One Energy Place
Pensacola, Florida 32520

Tel 850.444.6111

ORIGINAL

GULF POWER
A SOUTHERN COMPANY

January 29, 1999

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

Dear Ms. Bayo:

RE: Adoption of Numeric Conservation Goals by Gulf Power Company
Docket No. 971006-EG

Enclosed are an original and fifteen copies of the following to be filed in the above docket.

1. Petition for Approval of Numeric Conservation Goals by Gulf Power Company. 01230-99
2. Testimony and exhibits of Margaret D. Neyman. [redacted]99
3. Testimony and exhibits of Michael J. McCarthy. [redacted]99
4. A 3.5 inch double sided, high density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a Windows NT based computer.

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG Staff
LEG 1
LIN 5
OPC ____
RCH ____
SEC 1
WAS ____
OTH ____

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Adoption of numeric Conservation Goals by Gulf Power Company) Docket No. 971006-EG

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 29th day of January 1999 by U.S. Mail or hand delivery to the following:

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 971006-EG

GULF POWER COMPANY

DIRECT TESTIMONY AND EXHIBITS OF MARGARET D. NEYMAN

FEBRUARY 1, 1999

Gulf Power Company

Before the Florida Public Service Commission
Prepared Direct Testimony of
Margaret D. Neyman
Docket 971006-EG
February 1, 1999

Q. Will you please state your name, business address, employer and position?

A. My name is Margaret D. Neyman and my business address is One Energy Place, Pensacola, Florida, 32520. I am employed by Gulf Power Company as the Marketing Services Manager.

Q. Please summarize your educational background and professional experience.

A. I attended Auburn University and graduated with a Bachelor of Science degree in Industrial Engineering in 1980. I began my career in the electric utility industry at Gulf Power Company in 1981 and have held various positions within the company in Corporate Planning, Customer Service, Appliance Sales and Marketing. In my present position, I am responsible for Energy Conservation Cost Recovery (ECCR) filings, pricing, economic evaluations, market research, forecasting and marketing services activities.

Q. Have you previously testified before this Commission?

A. Yes, I have testified for Gulf Power Company in ECCR dockets.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to propose seasonal peak demand and annual energy conservation goals for Gulf Power for the period 2000 through 2009 and to discuss the Company's experience under the current conservation goals.

Q. Have you prepared an exhibit in support of your testimony?

A. Yes, I have.

Council: We ask that Ms. Neyman's exhibit consisting of 3 schedules be marked for identification as:

Exhibit No. _____ (MDN-1)

Q. What goal levels are appropriate and reasonably achievable for Gulf Power Company for seasonal peak demand and annual energy conservation for the 2000 - 2009 period?

A. The Company's proposed seasonal peak demand and annual energy conservation goals for Gulf Power for the

period 2000 through 2009 are contained in the spread sheets and graphs in Schedule 1 of my exhibit (MDN-1). These goals, based upon Gulf's most recent planning process, are the total cost-effective winter and summer peak kW demand reductions and the annual kWh savings which are reasonably achievable through implementation of demand side programs in Gulf Power's service area for the residential and commercial/industrial classes. The basis for the goals is the maximum KW and kWh associated with all measures that passed both the rate impact measure and participant's test.

Q. Please provide an overview of the process used to determine the proposed goal levels.

A. Our projections were based upon an assessment of the market segments and major end-use categories listed in Rule 25-17.0021. In addition, Gulf evaluated measures contained in the Company's approved ECCR programs and other measures where sufficient information was available. A complete description of the process employed by Gulf is contained in the testimony of Michael J. McCarthy filed in this docket.

Q. Have there been any of changes in Gulf's integrated planning processes since the last conservation goals setting process?

A. No. Gulf continues to conduct integrated resource planning that is in compliance with the National Energy Policy Act of 1992 (EP Act). The Company conducts a planning and selection process that evaluates the full range of alternatives, including energy conservation and efficiency, cogeneration, renewable energy resources, power purchases and new generating capacity, in order to provide adequate and reliable service to its electric customers at the lowest cost. Gulf's resource planning process was extensively discussed in the rebuttal testimonies of Charles D. Long and William F. Pope filed in Docket 930550-EG and is also documented in Gulf's annual Ten-Year Site Plan filings.

Q. Please discuss Gulf Power's pricing related measures that were evaluated as part of this goal setting process.

A. The proposed goals continue to reflect Gulf Power's emphasis on pricing as a means to achieve economic efficiency. Gulf has tested and is implementing flexible pricing arrangements and structures that

better reflect the marginal costs associated with providing electric service. Flexible pricing based on marginal cost principles sends customers a more correct price signal. The customer is guided by this price signal in making purchase decisions, including demand side measures, that more appropriately reflect the scarcity of resources used in producing and supplying electric energy. Use of appropriate pricing allows the customer the opportunity to determine how to best respond. The Company's Real Time Pricing(RTP) program and its Residential Advanced Energy Management (AEM) program are two examples of flexible pricing initiatives that were evaluated as part of this goal setting process. Both programs encourage conservation and efficiency in the use of electricity and together represent the cornerstone of Gulf Power's proposed goals.

Q. Please discuss in detail Gulf Power's Real Time Pricing program and its specific contribution to achieving the conservation goals proposed.

A. Gulf Power's Real Time Pricing (RTP) pilot was approved by the Commission on February 7, 1995 and concluded on December 31, 1998. This pricing arrangement is characterized by hourly energy prices transmitted a day

ahead of their applicability to participating customers in the commercial and industrial market segments. The RTP pilot program had five stated objectives: conservation, economic efficiency, gain information about customer response, value based pricing and customer satisfaction. Preliminary pilot results indicate that RTP has accomplished all of the pilot objectives. In fact, in the case of conservation, RTP exceeded our initial expectations for peak load reductions for the targeted customers. RTP has proven to produce significant cost-effective reductions in the growth of peak demand on the Company's system. Specifically, RTP contributes 20 of the 46 MW of the summer peak demand reduction goal shown on Schedule 1 of my exhibit. Once analysis is complete on the RTP pilot results, Gulf intends to petition the Commission for permanency of the RTP program.

Q. The Commission originally established numeric goals, pursuant to Rule 25-17.0021, by Order No. PSC-94-1313-FOF-EG issued October 25, 1994. How do the proposed goals for the period 2000-2009 compare with the current goals established by Order No. PSC-94-1313-FOF-EG?

A. Schedule 2 of my exhibit (MDN-1) contains a comparison

of current goals versus the proposed goals for the years 2000 through 2004. On a cumulative basis the proposed goals are in total slightly higher than the goals established by Order No. PSC-94-1313-FOF-EG for the years 2000 through 2004. For example, for the year 2004 the current total summer peak demand goal is 154,000 KW, the current total winter peak demand goal is 152,000 KW and the current total annual energy reduction goal is 65,000 MWH. This compares with proposed goals of 158,830 KW summer peak demand reduction, 165,299 KW winter peak reduction and 78,904 MWH annual energy reduction.

Q. Would you describe the progress Gulf has made toward achieving the goals set by Order No. PSC-94-1313-FOF-EG for 1994 through 2003?

A. Schedule 3 of my Exhibit (MDN-1) provides a summary of Gulf Power Company's progress toward goal achievement. In 1998 Gulf's achievement in the Residential sector did not met the goals for winter peak demand reduction, summer peak demand reduction and annual energy reduction. However, the Commercial/Industrial sector has exceeded approved goals for winter peak demand reduction, summer peak demand reduction and annual energy reduction. Gulf's underachievement of

the residential goals is primarily due to the delayed startup of the Advanced Energy Management program (AEM). This program will provide the customer with a means of conveniently and automatically controlling their energy purchases in response to prices that vary during the day and by season in relation to the Company's marginal costs. Several factors have contributed to delay in AEM implementation: the initial program delay pending a final order in Docket No. 941172-EG, an extensive contract negotiation process in order to ensure the best possible technology at the best price, the inability of suppliers to provide some components on the established schedule, and failures of electronic components during testing. These delays have occurred despite Gulf's best efforts.

Currently, prototype units are being extensively field-tested. Most of the problems encountered during field testing thus far have been resolved. Assuming successful field testing, Gulf anticipates the installation of production units will begin March 1999.

Q. How will these delays affect the goals in the long term?

A. Gulf's near term residential conservation goals have been adversely impacted as a result of the delays in implementing AEM, but the process has produced the most cost-effective solution that is currently available. Despite the unpreventable delays that have occurred, Gulf remains confident that AEM will be a success in the marketplace. As I stated previously, AEM is one of two pricing initiatives that make up the cornerstone of Gulf's conservation goals. Gulf is modifying the AEM schedule for market implementation as a result of the delays, and plans to increase the number of units deployed during the years 1999 to 2004 to still accomplish the basic program objective of achieving a total of approximately 80 megawatts of peak demand reduction by year-end 2004.

Q. Does this conclude your testimony?

A. Yes, it does.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 971006-EG

Before me the undersigned authority, personally appeared Margaret D. Neyman, who being first duly sworn, deposes and says that she is the Marketing Services Manager of Gulf Power Company, a Maine Corporation, that the foregoing is true and correct to the best of her knowledge, information and belief. She is personally known to me.

Margaret D. Neyman
Marketing Services Manager

Sworn to and subscribed before me this 28th day of January, 1999.

Notary Public, State of Florida at Large

CAROLYN W. WORKMAN
MY COMMISSION # CC 692290
EXPIRES: February 24, 2002
Bonded Thru Notary Public Underwriters

Florida Public Service Commission
Docket No. 970006-EG
Gulf Power Company
Witness: Margaret D. Neyman
Exhibit No. ___ (MDN-1)

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GULF POWER COMPANY
Total Residential, Commercial and Industrial Goals
New and Existing Structures

Year	Annual Summer kW		Annual Winter kW		Annual kWh Savings (000)		
	Meter	Generator	Meter	Generator	Customer	Generation	Cumulative Generation
2000	(52,822)	(68,399)	(47,988)	(62,140)	(17,476)	(18,822)	(18,822)
2001	(69,879)	(90,487)	(67,404)	(87,282)	(33,373)	(35,943)	(54,765)
2002	(90,055)	(116,612)	(90,477)	(117,158)	(51,989)	(55,992)	(110,757)
2003	(107,400)	(139,072)	(110,271)	(142,790)	(68,287)	(73,545)	(184,302)
2004	(122,658)	(158,830)	(127,654)	(165,299)	(82,899)	(89,283)	(273,585)
2005	(135,630)	(175,886)	(142,627)	(184,688)	(95,825)	(103,204)	(376,788)
2006	(146,026)	(189,089)	(154,133)	(199,586)	(106,233)	(114,413)	(491,202)
2007	(156,223)	(202,293)	(165,639)	(214,485)	(116,644)	(125,626)	(616,827)
2008	(163,444)	(211,643)	(173,677)	(224,894)	(124,538)	(134,127)	(750,954)
2009	(170,665)	(220,994)	(181,716)	(235,304)	(132,433)	(142,631)	(893,585)

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Witness: Margaret D. Neyman
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GULF POWER COMPANY
Residential Goals
New and Existing Structures

Year	Annual Summer kW		Annual Winter kW		Annual kWh Savings (000)		
	Meter	Generator	Meter	Generator	Customer	Generation	Cumulative Generation
2000	(17,245)	(22,331)	(20,086)	(26,009)	(15,524)	(16,719)	(16,719)
2001	(33,278)	(43,092)	(38,619)	(50,008)	(29,499)	(31,770)	(48,489)
2002	(52,432)	(67,894)	(60,811)	(78,744)	(46,196)	(49,753)	(98,242)
2003	(68,755)	(89,031)	(79,724)	(103,234)	(60,574)	(65,238)	(163,480)
2004	(82,991)	(107,465)	(96,226)	(124,603)	(73,263)	(78,904)	(242,384)
2005	(95,140)	(123,197)	(110,318)	(142,850)	(84,263)	(90,751)	(333,135)
2006	(104,313)	(135,075)	(120,941)	(156,606)	(92,743)	(99,885)	(433,020)
2007	(113,486)	(146,953)	(131,564)	(170,363)	(101,224)	(109,018)	(542,038)
2008	(119,683)	(154,977)	(138,720)	(179,628)	(107,184)	(115,437)	(657,475)
2009	(125,880)	(163,002)	(145,875)	(188,894)	(113,144)	(121,857)	(779,332)

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GULF POWER COMPANY
Commercial and Industrial Goals
New and Existing Structures

Year	Annual Summer kW		Annual Winter kW		Annual kWh Savings (000)		
	Meter	Generator	Meter	Generator	Customer	Generation	Cumulative Generation
2000	(35,577)	(46,069)	(27,902)	(36,130)	(1,953)	(2,103)	(2,103)
2001	(36,601)	(47,395)	(28,785)	(37,274)	(3,874)	(4,172)	(6,276)
2002	(37,623)	(48,718)	(29,666)	(38,415)	(5,793)	(6,239)	(12,515)
2003	(38,645)	(50,041)	(30,547)	(39,555)	(7,713)	(8,307)	(20,822)
2004	(39,667)	(51,365)	(31,428)	(40,696)	(9,636)	(10,378)	(31,200)
2005	(40,690)	(52,689)	(32,310)	(41,838)	(11,562)	(12,452)	(43,653)
2006	(41,713)	(54,014)	(33,192)	(42,980)	(13,490)	(14,529)	(58,181)
2007	(42,737)	(55,340)	(34,074)	(44,123)	(15,420)	(16,608)	(74,789)
2008	(43,761)	(56,666)	(34,957)	(45,266)	(17,353)	(18,690)	(93,479)
2009	(44,785)	(57,993)	(35,841)	(46,410)	(19,289)	(20,774)	(114,253)

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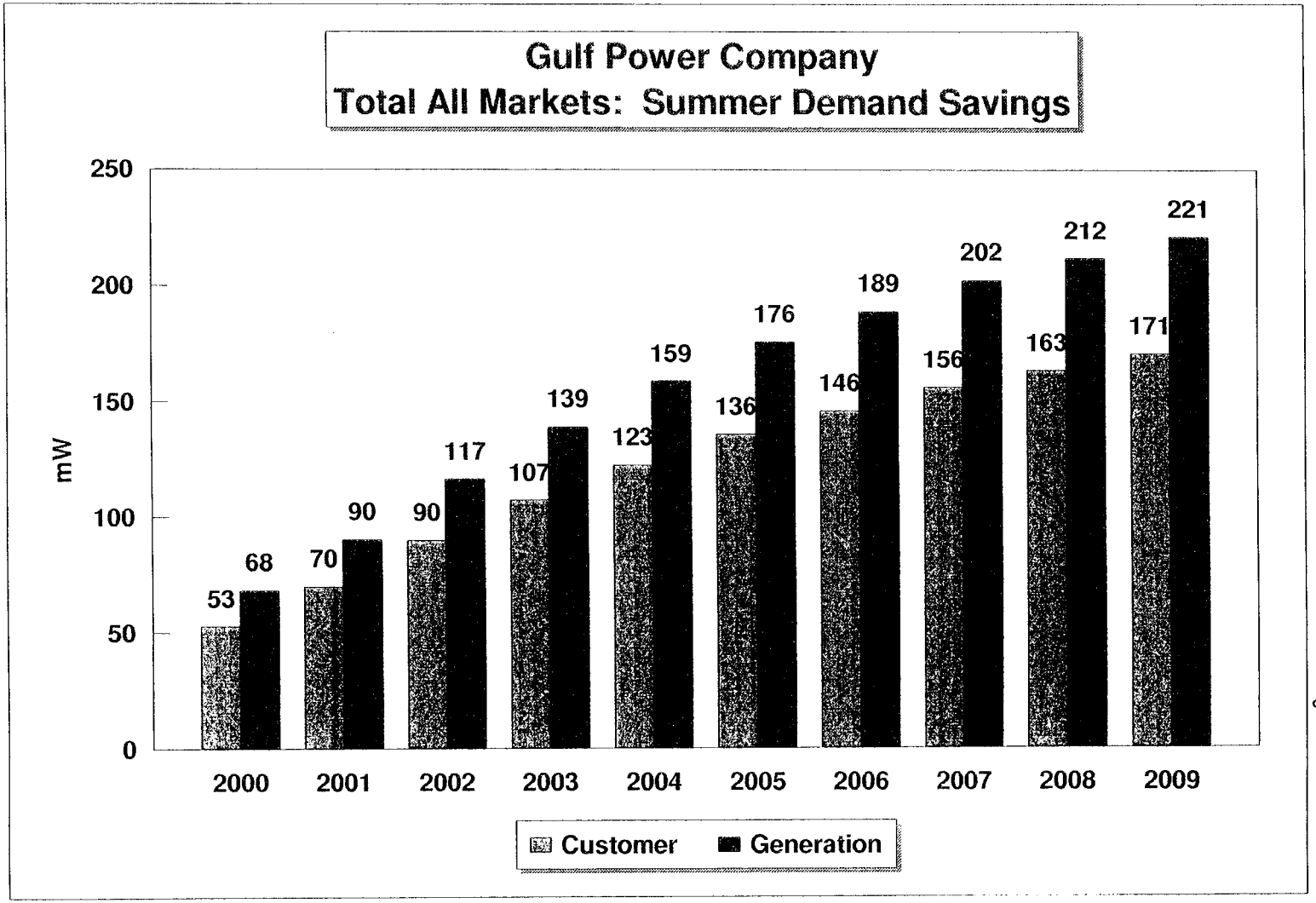

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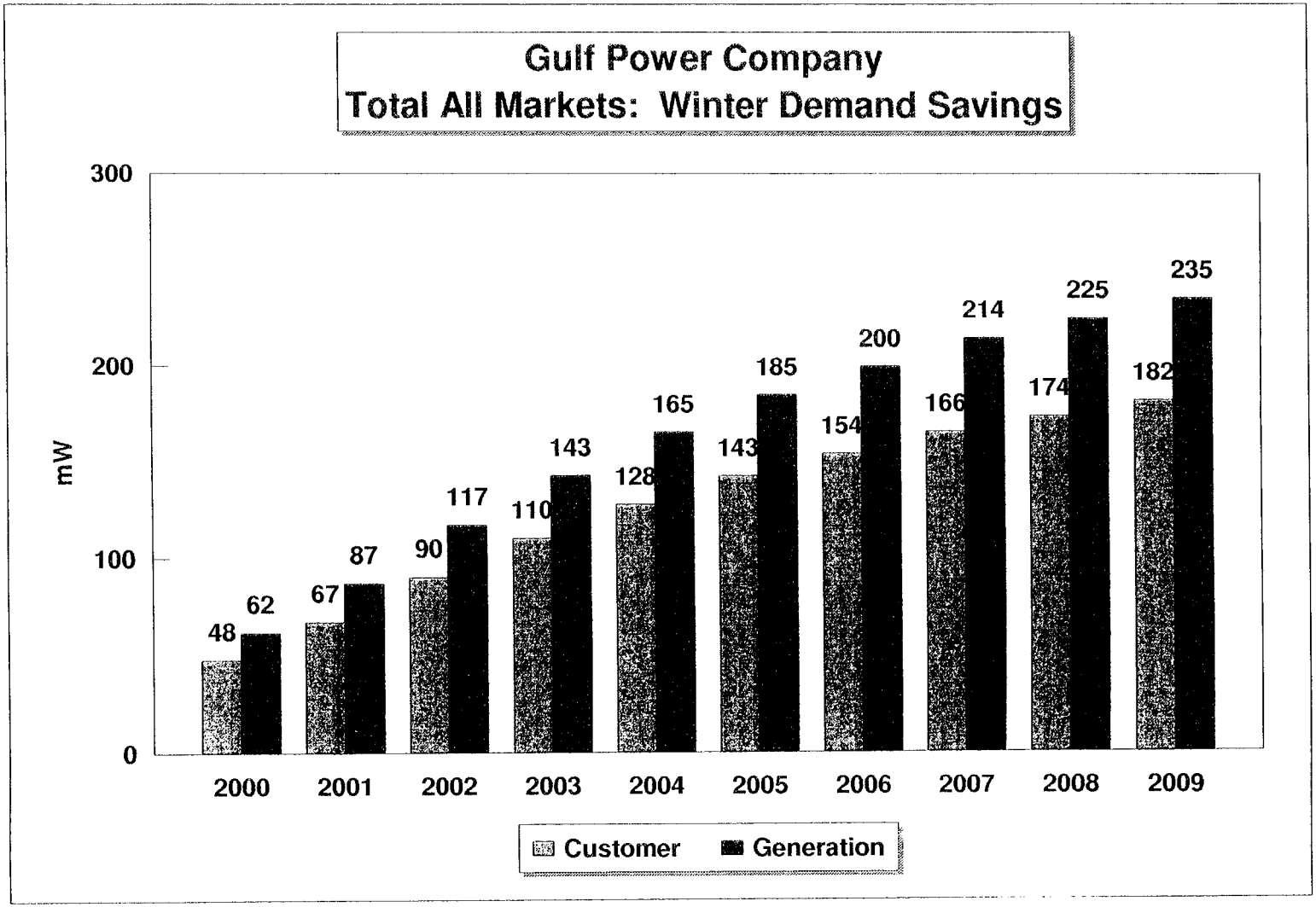

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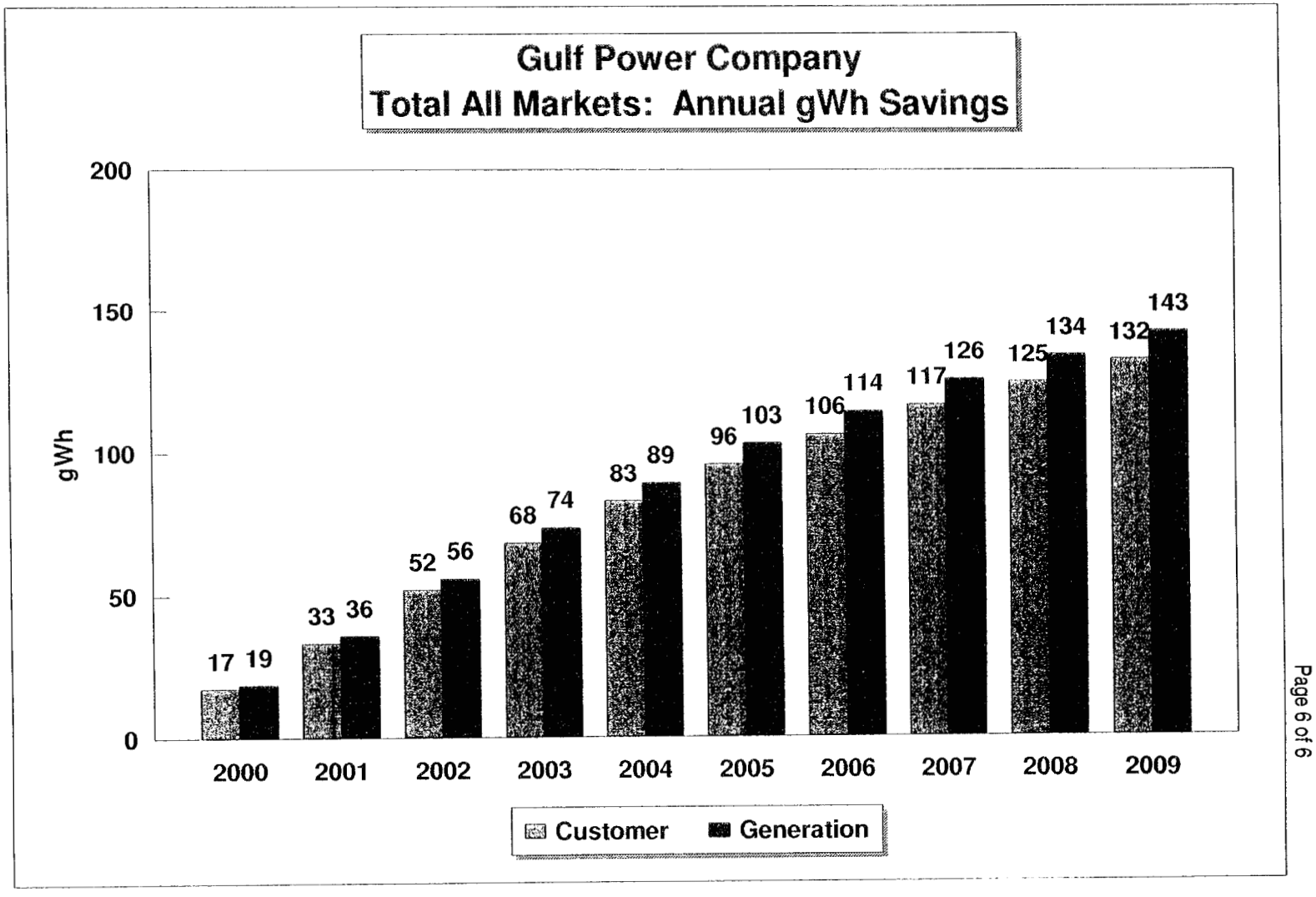

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Gulf Power Company

Comparison of Current Goals and Proposed Goals

Residential Summer Peak KW Reduction

	Current	Proposed	Difference
2000	103,000	22,331	(80,669)
2001	118,000	43,092	(74,908)
2002	122,000	67,894	(54,106)
2003	126,000	89,031	(36,969)
2004	130,000	107,465	(22,535)

Residential Winter Peak KW Reduction

Current	Proposed	Difference
125,000	26,009	(98,991)
129,000	50,008	(78,992)
133,000	78,744	(54,256)
137,000	103,234	(33,766)
141,000	124,603	(16,397)

Residential Annual MWH Reduction

Current	Proposed	Difference
44,000	16,719	(27,281)
48,000	31,770	(16,230)
52,000	49,753	(2,247)
54,000	65,238	11,238
56,000	78,904	22,904

Com/Ind Summer Peak KW Reduction

	Current	Proposed	Difference
2000	17,000	46,069	29,069
2001	19,000	47,395	28,395
2002	20,000	48,718	28,718
2003	22,000	50,041	28,041
2004	24,000	51,365	27,365

Comm/Ind Winter Peak KW Reduction

Current	Proposed	Difference
11,000	36,130	25,130
11,000	37,274	26,274
11,000	38,415	27,415
11,000	39,555	28,555
11,000	40,696	29,696

Comm/Ind Annual MWH Reduction

Current	Proposed	Difference
2,000		(2,000)
5,000		(5,000)
7,000		(7,000)
8,000		(8,000)
9,000		(9,000)

Total Summer Peak KW Reduction

	Current	Proposed	Difference
2000	120,000	68,400	(51,600)
2001	137,000	90,487	(46,513)
2002	142,000	116,612	(25,388)
2003	148,000	139,072	(8,928)
2004	154,000	158,830	4,830

Total Winter Peak KW Reduction

Current	Proposed	Difference
136,000	62,139	(73,861)
140,000	87,282	(52,718)
144,000	117,159	(26,841)
148,000	142,789	(5,211)
152,000	165,299	13,299

Total Annual MWH Reduction

Current	Proposed	Difference
46,000	16,719	(29,281)
53,000	31,770	(21,230)
59,000	49,753	(9,247)
62,000	65,238	3,238
65,000	78,904	13,904

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Comparison of Achieved kW and kWh Reductions
With Public Service Commission Established Goals (1)

Utility: GULF POWER COMPANY

Residential

	Winter Peak mW Reduction			Summer Peak mW Reduction			gWh Energy Reduction		
	Total Achieved	Com. Appr. Goal	% Variance	Total Achieved	Com. Appr. Goal	% Variance	Total Achieved	Com. Appr. Goal	% Variance
1995	0.98	0	N/A	0.78	1	-22%	0.71	1	-29.00%
1996	2.34	0	N/A	1.59	2	-21%	1.65	2	-17.50%
1997	3.15	59	-95%	2.07	37	-94%	2.25	12	-81.25%
1998	3.57	117	-97%	2.23	72	-97%	2.81	29	-90.31%
1999									
2000									
2001									
2002									
2003									
2004									

Commercial/Industrial

	Winter Peak mW Reduction			Summer Peak mW Reduction			gWh Energy Reduction		
	Total Achieved	Com. Appr. Goal	% Variance	Total Achieved	Com. Appr. Goal	% Variance	Total Achieved	Com. Appr. Goal	% Variance
1995	0.87	10	-91%	10.00	13	-23%	0.00	-----	N/A
1996	1.75	10	-83%	25.07	13	93%	3.33	-----	N/A
1997	3.40	10	-66%	28.65	13	120%	7.25	-----	N/A
1998	17.98	10	80%	33.14	13	155%	21.76	-----	N/A
1999									
2000									
2001									
2002									
2003									
2004									

(1) These results are tentative. The 1998 final report will be filed March 1, 1999.

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