic instead of the home's duct system,
13 resulting in her system running continuously. The representative identified
14 the problem, and using duct tape, applied a temporary fix until the customer
15 could contact her landlord for a permanent and thorough correction. This
16 customer was delighted with the thoroughness of the Company's
17 representative.

18
19 Q. How are the products and services offered to Gulf's customers developed,
20 evaluated and implemented?

21 A. Gulf recognizes that our success is dependent upon understanding our
22 customers in order to anticipate their needs and provide products and
23 services that fit their lives. The Company uses market research, knowledge
24 from the Company's experienced corporate and district staff, and national
25 and regional information sources such as EPRI on emerging trends to

1 develop our programs. Gulf additionally leverages our affiliation with the
2 Southern Company and the other Southern Company system operating
3 companies in order to better understand consumer trends, preferences,
4 leading edge technologies and marketing techniques. This is another
5 example of the benefits Gulf receives by being part of the larger Southern
6 System.

7
8 Information gathered from these diversified sources is assimilated and
9 translated into new or enhanced products and services. These products
10 and services are then evaluated against criteria to determine customer
11 acceptance. Product implementation includes training for customer-facing
12 employees to ensure they are informed and can provide expert advice to
13 customers. The Company uses market research and customer
14 segmentation data to target products and services in a cost-effective way to
15 customers who are most likely to benefit from them. Products and services
16 are marketed in a variety of ways including promotions, direct mail, e-mail
17 and other mediums focused on reaching the right customers with products
18 and services that match their needs.

19
20 Gulf recognizes that maintaining a high level of customer satisfaction
21 requires that we be proactive and creative in meeting our customers' needs.
22 Innovative programs and pricing options are also examples of how Gulf
23 ensures that our customers have relevant options to manage their energy
24 usage.

25

1 Q. Please describe examples of innovative products or services that you offer
2 that bring value to your customers.

3 A. Gulf is conducting a Commission-approved pilot with residential customers
4 to test customers' response to a time of use (TOU) rate coupled with a
5 smart, learning thermostat. Through this pilot program, named Energy
6 Smart, participating customers receive an ecobee learning thermostat. The
7 ecobee thermostat is designed to work with sensors that can be placed in
8 multiple rooms in a customer's home. These sensors help manage the
9 comfort of the customer's entire home. The thermostat learns a customer's
10 behavior, so it can conserve while no one is at home. It knows to adjust for
11 the weather and lets customers control their thermostat while they are not at
12 home through a simple mobile tool. In addition to the thermostat,
13 participants are placed on a TOU rate that offers pricing signals for them to
14 modify their usage patterns away from peak times. The TOU rate also
15 includes a critical period that can occur at any time under specified
16 conditions. With the Energy Smart program, Gulf has partnered with
17 ecobee to send the critical signal to the customer's smart thermostat.
18 Additionally, the thermostat will run an algorithm that will reduce the
19 customers' HVAC load resulting in a demand reduction on Gulf's electrical
20 system. Customers who do not override the algorithm will receive a five
21 dollar bill credit on their next month's bill. This program is a great example
22 of how Gulf continues to look for ways to provide customization and control
23 to our customers.

24
25

1 Q. Speaking of innovation, please describe how Gulf has been a leader in the
2 area of electric transportation.

3 A. Gulf is committed to supporting electric transportation (ET) technologies,
4 which are quiet, efficient and virtually emission-free. Gulf works closely with
5 organizations such as EPRI and vehicle manufacturers to understand both
6 existing ET products as well as future products so that we are equipped to
7 help customers meet current needs and plan for the future. Our leadership
8 in this area includes not only customer education and consultation, but also
9 education for dealers. During 2015 alone, we touched over 1,200
10 customers with events aimed at increasing customer awareness of the
11 benefits of these products which range from cars to forklifts.

12
13 During 2015 Gulf launched its first in a series of “Coffee and Cars” events.
14 At these events, which are held at coffee shops in the local communities,
15 Gulf personnel educate customers and answer their questions. They also
16 have a variety of electric vehicles available for customers to participate in
17 ride alongs. These events have had strong participation, and we have
18 received great feedback from customers on the value offered at these
19 events.

20
21 Q. As electric vehicles become more popular, how are customers’ expectations
22 changing?

23 A. As mentioned previously, Gulf’s representatives are viewed by customers
24 as energy experts. Customers value the advice they receive from Gulf
25 personnel. As electric vehicles become more popular, we are seeing an

1 increase in requests for equipment, information and advice. I spoke
2 previously about the customers we have touched through events in this
3 area. In addition to customers who have an interest in the vehicles, we
4 have also seen a response from our commercial customers. As they strive
5 to meet the needs and desires of their customers, they recognize the value
6 to customers of electric vehicle charging. In most cases, these customers
7 look to Gulf to advise them on equipment selection and installation
8 practices. Ultimately, some customers want Gulf, as their energy partner, to
9 own the charging device.

10

11 Q. What actions does the Company propose to take in order to respond to the
12 needs expressed by these customers?

13 A. Our personnel come with great credibility and a track record of providing
14 energy advice that is in the best interest of our customers. While the ET
15 market is new and growing, our role in advising and assisting customers
16 with their energy needs, whether it is electro-technologies or energy
17 sources such as chargers, is tried and true. To support our customers in
18 this area, as Gulf Witness Hodnett discusses in her testimony, we are
19 seeking a depreciation schedule for electric vehicle chargers to allow us to
20 purchase, install and support these devices at customers' locations, behind
21 their electric service meter.

22

23 Q. Gulf Witness McGee discusses a set of proposed rate enhancements for
24 residential customers. How do these improvements fit into the Company's
25 customer strategy?

1 A. These enhancements improve our customers' experience with enhanced
2 service that fits their lives. Control is improved through these
3 enhancements by providing less variation in customers' bills. Significant
4 weather variations can create large swings in customer bills. These
5 fluctuations cause budget hardships and anxiety for many of our customers.
6 During these times, customers reach out to the Company seeking help and
7 understanding in trying to deal with these hardships. The enhanced rate
8 structure will reduce these bill extremes and the resulting customer anxiety.

9
10 Additionally, the enhanced rate structure allows the Company to offer more
11 efficiency options. Because of the lower variable charge (cents per kWh),
12 the Company is able to offer more cost-effective efficiency options to
13 residential customers. Customers who take advantage of these additional
14 offerings will have the opportunity to exercise even more control over their
15 monthly bill. Gulf Witness Floyd speaks in detail to these additional
16 efficiency offerings in his testimony.

17
18 The proposed new rate options offer customers more customization by
19 providing additional rate options from which to choose. While many of our
20 customers value less variation in their bill, some customers are equipped to
21 more closely manage their bill and prefer options that allow them to do so.
22 The two new demand rates open up options for them to consider when
23 determining which rate best fits their lifestyle.

24
25

1 Q. Does Gulf offer lighting products to its customers?

2 A. Yes. Through its Lighting Services organization, Gulf not only installs lighting
3 fixtures, but also partners with our customers to understand their needs and
4 recommend solutions that bring them value. Gulf's Lighting Services
5 organization actively pursues new and innovative lighting solutions that
6 enhance the quality of the lights installed, while at the same time providing
7 more efficient solutions that can help save money and reduce "light pollution."

8

9 Gulf's Lighting Services organization is dedicated to meeting and exceeding
10 the expectations of our customers. During the last two years, in response to
11 customer feedback, we have decreased the time to resolve customer
12 requests from five days to three days. During 2015, our lighting team worked
13 over 23,000 lighting orders, and over 98 percent of those were completed in
14 three days or less.

15

16 Q. Do you have an example of a successful lighting project?

17 A. Yes. Gulf recently completed the installation of special Wildlife Certified
18 Autobahn LED light fixtures at five new pedestrian crosswalks on Perdido
19 Key, one of Gulf's many beachfront communities. These "turtle-friendly"
20 street lights increase pedestrian safety while reducing light pollution that
21 disorients nesting and hatching sea turtles that depend on natural celestial
22 lights to find their way back to the Gulf. The success of this project has led
23 other beachfront customers to turn to Gulf's lighting team to assist in
24 completing similar projects.

25

1 **IV. GULF'S COMMUNITY AND ECONOMIC**
2 **DEVELOPMENT BUSINESS UNITS**
3

4 Q. Please describe Gulf's Community and Economic Development
5 organization.

6 A. Gulf has been engaged in economic development efforts across Northwest
7 Florida and statewide for many years. The objectives of the Economic
8 Development organization are to partner with other state, regional and local
9 community leaders, the Governor's office, economic development
10 professionals and other interested parties to strengthen the economy of
11 Northwest Florida. All of these efforts focus on cultivating the leadership
12 and business climate necessary for attracting new business and supporting
13 entrepreneurship and existing business expansion in Northwest Florida.
14 This will result in stronger communities, a stronger customer base, and
15 ultimately a stronger state.

16
17 Q. How does Gulf support economic development organizations in Northwest
18 Florida and throughout the state?

19 A. Gulf works very closely with our state and regional economic development
20 organizations to market Northwest Florida as a desired location for
21 businesses. This includes marketing our communities' assets, such as
22 potential building sites in Northwest Florida, across the country and
23 internationally. We attend trade show missions, conduct inbound and
24 outbound site consultant missions, host prospect visits, cultivate
25 relationships with site selectors and actively help our communities respond

1 to information requests. We also work with and support business
2 incubators across the region and promote statewide programs that
3 encourage new business establishment and business growth.
4

5 Q. What specific programs or activities has Gulf implemented to further
6 economic development in the region?

7 A. In 2013, we launched a site certification program designed to identify and
8 pre-certify large manufacturing sites in Northwest Florida. Alabama,
9 Georgia and Mississippi have over 50 certified sites among them. Because
10 of the rigorous review process undertaken during the certification process,
11 these sites attract the first looks of professional site selectors who are hired
12 by businesses seeking new areas to locate or expand their operations. We
13 are proud to say that because of Gulf's program, Northwest Florida now has
14 nine certified sites. The certification process reviews infrastructure,
15 environmental issues, and other criteria before the site can be certified. This
16 certification often fast tracks the development of the site. Northwest Florida
17 is better positioned with these sites in our toolbox.
18

19 The Company also hosts an annual Economic Symposium to bring
20 business and community leaders, policy makers, and industry experts
21 together to support economic development in Northwest Florida. This event
22 is considered to be Northwest Florida's premier economic development
23 event. The Symposium program includes presentations by subject matter
24 experts, sharing of best practices, and educational topics designed to build
25 partnerships and bridge gaps that will strengthen economic development

1 capacity and the economy of Northwest Florida. The Symposium has
2 hosted speakers of national stature, as well as noted regional and national
3 economic development experts. Past speakers include Governor Rick
4 Scott, Commissioner Adam Putnam, former First Lady Barbara Bush,
5 Secretary of Commerce Gray Swoope, political analyst Joe Scarborough,
6 financial trend analyst Ben Stein, director of the National Entrepreneurial
7 Center Jerry Ross and CEO of International Economic Development
8 Conference Jeffrey Finkle. Attendance at this event has grown significantly
9 each year. More than 600 leaders attended the 2015 event.

10

11 Q. Is Gulf proposing any new economic development initiatives as part of this
12 proceeding?

13 A. Yes. We are seeking to modify our existing experimental economic
14 development rate riders for small, medium and large businesses and are
15 introducing a new rate rider for businesses with a load of 5 MW or greater.

16

17 Q. Please describe the proposed modifications to Gulf's existing experimental
18 economic development rate riders.

19 A Gulf's existing economic development rate riders—the Large Business
20 Incentive Rider, the Medium Business Incentive Rider and the Small Business
21 Incentive Rider (collectively the Riders)—were approved on a pilot basis in
22 connection with the Stipulation and Settlement Agreement which resolved all
23 outstanding issues in Gulf Power's 2013 base rate proceeding. The Riders
24 are due to expire on December 31, 2017. We are seeking to remove the
25 expiration date for the Riders. We are also proposing to (i) eliminate a

1 requirement that customers provide employment audit documentation from
2 the Florida Department of Economic Opportunity; (ii) modify the Riders to
3 allow for expansion of electric loads through existing delivery points; and (iii)
4 modify the employment requirement on the Large Business Incentive Rider.
5

6 Q. Please elaborate on why Gulf proposes to remove the expiration date for
7 the Riders.

8 A. Economic development is typically a long-term proposition. Prospects
9 looking to locate in Northwest Florida go through a long and thorough vetting
10 process before making a final decision. Removal of the expiration date will
11 provide greater certainty that the riders will be available for customers when
12 they are prepared to take service. For example, we have three eligible
13 customers currently in the pipeline for the Riders whose load will not be in
14 service prior to the expiration of the Riders. These three customers would
15 collectively bring 5,585 jobs to Northwest Florida. The Riders have served
16 as useful tools in aiding Gulf's economic development efforts. To date, the
17 Riders have attracted new load representing incremental electricity sales
18 revenue of approximately \$957,123 over the four year incentive period and
19 added 79 full-time equivalent jobs in Gulf's service area. Elimination of the
20 December 31, 2017 expiration date will ensure that Gulf is able to continue
21 these successes.
22

23 Q. Why are you proposing to eliminate the requirement that customers provide
24 employment audit documentation from the Florida Department of Economic
25 Opportunity?

1 A. Audit documentation from the Florida Department of Economic Opportunity
2 (DEO) is the current mechanism used to determine the number of jobs
3 being created. The DEO has informed us that they are not in a position to
4 provide audit documentation concerning employment figures for customers
5 who participate under the Riders. We are, therefore, requesting that this
6 mechanism be removed and replaced with a requirement that participating
7 customers provide annual attestation that they have met the applicable
8 employment requirement.

9

10 Q. Please address your request to modify the Riders to allow for expansion of
11 electric loads through existing delivery points.

12 A. The Riders currently do not apply to the provision of electric service through
13 existing delivery points. This means that existing customers desiring to
14 expand operations in our service area cannot qualify for the Riders without
15 installing a new delivery point (i.e., meter). Installation of a new metering
16 point can be expensive and, depending on the configuration of the
17 customer's electrical system, difficult. Gulf's proposal removes this barrier
18 to participation.

19

20 Q. What modifications are you seeking to the employment requirement for the
21 existing Large Business Incentive Rider?

22 A. This rider currently requires the prospective customer to have 25 full-time
23 employees per 1,000 kW of qualifying load. Numbers of employees are not
24 necessarily correlated to the load of a prospective customer. Data center
25 and high-tech manufacturing are examples of industries that do not have

1 large numbers of employees, but the number of employees and the amount
2 of load are not correlated. This requirement has proven to be a barrier as
3 some large, capital intensive projects such as manufacturing facilities may
4 not produce a large number of employees. The indirect multiplier effect on
5 manufacturing, however, is seven additional jobs for every one
6 manufacturing job created. We propose that the employment requirement
7 for this rider be changed to a flat 50 full-time employees.

8
9 Q. You also mentioned introduction of a new economic development rate rider
10 for larger businesses. What is the Company proposing in that regard?

11 A. We are seeking approval of an Extra-Large Business Incentive Rider. This
12 rider will be available to customers greater than 5 MW in size. It will include
13 a ten year declining credit schedule, as discussed by Gulf Witness Evans.
14 Similar to the proposed employment requirement for Gulf's existing Large
15 Business Incentive Rider, the employment requirement for this new rider will
16 be a flat 50 jobs. As with the other business incentive riders, customers
17 must provide an affidavit verifying that the availability of this Rider was a
18 significant factor in their decision to request service from Gulf Power.

19
20 Q. Why is Gulf proposing an Extra-Large Business Incentive Rider?

21 A. Gulf is proposing this rider to help better attract large business prospects to
22 Northwest Florida. Capital investments for a facility of 5 MW or greater are
23 typically substantial, and the competition to secure these prospects is
24 particularly high. Our experience with large business prospects has taught
25 us that they are aggressively seeking long-term commitments from

1 communities in which they choose to locate. Based on this experience, we
2 are confident that the proposed offering, with its attendant ten year declining
3 credit schedule, will be an especially effective tool for securing these
4 prospects.

5
6 Q. Can you provide any examples of how Gulf's existing economic
7 development initiatives have been successful to date?

8 A. Over the past three years, 9,919 new jobs were brought to Northwest
9 Florida as a result of our economic development activities. Specific
10 examples of recent successes include an expansion of 5,000 jobs at a
11 national financial services center by the year 2020. Additionally, an aircraft
12 maintenance, repair and overhaul (MRO) facility is locating in the Pensacola
13 area. The aircraft MRO facility is expected to be operational by the fall of
14 2017 creating 404 jobs.

15
16
17 **V. MEASURING GULF'S CUSTOMER SATISFACTION**

18
19 Q. How do you measure the value of service that Gulf provides to customers?

20 A. Gulf's customer facing employees seek every opportunity to solicit feedback
21 from customers as we interact with them on the phone, on the web, in our
22 offices or in their homes and businesses. These informal channels of
23 feedback are an important aspect to how we continually look for ways to
24 better meet their needs.

25

1 One of the Company's stated goals is to be in the upper quartile in customer
2 value when measured against a peer group of utilities. Gulf utilizes a
3 sophisticated research tool to make these comparisons. This proprietary
4 tool, known as the Customer Value Benchmark (CVB), allows the Company
5 to compare and contrast itself against a group of 16 peer utilities in the
6 Southeast and nationally. The participants in the peer group are identified
7 in Schedule 2 of my exhibit. With the CVB, customer value is measured in
8 three customer segments: large business, general business and
9 residential.

10
11 A third party research firm conducts the research for the residential and
12 general business segments by surveying a random sampling of customers
13 in each segment for Gulf and each company in the peer group. Selected
14 customers are called and asked a set of questions based on a pre-
15 determined set of key performance indicators. For the residential segment,
16 online surveys are also conducted.

17
18 For large business customers, data for the CVB is collected through a
19 syndicated study. Large business customers who meet the survey criteria
20 are called and asked a similar set of questions. In the large business
21 segment, the goal is to survey all qualifying customers of the Company and
22 each of the companies in the peer group.

23
24 Q. Where does Gulf rank when compared to the peer utilities in the survey you
25 described?

1 A. As shown in Schedule 2 of my exhibit, Gulf was the number one ranking
2 utility overall. Gulf's overall top quartile performance has been consistent
3 since 2000. We are proud of our performance when compared to the peer
4 utilities across the country. This outstanding performance is a testament to
5 the focus Gulf's employees maintain on exceeding customers' expectations
6 each and every day.

7

8 Q. What other ways does Gulf measure success as it relates to customer
9 satisfaction?

10 A. Gulf continually seeks opportunities to find innovative ways to better meet our
11 customers' needs. To that end, in addition to the CVB, we perform monthly
12 Active Customer Surveys with customers who had a recent contact with the
13 Company. The results of the active surveys are used to identify targeted
14 process improvements that improve our customers' overall experience. For
15 example, in 2012, Active Customer Survey results demonstrated that
16 customers were dissatisfied with the amount of time it took for the Company
17 to resolve lighting requests. Gulf has a five day commitment to resolve
18 lighting requests. The data demonstrated that Gulf was meeting our five day
19 commitment in nearly every instance. Even though the commitments were
20 being met, customers were left dissatisfied. While maintaining a commitment
21 of five days for resolution, the Company's lighting team began an endeavor to
22 resolve most requests within 3 days. During 2015 over 98 percent of all
23 lighting requests were resolved in 3 days or less.

24

25

1 Gulf's commitment to customer satisfaction is further demonstrated by the
2 fact that customer complaints to the Commission have remained low. We
3 take seriously our commitment to resolving any concerns raised by our
4 customers. In all cases where a customer has a concern about the service
5 they receive from the Company, we endeavor to promptly and thoroughly
6 resolve their concern to their satisfaction. Our success in this area is
7 demonstrated by consistently low complaint activity as shown in Schedule 6
8 of my exhibit.

9
10 Surveys and all other customer contacts also help Gulf measure its success
11 with developing and delivering products and services. We are proud of our
12 record, and the customer value and satisfaction scores bear out that we are
13 successful in meeting the needs of our customers.

14 15 16 **VI. GULF'S BUDGET PROCESS**

17
18 Q. Please describe the O&M budget process for your area of responsibility.

19 A. Gulf's Corporate Planning department prepares a Budget Message that is
20 distributed to all functional areas. The Budget Message is intended to provide
21 a budget guideline for preparing the five year budget cycle request.

22
23 The five-year O&M budgets related to my areas of responsibility are
24 developed from the bottom up. The managers and supervisors in the districts
25

1 and corporate functions first develop budgets with the goal of maintaining
2 high customer satisfaction as described in my testimony.

3
4 As managers and supervisors develop their five-year budget proposals, they
5 take into account any known factors that will affect their O&M needs during that
6 period. Their budgets are then submitted to a centralized budget team. The
7 budget team consolidates all of the information and submits a proposal to the
8 department heads. Once the department heads are satisfied that their O&M
9 budgets are reflective of their needs, I meet with my entire leadership team to
10 discuss the O&M budget. At this point in the review process, it is my intention
11 to ensure the most critical needs are met across the organization. In the event
12 there are funding constraints, the leadership team discusses risks associated
13 with projects and prioritizes projects to help ensure the most critical issues are
14 included in the O&M budget. Lastly, the budget is passed to Gulf's Corporate
15 Planning department. Gulf Witness Mason discusses the budget process that
16 takes place after Corporate Planning receives the O&M budget.

17
18 In addition to the rigorous budget approval process, Gulf also follows a
19 detailed process for monitoring and managing current year expenses. Each
20 month actual costs are closely reviewed and any variance to budget is
21 documented. Also, as part of this process, projections are made for the
22 next month and for year end. Actual costs, variance documentation as well
23 as projections are reviewed by me and my leadership team. If expenses
24 are projected to exceed the budget, approval is obtained from executive

25

1 management and then communicated to the Corporate Planning
2 department.

3
4
5 **VII. REGULATORY ADJUSTMENTS**

6
7 Q. Are there any regulatory adjustments being made to the test year in your
8 areas of responsibility?

9 A. Yes. Adjustment 7 shown on Schedule 4 of Exhibit SDR-1 and discussed in
10 the testimony of Gulf Witness Ritenour was made to reflect an increase in
11 revenues as a result of electric vehicle chargers that will be billed to
12 customers. As discussed previously in my testimony, these chargers will be
13 purchased by Gulf and installed on customers' property, behind their
14 meters.

15
16 Adjustment 28 shown on Schedule 4 of Exhibit SDR-1 and discussed in Ms.
17 Ritenour's testimony was made to reflect an expected decrease in
18 expenses associated with a workforce reduction resulting from the
19 installation of kiosks in Gulf's business and local offices. As I discussed
20 previously, the kiosks will offer payment services to our customers,
21 offsetting the need for some of the customer service representatives in our
22 business and local offices.

23
24 As shown on Schedules 2 and 4 of Exhibit SDR-1, Ms. Ritenour made
25 adjustments to remove net investment and expenses associated with capital

1 dollars budgeted for 2016 and 2017 to build a new business office in the
2 Pensacola area. The Company has decided not to build the office at this
3 time. These adjustments also include the net investment and expenses
4 associated with additional capital dollars budgeted for 2016 and 2017
5 necessary for Gulf to make changes to the Company's business offices to
6 accommodate the installation of kiosks for customer payments. As
7 previously discussed, these kiosks are being installed to meet the changing
8 needs of customers and enhance their customer experience by increasing
9 options and flexibility with payments.
10
11

12 **VIII. GULF'S CUSTOMER ACCOUNTS O&M EXPENSES**

13

14 Q. What is Gulf's Customer Accounts O&M budget for 2017?

15 A. Gulf's Customer Accounts O&M expenses for 2017 are projected to be
16 \$27,730,000.
17

18 Q. Are Gulf's projected levels of Customer Accounts O&M expenses of
19 \$27,730,000 in 2017 reasonable and prudent?

20 A. Yes. The expenses represented in the 2017 budget are reasonable and
21 prudent and were arrived at through Gulf's robust budget process, as
22 described in detail previously in my testimony. These expenses provide the
23 services necessary for our customers to conveniently connect or disconnect
24 service, initiate other service requests, report an outage, make payments or
25 payment arrangements and the many other services previously described in

1 my testimony. These services are essential for customers to be in control of
2 their bill and overall energy purchases. Furthermore, these expenses are
3 necessary for Gulf to maintain our strong history of customer satisfaction.
4

5 Q. Is Gulf's projected level of Customer Accounts O&M expenses of
6 \$27,730,000 in 2017 representative of a going forward level of Customer
7 Accounts O&M expenses beyond 2017?

8 A. Yes. As shown in Exhibit BCT-1, Schedule 3, Page 1, the projected level of
9 Customer Accounts O&M expenses of \$27,730,000 is representative of
10 future periods.
11

12 Q. Please describe the Customer Accounts O&M expenses included in the
13 2017 test year.

14 A. The Customer Accounts test year expenses are represented in three
15 categories: \$22,546,000 for Customer Service, \$1,190,000 in Metering and
16 \$3,994,000 in Uncollectible expenses.
17

18 Q. Please describe expenses in Gulf's Customer Service category.

19 A. The Customer Service category includes expenses related to supervision,
20 administration, billing, dispatch, facilities, Information Technology (IT) and
21 telecommunications, district local offices, collections, training, field service
22 and the Customer Care Center.
23
24
25

1 Q. Please describe Gulf's Metering category.

2 A. Metering includes expenses related to obtaining meter readings for billing
3 purposes, administering and maintaining meters. Some of the major
4 expenses are related to labor, fleet service and IT. Maintaining and
5 administering meters is essential for billing customers.

6
7 Q. Please describe Gulf's Uncollectibles category.

8 A. Uncollectibles includes amounts written off when customers leave a debt
9 unpaid on an inactive service account. The Uncollectibles category is
10 described further in section "XII. Uncollectibles" of my testimony.

11

12 Q. The Commission has historically employed an O&M benchmark calculation
13 in base rate proceedings. How do Gulf's Customer Accounts O&M
14 expenses forecasted for 2017 compare to the O&M benchmark level of
15 Customer Accounts expenses?

16 A. When compared to the O&M benchmark, Gulf's forecasted Customer
17 Accounts expenses for 2017 are \$365,000 under the benchmark.

18

19

20 **IX. GULF'S CUSTOMER SERVICE AND**
21 **INFORMATION O&M EXPENSES**

22

23 Q. What is Gulf's Customer Service and Information (CS&I) O&M budget for
24 2017?

25 A. Gulf's CS&I O&M expenses for 2017 are projected to be \$16,983,000.

1 Q. Are Gulf's projected levels of CS&I O&M expenses of \$16,983,000 in 2017
2 reasonable and prudent?

3 A. Yes. The expenses represented in the 2017 test year are reasonable and
4 prudent and were arrived at through Gulf's robust budget process, as I
5 described in detail previously in my testimony. These expenses are
6 necessary to support customer serving functions in Marketing and Sales
7 that build strategic partnerships with Gulf's key customers, provide valuable
8 lighting and energy services, promote innovative product and service
9 offerings and provide customers with expert advice on managing their
10 energy usage. These activities add value to Gulf's customers and ensure
11 continued levels of high customer satisfaction.
12

13 Q. Is Gulf's projected level of CS&I O&M expenses of \$16,983,000 in 2017
14 representative of a going forward level of CS&I O&M expenses beyond
15 2017?

16 A. Yes. As shown in Exhibit BCT-1, Schedule 3, Page 2, the projected level of
17 CS&I O&M expenses of \$16,983,000 is representative of future periods.
18

19 Q. Please describe the CS&I O&M expenses included in the 2017 test year.

20 A. The CS&I O&M expenses included in the 2017 test year include \$1,660,000
21 for Supervision, \$14,768,000 for Customer Programs and Services and
22 \$555,000 in Advertising.
23
24
25

1 Q. Please describe the expenses included in Gulf's Supervision category.

2 A. The Supervision category includes labor and associated expenses for the
3 supervisory and administrative functions that support Gulf's CS&I
4 organization.

5

6 Q. Please describe the activities included in Gulf's Customer Programs and
7 Services category.

8 A. Customer Programs and Services includes labor and associated expenses
9 for Gulf's District Energy Sales and Efficiency, Major Accounts, Lighting
10 Services, Energy Efficiency and Renewables, Innovation and Sales and
11 Marketing Services functions. Additionally, this category includes
12 operational expenses necessary for customer programs such as lighting,
13 our high efficiency home program (EarthCents Home) and Energy Services.

14

15 Q. Please describe the activities included in Gulf's Advertising category.

16 A. Advertising includes appropriate expenses associated with Gulf's
17 advertising targeted at educating and informing customers about products
18 and services available to them as well as how to use energy efficiently.

19

20 Q. The Commission has historically employed an O&M benchmark calculation
21 in base rate proceedings. How do Gulf's CS&I O&M expenses forecasted
22 for 2017 compare to the O&M benchmark level of CS&I expenses?

23 A. Gulf's 2017 forecasted level of expenses are \$4,617,000 under the O&M
24 benchmark.

25

1 **X. GULF'S SALES O&M EXPENSES**

2

3 Q. What is Gulf's Sales Expense O&M Budget for 2017?

4 A. Gulf's Sales expenses for 2017 total \$1,156,000.

5

6 Q. Are Gulf's projected levels of Sales O&M expenses of \$1,156,000 in 2017
7 reasonable and prudent?

8 A. Yes. The expenses represented in the 2017 budget are reasonable and
9 prudent and were arrived at as a result of Gulf's robust budget process.

10 These amounts represent 95 percent of the allowable economic development
11 expenses that the Company has budgeted for the period. As shown on
12 Schedule 3, Page 3 of Exhibit BCT-1, the 2017 budgeted Sales expenses
13 include the following major activities: \$112,000 for Administrative expenses
14 and \$1,044,000 for Programs and Incentives.

15

16 Q. Please describe the activities included in Gulf's Administration category.

17 A. The Administrative category includes expenses for labor associated with
18 economic development activities, information technology expenses and
19 other miscellaneous expenses (e.g., travel, office supplies, etc.)

20

21 Q. Please describe the activities included in Gulf's Programs and Incentives
22 category.

23 A. The Customer Programs and Expenses category includes sponsorships for
24 project development efforts conducted by local, regional and state economic
25 development agencies and organizations. These project development

1 efforts promote Northwest Florida through targeted marketing, site
2 evaluations and development partnership events. It also includes expenses
3 associated with Gulf's annual Economic Symposium.
4

5 Q. Is Gulf's projected level of Sales O&M expenses of \$1,156,000 in 2017
6 representative of a going forward level of Sales O&M expenses beyond
7 2017?

8 A. Yes. As shown in Exhibit BCT-1, Schedule 3, page 3, the projected level of
9 Sales O&M expenses of \$1,156,000 is representative of future periods.
10

11 Q. Are Gulf's Sales expenses consistent with FPSC Rule 25-6.0426 and
12 section 288.035, Florida Statutes?

13 A. Yes. Gulf's Sales expenses are consistent with FPSC Rule 25-6.0426 and
14 section 288.035, Florida Statutes.
15

16 Q. How do Gulf's Sales expenses forecasted for 2017 compare to the O&M
17 benchmark level of Sales expenses?

18 A. When compared to the benchmark, Gulf's 2017 expenses are \$74,000 over
19 the benchmark.
20

21 Q. Please explain the increase in 2017 test year expenses of \$74,000 when
22 compared to the O&M benchmark.

23 A. This increase is due to the addition of an Economic Development analyst
24 position. This position is necessary to provide a variety of research and
25 analysis essential in supporting the Company's economic development

1 function. This position performs research on talent availability,
2 demographics, site readiness factors, quality of life indicators and many
3 other variables that are necessary when working with prospective
4 customers. This position coordinates site visits and serves as the central
5 point in developing economic development packages for local economic
6 development partners. This position actively engages in the recruitment of
7 retail and commercial businesses to the region and cultivates relationships
8 with the commercial brokerage community. This position also administers
9 the Riders previously discussed in my testimony.

12 **XI. GENERAL PLANT EXPENDITURES**

14 Q. Are you responsible for any General Plant expenditures?

15 A. Yes. While Ms. Ritenour discusses General Plant in her testimony, I am
16 responsible for General Plant expenditures that are related to customer
17 service activities.

19 Q. What components of General Plant expenditures are related to customer
20 service?

21 A. There are four projects shown on Schedule 23 of Exhibit SDR-1 in Ms.
22 Ritenour's testimony that fall into my area of responsibility. They are listed
23 as "CSS Data Integration Hub Architecture," "On Line Customer Care,"
24 "Customer Kiosks" and "Gulf Smart Energy Center."

1 Q. Please describe these projects in more detail.

2 A. The first two projects, "CSS Data Integration Hub Architecture" and "On Line
3 Customer Care" both involve software enhancements for Gulf's customer
4 information system. General Plant expenditures of \$127,000 in 2016 for
5 "CSS Data Integration Hub Architecture" and \$400,000 in 2016 and
6 \$100,000 in 2017 for "On Line Customer Care" are included as test year
7 expenditures. These enhancements provide necessary longevity and new
8 and upgraded functionality for supporting Gulf's customers primarily when
9 they utilize the OCC tool for accessing available self-service options from
10 the Company's website.

11

12 In addition to the software upgrades, the third project, "Customer Kiosks,"
13 includes the capital expenditures required to purchase kiosks for our local
14 offices. The capital expenditures of \$974,000 for 2016 and \$598,000 for
15 2017 associated with this project are shown on Schedule 23 of Exhibit SDR-
16 1 in Ms. Ritenour's testimony. As I previously discussed in my testimony,
17 these kiosks offer Gulf's customers more flexibility and help to meet their
18 changing needs.

19

20 Finally, the fourth project, "Gulf Smart Energy Center," includes \$4,000,000
21 of capital expenditures for the construction of Gulf's Smart Energy Center.
22 Gulf's Smart Energy Center will offer customers hands-on demonstrations
23 where they can learn about the benefits of efficient electric end-use
24 technologies as well as energy efficiency products and improvements. The
25 Smart Energy Center will showcase everything from electric transportation,

1 comfort systems, cooking technologies and energy efficiency ideas for
2 homes and businesses all under one roof. Customers will be able to not
3 only hear about available technologies, but be able to see them in action.
4

5 Q. Are the expenditures associated with these projects reasonable and
6 prudently incurred?

7 A. Yes. These projects directly support the Company's efforts to provide
8 customers with service to fit their lives. Enhanced self-service options,
9 increased flexibility, real life demonstrations and access to services at times
10 and locations convenient to our customers are essential to maintaining
11 Gulf's long-standing history of superior customer service.
12
13

14 XII. UNCOLLECTIBLES

15
16 Q. What level of Uncollectibles expense did Gulf include in the 2017 test year?

17 A. Gulf included \$3,994,000 of Uncollectibles expense in the 2017 test year.
18 The 2016 budgeted Uncollectibles is \$3,891,540. These amounts are
19 reflected in Exhibit BCT-1, Schedule 3, Page 1.
20

21 Q. What level of write-offs does Gulf project in 2017?

22 A. Gulf projects write-offs for 2017 to be 0.2499 percent of revenues, the
23 product of a 4 year historical average. This methodology is consistent with
24 the method the Commission used in Gulf's 2012 test year rate case as set
25 forth in Order No. PSC-12-0179-FOF-EI.

1 **XIII. SERVICE FEES**

2

3 Q. Please identify Gulf's service fees currently in place.

4 A. Gulf's current service fees are shown in Exhibit BCT-1, Schedule 5.

5

6 Q. Is Gulf proposing adjustments to the Company's customer service fees?

7 A. No, Gulf is not proposing changes to the Company's customer service fees.

8

9

10 **XIV. SUMMARY**

11

12 Q. Ms. Terry, please summarize your testimony.

13 A. Gulf continues to maintain a solid reputation of exceptional customer
14 service and a consistent dedication to the health and growth of the
15 communities that we serve. The Company's team of customer-facing
16 employees in both Customer Service and Marketing and Sales are
17 committed to meeting and exceeding those customer expectations.

18

19 We recognize that our customers' expectations are evolving. Customers
20 expect convenience, customization and control. We must provide service
21 that fits the lives of our customers. As I have described in my testimony,
22 Gulf continues to bring solutions that meet those expectations. Our CCC,
23 the most common touch point for customers, has implemented technology
24 to enhance the customer's experience and allow them to control how they
25 interact with the Company. Our business and local offices are evolving by

1 using technology to increase options and convenience for customers when
2 making payments. We are deploying solutions for commercial customers
3 providing them information that is easily accessible and important in making
4 business decisions.

5
6 Our skilled Marketing and Sales team meet customers in their homes and
7 businesses to understand and make customized recommendations for how
8 to manage their energy purchases. As I previously described, we not only
9 meet customers' needs, but seek to exceed their expectations with each
10 interaction. Gulf has a long standing history of innovation. We continue to
11 build on that reputation by bringing innovative products and services to our
12 customers. All of these activities are key to maintaining the trust that we
13 have built with our customers. We understand that our success is
14 dependent upon building and maintaining that relationship.

15
16 Gulf Power continues to focus on the important role that we have in the area
17 of economic development. Successful economic development activities result
18 in stronger communities, a stronger customer base and ultimately a stronger
19 state. Gulf's success in this area, including nine certified sites and over 9,000
20 jobs brought to Northwest Florida demonstrates our commitment to concrete
21 results in this area.

22
23 Gulf Power's dedication to our customers is not just evident in the words we
24 use, but also in the results that we achieve. We have a long standing
25 record of superior customer service even when compared to our peers.

1 The O&M expenses described in my testimony are carefully budgeted,
2 controlled and utilized in a manner to ensure value is provided to our
3 customers and satisfaction remains at very high levels. The \$27,730,000
4 budgeted in Customer Accounts, the \$16,983,000 budgeted in Customer
5 Service and Information, and the \$1,156,000 budgeted in Sales in the test
6 year are reasonable, prudent and necessary expenses and are
7 representative of the levels that will continue to be incurred in the future
8 when new rates resulting from this case are in effect.

9

10 The General Plant expenditures I described in my testimony are necessary
11 for continuing to provide service that fits the lives of our customers. These
12 expenditures are reasonable and prudently incurred.

13

14 Q. Ms. Terry, does this conclude your testimony?

15 A. Yes.

16

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25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 160186-EI

Before me the undersigned authority, personally appeared Bentina C. Terry, who being first duly sworn, deposes, and says that she is the Customer Service and Sales Vice President of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.


s/ _____
Bentina C. Terry
Customer Service and Sales Vice President

Sworn to and subscribed before me this 5th day of October, 2016.



Notary Public, State of Florida at Large

Commission No. FF912698

My Commission Expires December 17, 2019



MELISSA DARNES
MY COMMISSION # FF 912698
EXPIRES: December 17, 2019
Bonded Thru Budget Notary Services

Exhibit

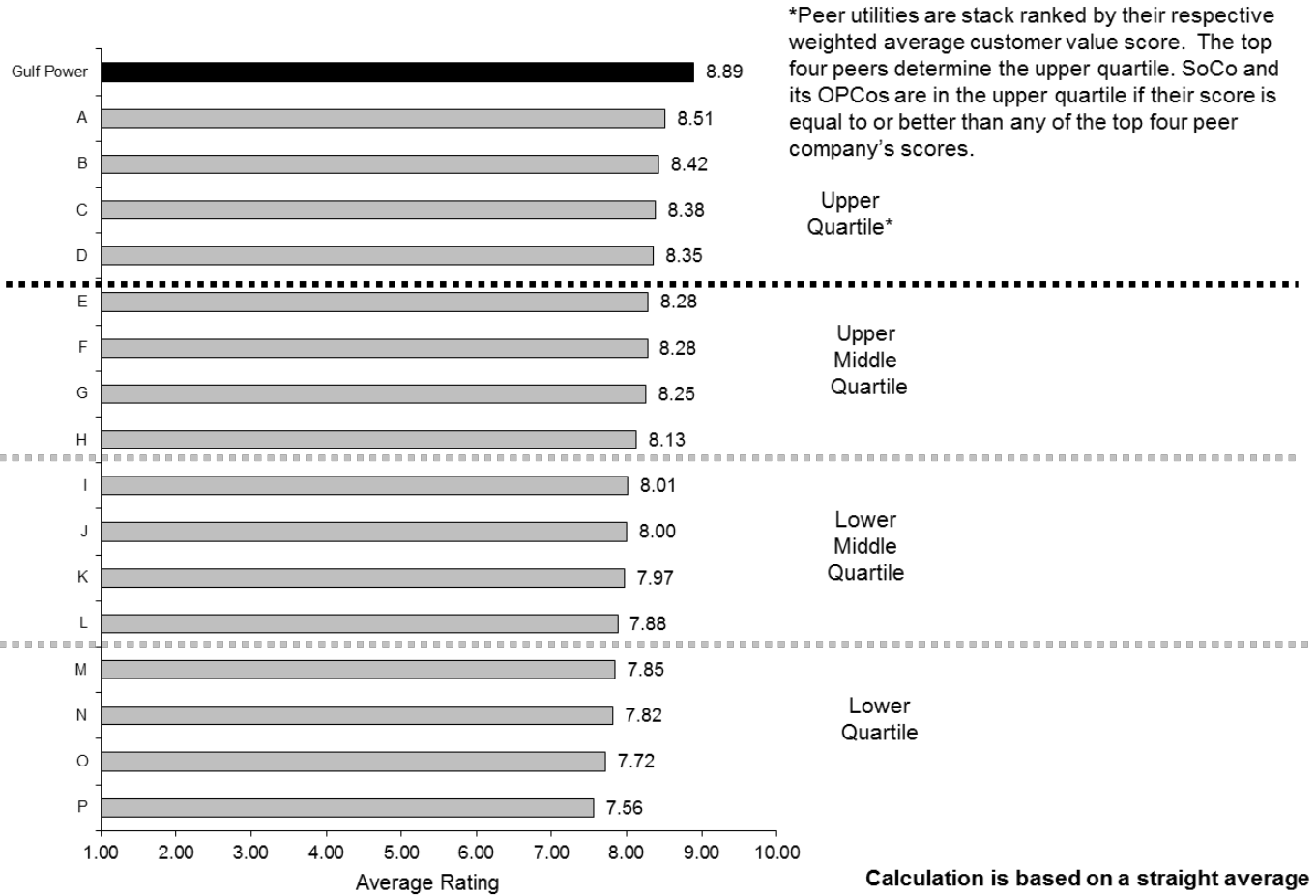
Responsibility for Minimum Filing Requirements

<u>Schedule</u>	<u>Title</u>
C-6	Budgeted Versus Actual Operating Revenues and Expenses
C-9	Five Year Analysis – Change in Cost
C-11	Uncollectible Accounts
C-12	Administrative Expenses
C-14	Advertising Expenses
C-41	O&M Benchmark Variance by Function
E-7	Development of Service Charges
F-8	Assumptions

Peer Utilities included in the Customer Value Benchmark

- 1) AEP
- 2) Dominion Resources
- 3) DTE
- 4) Duke Energy
- 5) Entergy
- 6) Exelon
- 7) MEAG
- 8) NextEra Energy (FPL)
- 9) Oglethorpe
- 10) Oklahoma Gas & Electric
- 11) PPL
- 12) SCANA
- 13) TECO
- 14) TVA
- 15) Wisconsin Energy
- 16) Xcel Energy

2015 CVB Rank Chart – All Customer Classes



Customer Accounts
Expense Detail (\$000)

Category	2016	2017	2018	2019	2020
	Budget	Forecast	Forecast	Forecast	Forecast
Customer Service	\$21,300	\$22,546	\$22,928	\$22,798	\$24,100
Expense					
Metering Expense	\$1,183	\$1,190	\$1,210	\$1,233	\$1,262
Uncollectible Accounts	\$3,892	\$3,994	\$4,039	\$4,087	\$4,150
Expense					
Customer Accounts	\$26,375	\$27,730	\$28,177	\$28,118	\$29,512
Total					

Customer Service and Information
Expense Detail (\$000)

Category	2016	2017	2018	2019	2020
	Budget	Forecast	Forecast	Forecast	Forecast
Supervision	\$1,639	\$1,660	\$1,710	\$1,737	\$1,773
Customer Programs and Services	\$14,435	\$14,768	\$15,021	\$15,302	\$15,541
Advertising	\$566	\$555	\$555	\$555	\$556
Customer Service & Information Total	\$16,640	\$16,983	\$17,286	\$17,594	\$17,870

Sales
Expense Detail (\$000)

Category	2016	2017	2018	2019	2020
	Budget	Forecast	Forecast	Forecast	Forecast
Administrative Expenses	\$107	\$112	\$115	\$119	\$124
Programs and Incentives	\$1,036	\$1,044	\$1,053	\$1,064	\$1,074
Sales Total	\$1,143	\$1,156	\$1,168	\$1,183	\$1,198

Customer Accounts

Test Year Benchmark versus 2017 Budget

(\$000)

Category	Benchmark	2017 Budget	Variance
Customer Service Expense	\$21,743	\$22,546	\$804
Metering Expense	\$1,760	\$1,190	(\$570)
Uncollectible Accounts Expense	\$4,592	\$3,994	(\$599)
Customer Accounts Total	\$28,095	\$27,730	(\$365)

Customer Service and Information
Test Year Benchmark versus 2017 Budget
(\$000)

Category	Benchmark	2017 Budget	Variance
Supervision	\$1,855	\$1,659	(\$196)
Customer Programs and Services	\$18,449	\$14,768	(\$3,681)
Advertising	\$1,296	\$556	(\$740)
Customer Service & Information	\$21,600	\$16,983	(\$4,617)
Total			

Sales

Test Year Benchmark versus 2017 Budget

(\$000)

Category	Benchmark	2017 Budget	Variance
Administrative Expenses	\$165	\$112	(\$53)
Programs and Incentives	\$917	\$1,044	\$127
Sales Total	\$1,082	\$1,156	\$74

Service Fees

	<u>Service</u>	<u>Current Cost</u>	<u>Current Fee</u>	<u>New Fee</u>
1	Connection of Initial Service			
	Residential	\$50.19	\$27.00	\$27.00
	Non-Residential	\$76.57	\$50.00	\$50.00
2	Connection of Existing Service			
	Residential	\$77.83	\$27.00	\$27.00
	Non-Residential	\$98.68	\$50.00	\$50.00
3	Restoration of Service (After Violation of Rules)	\$76.95	\$60.00	\$60.00
4	Restoration of Service After Hours (After Violation of Rules)	\$86.31	\$80.00	\$80.00
5	Restoration of Service at Pole (After Violation of Rules)	\$103.02	\$100.00	\$100.00
6	Premises Visit	\$39.46	\$30.00	\$30.00
7	Connection of Temporary Service	\$131.87	\$110.00	\$110.00
8	Investigation of Unauthorized Use - FSR	\$115.22	\$75.00	\$75.00
9	Returned Items			
	for Amounts > \$300	\$40.00	\$40.00	\$40.00
	for Amounts > \$50 and < \$300	\$30.00	\$30.00	\$30.00
	for Amounts < \$50	\$25.00	\$25.00	\$25.00

Gulf’s FPSC Complaint Activity

Year	Complaint ¹	Warm Transfer ²	GI-72 ³	Infraction ⁴
2002	31	96	18	0
2003	12	141	23	0
2004	9	164	34	0
2005	7	139	32	0
2006	10	150	23	0
2007	7	163	20	0
2008	8	313	23	0
2009	8	544	36	0
2010	17	530	43	1 ⁵
2011	11	436	19	0
2012	6	332	9	0
2013	4	364	15	0
2014	8	433	18	0
2015	7	510	11	1 ⁵

¹Any customer of a Commission regulated company may file a Complaint with the Office of Consumer Assistance & Outreach whenever the customer has an unresolved dispute with the company regarding a service that is subject to Commission jurisdiction.

²Warm Transfer is defined as a customer complaint that is transferred to the utility for resolution via the telephone transfer-connect or e-transfer process.

³GI-72 is defined as a complaint that is resolved by the Company within three days. If the customer does not object to Company’s resolution to the complaint, the complaint will not be reported in the total number of complaints shown in the Commission’s Consumer Complaint Activity Report.

⁴ Infraction is defined as an apparent rule violation.

⁵ Infraction is included in the Complaint total.