



May 15, 1997

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

970595-EG

Dear Ms. Bayo:

RE: Petition for Authority to Implement Good Cents Energy Loan Program

Enclosed for official filing are an original and fifteen copies of Gulf Power Company's Petition for authority to implement a new program in the Company's energy conservation plan.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in WordPerfect for Windows 6.0 format as prepared on a MS-DOS based computer.

- ACK _____
- AF _____ Sincerely,
- AF _____ *Susan D. Cranmer*
- CF _____
- CF _____ Susan D. Cranmer
- CT _____ Assistant Secretary and Assistant Treasurer
- FAC _____ lw
- LEG _____
- LIN _____ Enclosure
- OPC _____
- RCH _____ cc: Beggs and Lane
- SEC _____ Jeffrey A. Stone, Esquire
- WAS _____
- OTH _____

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for Authority to Implement
Good Cents Energy Loan Program
by Gulf Power Company /

Docket No.:
Filed: May 16, 1997

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Section 366.82(5) of the Florida Statutes and Rule 25-17.015 of the Florida Administrative Code, hereby petitions the Florida Public Service Commission for authority to implement a new program in the Company's energy conservation plan. In support thereof the Company would respectfully show:

1. Gulf is a corporation with its headquarters located at 500 Bayfront Parkway, Pensacola, Florida 32520. The Company is an investor-owned utility operating under the jurisdiction of this Commission.
2. Gulf hereby requests authority from the Commission to implement a new program in the Company's energy conservation plan, the Good Cents Energy Loan Program.
3. A detailed description of the Good Cents Energy Loan Program is provided in the attached Exhibit which is incorporated herein by reference. The objective of this new program is to provide Gulf Power Company's residential customers a financing tool to enable the installation of energy conservation measures in their homes. The benefits to the Company are increased customer satisfaction and kW demand savings.
4. Monitoring and evaluation of the Good Cents Energy Loan program will be through the Company's Marketing Reporting System and monthly reports

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generated by the Southern Development Loan Center.

5. This program is cost-effective using the Commission approved methodology in Rule 25-17.008. The summary tables and cost-effectiveness runs are included in the Exhibit as Attachments A and B respectively.

WHEREFORE, Gulf Power Company respectfully requests the Commission to authorize the Company to implement the Good Cents Energy Loan Program consistent with this petition.

Dated this 15th day of May, 1997


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Good Cents Energy Loan

Program Description

The objective of the Good Cents Energy Loan Program is to provide Gulf Power Company's residential customers a financing tool to enable the installation of energy conservation features in their homes. This loan program will provide below market interest rate loans ranging from \$1,500 to \$15,000 for periods up to 7 years to customers installing energy conservation measures in existing homes. Gulf Power will utilize an existing Loan Center operated by Southern Development and Investment Group (SDIG), a subsidiary of the Southern Company, to provide these loans. The SDIG Loan Center in partnership with FannieMae will offer loans at lower than market rates. In addition, Gulf Power will buy down the interest rate by one percent.

This program will identify potential participants through Gulf's approved Residential Energy Audit Program as well as through educational and promotional activities. The Energy Audit will result in specific recommendations of energy conservation measures that would result in utility peak load reduction as well as a reduction in total on site energy consumption for the homeowner. Upon decision by the customer to utilize the loan program to install the recommended conservation features, a Gulf Power representative will submit customer's completed loan application to Southern Development and Investment Group Loan Center for credit approval. After the application is approved, the customer will contact a licensed contractor of their choice to install the recommended conservation features. Upon completion of the work, Gulf will verify and inspect the installation and submit contractor's invoice for the work to SDIG Loan Center for processing. SDIG Loan Center will forward loan paperwork to customer for signatures. Once this paperwork is completed and returned, SDIG Loan Center will issue a check payable to contractor. SDIG Loan Center will bill Gulf Power for the cost of the one percent buy down lowering the customer's interest rate by one percent.

Program Guidelines:

Eligible Conservation Features

Loans eligible for the Good Cents Energy Loan Program may be for any of the following conservation measures. The loan amount shall not exceed the cost of implementing these measures or \$15,000, whichever is less.

1. Caulking and/or weather-stripping of windows, doors or both.
2. Heat reflective and heat absorbing window or door material.
3. Storm windows or window panel inserts (not replacement windows).
4. Replacement of jalousie or awning windows with double pane replacement windows.
5. Wall insulation.
6. Floor insulation (R-19).
7. Ceiling insulation (R-38).
8. Water heater insulation.
9. Waste heat recovery water heating system.
10. Heat pump water heater (2.8 COP min.).
11. Solar domestic water heating.
12. Solar swimming pool heating (pool must presently be heated with non-renewable resource).
13. Replacement of furnace or boiler with heat pump or air conditioner and natural gas furnace (minimum 11.0 SEER and minimum gas efficiency 90%).
14. Replacement of resistance heat or heat pump with heat pump or air conditioner and natural gas furnace (minimum 11.0 SEER and minimum gas efficiency 90%).
15. Replacement of window air conditioning units with central heat pump or air conditioner and natural gas furnace (minimum 11.0 SEER and minimum gas efficiency 90%).
16. Installation of geothermal heat pump including closed loop heat exchanger (minimum 13.0 EER at 90 degree entering water temperature).
17. Duct or pipe insulation.
18. Repair or installation of air duct systems.

Participation Standards

All residential customers within Gulf Power's service territory are eligible for this program. Customer must have an energy conservation audit performed on the home to receive loan application. Loan must be made to the owner of the property to be improved or the owner of the property must sign as a guarantor on the note evidencing the loan.

Benefits and Costs

The Good Cents Energy Loan Program makes the installation of energy conservation features more affordable for our customers. These installations result in a significant reduction in on site energy use as well as increased comfort and satisfaction for the customer.

For Gulf Power Company, the benefits are increased customer satisfaction and kW demand savings. Based on participation in Gulf's existing approved Gulf Express Loan Program, the most commonly made improvements consisted of the installation of a heat pump and attic insulation. We believe that this trend will continue upon implementation of the Good Cents Energy Loan Program. Because of the high saturation of natural gas heating and water heating in Gulf's service territory and the relative value of electricity versus natural gas, this loan program will result on average, in an increase in kWh energy usage of 281 kWh annually and a decrease of .42 kW summer demand. These results were derived by estimating participation rates by eligible customers as follows: 55% upgrade existing gas furnace and air conditioner to heat pump; 33% upgrade existing heat pump to new heat pump; 2% upgrade from existing resistance heat and air conditioning to heat pump; 10% upgrade from existing system to geothermal heat pump; and 35% of all loans will include the installation of R-38 attic insulation. As always, Gulf will give priority to meeting the wants and needs of the customer.

Costs for the program are based on actual average loan amounts to customers under our existing approved Gulf Express Loan Program adjusted for the inclusion of geothermal heating and cooling systems in our future loan portfolio. Gulf estimates the cost of the one percent interest buy-down at \$125.00 per loan and our labor and promotional expenses to be \$172.33 per loan.

Monitoring and Evaluation

Gulf Power will utilize its Marketing Reporting System (MRS) to track all Good Cents Energy Loan installations. In addition, we will utilize monthly reports generated by the Southern Development Loan Center to track participation and actions related to this program. The kW/participant and kWh/participant used in the cost effectiveness calculation are derived from Gulf's Residential Building Energy Program (RBEP) computer simulations. Gulf will validate engineering estimates of energy and demand savings with billing data in order to ensure the accuracy of the cost effectiveness evaluation.

Cost Effectiveness

This program is cost effective using the Commission's approved methodology (Rule 25-17.008). The summary tables are included in Attachment A. The cost effectiveness runs are included in Attachment B.

Program Name: Good Cents Energy Loan

At the Meter						
Year	Per Customer kWh Increase	Per Customer Winter kW Increase	Per Customer Summer kW Reduction	Total Annual kWh Increase	Total Annual Winter kW Increase	Total Annual Summer kW Reduction
1997	281	1.94	0.42	84,300	582	126
1998	281	1.94	0.42	168,600	1,164	252
1999	281	1.94	0.42	168,600	1,164	252
2000	281	1.94	0.42	168,600	1,164	252
2001	281	1.94	0.42	168,600	1,164	252
2002	281	1.94	0.42	168,600	1,164	252
2003	281	1.94	0.42	168,600	1,164	252
2004	281	1.94	0.42	168,600	1,164	252

At the Generator						
Year	Per Customer kWh Increase	Per Customer Winter kW Increase	Per Customer Summer kW Reduction	Total Annual kWh Increase	Total Annual Winter kW Increase	Total Annual Summer kW Reduction
1997	303	2.51	0.54	90,900	753	162
1998	303	2.51	0.54	181,800	1,506	324
1999	303	2.51	0.54	181,800	1,506	324
2000	303	2.51	0.54	181,800	1,506	324
2001	303	2.51	0.54	181,800	1,506	324
2002	303	2.51	0.54	181,800	1,506	324
2003	303	2.51	0.54	181,800	1,506	324
2004	303	2.51	0.54	181,800	1,506	324

Year	(a) Total Number of Customers	(b) Total Number of Eligible Customers	(c) Annual Number of Program Participants	(d) Cumulative Penetration Level %	(e) Cumulative Number of Program Participants
1997	290,784	288,720	300	0.10%	300
1998	295,268	293,153	600	0.31%	900
1999	300,148	297,985	600	0.50%	1,500
2000	305,343	303,130	600	0.69%	2,100
2001	310,861	308,600	600	0.87%	2,700
2002	316,686	314,377	600	1.05%	3,300
2003	322,681	320,326	600	1.22%	3,900
2004	328,833	326,432	600	1.38%	4,500

INPUT DATA - PART 1

Cost-Effectiveness Analysis per Rule 25-17.008 Florida Administrative Code

L. Program Demand Impacts and Line Losses

(1) Change in Peak kW Customer at meter	-0.42	kW/Cus
(2) Change in Peak kW per Customer at generator	-0.54	kW Gen/Cu
(3) kWh Line Loss Percentage	12.60%	
(4) Change in kWh per Customer at generator	303	kWh/Cus/Yr
(5) kWh Line Loss Percentage	7.70%	
(6) Group Line Loss Multiplier	1.0034	
(7) Annual Change in Customer kWh at Meter	281	kWh/Cus/Yr
(8) Change in Winter kW per Cust at meter	1.94	kW/Cus

M. Economic Life and K-Factors

(1) DSM Program Study Period	30	Years
(2) Economic Life of Incremental Generation	40	Years
(3) Economic Life of Incremental T&D	30	Years
(4) K-Factor for Generation	1.4436	
(5) K-Factor for T&D	1.4336	
(6) Switch: Rev Req (0) or Val-of-Def (1)	0	

N. Utility & Customer Costs

(1) Utility Nonrecurring Cost Per Customer	\$172.33	\$/Cus
(2) Utility Recurring Cost Per Customer	\$0.00	\$/Cus/Year
(3) Utility Cost Escalation Rate	2.64%	
(4) Customer Equipment Cost	\$5,000.00	\$/Cus
(5) Customer Equipment Cost Escalation Rate	2.64%	
(6) Customer O&M Cost	(\$175.00)	\$/Cus/Year
(7) Customer O&M Cost Escalation Rate	0.00%	
(8) Customer Tax Credit Per Installation	\$0.00	\$/Cus
(9) Customer Tax Credit Escalation Rate	2.64%	
(10) Change in Supply Costs	\$0.00	\$/Cus/Year
(11) Supply Costs Escalation Rate	2.64%	
(12) Utility Discount Rate	8.77%	
(13) Utility AFUDC Rate	10.03%	
(14) Utility Nonrecurring Rebate/Incentive	\$125.00	\$/Cus
(15) Utility Recurring Rebate/Incentive	\$0.00	\$/Cus/Year
(16) Utility Rebate/Incentive Escalation Rate	2.64%	

* Supplemental Information Not Specifically Specified in Cost Effectiveness Manual

IV. Incremental Generation, Transmission, & Distribution Costs

(1) Base Year	1997	
(2) In-Service Year For Incremental Generation	1999	
(3) In-Service Year For Incremental T & D	1998	
(4) Base Year Incremental Generation Cost	\$232.00	\$/kW
(5) Base Year Incremental Transmission Cost	\$58.00	\$/kW
(6) Base Year Incremental Distribution Cost	\$32.00	\$/kW
(7) Gen, Tran, & Dist Cost Escalation Rate	2.14%	
(8) Generator Fixed O & M Cost	\$2.78	\$/kW/yr
(9) Generator Fixed O&M Escalation Rate	2.53%	
(10) Transmission Fixed O & M Cost	\$0.73	\$/kW/yr
(11) Distribution Fixed O & M Cost	\$0.80	\$/kW/yr
(12) T&D Fixed O&M Escalation Rate	1.25%	
(13) Incremental Gen Variable O & M Costs	\$0.570	\$/kW/yr
(14) Inore Gen Variable O&M Cost Esc Rate	2.57%	
(15) Incremental Gen Capacity Factor	3.40%	
(16) Incremental Generating Unit Fuel Cost	\$0.0356	\$/kWh
(17) Incremental Gen Unit Fuel Esc Rate	2.90%	
(18) Incremental Purchased Capacity Cost	\$21.76	\$/kW/yr
(19) Incremental Capacity Cost Esc Rate	2.07%	

Stop Revenue Loss at In-Service Year? (Y=1, N=0) 0

V. (1) Non-Fuel Cost in Customer Bill (Base Year)

(1) Non-Fuel Cost in Customer Bill (Base Year)	\$0.0352	\$/kWh
(2) Non-Fuel Escalation Rate	Per Table	
(3) Customer Demand Charge Per kW (Base Year)	\$0.0000	\$/kW/Mo
(4) Demand Charge Escalation Rate	Per Table	
(5) Average Annual Change in Monthly Billing kW	0	kW/Mo.

Summary Results for This Analysis

NPV Benefits (\$000s)	\$3,177	RIM	Participants
NPV Costs (\$000s)	\$3,142		\$12,810
NPV Net Benefits (\$000s)	\$35		\$45,090
Benefit Cost Ratio	1.011		(\$32,274)
			0.284

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Participants' Cost-Effectiveness Measures
 Cost-Effectiveness Analysis per Full 25-17,000 Florida Administrative Code

(1) Year	(2) Customer Equity Costs (\$000s)	(3) Customer O&M Costs (\$000s)	(4) Other Costs (\$000s)	(5) Other Benefits (\$000s)	(6) Change in Participant's Electric Bills (\$000s)	(7) Tax Credits (\$000s)	(8) Utility Paid Rebates & Incentives (\$000s)	(9) Total Costs (\$000s)	(10) Total Benefits (\$000s)	(11) Total Net Benefits (\$000s)	(12) Cumulative Discounted Net Benefits (\$000s)
1997	\$3,000	(\$100)	\$0	\$0	\$10	\$0	\$75	\$3,070	\$180	(\$2,890)	(\$2,890)
1998	\$2,079	(\$210)	\$0	\$0	\$18	\$0	\$77	\$3,008	\$287	(\$2,721)	(\$5,611)
1999	\$3,191	(\$310)	\$0	\$0	\$27	\$0	\$79	\$3,188	\$364	(\$2,824)	(\$8,435)
2000	\$3,244	(\$420)	\$0	\$0	\$38	\$0	\$91	\$3,280	\$501	(\$2,779)	(\$11,214)
2001	\$3,300	(\$520)	\$0	\$0	\$45	\$0	\$93	\$3,375	\$608	(\$2,767)	(\$13,981)
2002	\$3,418	(\$620)	\$0	\$0	\$55	\$0	\$95	\$3,473	\$715	(\$2,758)	(\$16,739)
2003	\$3,508	(\$720)	\$0	\$0	\$64	\$0	\$98	\$3,572	\$823	(\$2,749)	(\$19,488)
2004	\$3,601	(\$840)	\$0	\$0	\$74	\$0	\$90	\$3,675	\$930	(\$2,745)	(\$22,233)
2005	\$3,698	(\$940)	\$0	\$0	\$83	\$0	\$92	\$3,778	\$1,037	(\$2,741)	(\$24,974)
2006	\$3,793	(\$1,050)	\$0	\$0	\$94	\$0	\$95	\$3,887	\$1,145	(\$2,742)	(\$27,716)
2007	\$3,890	(\$1,150)	\$0	\$0	\$108	\$0	\$97	\$3,989	\$1,252	(\$2,737)	(\$30,453)
2008	\$3,989	(\$1,260)	\$0	\$0	\$117	\$0	\$100	\$4,113	\$1,360	(\$2,753)	(\$33,206)
2009	\$4,102	(\$1,360)	\$0	\$0	\$127	\$0	\$103	\$4,229	\$1,468	(\$2,761)	(\$36,067)
2010	\$4,210	(\$1,470)	\$0	\$0	\$138	\$0	\$105	\$4,400	\$1,575	(\$2,825)	(\$38,992)
2011	\$4,321	(\$1,570)	\$0	\$0	\$149	\$0	\$111	\$4,505	\$1,701	(\$2,804)	(\$41,796)
2012	\$4,435	(\$1,680)	\$0	\$0	\$173	\$0	\$114	\$4,725	\$1,869	(\$2,856)	(\$44,652)
2013	\$4,553	(\$1,790)	\$0	\$0	\$186	\$0	\$117	\$4,859	\$2,007	(\$2,852)	(\$47,504)
2014	\$4,673	(\$1,860)	\$0	\$0	\$186	\$0	\$114	\$4,898	\$2,115	(\$2,783)	(\$50,321)
2015	\$4,798	(\$1,860)	\$0	\$0	\$186	\$0	\$120	\$4,998	\$2,223	(\$2,775)	(\$53,146)
2016	\$4,823	(\$2,100)	\$0	\$0	\$219	\$0	\$123	\$5,142	\$2,331	(\$2,811)	(\$55,957)
2017	\$5,053	(\$2,200)	\$0	\$0	\$244	\$0	\$126	\$5,297	\$2,448	(\$2,849)	(\$58,806)
2018	\$5,198	(\$2,310)	\$0	\$0	\$264	\$0	\$130	\$5,450	\$2,568	(\$2,882)	(\$61,684)
2019	\$5,323	(\$2,410)	\$0	\$0	\$283	\$0	\$133	\$5,608	\$2,687	(\$2,921)	(\$64,605)
2020	\$5,464	(\$2,520)	\$0	\$0	\$304	\$0	\$137	\$5,767	\$2,807	(\$2,960)	(\$67,565)
2021	\$5,608	(\$2,620)	\$0	\$0	\$325	\$0	\$140	\$5,933	\$2,926	(\$2,997)	(\$70,562)
2022	\$5,758	(\$2,730)	\$0	\$0	\$346	\$0	\$144	\$6,103	\$3,046	(\$3,057)	(\$73,609)
2023	\$5,908	(\$2,830)	\$0	\$0	\$369	\$0	\$148	\$6,278	\$3,166	(\$3,112)	(\$76,701)
2024	\$6,064	(\$2,940)	\$0	\$0	\$393	\$0	\$152	\$6,457	\$3,286	(\$3,171)	(\$79,832)
2025	\$6,225	(\$3,040)	\$0	\$0	\$418	\$0	\$156	\$6,642	\$3,406	(\$3,236)	(\$83,003)
2026	\$6,389	(\$3,150)	\$0	\$0	\$444	\$0	\$160	\$6,833	\$3,526	(\$3,307)	(\$86,210)
Normal	\$134,708	(\$48,825)			\$5,468		\$3,268	\$140,176	\$52,193	(\$87,983)	
Net	\$43,869	(\$11,719)			\$1,191		\$1,097	\$45,080	\$12,818	(\$32,274)	
Discount Rate =					8.77%						
Benefit/Cost Ratio =					0.28						

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to Implement)
Good Cents Energy Loan Program by)
Gulf Power Company)
_____)

Docket No.

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 15th day of May 1997 to the following:

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