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September 29, 2011

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

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Re: Docket No. 110000-OT-Undocketed Filings-DSM Goals Technical
Potential Study

Dear Ms. Cole:

Enclosed for official filing are an original and five copies of Gulf Power
Company's responses to Staff's First Data Request in regard to the DSM Goals
Technical Potential Study.

Regards,

Susan D. Ritenour

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Enclosures

cc w/encl.: Mr. Lawrence D. Harris
Office of General Counsel
Mr. Jeffrey Stone
Beggs & Lane

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1. Section 366.82(3), Florida Statutes, requires that in any proceeding to develop goals for increasing conservation and demand-side renewable energy resources, as well as reducing the growth of energy consumption, the Commission shall evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures. In the 2008 goals setting proceeding, Docket Nos. 080407-EG through 080413-EG, the seven FEECA utilities collaboratively produced a "Technical Potential Study" (Document No. 02226-09) through the consulting company ITRON. For any new goals setting proceeding:
 - a) If the Technical Potential Study, Document No. 02226-09, were to be updated, please estimate how long it would take to make the necessary updates. Please fully explain the basis for your estimate.
 - b) If a new Technical Potential Study were required, please estimate how long it would take to produce such a study. Please fully explain the basis for your estimate.

GULF'S RESPONSE:

- a) Adequately updating the Technical Potential Study ("study"), Document No. 02226-09 would require much the same effort as producing the study as discussed in part (b).
- b) Producing a new study would require 12-18 months. This timeframe includes defining requirements, issuing an RFP to potential third party consultants, selecting a consultant, performing the necessary research and analysis and producing the report. This estimate is based on Gulf's experience with producing the study used in the most recent goal setting process (Docket No. 080410-EG).

While responding to the specific request for an estimate of how long it would take to produce a study, Gulf suggests that producing a new study is not necessary at this time. The study referenced in this request, Document No. 02226-09, was completed in 2009. Since that time, there have been no significant changes in applicable technologies or existing saturation levels for included measures. Developing a new study would not yield significantly different results yet would require significant expense and effort. The Commission has acknowledged the relatively insignificant changes over time in the results of technical potential studies by relying on information from the technical potential study completed in 1993 (Docket No.

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930550) as the starting point for setting demand-side management (DSM) goals for Gulf in 1995, 2000 and 2005.

Producing a Technical Potential Study in and of itself is only one step in a much larger process. A technical potential study is a theoretical construct that represents the upper bound of potential regardless of costs or customer acceptance. It represents the starting point for the entire goal setting process. Monumentally more significant to the overall goal setting process are the next steps of quantifying activities that are cost-effective (economic potential) and projecting what is reasonably achievable given market conditions (achievable potential). If the Commission desires to reset goals prior to 2014, Gulf suggests that the existing technical potential study be used as the starting point for a new economic potential study and a new achievable potential study followed by new goals for the FEECA utilities. Gulf estimates that completion of economic and achievable potential studies would take approximately 4-6 months once a consultant is selected.

The DSM goal setting process is a lengthy process that involves many parties. Within these steps are critical decisions like which cost-effectiveness standards are appropriate for goal setting and how free-ridership can be minimized. These decisions ultimately impact the overall cost borne by customers in delivery of programs designed to meet the goals. Additionally, the goal setting process should establish measures of progress whether they be annual or cumulative.

Regardless of when new goals are established, Gulf Power believes it is important that all FEECA utilities be held to a similar standard for purposes of measuring goal achievement and accountability. In the event that standards established by the Commission for Florida Power & Light and Progress Energy Florida in Order Numbers PSC-11-0346-PAA-EG and PSC-11-0347-PAA-EG remain in effect, Gulf Power requests that the Commission clarify that Gulf Power will not be eligible for financial rewards unless it exceeds the goals established in Order Number PSC-09-0855-FOF-EG and will not be subject to financial penalties unless it fails to achieve the savings projected to be achieved by its DSM Plan approved in Order No. PSC-05-0273-PAA-EG. This clarification will enable Gulf Power to continue implementing its DSM Plan approved in Order No. PSC-11-0114-PAA-EG while placing Gulf Power on a basis comparable to FPL and PEF in terms of penalties and rewards relating to DSM goal achievement.

Because the technical potential study is only the first, and arguably the least, significant step in the overall goal setting process, Gulf does not recommend updating or producing a new technical potential study at this time.