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August 1, 2008

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

Dear Ms. Cole:

Re: Docket No. 080395-EG

Enclosed is the original of Gulf Power Company's response to Staff's Data Request dated July 18, 2008, to be filed in the above referenced docket.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

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Enclosures

cc w/encl.: Katherine E. Fleming, Senior Attorney

Gulf Power Company

Responses to Staff's July 18, 2008 Data Request regarding Gulf Power's Petition for Modification of Demand-Side Management Plan (Docket No. 080395-EG)

August 1, 2008

- 1. The first paragraph of Appendix 1 (page 4 of the petition) describes the proposed Solar Thermal Water Heating Program as a three year pilot program. Please explain or describe whether Gulf Power intends to periodically report results to the Public Service Commission. If so, please explain or describe the information that will be entailed in the report.**

Yes, Gulf Power intends to annually report, in conjunction with the Company's FEECA filing, results to the Public Service Commission. Reporting indices are anticipated to include: number of program participants, total/average installed unit cost (customer volunteered), and results of technology- and/or incentive-based customer satisfaction surveys, as available.

- 2. Please explain whether the proposed program will install solar water heaters to replace an equal number of gas and electric water heaters?**

Participation in this program is customer-driven and open to all Gulf Power residential customers regardless of their current water heating fuel choice.

- 3. Please provide a calculation of the cost of the solar water heater, less the proposed rebate, to arrive at the net cost to the customer.**

The cost of the solar thermal water heater will vary depending on the specific circumstances of the installation, including whether the system will be gas or electric. Based on available information for typical electric back-up systems, the cost calculation is as follows:

Cost of Solar Thermal Water Heater system	\$5,500
Less Gulf Power incentive	(\$1,000)
Less State of Florida Rebate	(\$ 500)
Less Federal Tax Credit (30% of net cost)	(\$1,200)
Net Customer Cost	\$2,800

- 4. If a customer has already applied for the \$500 State of Florida rebate, please explain whether that customer is still eligible to participate in the proposed program.**

All Gulf Power residential customers who install systems subsequent to approval of the program are eligible to participate in the program regardless of any application they may have pending for any state or federal solar incentives.

5. Please explain why Gulf Power is requesting approval of this program as a pilot program rather than a permanent program?

As stated in the original "Program Description," the program is "designed to gauge utility customer interest in, and acceptance of, this technology, as well as determine what economic incentives may be most effective in increasing the public's willingness to install the technology in their homes."

In addition, Gulf is requesting approval as a pilot program in order to collect more accurate cost and savings data to be used for a cost-effectiveness evaluation at the completion of the three-year pilot. At that time, the program can be better evaluated to determine if it meets the cost-effectiveness standards necessary for a permanent program.

6. Please state whether this pilot program is intended to see how customers react to an offer of a free water heater?

This pilot program does not include a free water heater offering.

7. On page 4 of Appendix 1, it states that one purpose of this pilot program is to determine the economic incentives that may be most effective in increasing the public's willingness to install the technology in their homes. Does this indicate that Gulf Power intends to offer different levels of economic incentives during the course of this pilot program?

There are no current plans to vary the \$1,000 incentive offering *during* the course of this pilot program. Post-pilot adjustments to the incentive amount could be considered based upon customer acceptance and perceived value of the original \$1,000 pilot offering.

8. On page 4 of Appendix 1, the last paragraph mentions plans to demonstrate solar thermal water heating in low-income multi-family application. Please explain whether there are any additional energy savings for this application compared to the savings mentioned in the Benefits and Cost section for other participants.

There are no additional savings projected with the low-income multi-family application.

9. On page 5 of Appendix 1, the first line under Benefits and Costs, notes that the reductions are compared to standard, storage tank-type electric resistance water heating. Please explain or describe how the reductions will be determined for a gas water heater.

The reductions for gas water heaters have not been determined. The objective of the proposed Program is to gauge customer interest in, and acceptance of solar thermal water heating systems and the Company does not intend to promote or accomplish any outcome related to fuel choice.

The Company will monitor the actual installations of electric and natural gas water heaters throughout this pilot and use that information in the cost-effectiveness evaluation at the completion of the pilot Program.

10. **On page 5 of Appendix 1, the first line under Benefits and Costs, notes a reduction of 0.25 kW summer peak demand and an annual reduction of 2,600 kWh. Please provide the calculations that convert the reduction of summer peak demand to the annual reduction figure.**

The annual energy savings calculation is not derived based on the demand reduction. The demand reduction estimate of 0.25kW is based on a resistance water heater contribution coincident with Gulf's system peak demand. The energy savings is determined based on a projection of up to 75% savings of energy consumption multiplied by Gulf's estimate of 3,467 kWh usage of a standard electric resistance water heater to yield an annual reduction of 2,600 kWh.

11. **Please provide the total reduction in summer peak demand and annual energy consumption with the projected level of participants.**

Based on projected participation of 225 customers over the three year program and preliminary estimates of peak demand and energy impacts, the total peak demand reduction is 56.25 kW and annual energy reduction is 585,000 kWh compared to electric resistance water heating.

The low-income multi-family project would contribute additional demand and energy savings estimated to be 22kW and 228,800 kWh respectively based on the same per installation impacts used above.

This would result in total estimated demand reduction of 78.25 kW and annual energy reduction of 813,800 kWh at the completion of the three year pilot.

12. **On page 6 of Appendix 1, the bullet on Incentives states that Gulf Power projects a maximum of 75 participants per year. Please explain whether the 75 participants is intended as a cap to participation.**

Seventy-five (75) participants per year is *not* intended as a cap to participation.

13. **On page 6 of Appendix 1, the third and fourth bullets show the costs for the 75 participants annually over three years will be \$225,000 or \$1,000 each ($\$225,000 / 225 = \$1,000$), while the cost for the low-income project will be \$375,000 or \$4,261 each ($\$375,000 / 88 = \$4,261$). Please explain or describe the reason for the \$3,261 price disparity?**

The budget for the low-income multi-family project is based on providing the total cost of the solar water heater less storage tank while the individual applicant portion is based on the \$1,000 incentive only.

14. Please state whether the total cost of \$793,000, shown on page 7 of Appendix 1, is for the three year period of the proposed pilot program.

Yes.

15. Please provide the percentage of the total cost expenditures for each of the four components shown on page 10 of Appendix 2.

Proposed Energy Education	\$1,010,000 (first year)
Consumer Awareness Campaign	83%
School-based Education	7%
Community-based Education	4%
Contractor Education	6%

16. Please provide a comparison of costs for the proposed Energy Education Program vs. other audit and education programs, such as Residential Energy Survey, Low-Income Energy Education, and Affordable Housing Builders and Providers.

Based on current budgets shown in Gulf's projection of 2008 expenditures (Docket 070002-EG), the table below provides a comparison of projected costs:

Residential Energy Survey	\$1,091,863
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Includes Low-income energy education and Affordable Housing Builders and Providers

Proposed Energy Education Program	\$1,010,000 (first year)
Consumer Awareness Campaign	\$837,500
School-based Education	\$77,500
Community-based Education	\$37,500
Contractor Education	\$57,500

17. The Consumer Awareness Campaign, on page 11 of Appendix 2, discusses an advertising campaign. Please state whether Gulf Power is aware of the limitations on image enhancing advertising in Rule 25-17.015(5), Florida Administrative Code.

Yes, we are aware of these limitations and the advertising is intended solely to promote increased awareness of energy conservation opportunities and not to enhance the Company's image.

18. Please refer to Appendix 2, page 12, line 4. Please explain or describe what is meant by the term "edutainment."

Edutainment is education and entertainment combined. An example of this would include live events with a scripted message that educates the audience on a product or service.

19. Pages 11 and 12 of Appendix 2 discuss the development of multi-media advertising plans by “incorporating all promotions for Gulf Power energy conservation products and messages into a coordinated approach.” Please respond to the following:

a. What are the advertising budgets for each of Gulf Power’s existing DSM programs?

Based on current budgets shown in Gulf’s projection of 2008 expenditures (Docket 070002-EG) for ECCR programs, advertising budgets are as follows:

Residential Energy Survey	\$203,451
Residential Geothermal Heat Pump	\$ 2,500
GoodCents Select	\$275,000
Commercial/Industrial Energy Analysis	\$ 4,072
<u>GoodCents Commercial Buildings</u>	<u>\$17,125</u>
Total 2008 Advertising ECCR programs	\$502,148

b. Please explain why the advertising budgets for existing programs cannot be combined to promote Gulf Power’s DSM programs.

The advertising budgets for each approved program are kept separate in order to meet the requirements of Rule 25-17.015(5), Florida Administrative Code that advertising expense be directly related to an approved conservation program.

c. Please explain how the advertising expenditures for the proposed Energy Education Program will be allocated to energy savings.

The objective of the Energy Education program is to increase awareness of the importance of energy conservation and to increase the participation in conservation opportunities including Gulf Power’s existing and future energy efficiency and conservation programs.

20. In reference to the question above, please state whether the advertising for the existing programs will be reduced.

No.

21. On pages 12 and 13 of Appendix 2, it states that the training program of the School-Based Education will have limited participation due to time and space constraints. Please identify the projected and maximum number of participants in the annual training program.

There are approximately 80 middle schools and high schools in Gulf Power’s service area. The area school systems report that about 500 teachers instruct in the area of science. The maximum participation is therefore estimated to be 500 participants (100 per year). However, Gulf anticipates that only 60% or

300 of these teachers will participate in this voluntary education program. This results in a projection of 60 teachers per year participating in this annual program.

- 22. Please compare and contrast the proposed Contractor Education component of the Energy Education Program, with Gulf Power's existing GoodCents Home/Energy Star and GoodCents Commercial Buildings programs.**

The proposed Contractor Education component of the Energy Education Program will include instruction, materials, and limited follow-up builder consultation services provided by personnel from Advanced Energy, a widely recognized energy efficiency and home performance contractor based out of Raleigh, North Carolina. Gulf Power's existing GoodCents Home/Energy Star and GoodCents Commercial Buildings programs focus on a prescribed set of installed features or measures. The proposed Contractor Education will include vendor-based training which will instruct contractors on proper installation of measures along with post-construction performance testing of the qualified structures which will test or validate proper installation.

- 23. Pages 14 and 15 of Appendix 2 discuss the proposed program manager position for the Energy Education Program. Please explain whether the \$75,000 expense for this position includes benefits.**

Yes, it is our intention to accomplish this role for the proposed labor estimate including benefits.

- 24. Please explain or describe why the brochures and promotional materials discussed under the fifth bullet on page 15 of Appendix 2 are listed separately and not included in advertising costs?**

The items contemplated for this cost of the Program would be instructional in nature and used more for general information during presentations, exhibits, etc. In contrast, the costs discussed in the first bullet relate directly to mass media advertising meeting the requirements of Rule 25-17.015(5), Florida Administrative Code.

25. **Please provide a chart showing a comparison of Gulf Power's projected expenditures for the proposed programs to the expenditures for Gulf Power's existing conservation programs.**

Based on current budgets shown in Gulf's projection of 2008 expenditures (Docket 070002-EG) for ECCR programs, the table below provides a comparison of projected annual expenditures:

Proposed New programs	
Energy Education program	\$1,010,000 (first year)
Solar Thermal Water Heating Pilot	
Individual incentive Portion	\$157,000 (first year)
Low-income project	<u>\$375,000</u>
Total new Programs	\$1,542,000

Existing programs	
Residential Energy Survey	\$1,091,863
Residential Geothermal Heat Pump	\$549,475
GoodCents Select	\$6,906,662
Commercial/Industrial Energy Survey	\$692,468
GoodCents Commercial Buildings	\$732,259
Commercial Geothermal Heat Pump	\$153,456
Energy Services	\$255,000
Renewable Energy	\$365,921
Conservation Demonstration and Development	<u>\$233,509</u>
Total Existing ECCR	\$10,970,613

26. **Please refer to the Benefits and Costs section of Appendix 2, pages 15-16. The \$800,000 advertising costs, plus the \$60,000 one-time cost for brochures and promotional materials and \$10,000 per year, arguably additional advertising, total \$860,000 the first year and \$810,000 for each subsequent year. Please explain or describe the justification for spending over 85 percent of the \$1,010,000 total first-year cost and over 84% of the \$960,000 continuing annual cost for advertising rather than a greater portion on energy education.**

As shown in the response to question #15, the consumer awareness portion of the Energy Education program represents the majority of program cost. This component of the Program will be accomplished primarily through an advertising campaign, which itself will be educational in nature, to increase awareness of the importance of energy conservation and increase participation in conservation opportunities through energy education. Each of the four components of this Program are designed to focus on the overall objective of

educating and increasing awareness throughout our customer base by utilizing multiple channels to best reach our current and future customers.