

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110138-EI

TESTIMONY AND EXHIBIT
OF
MARGARET D. NEYMAN

COM 5
APA |
ECR 10
GCL |
RAD |
SSC |
ADM |
OPC |
CLK CF. RPR



DOCUMENT NUMBER-DATE
04673 JUL-8 =
FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Margaret D. Neyman
5 Docket No. 110138-EI
6 In Support of Rate Relief
7 Date of Filing: July 8, 2011

8 Q. Please state your name and address.

9 A. My name is Margaret D. Neyman and my business address is One Energy
10 Place, Pensacola, Florida 32520.

11 Q. By whom are you employed?

12 A. I am employed by Gulf Power Company (Gulf or the Company) as the
13 Director of Energy Sales Service and Efficiency (ESSE).

14 Q. What is your educational background?

15 A. I attended Auburn University and received a Bachelor of Science degree
16 in Industrial Engineering in 1980.

17 Q. Please state your prior work experience and responsibilities at Gulf.

18 A. I have been continuously employed by the Company for thirty years. I
19 have held positions of increasing responsibility in the following areas:
20 Corporate Performance, Customer Service, Appliance Sales, Marketing
21 Services and Power Delivery. I am currently the Director of Energy Sales
22 Service and Efficiency.
23
24
25

1 Q. What exhibits do you sponsor?

2 A. I sponsor Exhibit MDN-1, Schedules 1 through 5. This exhibit was
3 prepared under my direction and control, and the information contained
4 therein is true and correct to the best of my knowledge.

5

6 Q. Which of the Company's MFRs do you sponsor?

7 A. The MFRs I sponsor are listed on Schedule 1 of Exhibit MDN-1. To the
8 best of my knowledge, the information contained in these MFRs is true
9 and correct.

10

11 Q. What is the purpose of your testimony?

12 A. My testimony addresses Gulf's interactions with its customers. I explain
13 Gulf's philosophy relating to customer service, conservation and efficiency
14 and the impact of that philosophy on customers. I set forth the
15 organization and functions of the business units that have the primary
16 interaction with Gulf's customers. I document Gulf's determination to be a
17 leader in the utility industry in customer satisfaction and Gulf's success in
18 achieving that goal.

19

20 My testimony also addresses the Operations and Maintenance (O&M)
21 expenses forecast for the 2012 test year in several functional areas as
22 prescribed by the Federal Energy Regulatory Commission (FERC) –
23 Customer Service and Information, Customer Accounts and Sales. I
24 testify that all of these O&M expenses are reasonable, prudent and
25 representative of conditions when new rates will be in effect and should be

1 used to establish new base rates for Gulf to charge for its service to
2 customers.

3
4

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

6

7 Q. Please describe the business units within the Company that support Gulf's
8 customer service activities.

9 A. The employees that interface with our customers on a daily basis are in
10 the following business units: the Customer Service Center, Mass Markets
11 (residential and small business customers), Major Accounts (large
12 business customers), District Customer Service, Meter Reading,
13 Collections and Support Services, Market Research and Planning, and
14 Economic Development.

15

16 Q. Please describe Gulf's Customer Service Center.

17 A. The Customer Service Center (CSC) is the first point of contact for most
18 customers. The CSC is staffed 24 hours per day, 7 days per week with
19 representatives trained to assist customers with billing questions, service
20 requests, outage reports, new product requests and a multitude of other
21 questions.

22

23 Q. Please describe Gulf's Mass Markets organization.

24 A. The Mass Markets group develops and supports programs, products, and
25 services for the benefit of the residential and small business segments.

1 This includes conservation programs, the **EnergySelect**® program, a
2 home energy management program which I will discuss later in my
3 testimony, and efficient energy sales. Additionally, the Mass Markets
4 team performs energy audits and assists customers with equipment
5 purchasing decisions.

6

7 Q. Please describe Gulf's Major Accounts organization.

8 A. The Major Accounts group supports the largest industrial and commercial
9 accounts. These are the Company's largest and most specialized
10 customers. The customers are grouped into industry segments (e.g.,
11 forest products, military, health care, etc.), and each segment is assigned
12 to an administrator. Because of the unique nature of these customers, it is
13 necessary that each segment administrator be extremely knowledgeable
14 about the assigned businesses and their processes, outputs, markets, and
15 competition.

16

17 Q. Please describe Gulf's District Customer Service organization.

18 A. District Customer Service includes personnel in the Company's district
19 offices in Panama City, Fort Walton, and Pensacola as well as local
20 business offices in Chipley, Crestview, Defuniak Springs, Milton, and
21 Niceville. District Customer Service is responsible for processing
22 customer payments and for helping customers with billing questions,
23 service requests and new product requests. Additionally, District
24 Customer Service includes personnel distributed throughout our service

25

1 area whose primary responsibilities are to read meters and perform
2 collections activities.

3

4 Q. Please describe Gulf's Market Research and Planning organization.

5 A. Market Research and Planning includes pricing, load research, customer
6 research, market reporting and economic evaluation, customer-sited
7 renewables and forecasting. Market Research and Planning is also
8 responsible for the development and reporting of the Company's Demand-
9 side Management (DSM) Plan, including the projection and true-up filings
10 for the Energy Conservation Cost Recovery (ECCR) clause.

11

12 Q. Please describe Gulf's Economic Development organization.

13 A. Economic Development personnel are focused on identifying opportunities
14 to recruit new or retain existing businesses in and around Northwest
15 Florida and fostering networking and informational exchange with our
16 region's community, business and elected leadership. We also work to
17 bring businesses to neighboring areas to improve the economy of
18 Northwest Florida.

19

20

21 **II. GULF'S COMMITMENT TO SUPERIOR CUSTOMER SERVICE**

22

23 Q. Ms. Neyman, please describe Gulf's commitment to providing superior
24 service to customers.

25

1 A. One of our primary corporate goals is to be an industry leader in service
2 and customer satisfaction. We continually focus on creating a culture of
3 exceeding the expectations of the customers that we serve. This service
4 takes many forms, from the Customer Service Center to the many district
5 personnel; however, throughout the Company, the goal of making a
6 difference for our customers remains the same.

7

8 We believe that we provide value to our customers by excelling at the
9 fundamentals every day. Our CSC operates 24 hours per day, 7 days per
10 week. In 2010, the customer service representatives in the CSC handled
11 over 1.4 million customer calls. Almost 70 percent of those calls were
12 resolved by representatives in the CSC, providing customers an almost
13 immediate resolution to their requests, while the balance necessitated a
14 transfer to other Gulf personnel for resolution.

15

16 Customer service personnel throughout our service area assisted over
17 1 million customers in district and local business offices and read over
18 4.8 million meters during 2010. Meters were read with a 99.91 percent
19 accuracy ensuring that customers receive bills that correctly reflect the
20 energy used in their homes or businesses.

21

22 Our field energy consultants are viewed by our customers as energy
23 experts. During 2010, our team of trained energy consultants performed
24 over 4,000 on site energy audits that enhanced customer value by
25 providing these customers with customized recommendations on how to

1 manage their energy use. These audits result in tangible, actionable
2 recommendations for customers to save money on their electric bills. On-
3 site energy audits also serve as the primary mechanism to educate
4 customers about Gulf's suite of available DSM programs. As I discuss in
5 more detail later, Gulf's commitment to helping our customers use energy
6 efficiently is long standing and on-site audits are a key component of that
7 strategy.

8

9 Q. Please provide some examples of how Gulf provides excellent service to
10 its customers.

11 A. Our customers typically initiate a request with Gulf by calling our Customer
12 Service Center. Our CSC representatives effectively handle a large
13 majority of our customers' needs on the phone, providing an immediate
14 resolution to their requests. Some customers, however, have more
15 complex needs. In these cases, customers are transferred to an energy
16 consultant who meets with the customer at his or her home or business
17 and provides a customized solution.

18

19 With the struggling economy and unusual weather in the last twelve to
20 eighteen months, bill concerns are a common call handled in this way.
21 Recently, a customer living in a mobile home called our CSC expressing
22 concern over what she viewed as a high bill. After talking with the
23 customer, the CSC representative determined that the customer would be
24 best served by a visit to her home. The CSC representative suggested
25 and the customer agreed to have a Gulf residential energy consultant

1 perform an energy audit at her home. During the audit, it was determined
2 that the Heating Ventilating and Air Conditioning (HVAC) duct under her
3 mobile home had been knocked loose by the family pet. The customer
4 was, in essence, air conditioning the outdoors.

5
6 Another residential customer contacted Gulf with a similar concern – the
7 customer’s electric bill was “too high”, particularly in the winter months.
8 The customer, a World War II veteran and his wife, was on a fixed income
9 and not only needed assistance in identifying ways to save money, but
10 also was struggling in the winter months to pay his electric bill. Gulf’s
11 residential energy consultant met with the customer and recommended
12 low or no cost changes he could make to help reduce his energy use.
13 Gulf’s energy consultant provided the customer with a recommended
14 thermostat setting, particularly in the winter, and also suggested that he
15 adjust his thermostat when leaving their home for an extended period.
16 Other recommendations included changing dirty air filters, caulking around
17 windows and leaving doors and registers in unused rooms open to allow
18 proper air flow back to the air handler.

19
20 Additionally, Gulf’s consultant assisted the customer in contacting Gulf’s
21 CSC to make arrangements for him to be placed on budget billing and
22 further provided the customer with the names and contact information for
23 local agencies that were available to assist him in the future. This is a
24 great example of how Gulf’s energy consultants not only “audit” a
25 customer’s home for energy efficiency recommendations, but also

1 genuinely listen to the customer's needs and go out of their way to provide
2 excellent service.

3

4 Gulf provides these services not only to residential customers, but also to
5 commercial and industrial customers. The owner of a restaurant chain in
6 Panama City contacted Gulf requesting an energy analysis at each of the
7 customer's stores in the Panama City area. The owner was concerned
8 with controlling the energy consumption at each of his five stores. A
9 commercial energy consultant visited each location, met with the store
10 managers and developed a comprehensive set of recommendations.
11 Gulf's consultant recommended high-efficiency HVAC systems be
12 installed as existing systems fail and educated the owner about HVAC
13 maintenance and service, recommendations that could save up to 15
14 percent of the customer's air conditioning costs. Another recommendation
15 to consolidate under-utilized drink coolers has the potential to save \$60
16 monthly. In addition, Gulf's energy consultant made specific
17 recommendations unique to each of the five individual stores.
18 Recommendations surrounding leaking water heaters, faulty cooler seals,
19 ventilation improvements, blocked air returns and thermostat settings were
20 provided for each store. Recommendations, like the ones above, that
21 include both immediate, low (or no) cost solutions and solutions that
22 require longer-term investments provide value by allowing customers to
23 take immediate action as well as develop plans for continuing to improve
24 the efficiency of their electric usage over time.

25

1 These are a few examples of thousands of instances where we touch our
2 customers personally, partnering with them to efficiently manage their
3 energy needs. As I discuss later in my testimony, we measure the
4 effectiveness of value provided to our customers. The results
5 demonstrate that Gulf has an excellent track record of providing value to
6 the customers we serve.

7
8
9 **III. GULF'S PRODUCTS AND SERVICES**

10
11 Q. How are the products and services offered to Gulf's customers developed,
12 evaluated and implemented?

13 A. Gulf recognizes that our success is dependent upon gaining and retaining
14 the confidence of our customers. By gaining an understanding of our
15 customers, the Company is able to anticipate and meet their needs with
16 existing or new products and/or services. The Company uses market
17 research, knowledge from the Company's experienced corporate and
18 district staff, and national and regional information sources on emerging
19 trends to develop our programs. The Company also uses internal
20 databases to identify emerging customer usage patterns and preferences.
21 Gulf additionally leverages our affiliation with the Southern Company and
22 the other system operating companies by exchanging information on
23 consumer trends, preferences, leading edge technologies and marketing
24 techniques.

1 Information gathered from these diversified sources is assimilated and
2 translated into new or enhanced products and services. These products
3 and services are then evaluated against criteria to determine customer
4 acceptance.

5

6 Gulf recognizes that maintaining a high level of customer satisfaction
7 requires that we be proactive and creative in meeting our customers'
8 needs. Innovative programs and pricing options are also examples of how
9 Gulf ensures that our customers have relevant options to manage their
10 energy usage.

11

12 Q. Please describe examples of new or enhanced products or services that
13 you offer to your customers to help meet their energy needs.

14 A. Energy Services is a new program designed to provide our larger
15 customers with a service to identify, design, finance and install a
16 comprehensive package of energy conservation measures at their
17 facilities.

18

19 Additionally, in response to customer feedback, we recently reorganized
20 our Lighting Services department to provide more streamlined, customer-
21 focused service to the Company's street and area lighting customers. I
22 describe this reorganization later in my testimony.

23

24

25

1 Q. Please describe Energy Services.

2 A. Gulf began providing Energy Services to our federal government
3 customers in 2006. A typical Energy Services project consists of a
4 preliminary audit in which Gulf will review energy bills, equipment, and
5 facility conditions and provide recommendations on financially viable
6 energy conservation measures (ECMs). A proposal including the detailed
7 engineering, financial analysis and pricing is then presented to the
8 customer for their acceptance. For typical projects, this is followed by a
9 two year period of performance verification to ensure that ECMs are
10 performing properly. Substantial reductions in electrical demand,
11 electrical energy consumption and fossil fuel consumption have resulted
12 from these projects. Our federal government customers are very satisfied
13 with the results of the Energy Services program.

14
15 The value brought by Energy Services can be shown in a recent project at
16 a local military base. Plans for this project began in 2007 and resulted in a
17 detailed proposal being approved by the customer in the fall of 2008. The
18 project, which involved upgrading lighting systems, HVAC equipment,
19 chillers, boilers, HVAC controls, infrared heating and solar thermal water
20 heaters, was completed in June 2009. Energy Services projects are large
21 in scope and deliver significant results to customers. The project at this
22 military base resulted in reducing energy consumption by over 5.2 million
23 kilowatt hours (kWh) of electricity per year and 6,687 Million British
24 Thermal Units (MMBtu) of natural gas per year. After two years of
25 performance verification, these upgrades have proven to deliver annual

1 savings of over \$450,000. Energy Services projects, like the one
2 described, not only bring value to these customers, but also bring value to
3 all customers by helping our largest federal government customers
4 operate their local facilities more efficiently.

5

6 Q. Please describe the Lighting Services organization.

7 A. Prior to 2008 requests for lighting service were handled by multiple
8 departments within the Company. A customer's lighting request could
9 have involved as many as eight different departments at Gulf. In order to
10 gain efficiencies and improve service to our customers, in 2008 Gulf
11 consolidated responsibility for lighting into one organization. The lighting
12 organization is now responsible for face-to-face customer contact, lighting
13 design, lighting contracts, installation, billing, and mapping of all street and
14 area lighting for the Company. Since these responsibilities were
15 consolidated with the lighting organization, over 99 percent of all lighting
16 repairs are now completed within Gulf's commitment of five business
17 days. In rare situations where repairs take longer than five days,
18 customers are contacted by a Gulf representative to explain the
19 circumstances that caused the delay. Additionally, over 95 percent of our
20 customer's lighting requests are handled with one visit.

21

22 New and improved mapping and reporting systems for managing the
23 Company's installed lighting base have also contributed to improved
24 response to customer requests and reduced costs. Gulf has partnered
25 with a third-party to provide a solution for the management of outdoor light

1 repair requests. This platform will integrate with the Company's website
2 and other applications to provide a fully interactive mapping application for
3 the entry and management of customer lighting repair requests. The
4 application enables the customer to go to a web site, view a detail map
5 and click on any street light that needs repair. A follow-up email is
6 automatically sent to the customer to confirm the reported repair request
7 and a service repair order is automatically generated. The application is
8 currently under development and is expected to be deployed later this
9 year.

10

11 Q. Please describe the Lighting Pricing Methodology approved in Gulf's last
12 rate case, Docket No. 010949-EI and the new Light Emitting Diode (LED)
13 lighting products that have been offered to Gulf customers as a result of
14 this methodology.

15 A. Due to the cooperative efforts of the Florida Public Service Commission
16 (FPSC or the Commission), our approved lighting template (Form 4)
17 allows Gulf to offer new lighting options to customers without filing
18 amendments to our tariffs. This methodology enables the Company to
19 respond quickly to customer needs and offer new and innovative lighting
20 products and services. A good example of the value of this approach is
21 LED lighting, the newest and most energy efficient lighting technology
22 advancement. As a result of having this methodology, Gulf currently
23 offers several LED lighting fixtures which are more efficient than the
24 standard High Pressure Sodium or Metal Halide fixtures. This selection
25 consists of both roadway and area LED fixtures with various delivered

1 lumen levels. To date, Gulf has completed two LED projects and one is
2 currently under construction.

3

4 For Gulf's current standard lighting offerings, our customers may request
5 assistance by calling Gulf's Customer Service Center 24/7, work through
6 one of our Lighting Representatives or talk to one of our District energy
7 consultants. For any non-standard LED fixtures, we utilize the Lighting
8 Pricing Methodology provision in our OS I/II rate. Our Lighting Services
9 Team continually evaluates LED and other new lighting technologies in
10 order to provide our customers with lighting solutions that provide value
11 and efficiency to their operations.

12

13 Q. Are you proposing any changes to your approved lighting template?

14 A. Yes. Currently, this template is used only for new fixtures. I am proposing
15 that its use be enhanced to include existing fixtures. Testimony of Gulf
16 Witness Thompson lays out the approach for ensuring the overall rate and
17 revenue level is appropriate for the Rate OS class by assigning revenue
18 increases as he has described, and using the lighting template for re-
19 pricing all fixtures and associated outdoor service equipment moving
20 forward. Existing fixtures would be evaluated using the lighting template
21 on an annual basis. If the price differential between the price derived from
22 the template and the existing price charged to customers is within a
23 10 percent threshold, Gulf would not adjust the price for that 12 month
24 period. Prices that fall outside of a 10 percent threshold would be
25 adjusted and set for the 12 month period going forward.

1 Q. Why should existing fixtures be evaluated on an annual basis?

2 A. Costs associated with the materials and overall provision of outdoor
3 lighting change; however, currently Gulf's prices do not. As an example,
4 Gulf's current fixture price for a 100 watt, high pressure sodium, open
5 bottom fixture is almost 40 percent lower than the average of the Florida
6 investor owned utilities (IOUs) with a similar fixture. Gulf's price for these
7 fixtures has remained static, which is not consistent with the costs of the
8 materials used in the manufacturing of these products. If fixture prices are
9 only evaluated during a rate increase request, the customer could
10 experience rate shock. Making this requested change will enable Gulf to
11 maintain fixture prices that are consistent with the associated costs (both
12 increases and decreases) in response to market conditions and better
13 align Gulf's prices with non-utility lighting providers. We believe this
14 enhancement is in the best interest of Gulf's customers.

15

16 Q. What programs does Gulf offer to customers in the area of energy
17 efficiency?

18 A. We are excited about a host of new programs that the Company will begin
19 offering to our customers during 2011. Gulf's DSM Plan was approved by
20 the Commission in February 2011, and program participation standards
21 were approved in April 2011. In the development of this plan, Gulf
22 focused on program offerings to meet goals established by the
23 Commission that will, at the same time, genuinely assist our customers in
24 the area of energy efficiency, thus continuing our legacy of adding value.

25

1 Gulf personnel have a long history of consulting with our customers on
2 energy efficient options that make sense for their homes or businesses.
3 Our new DSM Plan includes programs that continue the solid
4 recommendations the Company has proactively made to customers
5 throughout the years.

6
7 In the DSM Plan, the Company included programs to address all customer
8 segments, including low-income, homeowners, renters and commercial
9 and industrial customers. The plan is designed to produce a thorough
10 level of awareness and education about energy efficiency opportunities
11 while overcoming many of the barriers that limit customer adoption of
12 energy efficiency measures. The plan includes programs designed for
13 schools, community groups and contractors. Additionally, Gulf is offering
14 a new program, Home Energy Reporting, targeted at behavioral changes
15 in energy use. Through this program the Company will mail home energy
16 reports to customers informing them about the efficiency of their energy
17 use as compared to homes of similar size in their geographical area. This
18 program has proven very successful in driving sustainable behavioral
19 changes, resulting in reduced energy consumption in many other states.

20
21 The Company does not just stop at the programs and measures offered in
22 our DSM Plan. In an effort to help our customers achieve maximum
23 efficiency in their homes, the Company offers the EarthCents Home
24 program. Beginning in 1975, Gulf introduced customers to the value of
25 energy efficient construction with the GoodCents Home program. Now

1 known as EarthCents Home, this program has long been the standard for
2 energy efficient construction in Northwest Florida. EarthCents homes are
3 built to take full advantage of efficiencies available through the interactions
4 of all the systems within the home — the cooling, heating and ventilation
5 system, the water heating system, the insulation and air-barrier system,
6 the appliances and lighting, and the windows. Through a thorough
7 understanding of this "house as a system" concept, customers can be
8 assured of a home that offers quality, comfort and a lifetime of energy
9 savings.

10

11 Q. How do you ensure that EarthCents Homes are more efficient?

12 A. Providing this assurance requires more than the installation of energy
13 efficient components. The construction process must be monitored and
14 inspected and followed up by actual performance testing and verification
15 once the job is completed. Gulf EarthCents homes must undergo an
16 extensive inspection and testing process that ultimately grades the home
17 in accordance with the nationally recognized Home Energy Rating System
18 (HERS). Each EarthCents home will be given a HERS Index Score, which
19 is a customer's assurance that the home was not only built according to a
20 strict set of energy-efficiency specifications, but also has been
21 performance tested to ensure those construction specifications were
22 actually met. All HERS-related inspections and performance tests are
23 conducted in accordance with protocols established and maintained by the
24 Residential Energy Services Network (RESNET). RESNET was founded
25 in 1995 by the National Association of State Energy Officials and Energy

1 Rated Homes of America to develop a national market for home energy
2 rating systems. RESNET's standards are recognized by the federal
3 government for verification of building energy performance for such
4 programs as federal tax incentives, the ENERGY STAR program and
5 others.

6

7 Q. What actions does the Company take to help mitigate the costs of such
8 programs?

9 A. It is a goal of Gulf to mitigate rate impacts to our customers. When
10 requesting new DSM goals, the Company has consistently requested
11 goals based upon the Rate Impact Measure (RIM) test. In preparing to
12 implement its DSM programs, Gulf has actively sought low-cost third party
13 contractors with proven experience. Additionally, the Company
14 scrutinized incentive levels, resource requirements and other relevant
15 costs to ensure programs are introduced at the lowest possible cost, thus
16 minimizing rate impacts for customers.

17

18 Q. What benefits do programs that decrease peak demand offer to Gulf's
19 customers overall?

20 A. Gulf's long-term strategy has been to provide low cost, reliable electricity
21 to its customers. A vital part of this strategy has been conservation and
22 efficiency efforts begun by Gulf over thirty years ago. Our ultimate
23 objective, which we believe to be in the best interests of our customers, is
24 to minimize overall costs of providing service through cost-effectively
25 increasing the efficiency and utilization of existing facilities while reducing

1 future resource requirements. This strategy utilizes existing facilities more
2 efficiently and puts downward pressure on rates to all customers.

3
4 The overall plan is a long-term one, encompassing conservation, off-peak
5 sales, pricing alternatives, load management options, co-generation, and
6 other demand-side options. Improving the Company's load factor by
7 shifting electricity sales to off-peak periods increases the utilization and
8 efficiency of existing and planned facilities and thus helps minimize costs
9 to all customers.

10

11 Q. Do you offer specific programs designed to decrease peak demand?

12 A. Yes. We offer programs for both residential and commercial customers.

13 Gulf offers the **EnergySelect**® program to residential customers. This
14 program, originally offered in 1995, introduced customers to the concept of
15 home energy management combined with variable pricing, including
16 critical peak pricing (CPP). When first introduced, **EnergySelect**® was
17 not only a new program for Gulf, but also was the first CPP program
18 offered in the nation.

19

20 The program is an interactive energy management system that allows
21 residential customers to program their central heating and cooling system,
22 electric water heater and pool pump, if they have one, to automatically
23 respond to varying prices of electricity (CPP) depending on the time of
24 day, day of the week and season. Providing appropriate pricing to reflect
25 changes in the marginal cost of generating electricity during the day allows

1 the customer to be in control of their energy purchases. **EnergySelect**®
2 consists of three elements – a custom-designed programmable
3 thermostat, a Residential Service Variable Pricing (RSVP) rate featuring
4 four different tiers for electricity, and a communications gateway that
5 facilitates two-way communication between the utility and the customer's
6 home.

7
8 With this program, customers can save money by programming the
9 largest portion of their energy purchases to occur in the lower price
10 periods, while providing peak demand reduction benefits during the high
11 and critical peak price periods. The **EnergySelect**® system also enables
12 Automated Meter Reading (AMR).

13
14 For commercial and industrial customers, Gulf offers Real Time Pricing
15 (RTP). The RTP program sends hourly prices a day ahead to commercial
16 and industrial customers subscribing to the program. Customers react to
17 these price signals, which results in demand response and economic
18 efficiency. As with the EnergySelect® program, the RTP program
19 provides commercial and industrial customers with an option for
20 controlling their purchasing decisions. RTP customers also have access
21 to the Company's EnergyDirect.com resource. EnergyDirect.com is an
22 innovative, real-time, online energy management resource that provides
23 secure, around-the-clock access to current and historical energy cost and
24 usage information. Data can be checked hourly, daily or weekly, giving
25 customers the tools needed to manage their energy usage. When used in

1 combination with RTP, EnergyDirect.com enables RTP customers to more
2 effectively respond to price signals.

3

4 Q. Can you provide any examples of how marketplace changes have
5 impacted customer offerings made by the Company?

6 A. Yes. As a result of the slow economy, changes in customers' priorities
7 have affected the program offerings made by Gulf. Customers are more
8 focused on saving money. In response, Gulf is performing more energy
9 audits than in previous years. We have also launched an online energy
10 audit tool to assist customers with understanding where their energy
11 dollars are spent and how they can implement solutions for efficiency.

12

13 Rapid technology changes have also affected programs like the Gulf
14 **EnergySelect**® program. While installations continue to occur at a
15 steady pace, we have seen a slightly higher rate of customer removals.
16 These removals are attributed primarily to customers dropping their
17 landline phones and customers replacing HVAC equipment with systems
18 utilizing variable or multi-speed compressors. We have continued to work
19 diligently to develop solutions to these issues. A new version of
20 equipment compatible with variable or multi-speed compressors will be
21 available for installation by mid-2011. In addition, work continues with the
22 Company's ongoing Advanced Metering Infrastructure (AMI) deployment.
23 This integration will provide an alternative to the current dependence on
24 landline telephone service for equipment communication.

25

1 The internet is a technology that has enabled Gulf to offer innovative
2 solutions to help serve our customers more effectively. Online energy
3 audits, bill payment, connect, disconnects and other account services are
4 available to customers via the Gulf website. During 2010, Gulf's
5 customers performed over 100,000 transactions online. This online
6 technology provides convenience and enables customers to better
7 manage their energy usage.

8

9 Technology enhancements continue to improve the service provided by
10 the Customer Service Center. In 2005, the Company enhanced the voice
11 response unit (VRU) utilized by customers when calling Gulf. This
12 enhancement allows customers the option of using their voice to make
13 selections from the menus simplifying the experience for customers.
14 Once a call is routed to a CSC representative, a proprietary technology
15 known as "Screen Pop" immediately locates the customer's record in our
16 customer database based on the information they provided to the VRU.
17 This enhances the customer's experience by expediting the call and
18 minimizing duplicate information being requested.

19

20 Another area where technology has had a significant impact is customer-
21 sited renewable energy. The Company has developed a portfolio of
22 renewable technologies, including four programs available to customers.
23 This portfolio, part of the Company's DSM Plan, offers incentives and/or
24 rebates to residential and commercial customers for the installation of a
25 solar photo-voltaic (PV) system or solar thermal water heater.

1 Additionally, the Solar for Schools program is designed to completely fund
2 the installation of solar PV systems, up to 10 kilowatts (kW) in size, in
3 select schools. These systems will include data acquisition equipment
4 that will collect and provide system data to be used by the schools in their
5 energy education curriculum. Finally, the renewable portfolio includes a
6 program designed to completely fund the installation of solar thermal
7 water heaters for some low-income customers. The renewable
8 technology portfolio offered by the Company provides customers with
9 options to take advantage of “green” energy in a way that meets their
10 specific needs.

11

12 Q. Ms. Neyman, speaking of technology, please comment on the benefits the
13 Company’s AMI project deployment is expected to provide to customers.

14 A. There are many aspects of our AMI meter deployment which should
15 enhance customer satisfaction. Gulf Witness Jacob provided an overview
16 of the Company’s AMI deployment. I will address benefits related to
17 customer service and energy services.

18

19 One of these is in the area of basic billing. AMI meters are expected to
20 virtually eliminate any meter reading estimations. While those were
21 infrequent prior to AMI meters, they were at times a necessity due to
22 manual reading errors, inclement weather, or resource limitations;
23 however, they were frustrating to both customers and our customer
24 service representatives.

25

1 We have already seen some benefits to customers because of the
2 availability of daily consumption data to our customer service
3 representatives. This has been helpful in the resolution of high bill
4 complaints or other billing concerns.

5
6 There are several other benefits we expect to realize as we complete the
7 automation of direct customer access to their daily or more-frequent
8 consumption data. Some of these are as follows:

- 9 • increased awareness of energy usage cause and effect and
10 consequential conservation efforts,
- 11 • availability of a broader range of pricing options to encourage
12 conservation and greater efficiency, and
- 13 • critical peak pricing and peak demand management response,
14 including the next generation of Energy Select.

15
16 Q. Are there internal customer service efficiencies or benefits that the
17 Company expects to receive as a result of its AMI deployment?

18 A. Yes. The AMI meters allow us to eliminate both on-cycle and off-cycle
19 manual meter reading costs in deployed areas. In addition to the
20 infrequent manual meter reading errors, most of the transportation costs,
21 vehicle emissions, and personnel safety risks and liability associated with
22 manual meter reading will be eliminated.

23
24 We expect AMI meters to enable the more effective identification and
25 resolution of electricity theft/current diversion activities. There have

1 already been a couple of instances where the AMI meter tamper alerts
2 have allowed us to catch a person in the act of stealing electricity. Finding
3 these instances early will result in less damage to our equipment and help
4 to minimize on-going costs associated with power losses.

5
6
7 **IV. GULF'S CUSTOMER SATISFACTION**

8
9 Q. Please describe actions the Company takes to maintain very satisfied
10 customers.

11 A. Gulf actively seeks innovative ways to meet our customers' changing
12 needs and maximize their satisfaction. Gulf recognizes that our
13 customers desire options in terms of billing and making payments, and we
14 strive to enhance our service to them by providing flexible choices.
15 GulfPower.com includes a host of services available to customers.
16 Through the online customer care portion of the Company's website,
17 customers can pay their bill, make requests to turn service on or off, report
18 an outage or query the status of an existing outage. Since 2005, the
19 online customer care web portal has seen a 62 percent increase in the
20 number of customers taking advantage of its features. The needs of these
21 customers are met immediately, at a time that is convenient for them,
22 while at the same time, lowering the overall costs for the Company.

23
24 The Company offers multiple, convenient ways for customers to pay their
25 bill. We offer the ability for customers to pay their bill online at the

1 GulfPower.com website. Online bill payment is offered as a one-time
2 transaction or customers can enroll in paperless billing. Paperless billing
3 participants pay their bill online each month and no longer receive a copy
4 in the mail. Since it was originally offered in 2005, 13.8 percent of Gulf's
5 customers have chosen to participate in the paperless billing program.
6 Additionally, for customers who need to pay their bill right away, the
7 Company offers, through a third-party, the BillMatrix program. BillMatrix is
8 an automated payment service that will accept payments 24 hours a day
9 using a credit card, debit card or checking account information. For
10 customers who want the convenience of automatic funds withdrawal, Gulf
11 offers Auto Pay. Auto Pay provides the added convenience of
12 automatically withdrawing payment funds from a customer's checking or
13 savings account. These options give customers the choice and flexibility
14 to use an option that works best for them.

15
16 From GulfPower.com, customers can complete an online energy audit.
17 This interactive technology, known as the HomeEnergyCalculator, allows
18 customers to view details about their estimated energy usages and
19 associated cost-saving recommendations. The HomeEnergyCalculator is
20 provided at no additional charge to customers and can be completed in
21 less than ten minutes. The Company has seen a marked increase in this
22 program since it was launched in the summer of 2010.

23
24 To support the Company's customers who rely on mobile technologies,
25 Gulf recently partnered with a third-party to develop a custom application

1 that will enable customers to use a smart phone to report a power outage
2 or obtain estimated restoration times (ERTs) for a previously reported
3 outage. The application is currently being tested and is expected to be
4 deployed later this year.

5

6 For customers who manage multiple properties, Gulf offers an online tool
7 known as the Property Manager's Portal. This portal provides one-stop
8 convenience for property managers by allowing them to view the status of
9 all of their property accounts, stop and start service, modify billing
10 addresses, and determine if payments have posted, along with a host of
11 other valuable tools.

12

13 Gulf recognizes and values the diversity among our customers. To that
14 end, customers for which English is not a primary language have options
15 when calling our CSC. For customers who speak Spanish as a primary
16 language, the Company has Spanish-speaking representatives on staff to
17 assist. For other languages, Gulf partners with a third party, Language
18 Line, to provide a translator to join the call and translate between the
19 customer and Gulf's representative.

20

21 All of these tools demonstrate Gulf's focus on making it easy for
22 customers to do business with us by identifying meaningful and relevant
23 options that fit our customers' lifestyles.

24

25

1 Q. Are there any other major economies and efficiencies of a general nature
2 that have affected your area of responsibility?

3 A. Yes. Gulf is consistently focused on finding efficiencies that continue to
4 meet our customers' needs while cutting costs. These opportunities
5 helped the Company postpone the need for a base rate increase since
6 2002.

7

8 An example of one of these efficiencies is payment kiosks that the
9 Company is offering in smaller, more rural locations throughout our
10 service area. These kiosks, installed and managed by a third party,
11 provide customers with an opportunity to make payments at any time of
12 the day in 32 locations that are more widely available than previous walk-
13 in payment offices. The kiosks provide customers with convenient
14 locations and 24x7 access to bill payment transactions. Payments are
15 posted in real-time and allow customers to avoid having their power
16 disconnected or to have their power restored without having to visit a Gulf
17 business office. These kiosks make it easier for customers to do business
18 with Gulf while at the same time reducing operational costs to the
19 Company, which ultimately benefits all customers in the long term.

20

21 Q. Please describe the Company's customer complaint activity with the
22 Commission.

23 A. In the past eight years, the Company's complaint activity, as reflected in
24 Schedule 2 of my exhibit, has remained at remarkably low levels. Of the
25 complaints received during 2010, the Company's staff of skilled customer

1 service personnel successfully satisfied customer concerns by handling
2 the customer's issue with a warm transfer (a transfer of the customer back
3 to Gulf by the FPSC for resolution) 90 percent of the time, eliminating the
4 need for a certified complaint.

5

6 We continue our focus on customer satisfaction and customer loyalty as
7 our top priority. As a result, Gulf had only one infraction with the
8 Commission in the last twelve years, and that single infraction was due to
9 a timing issue where Gulf's response was one minute late. Gulf's
10 personnel take care in striving to exceed customer expectations on a daily
11 basis. This is a record of which the Company is very proud.

12

13 In addition, the Company has consistently achieved superior results in
14 independent customer surveys gauging customer value and satisfaction in
15 our industry. The Company's continued focus on serving our customers
16 resulted in maintaining a position in the upper quartile among major
17 utilities last year.

18

19 Q. Please explain the increase in complaints in 2010 as shown in Schedule 2
20 of your exhibit.

21 A. During 2010, Gulf's customers experienced extreme winter weather unlike
22 that of the last thirty years. This resulted in unusually high customer bills.
23 Coupled with the economic downturn, customers were struggling. As a
24 result, Gulf's billing complaints increased during 2010.

25

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

3 A. Gulf representatives continually talk with our customers. Personal
4 contact, letters, e-mails, telephone calls, and surveys are all ways that
5 customers let us know how we are doing.

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

16
17 Research for the residential and general business segments is done by
18 surveying a random sampling of customers in each segment for Gulf and
19 each company in the peer group. Selected customers are called and
20 asked a set of questions based on a pre-determined set of key
21 performance indicators. For the residential segment, online surveys are
22 also conducted. Two waves of interviews are completed annually for each
23 segment.

24
25

1 For large business customers, data for the CVB is collected by TQS
2 Research, Inc. as part of their Key Account National Benchmark survey,
3 which is a syndicated study. Large business customers who meet the
4 survey criteria are called and asked a similar set of questions. In the large
5 business segment, the goal is to survey all qualifying customers of the
6 Company and each of the companies in the peer group.

7

8 Q. Where does Gulf rank when compared to the peer utilities in the survey
9 you described?

10 A. Scores from each customer segment are ranked and combined for an
11 overall score. As shown in Schedule 3 of my exhibit, Gulf was in the top
12 quartile overall in 2010. Gulf's overall top quartile performance has been
13 consistent since 2000. We are proud of our performance when compared
14 to the top utilities across the country. This outstanding performance is a
15 testament to the focus Gulf's employees maintain on attempting to exceed
16 our customer's expectations each and every day.

17

18 Q. What other ways does Gulf measure success as it relates to customer
19 value?

20 A. Gulf continually seeks opportunities to find innovative ways to better meet
21 our customers' needs. To that end, in addition to the CVB, we perform
22 monthly active surveys with customers who had a recent contact with the
23 Company. The results of the active surveys are used to identify targeted
24 process improvements that improve our customers' overall experience.

25

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

5

6 Q. Please describe actions Gulf has taken to assist customers during the
7 extreme economic times.

8 A. We have undertaken a number of initiatives to reach out to our customers
9 during the recent economic downturn. For example, during 2010, Gulf
10 responded to the needs of our customers with changes in our collections
11 policy and increased flexibility regarding payment arrangements during
12 extreme weather that resulted in unusually high bills. Customer Service
13 Center personnel were empowered to offer our customers flexible options
14 for payment arrangements. In addition, the Company has not requested a
15 base rate increase for almost ten years, even in the most severe
16 economic recession since the Great Depression when Gulf's sales growth
17 essentially stagnated.

18

19

20 **V. NET OPERATING INCOME ADJUSTMENTS**

21

22 Q. Are there any Net Operating Income (NOI) adjustments in your areas of
23 responsibility?

24 A. Yes. Adjustments 5 and 25 shown on Schedule 4 of Exhibit RJM-1 and
25 discussed in Gulf Witness McMillan's testimony were made to adjust

1 Gulf's miscellaneous service fees and uncollectible expenses to reflect an
2 expected increase in collection and reconnection fees and an expected
3 decrease in uncollectible expenses.
4

5 These adjustments result from a concerted effort to focus more on
6 collection activities by field service representatives (FSR) in our districts.
7 The employees (FSRs) associated with this effort were included in the test
8 year, but the collection fees, reconnection fees and uncollectible expenses
9 were not reflected in the financial forecast. Therefore, Mr. McMillan made
10 an appropriate adjustment to reflect the impact of these efforts on
11 collection fees, reconnection fees and uncollectible expenses. These
12 activities, while focused on collections, are expected to increase customer
13 value. Customers who find themselves in the collection process will
14 receive a personal contact from a Gulf FSR who will work with the
15 customer to identify opportunities for payment arrangements and other
16 options available to them.
17

18 Q. Are there any other Net Operating Income (NOI) adjustments in your
19 areas of responsibility?

20 A. Yes. Adjustment 26 shown on Schedule 4 of Exhibit RJM-1 and
21 discussed in Mr. McMillan's testimony was made to adjust Gulf's vehicle
22 expenses to reflect an expected decrease in expenses as a result of AMI
23 and the associated reduction in Gulf's meter reading personnel.
24
25

1 As I discussed previously in my testimony, the AMI meters being deployed
2 as a part of Gulf's AMI project allow us to eliminate both on-cycle and off-
3 cycle manual meter reading costs. The associated personnel reductions
4 were already reflected in the 2012 test year; however, vehicle expense
5 reductions were not. Therefore, Mr. McMillan made an appropriate
6 adjustment to reflect the expected reduction in vehicle expenses.

7
8 Additionally, adjustment 20 shown on Schedule 4 of Exhibit RJM-1 and
9 discussed in Mr. McMillan's testimony was made to adjust Gulf's sales
10 expenses. The sales expenses included in the 2012 test year represent
11 expenses associated with Gulf's economic development activities.
12 Previously, the Commission allowed Gulf to share 95 percent of the
13 expenses associated with economic development with its customers
14 recognizing the value that those activities bring to customers. Therefore,
15 for consistency with the Commission's prior allowance, Mr. McMillan made
16 an appropriate adjustment to reflect a reduction in the Company's
17 requested sales expenses.

18
19 Finally, adjustment 6 shown on Schedule 4 of Exhibit RJM-1 and
20 discussed in Mr. McMillan's testimony was made to increase Gulf's
21 revenue in the 2012 test year associated with AMI meter accuracy. The
22 electronic meters installed as part of the Company's AMI deployment are
23 proven to be more accurate than the previous meters. Over time, some
24 electro-mechanical meters gradually slow, resulting in inaccurate meter
25 reads and ultimately, less revenue. In addition to the virtual elimination of

1 estimated meter reads, the more accurate electronic meters are expected
2 to result in a slight increase in revenues. Therefore, Mr. McMillan made
3 an appropriate adjustment to reflect this expected increase.
4
5

6 VI. GULF'S BUDGET PROCESS

7

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

9 A. Gulf's Corporate Planning organization prepares a Budget Message that is
10 distributed to all functional areas. The Message is intended to provide a
11 guideline for preparing the budget request.
12

13 The O&M budgets related to my areas of responsibility are developed
14 from the bottom up. The managers and supervisors in the districts and
15 corporate functions first develop budgets with the goal of maintaining high
16 customer satisfaction as I described in my testimony.
17

18 As managers and supervisors develop their budget proposals, they take
19 into account any known factors that will affect their O&M needs during that
20 period. Their budgets are then submitted to a centralized budget team.
21 The budget team consolidates all of the information and submits a
22 proposal to the department heads for the customer service functions.
23 Once the department heads are satisfied that their O&M budgets are
24 reflective of their needs, the Vice President of Customer Operations meets
25 with his entire leadership team (his direct reports) to discuss the O&M

1 budget. At this point in the review process it is the Vice President's
2 intention to ensure the most critical needs are met across the
3 organization. In the event there are funding constraints, the leadership
4 team discusses risks associated with projects and prioritizes projects to
5 help ensure the most critical issues are included in the O&M budget.
6 Lastly, the budget is passed to Gulf's Corporate Planning group. Gulf
7 Witness Buck discusses the budget process that takes place after
8 Corporate Planning receives the O&M budget.

9
10
11 **VII. GULF'S CUSTOMER ACCOUNTS WORKFORCE**

12
13 Q. Ms. Neyman, what is the size of Gulf's work force in Customer Accounts in
14 2012 and how does that compare to the actual Customer Accounts
15 workforce at the end of 2010?

16 A. There are 200 full time equivalent (FTE) employees budgeted in the
17 Customer Accounts function in Gulf's 2012 budget. Gulf had 193 FTEs in
18 Customer Accounts at the end of 2010, resulting in a net increase of 7
19 FTEs.

20
21 Q. Please explain the net increase of 7 FTEs in Customer Accounts.

22 A. The net increase is summarized on Schedule 4, page 2 of Exhibit MDN-1.
23 Overall, there have been significant decreases in Customer Accounts
24 FTEs since the end of 2010. A decrease of 18 FTEs is a result of the
25 efficiencies gained by implementing the Advanced Metering Infrastructure

1 (AMI) initiative. In addition to the 18 FTEs eliminated as a result of
2 efficiencies gained by implementing AMI, 9 contractor positions were also
3 eliminated but are not included the FTE numbers discussed here.

4

5 Offsetting these reductions were increases in FTEs due to 6 vacancies at
6 the end of 2010 and 19 new positions in the Customer Service Center
7 (CSC).

8

9 Q. Please explain why Gulf needs to fill the 6 Customer Accounts FTEs that
10 were vacant at the end of 2010.

11 A. These positions were vacated at the end of 2010 due to employees
12 accepting other job opportunities both within and outside of Gulf. These
13 positions are currently filled with FTEs or contractors and were necessary
14 to support meter reading, the CSC and local office customer service.

15

16 Q Please explain why there were nineteen FTEs added in Gulf's CSC.

17 A Sixteen of the nineteen FTEs are customer service representatives in the
18 CSC. The CSC is the point at which most of Gulf's customers make
19 contact with the Company for requests. As shown on page 1 of
20 Schedule 4, from 2007 to 2010, call volume to the CSC increased 15%.
21 Call volume is expected to continue increasing due to normal customer
22 growth, the availability of more energy efficiency options, and the
23 implementation of AMI. Schedule 4 also demonstrates that as call volume
24 increases, Gulf's ability to meet the service level associated with the
25 average speed of answer declines. Gulf Power's service level goal is to

1 answer 80 percent of our customers' calls within 30 seconds. This goal
2 was not met in 2009 or 2010. Serving our customers efficiently at the
3 CSC sets the tone for how satisfied customers are with Gulf Power;
4 therefore, we have added necessary resources, phasing them in during
5 2011 and 2012, to ensure service levels are met and customers remain
6 satisfied. With the additional FTEs in the CSC, as demonstrated in
7 Schedule 4 of Exhibit MDN-1, Gulf expects that by 2012 we will once
8 again meet service levels.

9
10 Three of the FTEs are for a supervisor, administrative assistant and
11 quality assurance analyst to support the additional customer service
12 representatives.

13
14
15 **VIII. GULF'S CUSTOMER SERVICE & INFORMATION WORKFORCE**

16
17 Q. Ms. Neyman, what is the size of Gulf's workforce planned in Customer
18 Service and Information (CS&I) in 2012 and how does that compare to the
19 actual CS&I workforce at the end of 2010?

20 A. There are 128 FTEs included in CS&I in Gulf's 2012 budget. Gulf had 93
21 CS&I FTEs at the end of 2010, resulting in a net increase of 35 FTEs.

22
23 Q. Please explain why there is a net increase of 35 CS&I FTEs between the
24 end of 2010 and the 2012 budget.

25

1 A. As shown on page 3 of Schedule 4, the net increase of 35 FTEs in CS&I
2 can be categorized in three areas: DSM, vacancies and new positions.
3 Twenty-eight of the thirty-five FTEs are attributable to the recent DSM
4 Plan filed by Gulf and approved by the Commission in Docket No. 100154,
5 Order No. PSC-11-0114-PAA-EG. Gulf's new DSM plan was developed
6 in response to aggressive DSM goals established by the Commission at
7 the end of 2009. These goals represent the largest increase in DSM in
8 the Company's history and thus require Gulf to add FTEs to support the
9 activities necessary to achieve the goals. These FTEs include field
10 energy consultants, call center personnel, program managers and
11 administrative support personnel. In an effort to maximize the efficiency of
12 these FTEs, a small percentage of the program managers and
13 administrative support personnel's labor is budgeted to O&M to accurately
14 reflect activities they will perform in support of the overall organization.
15 Therefore, of the 28 FTEs, the costs associated with 26.5 FTEs will be
16 recovered through the ECCR clause. The costs associated with 1.5 of the
17 FTEs are in the O&M budget in this rate case.

18
19 Four of the additional CS&I FTEs are due to vacancies at the end of 2010.
20 These were short term vacancies, vacated at the end of 2010 and re-filled
21 during the first quarter 2011. These positions are necessary and support
22 the Company's activities in Forecasting, Mass Markets, and Lighting and
23 provide for a cooperative (co-op) education student. Due to split
24 responsibilities, the costs associated with 1 FTE are budgeted to ECCR,
25

1 and the costs associated with the remaining 3 FTEs are budgeted to
2 O&M.

3
4 The costs associated with the remaining 3 FTEs are necessary for new
5 positions to support Gulf's customers in the areas of lighting and electric
6 vehicles. As I discussed previously in my testimony, the Company
7 continues to provide more efficient service to our customers in the lighting
8 area through a consolidated organization, by offering online outage
9 reporting and other new and innovative lighting solutions. These FTEs are
10 necessary to support these efforts. The costs associated with one of the
11 lighting FTEs are appropriately budgeted to capital expenditures, while
12 one FTE is included in the O&M expense in this rate case. Similarly, Gulf
13 plays an active role in the evaluation of electric vehicle technology and
14 added an electric vehicle analyst to support these growing activities. The
15 costs associated with the electric vehicle analyst are in the O&M budget in
16 this rate case. There are also revenues associated with electric vehicles
17 contained in the 2012 budget, as identified in Gulf Witness McGee's
18 testimony.

19

20

21 **IX. GULF'S CUSTOMER ACCOUNTS O&M EXPENSES**

22

23 Q. Ms. Neyman, please provide details as to the Customer Accounts O&M
24 expenses Gulf seeks to recover.

25

1 A. The Customer Accounts test year expenses are shown in Schedule 5 of
2 Exhibit MDN-1. Customer Accounts expenses include expenses
3 necessary for the Customer Service Center and District Customer Service.
4 The total amount of Customer Accounts expenses included in the 2012
5 test year is \$24,282,000.

6
7 The 2011 and 2012 Customer Accounts O&M expenses were developed
8 in Gulf's robust O&M budget process. They are reasonable, prudent and
9 necessary. They are also representative of future periods, and should be
10 used to establish new base rates for Gulf's customers.

11

12 Q. Please describe the Customer Accounts expenses included in the 2012
13 test year.

14 A. The Customer Accounts test year expenses include \$415,000 for
15 supervision, \$1,743,000 for meter reading, \$16,596,000 for district
16 customer service, \$4,143,000 for uncollectibles and \$1,385,000 for
17 miscellaneous expenses.

18

19 Q. How do the test year expenses for Customer Accounts compare to the
20 Benchmark?

21 A. The Customer Accounts test year expenses are over the Benchmark by
22 \$553,000. Uncollectibles, which is over the benchmark by \$1,939,000, is
23 addressed in the testimony of Gulf Witness Erickson; therefore, after
24 adjusting to remove uncollectibles, Customer Accounts is under the
25 benchmark by \$1,386,000.

1 **X. GULF'S CUSTOMER SERVICE AND INFORMATION O&M EXPENSES**

2

3 Q. Ms. Neyman, please provide details as to the Customer Service and
4 Information expenses Gulf seeks to recover.

5 A. The Customer Service and Information test year expenses are shown in
6 Schedule 5 of Exhibit MDN-1. Customer Service and Information
7 expenses include Mass Markets, Major Accounts and Market Research
8 and Planning. The Company is requesting \$20,687,000 of Customer
9 Service and Information expenses in the 2012 test year.

10

11 The 2011 and 2012 Customer Service and Information O&M expenses
12 were developed in Gulf's robust O&M budget process. They are
13 reasonable, prudent and necessary. They are also representative of
14 future periods and should be used to establish new base rates for Gulf's
15 customers.

16

17 Q. Please describe the Customer Service and Information expenses included
18 in the 2012 test year.

19 A. The Customer Service and Information test year expenses include
20 \$3,351,000 for supervision, \$16,127,000 for customer programs and
21 services, \$1,132,000 for advertising and \$77,000 for miscellaneous
22 expenses.

23

24 Q. How do the test year expenses for Customer Service and Information
25 compare to the Benchmark?

1 A. The Customer Service and Information test year expenses are over the
2 benchmark by \$6,560,000. As shown in Schedule 5 of Exhibit MDN-1,
3 this is due to Energy Services, which is over the benchmark by
4 \$8,282,000. Once adjusted for the revenues from Energy Services,
5 Customer Service and Information test year expenses are under the
6 benchmark by \$2,378,000.

7

8 Q. Please explain why Energy Services cause Customer Service and
9 Information expenses to exceed the Benchmark.

10 A. As discussed previously in my testimony, Energy Services provides
11 customized energy services primarily to federal government customers in
12 our service area. Energy Services is a new organization not included in
13 the benchmark. While expenses related to Energy Services cause
14 Customer Service and Information expenses to exceed the Benchmark,
15 revenues associated with the Energy Services projects more than offset
16 this overage. Revenues of \$8,938,000 are projected for the test year and
17 serve to reduce the requested base rate increase.

18

19

20

XI. GULF'S SALES O&M EXPENSES

21

22 Q. Ms. Neyman, please provide details as to the Sales expenses Gulf Power
23 seeks to recover.

24 A. The Sales test year expenses are detailed in Schedule 5 of Exhibit
25 MDN- 1. Sales expenses include Economic Development expenses.

1 Economic Development personnel are focused on identifying opportunities
2 to recruit new, or retain existing businesses in and around Northwest
3 Florida and fostering networking and informational exchange with our
4 region's community, business and elected leadership.

5

6 The 2011 and 2012 Sales O&M expenses were developed in Gulf's robust
7 O&M budget process. They are reasonable, prudent and necessary.
8 They are also representative of future periods and should be used to
9 establish new base rates for Gulf's customers.

10

11 Q. What is the amount of economic development expenses that Gulf Power
12 has included in the test year?

13 A. Gulf has included \$959,000 of economic development expenses in the
14 calculation of the test year revenue requirements requested in this case.
15 This amount represents 95 percent of the economic development
16 expenses that the Company has budgeted for the period.

17

18 Q. How does economic development benefit Gulf's customers?

19 A. Economic development throughout our service area helps to build a
20 healthy economy and ultimately healthy communities. Gulf's existing
21 commercial and industrial customers continuously compete with other
22 national or international facilities that can displace jobs and the output of
23 the local facility. Partnering with these customers to offer
24 recommendations that help maintain their competitive position benefits the
25 customer, the Company, and the general body of customers. Effective

1 economic development provides a mechanism whereby the Company can
2 help mitigate the risk of stranded investment or increase the number of
3 customers over which fixed costs are spread. Both outcomes benefit our
4 entire body of customers.

5

6 In our current economic times, the importance of helping create and
7 maintain vibrant communities is even more important. As recognized by
8 our Governor, economic development is critical to our economy.

9

10 Q. Does Gulf Power have pricing tools available to encourage economic
11 development?

12 A. Yes. Gulf Power has the Commercial Industrial Service Rider (CISR).
13 This rate rider provides Gulf Power with flexibility in pricing options for
14 large commercial and industrial customers who are facing challenges due
15 to competitive or other economic conditions. In many instances, these
16 customers provide relatively high paying jobs and contribute significantly
17 to the well-being of communities. Commercial and industrial customers
18 are often in competition with their company's sites in other geographic
19 locations. Energy costs can and do play an important role in the decision
20 making process employed by companies looking for competitive
21 advantages. To the extent that this is the case, additional flexibility
22 regarding pricing, terms and conditions can enhance customer value while
23 providing benefits to all stakeholders, including our entire customer base.

24

25

1 Q. Please describe some examples of how Gulf Power has been successful
2 with economic development.

3 A. Gulf Power works very closely with the economic development
4 organizations in our service area, our region and the state of Florida. Gulf
5 employees serve on the economic development boards of the Pensacola
6 Chamber (serving Escambia County), Team Santa Rosa (serving Santa
7 Rosa County), the Economic Development Council of Okaloosa County,
8 and the Bay County Economic Development Alliance and other rural
9 economic development groups. We also serve on the boards of Florida's
10 Great Northwest, a regional economic development group and Enterprise
11 Florida, the State of Florida's economic development organization. Our
12 leadership and our support with these economic development alliances
13 have helped to bring several very successful businesses to Northwest
14 Florida.

15
16 A company recognized as a global leader in filtration, separation and
17 purification systems, recently completed a \$37.5 million expansion
18 creating 50 new high skill and high wage jobs in Escambia County. We
19 worked closely with the Pensacola Chamber to identify incentives and
20 financing opportunities to encourage the plant's expansion in our area.
21 This company was a recipient of the State of Florida's Qualified Target
22 Industry (QTI) program tax incentive.

23
24 Escambia County is home to the first remote Customer Contact Center of
25 the world's largest credit union, which began operations in Pensacola

1 several years ago with 450 jobs. Pensacola was selected over
2 Jacksonville, FL and Hampton Roads, VA. When their current expansion
3 is complete, total employment at the Pensacola site will exceed 2,700,
4 primarily call center positions. At a recent company event, their corporate
5 president commented that Pensacola is the only place they are
6 considering for further expansions. This is due to the highly trained
7 workforce, the business friendly climate and the support they receive from
8 the community. In addition to assisting with the initial site selection, Gulf
9 Power personnel have participated in each of the credit union's expansion
10 projects ensuring all applicable local and state incentives are considered.
11 The credit union was successful in obtaining the State of Florida
12 discretionary "closing fund" dollars for the most recent expansion.

13

14 Q. What other types of expenses are incurred in the area of economic
15 development?

16 A. Gulf supports project development efforts conducted by local, regional and
17 state economic development agencies and organizations. These project
18 development efforts promote Northwest Florida through targeted
19 marketing, site evaluations and development and partnership events.

20

21 The Gulf Power Economic Symposium is an annual event attended by our
22 region's community, business and elected leadership and is considered
23 the premier networking and informational economic development event of
24 the year. The Symposium program includes presentations by industry
25 subject matter experts, community leaders and economic development

1 professionals and workshops that highlight best practices in the area
2 economic development and jobs creation not only in Florida but across
3 the nation.

4

5 Q. How do the test year expenses compare for economic development
6 compare to the O&M Benchmark?

7 A. The economic development test year expenses are under the Benchmark
8 by \$475,000.

9

10

11

XII. SUMMARY

12

13 Q. Ms. Neyman, please summarize your testimony.

14 A. Gulf Power Company continues to build a solid reputation with our
15 customers and business partners in developing and delivering solutions to
16 energy related issues. Beginning in 1975 with the GoodCents Home
17 program, the Company has been a leader in the field of energy efficiency
18 and conservation. More recently, the Company started offering Energy
19 Services to federal government customers, enhanced the value brought
20 through our lighting program and developed a portfolio of customer-sited
21 renewable programs.

22

23 Gulf Power has been successful because we listen to our customers and
24 trade allies. All of the various channels through which the customer can
25 communicate with the Company are used to provide them with new

1 products and services. Gulf values the trust we have earned from our
2 customers and we know that our continued success is dependent upon
3 maintaining and building on that relationship.

4
5 One of the most important means by which we not only add value to the
6 services provided to our customers, but at the same time help them save
7 on their electric bills, is demand-side management. Gulf Power has and
8 continues to be a leader in DSM and offers a variety of energy efficiency
9 and demand response programs.

10
11 Gulf Power is and continues to be focused on providing value to our
12 customers at the lowest possible cost. We have undertaken a number of
13 initiatives to improve efficiencies, encourage innovation and ultimately
14 remove costs from our business while still delivering value to our
15 customers. Even during the depth of the Great Recession when our sales
16 had stagnated, the Company reached out to customers with solutions to
17 help meet their needs rather than ask for a base rate increase. As Gulf
18 Witness Teel points out, we have to seek a base rate increase to maintain
19 the Company's financial integrity and preserve our ability to raise the
20 capital necessary to serve customers.

21
22 Gulf Power believes that economic development improves the quality of
23 life for Gulf Power customers specifically, and in general for all Floridians
24 and that we play an important role in this effort. The Company's economic
25 development activities support regional, statewide and national marketing

1 efforts to promote Northwest Florida. Economic development helps to
2 build healthy communities which provide benefits that reach to each and
3 every customer.

4
5 My testimony demonstrates and confirms Gulf Power Company's high
6 performance in the area of Customer Service and the substantial benefits
7 provided to customers. The O&M spending in Customer Service and
8 Information, Customer Accounts and Sales is reasonable and necessary
9 and supports Gulf Power's need to increase base rates to a level that
10 would allow the Company to continue providing high quality service at
11 reasonable rates.

12
13 The O&M expenses described in my testimony are carefully budgeted,
14 controlled and utilized in a manner to ensure value is provided to our
15 customers and satisfaction remains at very high levels. The \$24,282,000
16 budgeted for Customer Accounts, the \$20,687,000 budgeted for Customer
17 Service and Information and the \$959,000 budgeted for Sales in the test
18 year are reasonable, prudent and necessary expenses and are
19 representative of the levels that will continue to be incurred in the future
20 when new rates resulting from this case are in effect.

21

22 Q. Ms. Neyman, does this conclude your testimony?

23 A. Yes.

24

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No.: 110138-EI

Before me the undersigned authority, personally appeared Margaret D. Neyman, who being first duly sworn, deposes, and says that she is the Director of Energy Sales Service and Efficiency, 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.

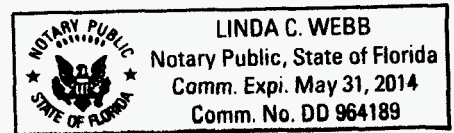
Margaret D. Neyman
Margaret D. Neyman
Director, Energy Sales Service and Efficiency

Sworn to and subscribed before me this 6th day of July, 2011.

Linda C. Webb

Notary Public, State of Florida at Large

Commission No. DD 964189



My Commission Expires May 31, 2014

Florida Public Service Commission
Docket No.: 110138-EI
GULF POWER COMPANY
Witness: Margaret D. Neyman
Exhibit No. _____ (MDN-1)
Schedule 1
Page 1 of 1

Responsibility for Minimum Filing Requirements

<u>Schedule</u>	<u>Title</u>
C-6	Budgeted Versus Actual Operating Revenues and Expenses
C-8	Detail of Changes in Expenses
C-9	Five Year Analysis-Change in Cost
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

Gulf's FPSC Complaint Activity

Year	Complaint ¹	GI-72 ²	Warm Transfer ³	Infraction ⁴
2002	31	18	96	0
2003	12	23	141	0
2004	9	34	164	0
2005	7	32	139	0
2006	10	23	150	0
2007	7	20	163	0
2008	8	23	313	0
2009	8	36	544	0
2010	17	43	530	1 ⁵

¹Any customer of a Commission regulated company may file a Complaint with the Division of Service, Safety and Consumer Assistance whenever the customer has an unresolved dispute with the company regarding a service that is subject to Commission jurisdiction.

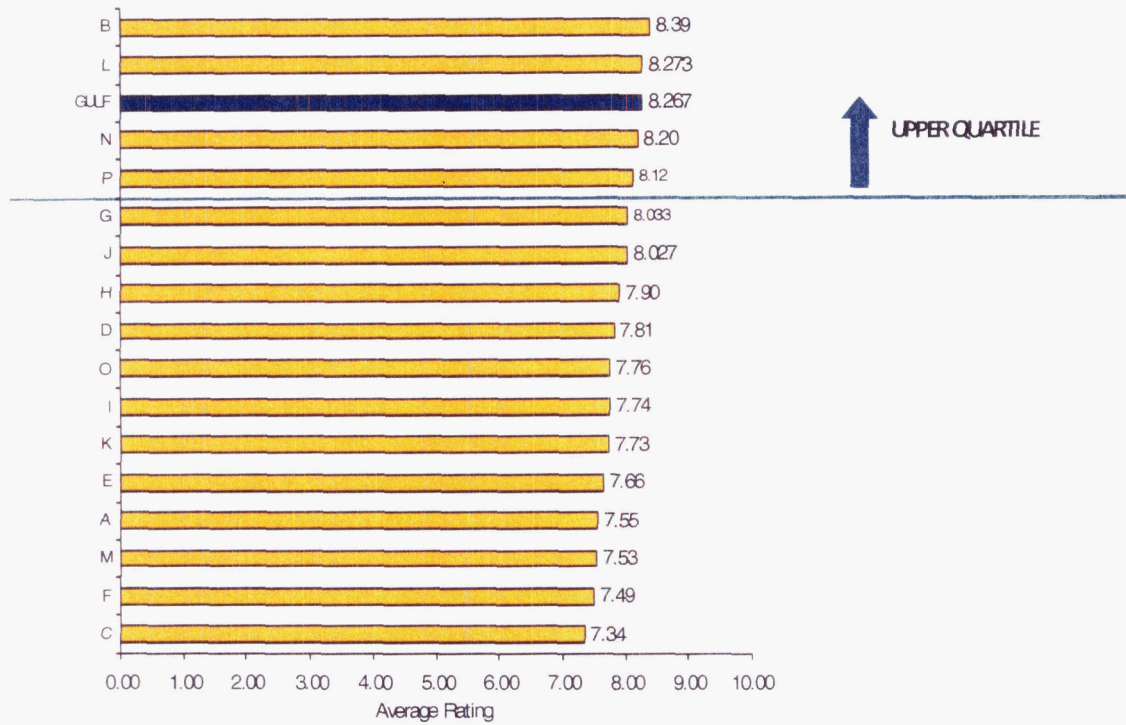
²GI-72 is defined as a complaint that is resolved by the Company within three days. If the customer does not object to Company's resolution to the complaint, the complaint will not be reported in the total number of complaints shown in the Commission's Consumer Complaint Activity Report.

³ Warm Transfer is defined as a customer complaint that is transferred to the utility for resolution via the telephone transfer-connect or e-transfer process.

⁴ Infraction is defined as an apparent rule violation.

⁵ Infraction is included in the Inquiry total.

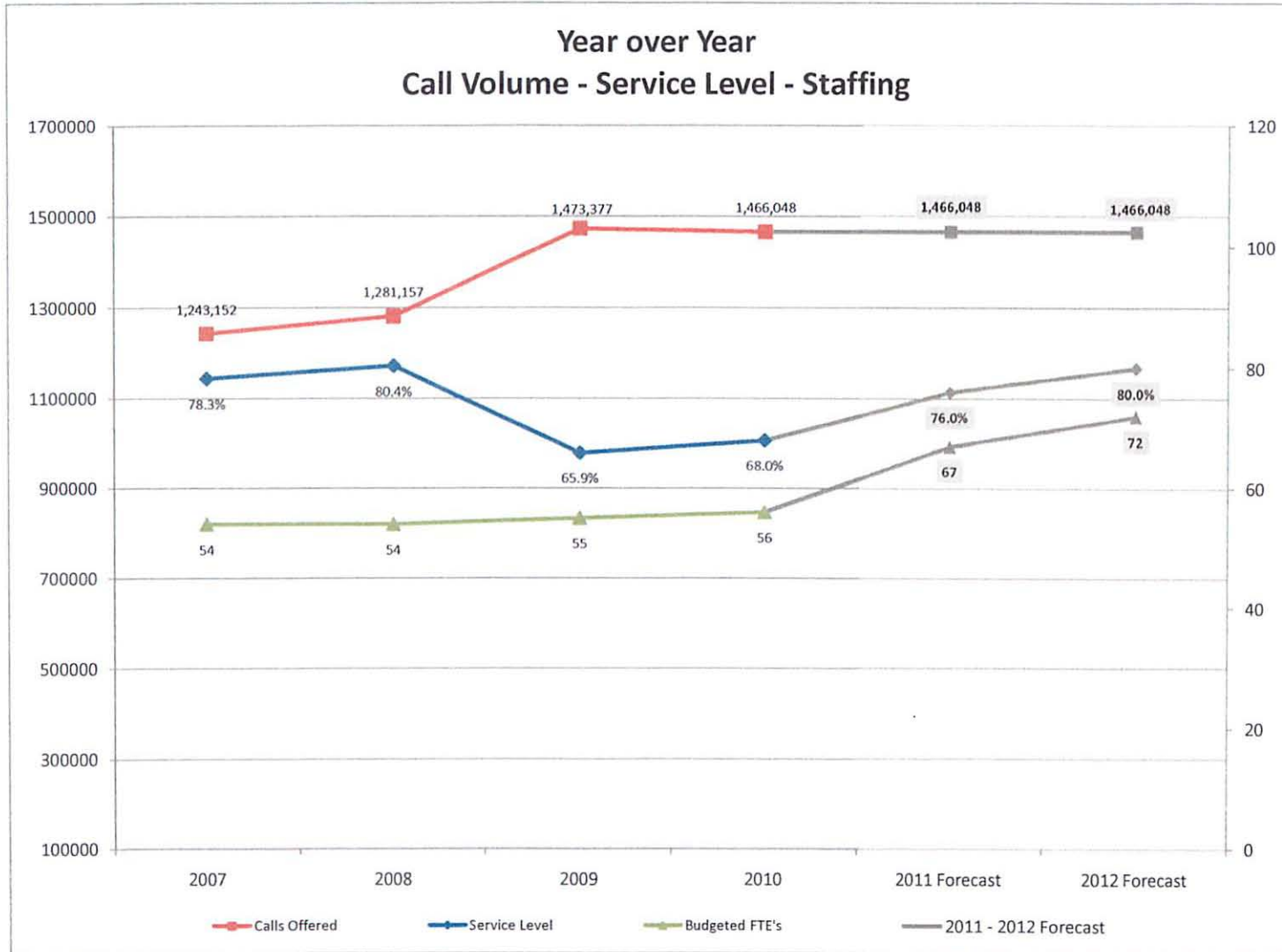
2010 Customer Value Benchmark Results – All Customer Segments



Alphabetical Listing – Customer Value Benchmark Peers

1. AEP
2. Dominion Resources
3. Duke Midwest
4. Duke South
5. E. On
6. Entergy
7. Exelon
8. FPL
9. MEAG
10. Oglethorpe
11. Progress Energy
12. Reliant Energy
13. SCANA
14. TECO
15. TVA
16. TXU

Customer Service Center Staffing and Service Levels



Florida Public Service Commission
Docket No.: 110138-EI
GULF POWER COMPANY
Witness: Margaret D. Neyman
Exhibit No. ____ (MDN-1)
Schedule 4
Page 2 of 3

Customer Accounts

Incremental O&M FTE from Actual 2010 to Test Year 2012

	O&M	
	FTE	\$
AMI Reductions	(18.0)	\$ (466,963)
Vacancies as of 12/31/2010	6.0	\$ 202,935
Customer Service Center New Positions	19.0	\$ 557,466
TOTAL	7.0	\$ 293,438

Customer Service and Information

Reconciliation of Budgeted 2012 FTE to Actual 2010 at December 2010

2012 Positions Vacant at Dec 2010	O&M		ECCR		Other		Total	
	FTE	\$	FTE	\$	FTE	\$	FTE	\$
New DSM Positions	1.5	\$ 107,253	26.5	\$ 1,376,608	0.0	\$ -	28.0	\$ 1,483,861
New	2.0	\$ 172,295	0.0	\$ -	1.0	\$ 50,104	3.0	\$ 222,399
Vacant - Hiring lag	3.0	\$ 161,684	1.0	\$ 58,167	0.0	\$ -	4.0	\$ 219,851
Total FTE Change from Actual 2010 to Budget 2012	6.5	\$ 441,232	27.5	\$ 1,434,775	1.0	\$ 50,104	35.0	\$ 1,926,111

Florida Public Service Commission
Docket No.: 110138-EI
GULF POWER COMPANY
Witness: Margaret D. Neyman
Exhibit No. _____ (MDN-1)
Schedule 5
Page 1 of 3

CUSTOMER ACCOUNTS

	<u>(\$000)</u>
2002/2003 Allowed	16,617
Test Year Adjusted Benchmark	23,729
Test Year Adjusted Request	24,282
System Benchmark Variance	553

<u>Description</u>	<u>Variance</u>
1. Uncollectible Accounts	1,939
2. Other	<u>(1,386)</u>
	<u>553</u>

Florida Public Service Commission
Docket No.: 110138-EI
GULF POWER COMPANY
Witness: Margaret D. Neyman
Exhibit No. _____ (MDN-1)
Schedule 5
Page 2 of 3

CUSTOMER SERVICE & INFORMATION BENCHMARK VARIANCE

	<u>(\$000)</u>
2002/2003 Allowed	9,893
Test Year Adjusted Benchmark	14,127
Test Year Adjusted Request	20,687
System Benchmark Variance	6,560

<u>Description</u>	<u>Variance</u>
1. Gulf Power Energy Services	8,282
2. Other	<u>(1,722)</u>
	<u>6,560</u>

Florida Public Service Commission
Docket No.: 110138-EI
GULF POWER COMPANY
Witness: Margaret D. Neyman
Exhibit No. _____ (MDN-1)
Schedule 5
Page 3 of 3

SALES

	<u>(\$000)</u>
2002/2003 Allowed	1,004
Test Year Adjusted Benchmark	1,434
Test Year Adjusted Request	959
System Benchmark Variance	(475)

Description

N/A