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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 110138-EI

PETITION FOR INCREASE IN
RATES BY GULF POWER COMPANY.

VOLUME 4

Pages 603 through 727

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, December 13, 2011

TIME: Commenced at 9:33 a.m.
Concluded at 11:06 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
Official FPSC Reporter
(850) 413-6732

APPEARANCES: (As heretofore noted.)

DOCUMENT NUMBER DATE

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I N D E X

WITNESSES

	NAME:	PAGE NO.
4	R. SCOTT MOORE (Continued)	
5	Examination by Mr. Moyle	606
	Examination by Major Thompson	618
6	Examination by Mr. Wright	621
	Examination by Mr. Badders	632
7		
8	MARGARET D. NEYMAN	
9	Examination by Mr. Griffin	635
	Prefiled Direct Testimony Inserted	638
10	Examination by Mr. Sayler	692
	Examination by Mr. Moyle	695
11	Examination by Major Thompson	710
	Examination by Mr. Wright	711
12	Examination by Mr. Griffin	724

13

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EXHIBITS

NUMBER:	ID.	ADMTD.
15		633
16		725
188 (Late-Filed) Total Lab Dollars for Distribution Staffing for 2012	635	

P R O C E E D I N G S

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CHAIRMAN GRAHAM: Good morning. All right.

We are charging, charging, charging today.

Mr. Moyle, you have the questions.

MR. MOYLE: Thank you. Good morning, Mr.

Chairman.

EXAMINATION

BY MR. MOYLE:

Q Good morning. I have some questions for you, and I'm going to refer you to your prefiled testimony. You have a copy of that in front of you, don't you?

A Yes.

Q Okay. But before, before we get into specifics, let me just ask you kind of a broad question.

As a general proposition, all other things being equal, wouldn't you agree that the activities that Gulf has undertaken related to storm hardening, grade B construction, things like that, that in the event that a storm hits, that the damage will be less severe than would otherwise be the case?

A Yes, sir. As a general statement, I do agree with that. As I mentioned yesterday, the, the storm hardening efforts have not been tested, thank goodness. However, we do plan to do those tests as soon as a storm hits, and that is part of the 10-part initiative as

1 well.

2 Q Right. Because the opposite wouldn't make any
3 sense, to spend a bunch of money to make the facilities
4 less vulnerable to storms, if the facilities weren't
5 going to have a stronger life and be able to withstand
6 storms to a greater degree; correct?

7 A I agree with that.

8 Q And wouldn't you also agree, correspondingly,
9 that to the extent you've done these improvements, that
10 the need to accrue money for storm repairs should also
11 be reduced? I mean, doesn't that logically follow? You
12 do these improvements and make the system stronger, and
13 then a storm comes, you expect less damages, wouldn't it
14 also follow logically that you should maybe not need as
15 much money or accrue less money for storm damage?

16 A In general I would agree with that. I'm not
17 the expert on storm accrual or finance and accounting,
18 however, so I would defer that direction for, to other
19 witnesses.

20 Q Okay. So I kind of previewed the grade B
21 construction that's found on page ten of your testimony
22 on lines, I think, 1 through 3, and would ask you to
23 explain what grade B construction is.

24 A Grade B construction -- there are three grades
25 of construction that distribution deploys in general

1 terms: They're grade B, grade C, and grade E in
2 construction.

3 Grade B is the highest class of construction
4 for a distribution system. It typically deploys a
5 higher wind profile construction standard that is in
6 place for our new construction and for those facilities
7 that we go out and rebuild. As part of our 10-part
8 initiative for storm hardening, Gulf moved in that
9 direction from a typical construction standard years ago
10 of grade C to grade B construction, and we have deployed
11 that through the years, since 2007, in our storm
12 hardening initiatives.

13 Q And does that equate in any way to the Florida
14 Building Code, the grade B construction, or is that
15 something that's utility-specific?

16 A No, sir. That's National Electric Safety Code
17 guidelines for grade B.

18 Q Okay. So as, just so I'm clear, so as it
19 relates to the, to the construction levels, grade B is,
20 is the highest, is the top of the line?

21 A That's correct. Extreme wind loading is
22 another class of construction. It's not considered a
23 grade of construction. Extreme wind loading projects,
24 we've done some pilot projects for those on our critical
25 infrastructure facilities. Several of those facilities

1 are fuel depots, some hospitals, interstate crossings
2 where we have major thoroughfares. We've deployed some
3 extreme wind loading projects throughout our system.

4 Q And with respect to the design criteria for
5 grade B, you had mentioned it's designed to a higher
6 wind load. What is that wind load?

7 A Our grade B is a hundred -- approximately
8 118-mile-an-hour wind load.

9 Q And do you know as to what category hurricane
10 that would, that would be?

11 A I believe that's a Category 2, approaching a
12 Category 3, I believe. Category 3 is 130-mile-an-hour
13 wind or greater.

14 Q So in theory, if the systems work as designed,
15 a Category 1, a Category 2, a tropical storm should not
16 have a negative effect on the facilities, assuming they
17 operate as designed and as built; correct?

18 A That's correct. One of the, one of the
19 caveats that we, Gulf has been consistent in trying to
20 understand is if the hurricane is only, if it's only a
21 wind event, then we expect our facilities to withstand
22 that very well. However, windblown debris, a billboard
23 that's carried on 140-mile-an-hour wind certainly will
24 have a different impact on our distribution system than
25 just a wind event.

1 Q Related issue. You all have a vegetation
2 management plan that you put in place, correct, and have
3 aggressively pursued that?

4 A Yes, sir.

5 Q And you would also expect that that, that plan
6 would result in having less storm damage than, than had
7 you not implemented that vegetation management plan;
8 correct?

9 A That's correct. As a matter of fact, we, in
10 our most recent filing, 2009 -- well, actually 2010
11 through '12 filing, we've actually modified our storm
12 hardening initiative for vegetation management from a
13 three-year mainline feeder, six-year lateral trim cycle,
14 to a three-year main line with a four-year lateral cycle
15 to effectively, more effectively manage the vegetation
16 management issues for our system.

17 Q All right. And consistent with the general
18 proposition that we talked about earlier, that plan with
19 the more aggressive trimming should result in less
20 hurricane damage to your system and correspondingly
21 reduce the need for accrual of monies; correct?

22 A In general I would agree with that, yes.

23 Q All right. Let me flip over. I want to ask
24 some questions about your distribution O&M budget. And
25 that -- I flagged it on page 17 toward the bottom.

1 There's a section entitled "Gulf Power's Distribution
2 O&M Budget." Tell me when you're there.

3 A Yes, sir.

4 Q So you've given the information about the O&M
5 budget for '11 and '12. What was the O&M budget for the
6 preceding two years, '09 and '10, if you know?

7 A I do have that in my backup. Our actual
8 budgets for '09 and '10 were, respectively, \$43 million
9 in 2009 and \$43 million in 2010, as a whole number.

10 Q What was your, what was your spend?

11 A The actual spend in '09 was 40 million. The
12 actual spend in '10 was 41 million, just rounded up.

13 Q Okay. Is it typical that your budgeted
14 amount -- that your spend amount is often less than,
15 than your budgeted amount?

16 A It's not very typical. We typically spend our
17 O&M budgets very closely to those, to those amounts,
18 within a couple percent.

19 Q And I asked the transmission witness a
20 question about a chart that was in, that was in his
21 testimony. You have, I think, the same chart at
22 Schedule 3, is that, is that right, where you're
23 describing the typical electric system?

24 A That's correct. That's the, the picture
25 depiction of the, of the system.

1 Q And with respect to your 41, 42, \$40 million
2 O&M, only O&M, not, not capital.

3 A Correct.

4 Q But related to the load that you serve, using,
5 using that schedule, this chart, am I correct in that
6 most of those costs come, come down here kind of on the,
7 on the last line of your chart where you have
8 residential customers and commercial customers and
9 there's not a lot of cost incurred, kind of at the top
10 of the chart where you're feeding industrial customers?

11 A That's correct. The O&M budget is specific to
12 the distribution system and to the customer. So
13 everything below the distribution substation, I'm sorry,
14 instead of the system, substation and below.

15 Q So stated differently, industrial customers do
16 not typically put a large cost demand on your
17 distribution system; correct?

18 A We do serve some industrial customers on the
19 distribution system. They are typically large loads
20 that we would have, that we would classify as
21 industrial. But it's, it's very few installations on
22 the distribution system. That's correct.

23 Q So consequently the cost related to that is
24 very, very small as well; correct?

25 A In general I would agree with that.

1 Q Same question with respect to the military?

2 A I would agree with that.

3 Q And are you involved in the minimum
4 distribution cost of service issue?

5 A No, sir. I'm aware of it. Witness O'Sheasy
6 is the expert on it.

7 Q Okay. All right. Again, I mean, you all are
8 seeking to recover some additional storm monies, so I
9 think it's okay to inquire as to how you currently fund
10 storms. So let me direct your attention to page 19, and
11 you have testimony about a minor storm activity?

12 A Yes, sir. I'm there.

13 Q And what is the purpose of this account? Is
14 this another potential pot of money that you can look to
15 in the event that you have a storm situation?

16 A This activity is specific to our, I would call
17 them more routine storms. These are the afternoon
18 thunderstorms that blow through, much like we
19 experienced Sunday night here, the thunderstorms and
20 rain events that happened, and those activities on
21 restoring power or service to our customers following
22 those events. Our charges just for those more routine
23 day-to-day activities would fall into this account.

24 Q So any time lightning hits a pole or something
25 and somebody goes out there to fix it, does it get

1 charged against this account?

2 A If it is -- yes, sir. In general that's a
3 good comparison. Yes, sir.

4 Q Page 23, there were some questions I think
5 yesterday about, about customer growth. What is your
6 system currently seeing with respect to customer growth?

7 A We have, we have realized less than about a 1%
8 growth factor over the recent year, so it's very much
9 flat from that perspective.

10 Q So, so your sentence on line 13, quote, Gulf
11 forecasts increased customer growth from 2010 through
12 2012 test year, but at a growth rate lower than prior to
13 the great recession, that, that would be correct to say
14 you're growing at less than 1%?

15 A Yes, sir.

16 Q Are you growing? You know for sure that
17 you're growing, it's just less than 1%?

18 A We have added customers. It's, unfortunately
19 it's a very small number of adds, but we have added some
20 customers. Yes, sir.

21 Q And is that on an annual basis?

22 A That's annual. Yes.

23 Q Let me, let me flip you over to page 30, and
24 you have testimony about your distribution workforce
25 increases.

1 We just established that the company is not
2 growing much, less than 1%, yet with respect to your
3 distribution workforce, it looks like you are increasing
4 the, the number of FTEs considerably. Is that correct?

5 A I do suggest we're adding 45 positions in this
6 testimony.

7 Q Okay. And according to my math, that's
8 probably roughly a 13% increase in the number of FTEs?

9 A My complement is 403, so 10%. That's correct,
10 pretty close.

11 Q And I'm trying to understand, on page 34,
12 you -- I guess you go through and then sort of break out
13 the subcomponents of the number of FTEs you're adding;
14 is that right?

15 A Yes, sir.

16 Q Okay. So this testimony at the top of the
17 page 34 about 32 utility persons, positions to be added?

18 A That's correct.

19 Q So if I understand it, that those are not
20 positions that are currently filled. You said to be
21 added, so that's prospective; right?

22 A When we were developing the testimony, they
23 were, they were in process. To date we have offered
24 those 32 positions.

25 Q Have they been filled? All 32, have they been

1 filled?

2 A Yes, sir.

3 Q And the president of the company yesterday was
4 talking about some of the things that have been done to
5 reduce expenditures. You're aware that a lot of your
6 businesses have had to reduce expenditures in your area;
7 correct?

8 A Yes, sir.

9 Q And that state government has had to reduce
10 expenditures; is that correct?

11 A Yes, sir.

12 Q Okay. And based on the numbers we talked
13 about, the budgeted numbers, at least from '09, '010,
14 '011 and '012, it doesn't look like there's been a lot
15 of reduction in expenditures in your area. Is that, is
16 that correct, based on the numbers we discussed?

17 A In general, I would, I would agree the number
18 shows that there's been an increase. I would, I would
19 remind you that the increase is mostly driven in the
20 distribution arena where we have very prescriptive
21 programs year over year, and the increased cost of
22 distribution equipment.

23 Our spend has been relatively flat in the O&M
24 arena. Those increases are related primarily to the
25 increased cost of distribution equipment.

1 Q And do you know as a general proposition when,
2 when, in the utility industry when times kind of get
3 tough and reductions need to be made, isn't O&M an area
4 that is often looked to as an area to save some
5 expenses?

6 A It is certainly one area we would look at.
7 Any of the capital spend, we would also endeavor to cut
8 cost in capital and O&M.

9 Q But, but as we sit here today, you have not
10 been directed, or there hasn't been any effort to say,
11 you know what, we need to tighten our belt, please go
12 out and identify 5 or 10% reductions that you can in
13 your budget area. That directive has not been given;
14 correct?

15 A The -- coming into this process through the
16 years, that's exactly what we've done, particularly in
17 our FTE complement. And as recent as 2007 we had 378
18 employees, and we, we chose to, to not fill some of the
19 entry level positions in a cost cutting measure, to make
20 sure that we were very proactive in avoiding this filing
21 as long as we could.

22 Q Okay. And that's kind of a general statement.
23 I guess I'm trying to specifically understand the
24 question. If you can answer yes or no and then explain.
25 But in the last five years or in the last ten years

1 since the rate case, has there been a management
2 directive to reduce costs by 5 or 10%? Has there been a
3 directive to say, listen, we need to tighten our belts,
4 I want everybody to reduce their costs by X percent?

5 A I would answer that yes.

6 Q What was the percent that was directed then?

7 A It was not a specific percent.

8 Q Okay. So --

9 A The directive I had, the directive I had was,
10 when I arrived in 2009, was to manage the budget
11 effectively and efficiently to make sure we were
12 controlling all of our costs effectively.

13 Q Okay. So there's a general direction to make
14 sure you're managing it correctly. But in terms of any
15 specific directive, to say I want everybody to reduce
16 costs by X percent, that has never been done; correct?

17 A Not specifically with me.

18 **MR. MOYLE:** Okay. Thank you. That's all I
19 have.

20 **CHAIRMAN GRAHAM:** Major Thompson.

21 **MAJOR THOMPSON:** Thank you, Mr. Chairman.

22 Just a couple questions.

23 **EXAMINATION**

24 **BY MAJOR THOMPSON:**

25 Q Can I turn you to, have you look at page 23,

1 line 1. That \$336 million.

2 A Yes, sir.

3 Q That covers the last ten years?

4 A That is the, since the last rate case. Yes.

5 Q Okay. Does that include capital replacement
6 to poles and lines when the damage was caused by a
7 weather-related event?

8 A It -- that amount is reflective of the
9 distribution plant-in-service. So it's my understanding
10 that, through our storm reserve accounts and those kind
11 of things, those costs are covered when the storm
12 occurs. So this plant-in-service amount is specific to
13 the facilities that are in the field today. It, it
14 would in essence capture those replacements and repairs
15 that we did during storms.

16 Q Okay. So it does include it?

17 Okay. Then can I turn you to, have you look
18 at page 18, starting at line 20. That's your pole
19 inspection program?

20 A Yes, sir.

21 Q That kind of piggybacks on Mr. Moyle's
22 question about the pole hardening. When did that
23 program begin?

24 A The -- it is a part of our storm hardening
25 initiatives. Our pole inspection program is on an

1 eight-year cycle. We actually, if you want to -- we've
2 been on a, we've been on a pole inspection cycle since
3 before the storm hardening filing. However, the
4 eight-year cycle began in 2007, so we're about five
5 years into that, into that cycle.

6 Q What does that program do? Does it help
7 identify bad poles and it takes the poles out when
8 they're identified?

9 A Yes, sir. It identifies any defective poles,
10 any poles that may be experiencing rot or decay. We
11 identify those poles and replace those as soon as
12 possible.

13 Q Would that reduce cost on the storm damage
14 then, if the bad poles are reduced by this program?

15 A Yes. As part of our initiative, when we do
16 those pole inspections, when we do a replacement of that
17 pole, it is redesigned and constructed to grade B
18 standards, which is part of our storm hardening
19 initiative.

20 Q Okay. Like Mr. Moyle's --

21 A That's correct.

22 **MAJOR THOMPSON:** That's all my questions.

23 **CHAIRMAN GRAHAM:** Thank you, sir.

24 Mr. Wright.

25 **MR. WRIGHT:** Thank you, Mr. Chairman.

EXAMINATION

1

2 **BY MR. WRIGHT:**

3 Q Good morning, Mr. Moore.

4 A Good morning.

5 Q I just have a few questions for you. I'd like
6 to follow along a question that Major Thompson just
7 asked you about the \$335.5 million increase in
8 distribution plant-in-service. He asked you is that
9 amount in plant-in-service. And as I understand it,
10 plant-in-service is the gross investment in the assets
11 in the field; is that correct?

12 A Again, we're -- I'm a little on the, on the
13 border on the accounting ruling and the finance.
14 However, I would in general agree with that statement.

15 Q Okay. And would it be correct that if
16 replacement investment were made as part of the storm
17 restoration activity, that amount would show up in the
18 plant-in-service account?

19 A In general, that's my understanding.

20 Q And would it also be correct that there would
21 be a corresponding offset if it was charged against the
22 storm reserve, such that it would not be in addition to
23 rate base, it would be paid for out of the storm
24 reserve, if you know?

25 A I'm sorry. That's beyond my scope on the

1 reserve.

2 Q That's okay. Thank you.

3 I've got a question for you that derives from
4 your testimony at page 18. In the first line of that
5 question you ask yourself, is Gulf's projected level of
6 distribution O&M expense of 41,596,000 in 2012
7 reasonable and prudent? And naturally enough, you say
8 yes. So far, so good?

9 A Yes, sir.

10 Q Now you also sponsored part of Exhibit C6,
11 which includes some figures for budgeted 2012 O&M costs,
12 distribution O&M. Are you with me there? If you look
13 at -- if you've got your C schedule, it's schedule C6,
14 page 7 of 12.

15 A That's correct.

16 Q Okay. Now y'all may have updated this page in
17 the MFRs, and I might have missed it with all the paper
18 that's been flying around in this case. But when I look
19 at the number there for the 2012 budget for total
20 distribution O&M, it says \$43,781,000. And then I see
21 in your testimony \$41,596,000, and I see a delta of
22 about, about \$2.2 million, and I'm trying to understand
23 which number is right. Can you help me?

24 A I would have to defer the schedule discussion
25 to Witness McMillan to explain the 43 million. In my

1 testimony I would consider the 41,596,000 as the correct
2 number.

3 Q Thank you, sir. I've got a couple more
4 questions for you.

5 Just a question, this is a more general
6 question regarding the company's storm restoration
7 experience, and the question is this. Did Gulf have
8 sufficient funding available to Gulf Power, to the
9 company, to restore service promptly following each of
10 the storms that impacted your service area in 2004 and
11 2005?

12 A I will speak to it from the operational
13 perspective only. We absolutely had everything we
14 needed to be able to respond to storm restoration in a
15 timely manner and to make sure that we restored normalcy
16 as soon as possible following those storms.

17 Q Thank you. And I just have a couple more
18 questions that relate to overall distribution O&M.

19 Do you know what the percentage of Gulf Power
20 Company's distribution system is comprised of
21 underground facilities?

22 A I believe I have just the raw numbers in my
23 testimony. It's about 1,700 miles, just a round number,
24 about 1,700 miles of underground facilities.

25 Q Out of total distribution line miles of how

1 much?

2 A About 50 -- about 7,700 total distribution
3 miles.

4 Q Is the percentage of underground increasing on
5 Gulf's system?

6 A Certainly new subdivisions and new
7 installations are, are pursuing underground facilities
8 in many of our new growth areas. Yes.

9 Q Would it be fair to say you think the answer
10 is probably yes, but you're not 100% sure?

11 A I'm not 100% sure on the -- we build, we also
12 build overhead facilities to many of our customers as
13 well. From a percentage standpoint of how much it's
14 growing, I would almost equate them as the same.
15 However, I do think many of our new subdivisions do
16 pursue underground construction.

17 Q Will you agree that at least the O&M cost for
18 new underground facilities is less on a per line mile
19 basis than the O&M cost for new overhead facilities?

20 A I'm not sure I would agree with that. I
21 would -- I don't have any specific studies on that.
22 There are many components that go into maintaining
23 underground lines, much like overhead lines, but we're
24 generally very effective at restoring service on our
25 overhead lines, which is a major maintenance component.

1 Our underground facilities, when they are damaged,
2 typically take longer to restore service, and there are,
3 there are maintenance components associated with that
4 restoration that, that may be higher.

5 Q To the extent that -- I will aver to you that
6 your company's filing in your underground residential
7 distribution docket this year indicated that the costs,
8 O&M costs for underground is less than for overhead.
9 Assuming that to be true, and you don't really have to,
10 but assuming that to be true, would such lower O&M costs
11 for underground facilities be reflected in your
12 distribution O&M budget for 2012?

13 A Certainly our underground maintenance and
14 operations are included in our O&M budgets for 2012.

15 MR. WRIGHT: Okay. Thanks very much. That is
16 all the questions I had.

17 CHAIRMAN GRAHAM: Okay.

18 Staff?

19 MS. KLANCKE: Staff has no questions for this
20 witness.

21 CHAIRMAN GRAHAM: Commissioners?

22 Commissioner Balbis.

23 COMMISSIONER BALBIS: Thank you, Mr. Chairman.

24 Thank you, Mr. Moore. I have a few questions.

25 You indicated in your testimony the EIT program and

1 hiring folks to become qualified or trained. Do you
2 find it difficult to find and hire qualified employees
3 for certain positions?

4 **THE WITNESS:** Yes, sir, we do.

5 **COMMISSIONER BALBIS:** What is the -- when you
6 have a vacancy, what is the average time it takes to,
7 once you get the go-ahead to hire someone, to interview,
8 screen, and then get someone on board? How long does
9 that take?

10 **THE WITNESS:** It all depends on the vacancy,
11 of course. Our journeyman positions that are our most
12 skilled, most highly trained employees will be filled
13 through our progression employees that have been
14 developing through the years. That posting typically
15 gets completed in about a month to two months, so we'll
16 have that position filled. The vacancy that's created
17 by the cascade of moving forward through the pipeline is
18 then trickled down. It may, it may trickle down to an
19 entry level position within six months.

20 **COMMISSIONER BALBIS:** And you indicated that
21 in the past, to control costs, you've left vacancies
22 unfilled; is that correct?

23 **THE WITNESS:** Specifically entry level
24 positions. Correct.

25 **COMMISSIONER BALBIS:** What is -- other than

1 during that period of time when you were trying to
2 control costs, what is your normal vacancy rate, you
3 know, through attrition, retirements, et cetera?

4 **THE WITNESS:** Unfortunately I don't have a
5 percentage. We typically, in the distribution
6 organization I will have anywhere from six to ten
7 vacancies generally through the year.

8 **COMMISSIONER BALBIS:** And the total number of
9 employees in distribution? You mentioned 378, but that
10 was in 2007.

11 **THE WITNESS:** 403 is my current complement.

12 **COMMISSIONER BALBIS:** Now do you budget for
13 that turnover in those vacancies? Because I know some
14 organizations have -- they might call it pay reduction
15 in turnover line, where you budget for the fact of the
16 normal percentage of vacancies and turnover. Do you
17 budget for that?

18 **THE WITNESS:** We typically budget for the full
19 complement, in anticipation of those, that complement
20 being filled, all 403.

21 **COMMISSIONER BALBIS:** So you assume that
22 they're all going to be filled, even though that's not
23 the case?

24 **THE WITNESS:** That's correct. And
25 distribution, where we would not fill those positions

1 due to the turnover rate, typically what we end up, are
2 exposed to is through our labor complement we end up
3 having to do that work with overtime, and even through
4 some contractor resources that we may bring online to
5 fill those, those peaks, so to speak, if we're, if we
6 have gaps there.

7 **COMMISSIONER BALBIS:** So you don't have a, so
8 you don't have an overtime account where you would add
9 dollars to that and then take dollars out of the pay
10 reduction account? You just keep -- assume everything
11 is filled and everything just washes out?

12 **THE WITNESS:** It's, it's a labor, it's a labor
13 charge. That's correct. So, for example, if we, if we
14 end up in the middle of the night calling out employees,
15 that's in an overtime rate. That gets built into their
16 same labor budget as their normal, normal expenses, the
17 same labor pool.

18 **COMMISSIONER BALBIS:** Do you think it would be
19 better from your standpoint or more appropriate to have
20 the budgeted amount for salaries and wages to closely
21 match the true case of you have six to ten vacancies and
22 it takes one to six months to fill a vacancy? Or the
23 current process, is that a better way for you to handle
24 that?

25 **THE WITNESS:** Certainly we do everything we

1 can to stay in our budgeted dollar amount through making
2 sure those vacancies are filled as soon as they become
3 available to us. And we try to move efficiently and
4 effectively in posting and filling those jobs.

5 I understand your point about having a
6 different budget that would reflect maybe the attrition
7 rate. However, our experience, we -- in distribution
8 we've typically spent our labor dollars either through
9 overtime or those kind of things to make sure that our
10 complement number, the 403, is the number that we
11 actually need to run the business. So I do agree that
12 the 403 is, is the number that we need to run the
13 business.

14 **COMMISSIONER BALBIS:** Okay. Thank you.

15 **CHAIRMAN GRAHAM:** Commissioner Brown.

16 **COMMISSIONER BROWN:** Thank you.

17 Good morning.

18 **THE WITNESS:** Good morning.

19 **COMMISSIONER BROWN:** You responded to
20 Mr. Moyle's question, a question he asked regarding
21 customer growth, and you said it was about 1% customer
22 growth; right?

23 **THE WITNESS:** That's correct.

24 **COMMISSIONER BROWN:** In your direct filed
25 testimony though, on page 35, line 24, you said that the

1 company is experiencing some measure of customer growth.
2 Can you elaborate, consolidate the two?

3 **THE WITNESS:** Okay. 35? I'm sorry.

4 **COMMISSIONER BROWN:** 35, line 24.

5 **THE WITNESS:** We have added customers. It has
6 been at a reduced rate, primarily being driven by the
7 Great Recession. We do feel like the recession has led
8 to a reduced number of new installs that, and new meter
9 connects that we have installed on our system. However,
10 the -- it is still a real number. We are growing our
11 system, and it is small.

12 The distribution system has also experienced
13 new peaks. We set a winter peak last, in 2010 with
14 extreme cold. I'm sure you may remember the extreme
15 cold we experienced in 2010. The distribution system,
16 as it relates to that, we have to make sure that when
17 that peak is called upon by our customers, that our
18 distribution system can respond to that load. And
19 that's where I kind of equate the growth and the
20 cumulative overall peak demand has been growing through
21 the years.

22 **COMMISSIONER BROWN:** So not necessarily
23 customer growth per se?

24 **THE WITNESS:** It's not a big percentage. It's
25 a very small number. It's less than 1%, but it is a

1 growth.

2 **COMMISSIONER BROWN:** Okay. Thank you. And if
3 you could turn to Schedule 8. It's the distribution O&M
4 budget for 2011 to 2015.

5 **THE WITNESS:** Yes, ma'am.

6 **COMMISSIONER BROWN:** As you can see, the
7 numbers are all increasing up through 2015, except for
8 meters. For some reason in 2013 it drops. Can you
9 explain that? And then it goes back up in 2014. Can
10 you explain that discrepancy?

11 **THE WITNESS:** Correct. The, the, particularly
12 the meter installs primarily are being driven by our AMI
13 installations that will be completed deployment in 2012.
14 We anticipate with that new deployment being in place
15 that the meter inspections that we, because we have
16 basically changed out all of our meters in the last few
17 years, the decrease in 2013 is just a natural decrease
18 until we kind of get another year under our belt to
19 start doing inspections on those basically newly
20 replaced AMI meters.

21 And it will grow and be consistent as an
22 inspection -- that account is primarily driven by the
23 inspections of meters to make sure they are registering
24 correctly and are effectively measuring load used by our
25 customers.

1 **COMMISSIONER BROWN:** Okay. Thank you. And
2 one last question. With regard to the 45 distribution
3 positions, you have allocated or budgeted 1.45 million
4 in costs, and that does not include benefits. Do you
5 have the number for those positions with benefits?

6 **THE WITNESS:** I do not believe I have that
7 number with me. We could provide that.

8 **COMMISSIONER BROWN:** That would be great.
9 Thanks.

10 **CHAIRMAN GRAHAM:** Redirect?

11 **MR. BADDERS:** Just briefly. Just a couple
12 questions.

13 **EXAMINATION**

14 **BY MR. BADDERS:**

15 Q Mr. Moore, you were asked several questions
16 about your O&M budget through the years, basically the
17 last couple of years compared to the current year and
18 the test year.

19 With that in mind, how do Gulf's O&M
20 expenditures that are projected in the test year compare
21 to Gulf's last test year?

22 A Gulf's last test year, we were approximately
23 \$3.5 million under the Commission benchmark for the
24 distribution organization. And that is reflective of
25 the last test year.

1 Q Okay. So basically, compared to the
2 Commission's benchmark, you're at 3.5 million less than
3 that?

4 A Less than that.

5 Q Okay. You were also asked several questions
6 about grade B construction. Do you have an idea about
7 how much of Gulf's system has been converted to the
8 grade B construction?

9 A We began our deployment of grade B in 2007.
10 Approximately 6% of our poles have been built to the
11 grade B construction since 2007.

12 MR. BADDERS: Thank you. No further
13 questions.

14 CHAIRMAN GRAHAM: All right. Any exhibits for
15 this witness?

16 MR. BADDERS: Yes. This witness does have an
17 exhibit. I believe it was Exhibit No. 15. We'll move
18 that in at this time.

19 CHAIRMAN GRAHAM: We'll move Exhibit 15 into
20 the record.

21 (Exhibit 15 admitted into the record.)

22 MR. BADDERS: I also believe Commissioner
23 Brown had requested a late-filed exhibit, which would
24 include the total labor dollars, including the benefits
25 portion. So I guess we need to go ahead and get a short

1 form for that and identify that as Late-Filed Exhibit
2 187.

3 **CHAIRMAN GRAHAM:** We already have Late-Filed
4 Exhibit 187.

5 **MR. BADDERS:** 188. I'm sorry.

6 **CHAIRMAN GRAHAM:** Commissioner Brown, what was
7 that late-filed exhibit you asked for?

8 **COMMISSIONER BROWN:** Total labor dollars for
9 distribution staffing.

10 **MR. GUYTON:** Just to be clear, that's for the,
11 not the total complement but for the incremental
12 complement for the 45; correct?

13 **COMMISSIONER BROWN:** That's correct.

14 **MR. GUYTON:** Thank you.

15 **COMMISSIONER BROWN:** For 2012.

16 **THE WITNESS:** 2012.

17 **MR. BADDERS:** Thank you.

18 **CHAIRMAN GRAHAM:** When do you think you'll
19 have that?

20 **MR. BADDERS:** I need just a moment to confer.
21 We may actually have that available here in Tallahassee
22 with us. If you could just give me just a couple of
23 minutes.

24 **CHAIRMAN GRAHAM:** That's all right. Within
25 the next 24 hours or so.

1 **MR. BADDERS:** Okay. We'll do that.

2 (Late-Filed Exhibit 188 identified for the
3 record.)

4 **CHAIRMAN GRAHAM:** All right. We'll enter that
5 when we get that.

6 Anything else need to be entered for this
7 witness?

8 **MR. BADDERS:** No, sir.

9 **CHAIRMAN GRAHAM:** Okay.

10 Sir, thank you very much.

11 You may call your next witness, please.

12 **MR. GRIFFIN:** We would call Ms. Neyman.

13 **MARGARET D. NEYMAN**

14 was called as a witness on behalf of Gulf Power Company
15 and, having been duly sworn, testified as follows:

16 **EXAMINATION**

17 **BY MR. GRIFFIN:**

18 Q Good morning, Ms. Neyman.

19 A Good morning.

20 Q You were previously sworn yesterday; is that
21 correct?

22 A Yes, I was.

23 Q Would you please state your full name and
24 business address for the record, please.

25 A My name is Margaret D. Neyman. I'm located at

FLORIDA PUBLIC SERVICE COMMISSION

1 One Energy Place, Pensacola, Florida. My title is
2 Energy Sales and Efficiency Director.

3 Q And by whom are you employed and in what
4 capacity?

5 A I'm employed by Gulf Power Company as the
6 Energy Sales and Efficiency Director.

7 Q And you have prefiled direct testimony
8 consisting of 51 pages in this proceeding; is that
9 correct?

10 A That is correct.

11 Q Do you have any changes or corrections to that
12 testimony?

13 A Yes, I do.

14 Q And what are those?

15 A On page 23, line 5, I cited that Gulf Power's
16 customers performed over 100,000 transactions online
17 during 2010. That is actually a monthly number. The
18 2010 annual number should have been 1,387,059.

19 On page 26, line 19, I cited that Gulf Power's
20 online customer care portal has seen a 62% increase
21 since 2005. Again, monthly numbers were used instead of
22 annual, and the percentage increase since 2005 should
23 have been 57.3% increase.

24 Q And with those corrections, if I were to ask
25 you the same questions contained in your testimony

1 today, would your answers be the same?

2 A Yes, they would.

3 **MR. GRIFFIN:** Mr. Chair, we would ask that
4 Ms. Neyman's prefiled direct testimony be inserted into
5 the record.

6 **CHAIRMAN GRAHAM:** We will insert her prefiled
7 direct testimony into the record.

8 **BY MR. GRIFFIN:**

9 Q And, Ms. Neyman, do you have one exhibit to
10 your testimony titled MDN-1, consisting of five
11 schedules?

12 A Yes, I do.

13 Q And do you have any changes or corrections to
14 that exhibit?

15 A No, I do not.

16 **MR. GRIFFIN:** Okay. And, Mr. Chair, I would
17 note that MDN-1 is identified as hearing Exhibit 16.

18 **CHAIRMAN GRAHAM:** So noted.

19

20

21

22

23

24

25

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.

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.

25

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.

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 ^{1,387,059}~~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.

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 ^{57.3}~~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.

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

1 BY MR. GRIFFIN:

2 Q With that, Ms. Neyman, would you please
3 provide a brief summary of your testimony.

4 A Yes, I will.

5 Good morning, Commissioners. My testimony
6 addresses the activities that directly impact the
7 individuals at the center of Gulf Power's focus, our
8 customers. I'll explain Gulf's philosophy relating to
9 customer service, our strong history in energy
10 efficiency, and our continued focus on developing and
11 delivering innovative and cost-effective solutions that
12 meet our customers' needs.

13 Gulf Power makes it a priority to provide
14 products and services to our customers that add value.
15 In my testimony I describe the critical activities of
16 the customer facing organizations within our company and
17 how the focus of these organizations remain targeted on
18 exceeding the expectations of our customers. My
19 testimony provides specific examples of how we do that
20 each and every day.

21 Our customer service representatives work 24
22 hours a day, seven days a week in our customer service
23 center to respond to our customers. During 2010, this
24 center handled over 1.4 million calls. In addition, we
25 offer online services, such as bill payment, connecting

1 service, and reporting an outage 24 hours a day. These
2 offerings allow customers to meet their needs
3 immediately at a time that is convenient for them. Our
4 employees also assisted over 1 million customers who
5 chose to visit us in our local and district offices.

6 Gulf Power is a leader in the area of energy
7 efficiency dating back to 1975, when we introduced the
8 GoodCents Home Program. Now known as the EarthCents
9 Home, this program continues to set the standard for
10 energy efficiency construction in northwest Florida.

11 In addition, my program describes -- my
12 testimony describes programs like EnergySelect, which
13 Gulf pioneered in 1990, early 1990s, and which
14 introduced residential customers to critical peak
15 pricing.

16 Gulf continues to listen to our customers and
17 design cost-effective programs to meet their needs.
18 Earlier this year, we launched a new suite of energy
19 efficiency programs designed to assist our customers in
20 managing their energy purchases. There are 20 programs
21 which address all customer segments, including low
22 income, renters, and business customers.

23 On a day-to-day basis our energy experts work
24 with customers to offer advice to help them save on
25 their energy purchases. These recommendations include,

1 range from simple behavioral changes to help save on a
2 residential customer's electric bill to energy projects
3 performed for some of our most complex industrial
4 customers. During 2010, our employees performed over
5 4,000 on-site energy audits.

6 Beyond energy efficiency programs, Gulf offers
7 innovative solutions to our customers in other areas.
8 For example, we recently restructured our outdoor
9 lighting area to offer a more streamlined and customer
10 focused service in this area. Gulf employs innovation
11 in the lighting area by partnering with a third party to
12 provide an interactive mapping application for the entry
13 and management of customer lighting repair requests.
14 This application enables customers to simply go to a
15 website, click on a light that needs repair.

16 Gulf has also taken advantage of technology by
17 deploying advanced metering infrastructure, AMI. This
18 deployment is expected to be complete by 2012 and will
19 benefit customers by virtually eliminating meter reading
20 estimations and ultimately providing customers with more
21 data to manage their energy usage. Additionally, the
22 deployment of AMI will eliminate almost all manual meter
23 reading costs, vehicle costs, and the associated vehicle
24 emissions.

25 Gulf is determined to be a leader in the

1 utility industry in customer satisfaction. My testimony
2 supports this by providing results from our customer
3 value benchmark survey, a customer designed report card.
4 Gulf Power continues to be in the upper quartile when
5 compared against peer utilities, and we are proud of
6 these results.

7 In summary, we continue to build a solid
8 reputation with our customers and business partners in
9 developing and delivering cost-effective solutions to
10 energy related issues. We have been successful because
11 we listen to our customers. The expenses that I
12 represent are prudent and necessary to continue that
13 success.

14 Gulf values the trust we have earned from our
15 customers, and we know that our future is dependent upon
16 maintaining and building on that relationship.

17 Thank you.

18 **MR. GRIFFIN:** We tender Ms. Neyman for
19 cross-examination.

20 **CHAIRMAN GRAHAM:** Mr. Sayler.

21 **EXAMINATION**

22 **BY MR. SAYLER:**

23 Q Good morning, Ms. Neyman. My name is Erik
24 Sayler, and I'm with the Office of Public Counsel. We
25 represent your customers.

1 There is an exhibit being passed out which I
2 will ask you a few questions of. It consists of some
3 web page screen shots from some of the surge protection
4 products Gulf Power offers.

5 **MR. SAYLER:** And I would like to enter this
6 into the record, so at the appropriate time, Mr.
7 Chairman.

8 **CHAIRMAN GRAHAM:** We'll give it Exhibit No.
9 189.

10 And what's your short title for this,
11 Mr. Sayler?

12 **MR. SAYLER:** Gulf Surge Products Web Pages, if
13 that's --

14 **CHAIRMAN GRAHAM:** That sounds good.

15 **BY MR. SAYLER:**

16 Q Ms. Neyman, you along with Mr. McMillan are
17 the witnesses which address Gulf Power's nonregulated
18 operations; is that correct?

19 A That is correct. I cover that in my rebuttal
20 testimony.

21 Q Okay. And can we agree that when we talk
22 about nonregulated services, that the revenue expenses
23 and investment associated with those services and
24 products are recorded below the line for ratemaking?

25 A That is correct.

1 Q And any profits from those nonregulated
2 operations are credited to the shareholders and not to
3 the ratepayers; is that correct?

4 A That is correct.

5 Q And Gulf Power's nonregulated operations
6 include premium surge, commercial surge, and all
7 connect; is that --

8 **MR. GRIFFIN:** Mr. Chairman, I'm going to lodge
9 an objection at this point. Ms. Neyman addresses those
10 subjects in her rebuttal testimony, but --

11 **MR. SAYLER:** I'm happy to save this for
12 rebuttal, if you prefer. I have a very short cross, but
13 I can reserve that for rebuttal. I apologize.

14 **CHAIRMAN GRAHAM:** Is most of this stuff all
15 stuff that she handled in rebuttal?

16 **MR. SAYLER:** Well, the questions I have could
17 be handled now or in rebuttal. So I'll reserve for
18 rebuttal then.

19 Maybe we -- do we still want to keep this
20 exhibit identified as No. 189, and come back to it on
21 rebuttal?

22 **CHAIRMAN GRAHAM:** Is this, is this going to
23 be, excuse me, is it going to be appropriate to enter
24 this in rebuttal and not in direct?

25 **MR. SAYLER:** Yes. It can be answered on

1 rebuttal certainly.

2 **CHAIRMAN GRAHAM:** Let's just hold off until
3 the rebuttal.

4 **MR. SAYLER:** All right. Then we will hang on
5 to this exhibit, Ms. Neyman, because I'll ask you
6 questions about it on rebuttal. Thank you.

7 **THE WITNESS:** Sure.

8 **CHAIRMAN GRAHAM:** Mr. Moyle.

9 **MR. MOYLE:** Thank you.

10 **EXAMINATION**

11 **BY MR. MOYLE:**

12 Q Good morning.

13 A Good morning.

14 Q Where is your call center located?

15 A Our call center is located in Pensacola,
16 Florida, in our corporate office. Right now it is
17 located on the second floor. We are in the process of
18 completing a new call center facility on our third
19 floor.

20 Q And then the Southern Company also has Georgia
21 Power, Mississippi Power, and Alabama Power; is that
22 right?

23 A That is correct. Yes.

24 Q Did I miss any? Are there other companies or
25 just the --

1 A Those are the operating companies. There are
2 other units of Southern Company, but those are the four
3 operating. Gulf Power, Alabama Power, Mississippi
4 Power, and Georgia Power.

5 Q And Mr. McMillan in his testimony gives some
6 testimony about the efficiencies that can be gained from
7 being part of the Southern Company and that sometimes it
8 provides efficiencies. Are you aware of that?

9 A Yes. We have tremendous efficiencies we gain
10 in the functions that I cover today. We partner with
11 our other operating companies in our call center
12 technology, in our back office realtime pricing systems,
13 load research systems, we share all of the costs of
14 those systems. And that, that enables us to provide
15 services to our customers that, if we were not part of
16 the Southern Company, we would not be able to provide.

17 Q What are the costs for your call center, your
18 localized call center?

19 A The total budget for the --

20 Q Yes, ma'am.

21 A I have to look that up. I don't know that I
22 have that just right off the top of my head. I can look
23 for it.

24 Q You can ballpark it. I mean, 1 million,
25 10 million?

1 A I don't do ballparks very well. The function
2 in my exhibits, you can look at the customer accounts
3 benchmark, which is on, it's in Schedule --

4 Q 5?

5 A -- 5, page 1 of 3. And you will see that the
6 test year request is 24 million. That includes the call
7 center. It also includes our district personnel. But
8 in many ways those functions work in conjunction to
9 serve the customers.

10 Q So with respect to my question about trying to
11 isolate the call center, would the call center be half
12 of that number, do you know, or a third of it or --

13 A The call center would be a majority of it. I
14 would say maybe two-thirds of it.

15 Q Okay. Do the other subsidiaries of the
16 Southern Company have their own call centers as well; do
17 you know?

18 A Yes. They all, all three have call centers.

19 Q And do you know, do they have similar costs?

20 A I'm not familiar with exactly their cost and,
21 on a comparative basis. They are -- of course Georgia
22 and Alabama are substantially larger than we are.

23 Q And, and with respect to call centers, you
24 know, we call sometimes and sometimes you get people
25 nearby, sometimes you don't. Have -- has the company

1 explored cost savings that could be associated by having
2 one call center within the Southern system that would
3 handle the calls for all of the Southern Company
4 subsidiaries?

5 A Yes, in fact we have. We -- in 2009, the
6 fourth quarter of 2009, we actually ran a pilot for
7 several weeks, and it was done by Georgia Power. And
8 they took certain calls, a sampling of calls. We
9 trained their customer service representatives on our
10 unique billing, our rates, our rules, and we piloted
11 that for several weeks and then looked at the results.

12 The conclusion was we could not achieve cost
13 savings by doing that. The value that we achieved in,
14 in volume scale was eliminated by the extra time it took
15 for the unique nature of each of the operating
16 companies' rules.

17 My sister companies tell us that the Florida
18 tax code, for example, is particularly complex, and that
19 extra little bit of time that it took a CSR to respond
20 to our customers in that pilot offset the savings.

21 We, we have achieved a lot of savings in
22 virtual efficiencies. For example, we trade evening
23 shift calls with Mississippi Power. Every other month
24 we alternate the midnight shift. We have -- Georgia
25 Power does our quality monitoring. They have a

1 full-time staff that samples, every rep is sampled and
2 someone listens to their calls and scores them on a
3 quality monitoring. So we feel like that we've achieved
4 a lot of the efficiencies without actually
5 consolidating.

6 Q Okay. And I appreciate the explanation. If
7 we could kind of focus on the questions asked, we'll
8 move it along a little, little, a little quicker on
9 that.

10 But what were the savings? If I understand
11 the study, it basically said, yeah, we can save some
12 money, but there's some issues related to time and maybe
13 understanding the differences within the, the various
14 jurisdictions. What was the dollar savings that could
15 have been realized, if you know?

16 A I do not know. The dollar savings, it's a
17 queuing theory really is where you get the savings.

18 Q Okay. And currently you are trading some
19 calls with Mississippi Power; is that right?

20 A Evening shifts we trade with them.

21 Q And also with Alabama Power?

22 A No. Our sister companies help us in times of
23 emergencies. They take calls during hurricanes.

24 Q Okay. And you --

25 A We have services that our sister companies

1 help us with.

2 Q And you pick up calls from Mississippi Power
3 sometimes as well?

4 A Alternate. One month --

5 Q Okay.

6 A -- they take our evening calls. The next
7 month we take their evening calls.

8 Q Okay. One other line of brief inquiry, then
9 I'll get to some questions in your testimony. But are
10 you aware that the company has made some adjustments
11 related to advertising expense to exclude those from
12 monies that were being sought?

13 A Yes. We have advertising that is adjusted out
14 because it's not appropriate for it to be recovered in
15 this proceeding.

16 Q Okay. But you still are seeking some monies
17 for advertising dollars; correct?

18 A That is correct. We have advertising dollars
19 in this case associated with our Earth Sense Home
20 Program, which is a base rate program.

21 Q And how much, how much, do you know how much
22 of the advertising dollars that you are seeking that you
23 have not adjusted out?

24 A I believe it's a stipulated item. I was, I
25 can pull up the advertising. Just give me a minute.

1 Non ECCR. That's 2011. Test year. Let me
2 make sure I'm getting it right.

3 MR. GRIFFIN: Mr. Chair, I believe that's --

4 THE WITNESS: 1 million -- one -- about a
5 million, a little over a million.

6 MR. GRIFFIN: I believe that's Issue 65, which
7 has been stipulated.

8 CHAIRMAN GRAHAM: Yeah. But I was going to
9 let the number come out. I don't know where this is
10 leading.

11 MR. GRIFFIN: That's fine.

12 BY MR. MOYLE:

13 Q And the final question on this line is you're,
14 you're aware there's a Commission policy related to
15 advertising dollars; correct?

16 A Yes. I am very much aware of that.

17 Q Okay. All right. Let me, let me flip you
18 into your testimony, if I could, page 5. You talk about
19 the economic development organization. Is that a
20 separate group within, within Gulf?

21 A Yes, it is a separate group. We do have an
22 economic development department, but it is, works very
23 closely with our energy sales and efficiency
24 organization, in particular our major accounts group,
25 which calls on our largest industrial customers.

1 Oftentimes those two organizations work very closely
2 together in identifying opportunities for prospects that
3 are interested in locating in our area. So we, we staff
4 the economic development area with just a minimal amount
5 of personnel.

6 We also leverage our relationship with some of
7 our public and private entities, and sponsor those
8 organizations. And they have boots on the ground, if
9 you will.

10 Q Let me just focus you on a couple of aspects
11 of it, particularly recruiting new businesses. Do you,
12 do you keep track -- you're aware the Governor has made
13 one of his top priorities, if not the top priority, the
14 creation of 700,000 new jobs within the next seven
15 years; correct?

16 A Yes.

17 Q Okay. Do you all track new jobs that are
18 created as a result of the activities of your economic
19 development organization?

20 A Yes, we, we do. We don't -- I don't -- we
21 don't publish a report necessarily, but we do track the
22 efforts of the economic development organizations in our
23 service territory.

24 Q Okay. So, for example, how many new jobs were
25 created in the organization in 2010? Not within -- I'm

1 sorry. Not within the organization, but within
2 northwest Florida.

3 A I don't have that off the top of my head. I
4 don't know that. But we -- our economic personnel would
5 know that.

6 Q Okay. You would agree that energy costs are a
7 very important component when a business is considering
8 whether to locate to northwest Florida or elsewhere;
9 correct?

10 A Yes, I would agree with that.

11 Q Okay. And that energy cost is a variable cost
12 for businesses; correct?

13 A Yes.

14 Q And you're also -- were you in the room
15 yesterday when I think Ms. Kaufman used an exhibit that
16 depicted how Gulf Power's industrial rates compare to
17 other utilities?

18 A No, I wasn't in the room at the time.

19 Q Well, it's part of the record. But Gulf
20 Power, at least in a July 2011 survey of electric costs,
21 had the highest electric costs per industrial customer.
22 Do you have any reason to dispute that?

23 A Repeat that.

24 Q Sure. Gulf Power Company in July 2011 had the
25 highest cost for an industrial customer as compared to

1 competing utility companies in the southeast. You don't
2 have any reason to disagree with that, do you?

3 A I don't -- I would like to see the actual
4 data. I do not have --

5 MR. MOYLE: Can I approach?

6 CHAIRMAN GRAHAM: Sure.

7 (Witness reviewing document.)

8 BY MR. MOYLE:

9 Q Go ahead.

10 A When comparisons are made, and I don't know
11 how this was made, but in particular, when you have a
12 tariff like realtime pricing, which a majority of our
13 customer, large industrial customers are on, you cannot
14 make comparisons like this accurately.

15 This says at the top, for 5,000, 50,000kW
16 load, 90% load factor. This, by -- it appears to
17 exclude our realtime pricing tariff. So this is not an
18 accurate way to compare. So I disagree that, that in
19 fact our costs are higher. It doesn't indicate here.
20 You're not comparing apples to apples.

21 Q So were you here yesterday when your president
22 agreed in effect with this exhibit that Gulf has among
23 the highest industrial rates in the southeast? Are you
24 disagreeing with him?

25 A I do not disagree that we have among the

1 highest industrial rates. I disagree that we are the
2 highest and that this, these numbers depicted here are
3 in fact accurate. I do not agree with that.

4 Q Okay. Are you aware that this exhibit was
5 entered into the record with no objection from your
6 counsel, or stipulated in?

7 A It was entered into the record. But you're
8 asking me to verify --

9 Q It was attached to Mr. Pollock's testimony.

10 A You're asking me to verify its accuracy, and
11 that I cannot do.

12 Q Fair enough. But I think you acknowledged
13 that Gulf has among the highest industrial rates in the
14 southeast; correct?

15 A We do.

16 Q Okay. And Mr. Pollock in his testimony made
17 the point that, while the Governor is out trying to
18 increase jobs coming to Florida and northwest Florida,
19 that his job is hard, given the disparity between
20 competing southern states and Florida as it relates to
21 energy. Are you familiar with the point that
22 Mr. Pollock made in his testimony?

23 A Yes, I am.

24 Q And you would agree with that, would you not?

25 A There are a lot of factors that go into

1 customers' decisions.

2 Q I understand. But just with respect to
3 electricity.

4 A That it is, any time electricity costs are
5 higher --

6 Q Are significantly higher than competitors,
7 that it works against efforts to recruit new business to
8 Florida, as a general proposition.

9 A Energy cost is one of the factors. That's --

10 Q I understand. All I'm asking about is energy
11 costs. So let's -- if we could just --

12 **MR. GRIFFIN:** Mr. Chairman.

13 **MR. MOYLE:** Mr. Chairman, if we could just
14 focus on energy costs --

15 **MR. GRIFFIN:** First of all, Ms. Neyman hasn't
16 spoken to Mr. Pollock's testimony at all. I'm trying to
17 give counsel some leeway. But he continues to interrupt
18 her in the process of her giving her answers, and we
19 find that objectionable.

20 **CHAIRMAN GRAHAM:** I think he was trying to
21 steer her down the path of the question he's trying to
22 get to.

23 Ms. Neyman, if, if a question is asked that
24 you don't understand or if you're not quite clear,
25 you're fine to restate the question and then answer the

1 question that you restate.

2 Mr. Moyle, I'm giving you some leeway because
3 she tends to editorialize a little bit, so we're kind of
4 moving this along.

5 Ms. Neyman, if you -- the rules set up in the
6 preorder are you can answer yes or no and then give a
7 brief explanation to that yes or no. I usually let
8 witnesses editorialize as long as they want. A lot of
9 times the attorneys are gathering more information as
10 you talk. But if it seems like you're just going down
11 different paths, I tend to reign people back in.

12 **THE WITNESS:** Okay. Thank you.

13 Mr. Moyle, would you repeat the question?

14 **BY MR. MOYLE:**

15 Q Sure. And I understand, you know, beaches and
16 other aspects of Florida that businesses sometimes look
17 to. I'm just trying focus you on what we've agreed is
18 an important consideration of new businesses, energy
19 costs.

20 Wouldn't you agree that, as Mr. Pollock stated
21 in his testimony, or even assuming whether he did or he
22 didn't, but that the Governor's job of trying to attract
23 new businesses to Florida, given the current disparity
24 between Gulf's energy rates and that of competing
25 states, is made -- is difficult? Or is harder than if

1 the energy rates were more in sync with competing
2 southern states?

3 A I would agree that it is harder.

4 Q And you would also agree, would you not, that
5 to the extent that there's a 21% increase in base rates,
6 that works to widen the gap between rates in Florida for
7 commercial and industrial customers as compared to rates
8 in competing states, that that task becomes even more
9 difficult and challenging; correct?

10 A Yes, if it's looked at in isolation. But it's
11 not done in isolation.

12 Q I understand. But with respect to your
13 department that focuses on economic development, the key
14 component of that is energy; correct? That's why it's
15 contained within Gulf, Gulf Power. The economic
16 development unit within Gulf largely looks at energy
17 costs; is that correct?

18 A The economic development department at Gulf is
19 not just focusing on energy costs. We are focusing --

20 Q I understand. But that's the key component of
21 it?

22 A I don't think I understand your question --

23 Q I'll withdraw it.

24 A -- exactly. Economic development --

25 **CHAIRMAN GRAHAM:** He withdrew the question.

1 **THE WITNESS:** Okay.

2 **BY MR. MOYLE:**

3 Q Let me direct you to page 21, and this is on
4 line 14. This is the realtime pricing program that I
5 think you talked about a little bit. So if I understand
6 this, the price, prices are sent a day ahead of time to
7 commercial and industrial customers; is that right?

8 A That is correct.

9 Q Okay. And are those firm prices, so that you
10 know for sure, you know, it's \$5, \$10, whatever it is,
11 that that is something that you can count on and rely
12 on?

13 A Yes.

14 Q Okay. And are you involved -- sometimes
15 industrial customers sell power back to Gulf. Are you
16 involved in, in that in any way, shape, or form?

17 A No. I'm aware of it. We see the results of
18 it, where that does happen when that transaction takes
19 place.

20 Q Okay. Are you aware that when, when the
21 industrials are selling power back, that there is an
22 estimated price that is, that is given and not a firm
23 price?

24 A You're talking about the tariff, the
25 as-available energy price?

1 Q Yes, ma'am.

2 A Yes. Mr. Thompson would be the better witness
3 to address those questions to.

4 MR. MOYLE: Okay. That's all I have. Thank
5 you.

6 CHAIRMAN GRAHAM: Major Thompson.

7 MAJOR THOMPSON: Thank you.

8 EXAMINATION

9 BY MAJOR THOMPSON:

10 Q Just a couple of questions. I want to turn to
11 page, turn your attention to page 40.

12 A I'm sorry, Major Thompson. You said page --

13 Q Page 40.

14 A 40.

15 Q This is about the DSM program. And on line 15
16 it says 28 FTEs. How many of those are going to the
17 call center; do you know?

18 A Seven, approximately seven of the, of those
19 employees are in the, in the new energy efficiency call
20 center.

21 Q Okay. Do you know how many employees that you
22 had at the call center at the end of December of last
23 year?

24 A Yes. When we started, I have January 2011,
25 there were 52.

1 Q 52?

2 A FTEs.

3 Q Okay. Of the seven that you just listed for
4 the 28, out of the 28 FTEs on the DSM program -- is that
5 confusing? I'm sorry. On the seven out of the 28, is
6 that included in that 26.5 number that you have on your
7 schedule, page 3?

8 A Yes, I believe it does.

9 Q Okay.

10 A I'm sorry. What page were you back on?

11 Page 40?

12 Q That schedule is, yeah, page 40.

13 A Would you -- I'm sorry. Ask --

14 Q Are those, the seven that you listed out of
15 the 28, are those included in that number, 27.5 -- 26.5?

16 A Yes, they are. They're recovered through the
17 ECCR clause.

18 MAJOR THOMPSON: Okay. Perfect. Thank you
19 very much. Those are all my questions.

20 CHAIRMAN GRAHAM: Mr. Wright.

21 MR. WRIGHT: Thank you, Mr. Chairman. I just
22 have a few questions.

23 EXAMINATION

24 BY MR. WRIGHT:

25 Q Good morning, Ms. Neyman.

1 A Good morning.

2 Q I'm going to try to ask in what I think is a
3 clearer form some questions you were asked earlier.

4 Other things being equal, would you agree that
5 a business considering locating in two or more places
6 would be more likely to locate in the area with lower
7 power costs?

8 A All things being equal, yes.

9 Q So would you also agree that, other things
10 being equal, higher power rates are adverse to
11 attracting new business operations to Gulf's service
12 area?

13 A Repeat the first part of your question again.

14 Q Other things being equal, would you agree that
15 higher electric costs are adverse to attracting new
16 business operations to Gulf's service area?

17 A Yes. If all things are exactly equal, it
18 would, it would serve to have an adverse effect.

19 Q I think we've known each other for a long
20 time. I'm going to ask you a history question. Do you
21 have any idea how the shuttle engine plant got located
22 in Huntsville as opposed to located near the Cape?

23 A I'm not familiar with that decision.

24 **MR. WRIGHT:** All right. Thank you. That's
25 all the questions I have.

1 **CHAIRMAN GRAHAM:** Staff.

2 **MR. YOUNG:** No questions.

3 **CHAIRMAN GRAHAM:** Commissioners.

4 Commissioner Brown.

5 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.

6 Good morning.

7 **THE WITNESS:** Good morning.

8 **COMMISSIONER BROWN:** Mr. Crosswhite yesterday
9 talked about a low income assistance program that Gulf
10 is implementing. Can you elaborate on what type of
11 program that is and how it affects the customers?

12 **THE WITNESS:** Yes, Commissioner. We
13 introduced this year as part of our new suite of
14 programs a community program. We modeled it after a
15 program offered by another Florida utility. And we go,
16 we target certain areas of our service territory and we
17 send in a, it's a third-party vendor that goes in and
18 contacts customers house by house and provides them with
19 low cost -- does an energy audit, but provides them with
20 things like low-flow showerheads, education, sits down
21 with them, explains the value of changing their air
22 filter, cleaning the filter on the refrigerator, we
23 actually do that, and then we install a lot of low cost
24 insulation. And we are implementing that throughout our
25 service territory, taking it one neighborhood at a time.

1 **COMMISSIONER BROWN:** And is that a DSM
2 program?

3 **THE WITNESS:** That is a DSM program.

4 **COMMISSIONER BROWN:** So it's recovered through
5 the ECCR clause?

6 **THE WITNESS:** It is recovered through the ECCR
7 clause.

8 **COMMISSIONER BROWN:** Okay. Thank you. And
9 also in your testimony you addressed that, or you stated
10 that the company offers pricing options to its
11 customers. Is that, is that one of the pricing options
12 per se that Gulf offers, or are there other pricing
13 options available?

14 **THE WITNESS:** In our pricing options for our
15 residential customers we have two rates, a residential
16 rate, RS rate, but there's also the energy select
17 program, which has our SVP rate. And customers on that
18 rate can save money by shifting their usage to lower
19 price periods, and it also gives them a tool to easily
20 do that. We provide them with in-home equipment. It
21 makes it very easy for them to respond to this price
22 signal and manage their energy usage. So it's a very,
23 very effective tool for customers, with no additional
24 investment on their part.

25 In addition, we have Budget Billing that we

1 offer customers. And we this year, last year actually
2 loosened our criteria for Budget Billing in this
3 difficult time so that customers who might not have
4 previously been eligible are allowed to go on Budget
5 Billing, and many customers find that as an effective
6 tool to help them manage their energy purchase.

7 **COMMISSIONER BROWN:** What is Budget Billing?

8 **THE WITNESS:** It evens out the payments.

9 **COMMISSIONER BROWN:** Over the 12 year --

10 **THE WITNESS:** So it's a levelized -- over the
11 12 months, so that it's -- they're not having to try to
12 pay -- you know, we're in air conditioning. Most of the
13 high bills occur in the summertime when there's a large
14 air conditioning load, and so customers may find that
15 difficult if they're on fixed income to pay the power
16 bill in summer months. So this evens it out and it
17 helps them budget it. Thus the name, Budget Billing.

18 **COMMISSIONER BROWN:** That's great. Thank you.
19 And I know Mr. Moyle asked you some questions regarding
20 economic development. And in your direct filed
21 testimony you state that there are about \$959,000 of
22 economic development expenses calculated in the test
23 year revenue requirements. Can you address what those
24 expenses are?

25 **THE WITNESS:** Yes, Commissioner. We really

1 have a large amount of that investment, probably half of
2 it roughly is we fund several economic development
3 groups throughout our service territory, each county,
4 the local groups, and we leverage those dollars. They
5 take that along with other dollars to, to stand up their
6 economic development efforts. So we support them. It's
7 a collaborative work that we do.

8 We also have -- about 150,000 of that is for
9 the Economic Development Symposium that we hold in our
10 service territory every year, and we bring together all
11 of those economic development professionals, along with
12 some of our major account customers, our elected
13 officials, we have folks that come from Tallahassee,
14 from various, from the Office of Tourism and Economic
15 Development. We have speakers that come in. It's a
16 great collaborative effort to bring everyone together
17 and have some great speakers that talk about best
18 practices. This past year we had a lady from San Diego
19 that talked about redevelopment of a base out there that
20 had been turned over to the private sector. So that,
21 that is a big chunk of it.

22 And then we have our economic development
23 personnel that work with our customers and our prospects
24 to, to attract folks.

25 We have recently, it's not part of this

1 proceeding, we decided we were going to offer a
2 reoccupancy incentive to customers that would reoccupy a
3 vacant facility. That incentive will be above and
4 beyond what we're asking for in this case. But we felt
5 like we needed something else to help jump-start some of
6 our, some of our cities and towns that need, need some
7 assistance, so.

8 **COMMISSIONER BROWN:** That sounds pretty
9 innovating. Thank you.

10 **CHAIRMAN GRAHAM:** Commissioner Balbis.

11 **COMMISSIONER BALBIS:** Thank, Mr. Chairman. I
12 just have one or two questions for Ms. Neyman.

13 On Schedule 4 of your exhibit of your direct
14 testimony, page 2 of 3, customer accounts, you
15 summarize, or it's summarized here that the AMI, or the
16 automatic meters resulted in a reduction of 18 FTEs;
17 correct?

18 **THE WITNESS:** Correct.

19 **COMMISSIONER BALBIS:** And on that same chart
20 or table you indicate that you're adding 19 additional
21 FTEs for customer service center new positions. And I
22 know they're not related, they just appear on the same
23 chart. So in essence those additional 19 is eliminating
24 any cost savings for the AMI; correct?

25 **THE WITNESS:** Well, it's not a one for one. I

1 would say that, no, they're not eliminating the benefit
2 of AMI. There's other benefits to those 19 employees.

3 **COMMISSIONER BALBIS:** I agree. It's just on
4 this chart you have a \$466,000 savings from the AMI
5 reductions, but you're increasing your customer service
6 costs by 557,000. And I know they're not related. It's
7 just, it's on the same chart.

8 And I'm just trying to get a handle on what
9 you're getting with those additional 19 positions. So a
10 quick question on the previous page, page 1 of 3. And I
11 just want to understand this chart, the dark line, which
12 is service level, those percentages. What do those
13 percentages signify?

14 **THE WITNESS:** That represents the percentage
15 of calls that we answered within 30 seconds.

16 **COMMISSIONER BALBIS:** Okay. So with the
17 additional 19 positions, you expect that percentage to
18 go up? Is that, is that what is forecast in 2011 and
19 2012?

20 **THE WITNESS:** Yes. We are forecast -- our
21 goal, and this is sort of an industry standard for call
22 centers, is 80%. You want to answer 80% of your calls
23 in 30 seconds.

24 And we, starting in 2009 we, our service
25 levels dropped, and you see the call volume went up.

1 And so the additional FTEs are being added in the CSC in
2 order for us to get back to service levels.

3 **COMMISSIONER BALBIS:** So you expect with the
4 19 additional positions getting back up to the 80% 2012
5 forecast?

6 **THE WITNESS:** Yes.

7 **COMMISSIONER BALBIS:** What is the average -- I
8 know that's a percentage of less than 30 seconds.
9 What's the overall average answer time currently, or
10 before the test year?

11 **THE WITNESS:** You're talking about like year
12 to date?

13 **COMMISSIONER BALBIS:** Without the 19
14 positions, was the average 40 seconds, 35 seconds?

15 **THE WITNESS:** I know the percentage. I don't
16 know if I know the actual seconds off the top of my
17 head. We were -- like year to date we are at 70%. And
18 we're in the process -- those folks are -- it takes us
19 about six months to get someone trained, once we hire
20 them, to be able to effectively handle calls. So we're
21 in the process of -- we're at essentially full
22 complement but we are not fully trained. But we are not
23 making service levels this year. I don't know the
24 actual average time they're on hold.

25 We also have calls that are abandoned. That

1 means they give up on us, which is not good. We, we
2 want to answer every call.

3 **COMMISSIONER BALBIS:** Oh, I understand how
4 important it is to have effective customer service.

5 My questions were more geared towards are
6 customers saving an additional four seconds, six
7 seconds, et cetera, average time for the cost of 19
8 additional positions? But I understand you don't have
9 those numbers.

10 **THE WITNESS:** In hold time. You would like to
11 know the seconds that, of hold time that we are
12 averaging as a result of having 19 more positions?

13 **COMMISSIONER BALBIS:** Correct. So what is the
14 reduction in hold time? I'm just curious.

15 **THE WITNESS:** I don't believe, Commissioner, I
16 have that in my -- let me just check. I don't believe I
17 actually have the whole time metric. I can get that.

18 **COMMISSIONER BALBIS:** That's fine. I think
19 your chart is self-explanatory and that's okay.

20 **MR. GUYTON:** Most of my information in, is
21 geared off of percentage. We're answering 70%. This
22 year it's dropped. October was particularly
23 challenging, and we only answered 56% of the calls in 30
24 seconds. So it ranges throughout the year, but year to
25 date we are only at 70%. In --

1 **COMMISSIONER BALBIS:** And what was the cause
2 of the -- I'm sorry for interrupting. But what was the
3 cause of the dramatic increase in call numbers or
4 volume?

5 **THE WITNESS:** There were a number of factors.
6 One is the economy. More customers were calling asking
7 for payment arrangements, or needing more time, and it
8 got to be more complex. Our -- we delegated more
9 authority to the front line, gave our CSRs more
10 authority to make those payment arrangements. But that
11 has lengthened the call. From 2007 we've added seven
12 seconds to the overall length of calls. And that
13 doesn't sound like a lot, but when you multiply that
14 over a million four calls -- a million calls, it adds
15 up.

16 So the complexity -- and also we believe, and
17 we have this from focus group responses from customers,
18 customers are expecting more information. It's a
19 structural change, and when they do get us, they want us
20 to have a lot of information. They want the CSR to know
21 a lot about outages, for example. And so the
22 expectation is, in spite of us handling more through
23 online, we've had a significant increase in online
24 transactions and more services that we offer through
25 online, as well as our voice response unit is handling

1 more and more calls, we still have customers who want to
2 speak to someone, and those calls are taking longer to,
3 to do. So that's the --

4 **COMMISSIONER BALBIS:** Okay. So since you
5 indicated that one of the causes of the increase in call
6 volume is the economy and people requesting payment
7 arrangements, would you expect that as the economy
8 improves, as may be indicated with your Ten-Year Site
9 Plan, which shows a positive increase in customer
10 growth, would you expect that as the economy improves
11 the call volume to go down accordingly?

12 **THE WITNESS:** Yes. We would expect that as
13 customers, as unemployment goes down and customers won't
14 be as challenged maybe to need extra time, and we, we
15 would hope that. But it's not for -- it's not
16 forecasted in the near-term that we're going to see a
17 reduction in, in the call volume. It's been, it's
18 maintained at a high level for the last several years,
19 as the exhibit shows. So we, we expect this to be a
20 picture of what the future will be, the short-term
21 future certainly.

22 **COMMISSIONER BALBIS:** Okay. Thank you.

23 **CHAIRMAN GRAHAM:** Commissioner Brisé.

24 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

25 Commissioner Balbis asked many of the

1 questions that I was going to ask about customer service
2 and the trends associated to that.

3 I just have one question, following up on a
4 question that Commissioner Brown asked about the low
5 income type program that's in place. I just wanted to
6 know if there's a program for retirees, particularly
7 veterans, since there is a large population of veterans
8 in that area who are on a fixed income. Is there a
9 particular program that targets them?

10 **THE WITNESS:** No, Commissioner, there's not a
11 particular program that we offer. All of our employees,
12 and I go through an example in my testimony actually of
13 an, of an energy audit and working with a, a veteran.
14 All of our employees are knowledgeable about the
15 services in our communities, the agencies that are there
16 to help those customers, and will often bridge that,
17 give them the phone number, tell them, go talk to this
18 person.

19 I was on an energy audit a couple of months
20 ago, it was not a retired veteran, but it was a retiree,
21 it was a lady. She had lost her home, she was in a
22 rental, which is challenging because she doesn't own the
23 home, and our residential energy consultant -- the
24 customer had said, I've contacted this agency. Our
25 employee said, this is the kind of information you need

1 to take back to the agency. This is what -- go speak to
2 Mary Jane, and Mary Jane -- and give her, take this with
3 you when you go.

4 So we, we try to serve as the liaison with
5 those outside agencies.

6 **COMMISSIONER BRISÉ:** Thank you very much.

7 **CHAIRMAN GRAHAM:** Redirect?

8 **MR. GRIFFIN:** One question, Mr. Chair.

9 **EXAMINATION**

10 **BY MR. GRIFFIN:**

11 Q Ms. Neyman, Mr. Wright posed a question to you
12 where he asked you to assume that, all things being
13 equal, the higher the rates, the lower the likelihood
14 that a business would locate in Gulf's service area.

15 Are all things equal?

16 A In my 30 years of experience, never have all
17 things been equal. We have -- and we've used this tool
18 a couple of times. We have the commercial industrial
19 service rider mechanism that allows us to tailor our
20 offering to a prospect.

21 The two cases where we have used it have been
22 to provide a unique term of service. In one case it was
23 an interruptible load. Another case, it was
24 cogeneration that we own. It's sited on the customer
25 site. It is an efficient way for them to receive steam

1 and electricity, and we used CISR tool to attract that
2 load.

3 Cost is a factor. But most of the time the
4 customers have, have needs that, that are not met by
5 just simply looking at the price. So the CISR tariff
6 has been a very effective tool for us to mitigate some
7 of the challenges of the differences in rates or the
8 differences in what other states would offer in the form
9 of, say, a tax discount.

10 So we pride ourselves in being very
11 knowledgeable about various -- through our Southern
12 Company connections we have subject matter experts in
13 the pulp and paper industry, we have subject matter
14 experts in the retail grocery business. And we share a
15 lot of information about backup generation, energy
16 efficiency, electrotechnologies, and it has served our
17 customers well.

18 **MR. GRIFFIN:** That's all I have. Thank you.

19 **CHAIRMAN GRAHAM:** Exhibits?

20 **MR. GRIFFIN:** We would move Exhibit 16 into
21 the record.

22 **CHAIRMAN GRAHAM:** Page 5, Exhibit 16. Move
23 that into the record.

24 (Exhibit 16 admitted into the record.)

25 Okay. Ms. Neyman, thank you very much.

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THE WITNESS: Thank you.

(Transcript continues in sequence with Volume
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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

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I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 16th day of December, 2011.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734