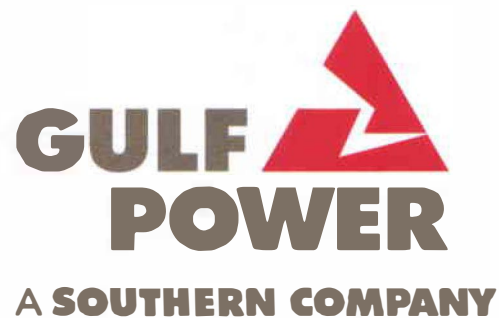


**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 130140-EI



**TESTIMONY AND EXHIBIT
OF
ANGELA G. STRICKLAND**

1 **GULF POWER COMPANY**

2 **Before the Florida Public Service Commission**
3 **Prepared Direct Testimony of**
4 **Angela G. Strickland**
5 **Docket No. 130140-EI**
6 **In Support of Rate Relief**
7 **Date of Filing: July 12, 2013**

8 **Q. Please state your name and address.**

9 **A. My name is Angela Strickland 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 **General Manager of Marketing.**

14 **Q. What is your educational background?**

15 **A. I have a Bachelor's Degree in Industrial Engineering from the University of**
16 **Tennessee. I also hold a Master's in Business Administration from Georgia**
17 **State University.**

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

19 **A. Prior to my employment with Gulf, I held positions of increasing**
20 **responsibility for the last 15 years within Southern Company Services and**
21 **Georgia Power primarily focusing on energy efficiency, business**
22 **development and marketing. Prior to joining Southern Company, I was**
23 **employed with Atlanta Gas Light Company working primarily in distribution**
24 **engineering, economic development and marketing. In my current role,**
25

1 I am responsible for Gulf's Marketing organization. Under my leadership,
2 Marketing offers specialized support to all of Gulf's customers. We
3 provide solutions to our customers to help them meet their energy needs.
4 These solutions, which I will discuss in more detail, include on-site audits,
5 specialized consultation, products and services, and research.
6 Additionally, we actively support economic development efforts in our
7 region understanding that the strong communities not only benefit our
8 customers, but also are important to the Company's success.

9

10 Q. What is the purpose of your testimony?

11 A. My testimony addresses the essential role that Gulf's Marketing and
12 Economic Development personnel play in serving our customers. I
13 explain the customer serving functions in Marketing that build strategic
14 partnerships with Gulf's key customers, provide valuable lighting and
15 energy services, and serve as energy experts advising customers in the
16 area of conservation and efficiency. I also document Gulf's determination
17 to be a leader in the utility industry in customer satisfaction and Gulf's
18 success in achieving that goal.

19

20 I explain Gulf's philosophy on economic development and how economic
21 development benefits all of our customers. I discuss the specifics of the
22 Company's economic development efforts and how these efforts help our
23 existing customer base as well as benefit the region and the state. I also
24 discuss two new economic development rate riders which the Company is
25 proposing for approval.

1 My testimony also addresses the Operations and Maintenance (O&M)
2 expenses forecast for the 2014 test year in the Customer Service and
3 Information (CS&I) and Sales groups as they are defined by the Federal
4 Energy Regulatory Commission (FERC) Uniform System of Accounts.
5 The CS&I FERC group contains all of the expenses for Gulf's Marketing
6 organization while the Sales group contains expenses associated with
7 Gulf's economic development activities. I show that these O&M expenses
8 are reasonable, prudent and representative of conditions when new rates
9 will be in effect and should be used to establish new base rates for Gulf to
10 charge for its service to customers.

11

12 Q. What exhibits do you sponsor?

13 A. I sponsor Exhibit AGS-1, Schedules 1 through 4. This exhibit was
14 prepared under my and direction and control, and the information
15 contained therein is true and correct to the best of my knowledge and
16 belief.

17

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

19 A. The MFRs that I sponsor or co-sponsor are listed on Schedule 1 of Exhibit
20 AGS-1. To the best of my knowledge and belief, the information
21 contained in these MFRs is true and correct.

22

23

24

25

1 **I. GULF'S MARKETING BUSINESS UNITS**

2

3 Q. Please describe the business units within Gulf's Marketing organization.

4 A. The employees that serve our customers within the Marketing
5 organization are in the following business units: Mass Markets (residential
6 and small business customers), Major Accounts (large business
7 customers), Energy Services, Lighting Services, and Market Research
8 and Planning.

9

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

11 A. The Mass Markets group develops and supports programs, products, and
12 services for the benefit of the residential and small business customers.
13 This includes conservation programs, the **EnergySelect** ® program, a
14 home energy management program which I will discuss later in my
15 testimony, and efficient energy sales. Additionally, the Mass Markets
16 team performs energy audits and assists customers with managing their
17 energy usage, equipment purchasing decisions and energy related
18 building construction including heating and cooling system sizing and
19 building envelope recommendations.

20

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

22 A. The Major Accounts group supports the largest industrial and commercial
23 accounts. These are the Company's largest and most specialized
24 customers. These customers are grouped into industry segments (e.g.,
25 forest products, military, health care, etc.), and each segment is assigned

1 to an account manager. Because of the unique nature of these
2 customers, it is necessary that each segment account manager be
3 extremely knowledgeable about the assigned businesses and their
4 processes, outputs, markets, and competition.

5

6 Q. Please describe Gulf's Lighting Services organization.

7 A. Lighting Services helps customers design, install and maintain lighting
8 systems tailored to meet their specific needs. These solutions range in
9 size from a single street light to a lighting project that involves an entire
10 subdivision or downtown area. Through these customized solutions,
11 Gulf's experienced lighting team brings value to customers on a daily
12 basis.

13

14 Q. Please describe Gulf's Energy Services organization.

15 A. Gulf's Energy Services organization provides project management and
16 consulting services to the Company's federal government customers
17 located within the area Gulf serves. The bulk of these customers consist
18 of military installations. A typical Energy Services project consists of a
19 preliminary audit in which Gulf will review energy bills, equipment, and
20 facility conditions and provide recommendations on financially viable
21 energy conservation measures (ECMs). A proposal including the detailed
22 engineering, financial analysis and pricing is then presented to the
23 customer for their acceptance. Typically, once a project is completed,
24 there is a two year period of performance verification to ensure that ECMs
25 are performing properly. Substantial reductions in electrical demand,

1 electrical energy consumption and fossil fuel consumption have resulted
2 from these projects. Revenues associated with Gulf's Energy Services
3 projects are accounted for in the Company's other operating revenues and
4 offset the expenses for this organization.

5
6 Q. Please describe Gulf's Market Research and Planning organization.

7 A. Market Research and Planning includes end-use load research, customer
8 research, market reporting and economic evaluation. Market Research
9 and Planning is responsible for measuring Gulf's customers' satisfaction
10 and also for the development and reporting of the Company's demand
11 side management plan, including the projection and true-up filings for the
12 Energy Conservation Cost Recovery (ECCR) clause.

13
14
15 **II. MARKETING'S ROLE IN PROVIDING SUPERIOR CUSTOMER SERVICE**

16
17 Q. Ms. Strickland, please describe Marketing's role in providing superior
18 service to customers.

19 A. One of our primary corporate goals is to be an industry leader in service
20 and customer satisfaction. We continually focus on creating a culture of
21 exceeding the expectations of the customers that we serve. Marketing is
22 one spoke on the wheel of value that we offer to customers.

23
24 Gulf's Marketing organization provides value to our customers every day,
25 one customer at a time. Gulf's team of residential, commercial and

1 industrial energy consultants have built trust and credibility with our
2 customers by understanding the energy needs of their homes and
3 businesses and partnering with them in solving their energy challenges.
4

5 Our energy consultants are viewed by our customers as energy experts.
6 Since 2008, our team of trained energy consultants has performed over
7 15,000 on-site energy audits that enhanced customer value by providing
8 these customers with customized recommendations on how to manage
9 their energy use. These audits result in tangible, actionable
10 recommendations for customers to save money on their electric bills. On-
11 site energy audits also serve as the primary mechanism to educate
12 customers about Gulf's suite of Demand Side Management (DSM)
13 programs. As I discuss in more detail later, Gulf's commitment to helping
14 our customers use energy efficiently is long standing, and on-site audits
15 are a key component of that strategy. In addition to on-site audits, since
16 2008, over 14,000 customers have taken advantage of Gulf's online
17 energy audit.
18

19 Gulf's commercial and industrial energy consultants are dedicated to
20 serving our largest and most complex customers at their place of
21 business. Through a dedicated account manager, we understand the
22 customers' businesses enabling Gulf to make customized
23 recommendations on energy usage that genuinely bring value to these
24 businesses. Our energy consultants provide advice in areas such as
25

1 reliability, new construction, new technologies and billing, and provide our
2 customers with a variety of innovative solutions.

3

4 Q. Please provide some examples of how Gulf provides excellent service to
5 its customers.

6 A. Through its Lighting Services organization, Gulf not only installs lighting
7 fixtures, but also partners with our customers to understand their needs
8 and recommend solutions that bring them value.

9

10 Recently, Gulf worked closely with a local community to replace 66 aging
11 high intensity discharge (HID) lighting fixtures with light-emitting diode
12 (LED) fixtures. The high-efficiency LED fixtures are 50 percent more
13 efficient than the previous amber fixtures, helping to save the city money.
14 Additionally, the crisp, white, dark-sky friendly LED lights will help reduce
15 the city's "light pollution."

16

17 In another project, working with the Florida Department of Transportation
18 (FDOT) and Santa Rosa County, Gulf is installing LED lighting along a 19
19 mile stretch of U.S. Highway 98 in Santa Rosa County. This is Gulf's
20 largest LED street-lighting project to date. A 280-watt LED streetlight is
21 being installed every 200 to 250 feet – from the eastern edge of Gulf
22 Islands National Seashore to the Okaloosa County line. This stretch of
23 U.S. 98 has seen significant increases in traffic in recent years. The
24 highway serves as the main artery for commuters, vacationers and
25 commercial transportation—about 40,000 vehicles per day. This project

1 will enhance safety for motorists, bicyclists and pedestrians along a vital
2 corridor in Santa Rosa County making our highways safer for thousands
3 of people who travel through our communities.
4
5

6 **III. GULF'S PRODUCTS AND SERVICES**
7

8 Q. How are the products and services offered to Gulf's customers developed,
9 evaluated and implemented?

10 A. Gulf recognizes that our success is dependent upon gaining and retaining
11 the confidence of our customers. By gaining an understanding of our
12 customers, the Company is able to anticipate and meet their needs with
13 existing or new products and/or services. The Company uses market
14 research, knowledge from the Company's experienced corporate and
15 district staff, and national and regional information sources on emerging
16 trends to develop our programs. Gulf additionally leverages our affiliation
17 with the Southern Company and the other Southern Company system
18 operating companies in order to better understand consumer trends,
19 preferences, leading edge technologies and marketing techniques. This is
20 another example of the benefits Gulf receives by being part of the larger
21 Southern System.

22
23 Information gathered from these diversified sources is assimilated and
24 translated into new or enhanced products and services. These products
25

1 and services are then evaluated against criteria to determine customer
2 acceptance.

3

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

9

10 Q. Please describe examples of new or enhanced products or services that
11 you offer that bring value to your customers.

12 A. Originally offered in 1995, Gulf introduced customers to the concept of
13 home energy management combined with variable pricing, including
14 critical peak pricing (CPP) with its **EnergySelect** program. When first
15 introduced, **EnergySelect** was not only a new program for Gulf, but also
16 was the first CPP program offered in the nation.

17

18 The program is an interactive energy management system that allows
19 residential customers to program their central heating and cooling system,
20 electric water heater and pool pump, if they have one, to automatically
21 respond to varying prices of electricity, depending on the time of day, day
22 of the week and season. Providing appropriate pricing to reflect changes
23 in the marginal cost of generating electricity during the day allows the
24 customer to be in control of their energy purchases. **EnergySelect**
25 consists of three elements – a custom-designed programmable

1 thermostat, a Residential Service Variable Pricing (RSVP) rate featuring
2 four different tiers for electricity, and a communications gateway that
3 facilitates two-way communication between the utility and the customer's
4 home.

5
6 With this program, customers can save money by programming the
7 largest portion of their energy purchases to occur in the lower price
8 periods, while providing peak demand reduction benefits during the high
9 and critical peak price periods.

10
11 During recent years, Gulf's **EnergySelect** program saw declining
12 customer participation due to technology changes. The original program
13 depended on land-line telephones in the customer's home which have
14 seen a sharp decline in recent years. Gulf responded to this challenge
15 with new technology building upon the existing benefits of **EnergySelect**
16 by using internet connectivity as the communication mechanism offering
17 much more flexibility to customers. Since the launch of the new
18 technology, Gulf has seen a sharp increase in customer participation.

19
20 Another significant program enhancement is the availability of
21 **EnergySelect's** online programming portal. This web portal is a user-
22 friendly interface for customers that allows them to program and make
23 adjustments to their thermostat and appliances via the internet providing
24 customers with more convenience and flexibility. The web portal can be
25 accessed from any location via laptop, computer, smartphone or other

1 smart device, where internet access is available. This enhanced
2 functionality gives customers, whether they are at home, work or play,
3 more control over their energy usage.

4

5 **EnergySelect** was recently recognized by the POWERGRID International
6 magazine with the 2012 Project of the Year award. POWERGRID
7 International magazine is a utility industry source on transmission,
8 distribution and information technology information. Gulf's **EnergySelect**
9 program was given this award based on five criteria: ingenuity, scope,
10 practicality, vision and follow-through.

11

12 Q. Are there other technologies or end uses where **EnergySelect** could be
13 used?

14 A. Yes. Gulf Power has implemented the Energy Select Electric Vehicle Pilot
15 program through our DSM Plan. The pilot incorporates Gulf's established
16 **EnergySelect** program to encourage electric vehicle owners to charge
17 their vehicles during off-peak hours. Given the convenience of overnight
18 charging (essentially re-fueling while you sleep), the automated control
19 available through **EnergySelect** hardware and the significant savings
20 available in off-peak periods, there is value for customers to utilize
21 **EnergySelect** to charge their vehicles.

22

23 Q. How else has Gulf demonstrated leadership in the area of electric
24 vehicles?

25 A. During 2012, Gulf Power provided training and education in many different

1 forums including community leaders, city and county government officials,
2 civic groups and others reaching over 1,200 individuals. Additionally,
3 through our Major Accounts organization, Gulf is providing dealer
4 education to all dealerships in our service area who sell plug-in vehicles.
5 Gulf is committed to supporting this technology which is quiet and efficient.

6

7 Q. Please describe how Gulf assists customers with using energy efficiently.

8 A. During 2012, through Gulf's DSM programs, over 64,000 customers took
9 advantage of an option to help them use energy more efficiently.

10 However, the Company does not stop at the programs and measures
11 offered as part of our DSM Plan. Gulf has historically been a leader in the
12 area of energy efficiency. Beginning in 1975, Gulf introduced customers
13 to the value of energy efficient construction with the GoodCents Home
14 program. Now known as EarthCents Home, this program has long been
15 the standard for energy efficient construction in Northwest Florida.

16 EarthCents homes are built to take full advantage of efficiencies available
17 through the interactions of all the systems within the home — the cooling,
18 heating and ventilation system, the water heating system, the insulation
19 and air-barrier system, the appliances and lighting, and the windows.

20 Through a thorough understanding of this "house as a system" concept,
21 customers can be assured of a home that offers quality, comfort and a
22 lifetime of energy savings.

23

24

25

1 Q. How do you ensure that EarthCents homes are more efficient?

2 A. Providing this assurance requires more than the installation of energy
3 efficient components. The construction process must be monitored and
4 inspected and followed up by actual performance testing and verification
5 once the job is completed. Gulf EarthCents homes must undergo an
6 extensive inspection and testing process by Gulf energy consultants that
7 ultimately grades the home in accordance with the nationally recognized
8 Home Energy Rating System (HERS). Each EarthCents home will be
9 given a HERS Index Score, which is a customer's assurance that the
10 home was not only built according to a strict set of energy-efficiency
11 specifications, but also has been performance tested to ensure those
12 construction specifications were actually met. All HERS-related
13 inspections and performance tests are conducted in accordance with
14 protocols established and maintained by the Residential Energy Services
15 Network (RESNET). RESNET was founded in 1995 by the National
16 Association of State Energy Officials and Energy Rated Homes of America
17 to develop a national market for home energy rating systems. RESNET's
18 standards are recognized by the federal government for verification of
19 building energy performance for such programs as federal tax incentives,
20 and the ENERGY STAR program and others.

21
22 Q. How does Gulf assist commercial and industrial customers with the
23 efficient use of energy?

24 A. Gulf offers a number of options to commercial and industrial customers.
25 One of those options is Gulf's Real Time Pricing (RTP) program. The

1 RTP program sends hourly prices a day ahead to commercial and
2 industrial customers subscribing to the program. Customers react to
3 these price signals, which results in demand response and economic
4 efficiency. As with the **EnergySelect** program, the RTP program provides
5 commercial and industrial customers with an option for controlling their
6 purchasing decisions. RTP customers also have access to the
7 Company's EnergyDirect.com resource. EnergyDirect.com is an
8 innovative, real-time, online energy management resource that provides
9 secure, around-the-clock access to current and historical energy cost and
10 usage information. Data can be checked hourly, daily or weekly, giving
11 customers the tools needed to manage their energy usage. When used in
12 combination with RTP, EnergyDirect.com enables RTP customers to more
13 effectively respond to price signals.

14
15

16 **IV. OVERVIEW OF ECONOMIC DEVELOPMENT**

17

18 Q. What is economic development?

19 A. Economic development generally refers to activities designed to improve
20 the quality of life for all Floridians by building an economy characterized by
21 higher personal income, better employment opportunities, and improved
22 business access to domestic and international markets.

23

24 Q. Please explain the benefits of economic development to Gulf's customers.

25 A. Economic development efforts in Northwest Florida result in additional

1 electric load from new and expanding businesses. As a consequence of
2 this additional load, the Company's fixed costs are spread over a larger
3 number of customers, thus enhancing the efficient use of the Company's
4 existing electric system. Additionally, economic development helps to
5 create jobs, build a strong economy and strengthen communities.
6 Thriving communities enjoy full employment, economic security, quality
7 education, robust community support services like fire and police
8 protection, recreational activities, and a great quality of life. These thriving
9 communities support existing businesses and attract businesses looking
10 to begin operations or grow their business. These new businesses in turn
11 provide jobs and taxes to support the community.

12
13 All of these efforts to retain, grow and attract businesses will build stronger
14 communities. Ultimately, Gulf's strength relies in large measure on the
15 strength of the communities we serve.

16
17 Q. Please discuss the State of Florida's support and encouragement of
18 economic development.

19 A. While Florida leadership has always understood the importance of
20 economic development in the state, the current governor and the
21 legislature have placed a priority on workforce development and job
22 creation. Recent initiatives include enhanced incentives and additional
23 spending to recruit business to Florida. Also, in 2010, in an effort to offset
24 some of the economic damage inflicted by the Oil Spill, the legislature
25 established a \$30 million fund to diversify Northwest Florida's economy.

1 This funding has been an important catalyst to economic development in
2 the region.

3

4 Governor Scott, in his quest to restore Florida's economy, has focused on
5 two overarching goals: creating jobs for Floridians and placing Floridians,
6 especially those on the unemployment rolls, into employment. His long
7 term goal for Florida's workforce system is to create 700,000 jobs by
8 2017.

9

10 Additionally, the Florida Public Service Commission (FPSC or the
11 Commission) has recognized the importance of economic development
12 and has repeatedly supported the state's utilities in recovering reasonable
13 associated expenses under FPSC Rule 25-6.0426 and section 288.035,
14 Florida Statutes.

15

16 Q. Is there anything unique about Florida, or Northwest Florida in particular,
17 that warrants a special focus on economic development efforts?

18 A. Yes. Tourism has been the main economic engine for Florida and for
19 Northwest Florida, in particular. Additionally, much of Northwest Florida's
20 economy is dependent upon military spending. The vulnerability of the
21 tourism industry was exposed in the recent Deep Water Horizon Oil Spill.
22 Moreover, recent cuts in military spending and the possibility of additional
23 base consolidation efforts threaten to undermine the stability of the military
24 presence in the panhandle. To lessen the dependence on these two
25 industries, it is critical to build a more diverse economy in Northwest

1 Florida. Efforts to recruit distinct target sectors such as manufacturing,
2 aerospace and defense, health sciences, and logistics to move or expand
3 are paramount to the sustainability of Northwest Florida and Gulf's service
4 area.

5

6 Q. Why is it appropriate that electric utilities engage in economic
7 development efforts?

8 A. Electric utilities engage in economic development because load produced
9 by new and expanding businesses along with the customers and
10 commercial enterprises that support these businesses helps the utility run
11 an efficient electric system and spread fixed costs across a larger
12 customer base. Electric utilities in general and Gulf in particular, are well-
13 suited to support economic development for several reasons. Because of
14 the broad area they serve, electric utilities bring a regional approach to
15 economic development—bridging the county and local efforts with a
16 broader strategic vision. Electric utilities also work with the public and the
17 private sector across the state to share best practices and develop
18 targeted strategies for development. Electric utilities are a stabilizing force
19 in economic development efforts because of their larger focus and the
20 permanence of their interests.

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V. ECONOMIC DEVELOPMENT EFFORTS AT GULF

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Q. Please discuss the Company's Economic Development organization.

A. Gulf has been engaged in economic development efforts across the region for many years. The organization has changed over time as the economy and focus on economic development has changed across the state. Gulf increased staffing of its Economic Development organization in 2013 to improve economic development support across the region. Gulf's Economic Development organization now employs two full-time economic development representatives, a full-time research analyst, and is supported by a director.

Q. What are the objectives of Gulf's Economic Development organization?

A. The objectives of the Economic Development organization are to partner with other state, regional and local community leaders, the Governor's office, economic development professionals and other interested parties to strengthen the economy of Northwest Florida. These efforts involve bringing new business and industries to the area, creating new business ventures by existing businesses and encouraging the expansion of existing businesses. All three efforts are critical for economic growth, and all of these efforts help benefit our customers by enabling the Company's fixed costs to be spread over a larger number of customers, thus enhancing the efficient use of the Company's existing electric system.

1 Q. How does Gulf support economic development organizations in Northwest
2 Florida and throughout the state?

3 A. Gulf works very closely with our state and regional economic development
4 organizations to market potential building sites in Northwest Florida across
5 the country and internationally. We attend trade show missions, conduct
6 inbound and outbound site consultant missions, host prospect visits, and
7 cultivate relationships with site selectors. We also work with and support
8 business incubators across the region and promote statewide programs
9 that encourage new business and business growth. Recently, we were an
10 integral part of the formation of a new organization. This organization is a
11 group of tech-based companies working together to cultivate an innovative
12 and creative business environment. This group was born out of a need to
13 provide a framework of support for computer technology companies to
14 support their growth and business needs and was brought to our attention
15 by one of our existing customers. After listening to their concerns, we
16 worked to bring together like-minded business leaders to develop a
17 solution to their challenges.

18
19 One of the most significant issues facing economic development practice
20 in the United States today is the availability of talent. Despite the state of
21 Florida having a high overall unemployment rate, employers are voicing
22 concerns about their ability to find talent --especially skilled technicians--
23 for standing job openings. This is especially true in Northwest Florida and
24 poses a significant risk to retention and economic growth, particularly in
25 the manufacturing, aerospace and defense, and energy sectors.

1 **Additionally, the lack of a well-defined and efficient process for the**
2 **creation of skilled technician talent serves as a barrier in the attraction of**
3 **prospective new employers to the region. To this end, Gulf has taken a**
4 **leadership role in partnering with Workforce Florida at the state level to**
5 **develop a task force focusing on workforce development. WorkForce**
6 **Florida is providing state funding and active participation in this effort. The**
7 **task force intends to pursue a thorough and careful consideration of**
8 **Northwest Florida’s existing workforce development and education**
9 **systems that prepare students and workers for skilled technician jobs, with**
10 **an eye toward transforming the region by identifying opportunities for**
11 **improvement.**

12
13 **All of these efforts focus on cultivating the leadership and business climate**
14 **necessary for attracting new business and supporting existing business**
15 **expansion to Northwest Florida. This will result in stronger communities, a**
16 **stronger customer base, and ultimately a stronger state in the future.**

17
18 **Q. What specific programs or activities has Gulf implemented to further**
19 **economic development in the region?**

20 **A. Last year, Gulf introduced a re-occupancy incentive. This incentive offers**
21 **a one-time payment to customers who expand or locate a new business in**
22 **unoccupied buildings over 10,000 square feet. The amount of the**
23 **incentive is based on the square footage of the qualifying building and**
24 **business type. The purpose of this incentive is to encourage**
25 **redevelopment of existing buildings in our communities – thereby utilizing**

1 otherwise stranded electric investment and minimizing blight in some
2 locations. The incentive also is an encouragement to the business owner
3 to select a location in Northwest Florida for their business or expansion.
4 As of March 31, we processed four incentives for a total of \$21,388.
5 Examples of the types of businesses that have used this program are: an
6 agricultural supply store, a restaurant and a retail business.

7
8 We have also developed several new programs and focus areas. We
9 recently launched a site certification program that will identify and pre-
10 certify large manufacturing sites in Northwest Florida. Alabama, Georgia
11 and Mississippi have over 50 certified sites among them. Because of the
12 rigorous review process undertaken during the certification process, these
13 sites attract the first looks of professional site selectors who are hired by
14 businesses seeking new areas to locate or expand their operations. At
15 this time, Florida has only one certified site in the entire state and none at
16 all in Northwest Florida. This process reviews infrastructure,
17 environmental issues, and other criteria before certification. This
18 certification often fast tracks the development of the site.

19
20 The Company also hosts an annual Economic Symposium to bring
21 business leaders, policy makers, and industry experts together to support
22 economic development in Northwest Florida. This event is considered to
23 be one of Northwest Florida's premier economic development events of
24 the year. The Symposium program includes presentations by subject
25 matter experts, sharing of best practices, and educational topics designed

1 to build partnerships and bridge gaps that will strengthen the economy of
2 Northwest Florida. The Symposium has hosted speakers of national
3 stature, as well as noted regional and national economic development
4 experts. Past speakers include Governor Rick Scott, Commissioner Adam
5 Putnam, former First Lady Barbara Bush, Secretary of Commerce Gray
6 Swoope, political analyst Joe Scarborough, financial trend analyst Ben
7 Stein, director of the National Entrepreneur Center Jerry Ross and CEO of
8 International Economic Development Conference Jeffrey Finkle.
9 Attendance at this event has grown significantly each year and more than
10 500 leaders attended the 2012 event.

11

12 Q. Can you provide any examples of how Gulf's existing economic
13 development initiatives have been successful to date?

14 A. Yes. Gulf Power works very closely with the economic development
15 organizations in our service area, our region and the state of Florida.
16 Through these organizations, Gulf provides support for expansion projects
17 as well as new recruits by helping to facilitate the incentive process,
18 identifying potential sites for development, and providing support for local
19 opportunities and challenges.

20

21 Examples of recent successes include a 1,500 job expansion of a national
22 financial services center, which will begin operation within the next few
23 months and be completed within 18 to 24 months.

24

25

1 We also worked closely with an existing industrial process company on
2 their recent 200 job expansion. These jobs are mostly high-skilled
3 jobs like pipe fitters, welders and mechanics.
4

5 While we are proud of our past success, there is still much more work to
6 be done to promote economic development opportunities in our region.
7

8 Q. Is Gulf proposing any new economic development initiatives as part of this
9 proceeding?

10 A. Yes. Gulf is seeking approval of two new experimental economic
11 development rate riders; a Large Business Incentive Rider and a Small
12 Business Incentive Rider (collectively the Riders). For reasons mentioned
13 previously in my testimony, Gulf believes that it is necessary to
14 enthusiastically and aggressively promote economic growth in Northwest
15 Florida.
16

17 Q. Doesn't Gulf currently have a rate rider that can be used in support of
18 economic development?

19 A. Yes. However, we have come to realize that we need additional options.
20 In Order No. PSC-96-1219-FOF-EI dated September 24, 1996, the
21 Commission approved Gulf's Commercial/Industrial Service Rider (the
22 CISR) on an experimental basis. Since that time, Gulf has used the CISR
23 on two occasions. The CISR requires negotiation of a separate Contract
24 Services Arrangement which can take a considerable amount of time.

25 While the CISR can be an effective mechanism for developing alternative

1 pricing options for customers having an established presence in Gulf's
2 service area, the Company typically does not have the luxury of time when
3 interacting with prospective customers who are actively "shopping" various
4 markets for a new site location. In the latter instance, these prospective
5 customers—many of which are sophisticated energy consumers with
6 experience in multiple regulatory jurisdictions—are eager to finalize a site
7 selection and have come to expect "off the shelf" incentive pricing options.
8 The proposed Riders will complement Gulf's existing CISR and enable
9 Gulf to more effectively foster economic development in Northwest
10 Florida.

11

12 Q. Please describe Gulf's proposed Riders.

13 A. Both Riders are applicable to "New Load"—load which is added via
14 connection of initial service between the effective date of the Riders and
15 December 31, 2015. The Riders do not apply to load through existing
16 delivery points. Any expansion of loads at these existing delivery points
17 will be addressed through our existing CISR.

18

19 Both of the proposed Riders provide for declining credits over four years
20 on a prospective customer's energy and demand charges. Participating
21 customers will be obligated to pay the full Base Charge and all cost
22 recovery clause charges.

23

24 The Small Business Incentive Rider (SBIR) is available to prospective
25 customers having a new load of at least 200 kW. The credit in the first

1 year is a 20 percent reduction to the customer's energy and demand
2 charges. The credit declines in year two to 15 percent, in year three to 10
3 percent and the fourth year credit is 5 percent. In order to qualify for the
4 SBIR credits, the prospective customer must provide audit documentation
5 from the Florida Department of Economic Opportunity demonstrating the
6 hiring of at least 10 full-time employees. The customer must also provide
7 an affidavit verifying that the availability of the Rider was a significant
8 factor in the customer's decision to request service from Gulf Power.
9 Loads that could qualify under the SBIR range from offices and small
10 retail stores to grocery stores, big box stores, office buildings and hotels,
11 to name a few.

12
13 The Large Business Incentive Rider (LBIR) is available to prospective
14 customers having a new load of at least 1,000 kW. The credits under this
15 Rider begin in year one with 60 percent and decline going forward. Year
16 two credit is 45 percent, year three is 30 percent and year four, the final
17 year, is 15 percent. We again require documentation of added jobs with
18 this Rider. In order to qualify for LBIR credits, the prospective customer
19 must provide audit documentation from the Florida Department of
20 Economic Opportunity demonstrating the hiring of at least 25 full-time
21 employees per 1,000 kW of qualifying load. Additionally, under this Rider,
22 the customer must also demonstrate new capital investment of at least
23 \$1,000,000 and provide an affidavit verifying that the availability of this
24 Rider was a significant factor in their decision to request service from Gulf
25 Power. Examples of qualifying loads under the LBIR include pulp/paper

1 mills, chemical plants, military installations, and large manufacturing
2 plants.

3
4
5 **VI. MEASURING GULF'S CUSTOMER SATISFACTION**

6
7 **Q. How do you measure the value of service that Gulf provides to**
8 **customers?**

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

12
13 **One of the Company's stated goals is to be in the upper quartile in**
14 **customer value when measured against a peer group of utilities. Gulf**
15 **utilizes a sophisticated research tool to make these comparisons. This**
16 **proprietary tool, known as the Customer Value Benchmark (CVB), allows**
17 **the Company to compare and contrast itself against an elite group of 16**
18 **peer utilities in the Southeast and nationally. The participants in the peer**
19 **group are identified in Schedule 2, page 1 of my exhibit. With the CVB,**
20 **customer value is measured in three customer segments: large business,**
21 **general business and residential.**

22
23 **Research for the residential and general business segments is done by**
24 **surveying a random sampling of customers in each segment for Gulf and**
25 **each company in the peer group. Selected customers are called and**

1 asked a set of questions based on a pre-determined set of key
2 performance indicators. For the residential segment, online surveys are
3 also conducted. Two waves of interviews are completed annually for each
4 segment.

5
6 For large business customers, data for the CVB is collected through a
7 syndicated study. Large business customers who meet the survey criteria
8 are called and asked a similar set of questions. In the large business
9 segment, the goal is to survey all qualifying customers of the Company
10 and each of the companies in the peer group.

11
12 Q. Where does Gulf rank when compared to the peer utilities in the survey
13 you described?

14 A. As shown in Schedule 2, page 2 of my exhibit, Gulf was in the top quartile
15 overall in 2012. Gulf's overall top quartile performance has been
16 consistent since 2000. We are proud of our performance when compared
17 to the top utilities across the country. This outstanding performance is a
18 testament to the focus Gulf's employees maintain on exceeding our
19 customers' expectations each and every day.

20
21 Q. What other ways does Gulf measure success as it relates to customer
22 value?

23 A. Gulf continually seeks opportunities to find innovative ways to better meet
24 our customers' needs. To that end, in addition to the CVB, we perform
25 monthly Active Customer Surveys with customers who had a recent

1 contact with the Company. The results of the active surveys are used to
2 identify targeted process improvements that improve our customers'
3 overall experience.

4
5 Gulf's commitment to customer satisfaction is further demonstrated by the
6 fact that customer complaints to the Commission have been on a steady
7 decline since 2010 as described in detail by Gulf Witness Neyman.

8
9 Surveys and all other customer contacts also help Gulf measure its
10 success with developing and delivering products and services. We are
11 proud of our record, and the customer value and satisfaction scores bear
12 out that we are successful in meeting the needs of our customers.

13

14

15

VII. GULF'S BUDGET PROCESS

16

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

18 A. Gulf's Corporate Planning and Budgeting departments prepare a Budget
19 Message that is distributed to all functional areas. The Budget Message is
20 intended to provide a budget guideline for preparing the five year budget
21 cycle request.

22

23 The five-year O&M budgets related to my areas of responsibility are
24 developed from the bottom up. The managers and supervisors in the

25

1 districts and corporate functions first develop budgets with the goal of
2 maintaining high customer satisfaction as I described in my testimony.

3

4 As managers and supervisors develop their five-year budget proposals,
5 they take into account any known factors that will affect their O&M needs
6 during that period. Their budgets are then submitted to a centralized
7 budget team. The budget team consolidates all of the information and
8 submits a proposal to the department heads. Once the department heads
9 are satisfied that their O&M budgets are reflective of their needs, the Vice
10 President for those business units meet with his or her entire leadership
11 team to discuss the O&M budget. At this point in the review process it is
12 the Vice President's intention to ensure the most critical needs are met
13 across the organization. In the event there are funding constraints, the
14 leadership team discusses risks associated with projects and prioritizes
15 projects to help ensure the most critical issues are included in the O&M
16 budget. Lastly, the budget is passed to Gulf's Corporate Planning and
17 Budgeting departments. Gulf Witness Ritenour discusses the budget
18 process that takes place after Corporate Planning and Budgeting receive
19 the O&M budget.

20

21 In addition to the rigorous budget approval process, Gulf's also follows a
22 detailed process for monitoring and managing current year expenses.
23 Each month actual costs are closely reviewed and any variance to budget
24 is documented. Also as part of this process, projections are made for the
25 next month and for year end. Actual costs, variance documentation as

1 well as projections are reviewed by department heads as well as the
2 business unit Vice President. If expenses are projected to exceed the
3 budget, approval is obtained from executive management and then
4 communicated to the Corporate Planning and Budgeting department.
5
6

7 **VIII. GULF'S CUSTOMER SERVICE AND INFORMATION O&M EXPENSES**
8

9 Q. What are Gulf's CS&I O&M budgets for 2013 and 2014?

10 A. Gulf's CS&I O&M budgets for 2013 and 2014 are presented in Exhibit
11 AGS-1, Schedule 3, page 1. Gulf's CS&I O&M budget for 2013 is
12 \$16,424,000. Gulf's CS&I O&M budget for 2014 is \$16,644,000.
13

14 Q. Are Gulf's projected levels of CS&I O&M expenses of \$16,424,000 in 2013
15 and \$16,644,000 in 2014 reasonable and prudent?

16 A. Yes. The expenses represented in the 2013 and 2014 budgets are
17 reasonable and prudent and were arrived at through Gulf's robust budget
18 process, as I described in detail previously in my testimony. These
19 expenses are necessary to support the customer serving functions in
20 Marketing that build strategic partnerships with Gulf's key customers,
21 provide valuable lighting and energy services, and provide customers with
22 expert advice managing their energy usage. All of these activities add
23 value to Gulf's customers and are essential in assisting them with using
24 energy productively.
25

1 Q. Is Gulf's projected level of CS&I O&M expenses of \$16,644,000 in 2014
2 representative of future periods?

3 A. Yes. As shown in Exhibit AGS-1, Schedule 3, page 1, the projected level
4 of CS&I O&M expenses of \$16,644,000 is representative of future periods
5 through 2017.

6

7 Q. Please describe the CS&I O&M expenses included in the 2014 test year.

8 A. The CS&I test year expenses include \$1,829,000 for Supervision,
9 \$13,581,000 for Customer Programs and Services and \$1,234,000 for
10 Advertising.

11

12 Q. Please describe the activities included in Gulf's Supervision category.

13 A. The Supervision category includes labor and associated expenses for the
14 supervisory and administrative functions that support Gulf's CS&I
15 organization.

16

17 Q. Please describe the activities included in Gulf's Customer Programs and
18 Services category.

19 A. Customer Programs and Services includes labor and associated
20 expenses for Gulf's Mass Markets, Major Accounts, Lighting, Energy
21 Services and Market Research and Planning functions. Additionally, this
22 category includes operational expenses necessary for customer programs
23 such as lighting, EarthCents Home and Energy Services.

24

25

1 Q. Please describe the activities included in Gulf's Advertising category.

2 A. Advertising includes appropriate expenses associated with Gulf's
3 advertising targeted at educating and informing customers about products
4 and services available to them as well as how to use energy efficiently.
5

6 Q. The Commission has historically employed an O&M benchmark
7 calculation in base rate proceedings. How do Gulf's CS&I O&M expenses
8 forecasted for 2014 compare to the O&M benchmark level of CS&I
9 expenses?

10 A. As shown in Schedule 4, page 1 of my exhibit, the test year CS&I
11 expenses are under the benchmark by \$3,568,000.
12
13

14 **IX. GULF'S SALES O&M EXPENSES**

15
16 Q. What is Gulf's Sales Expense O&M Budget for 2013 and 2014?

17 A. Gulf's Sales expenses for 2013 total \$1,161,000 and in 2014 total
18 \$1,171,000.
19

20 Q. Are Gulf's projected levels of Sales O&M expenses of \$1,161,000 in 2013
21 and of \$1,171,000 in 2014 reasonable and prudent?

22 A. Yes. The expenses represented in the 2013 and 2014 budgets are
23 reasonable and prudent and were arrived at as a result of Gulf's robust
24 budget process. These amounts represent 95 percent of the allowable
25

1 economic development expenses that the Company has budgeted for the
2 period. As shown on Schedule 3, page 2 of Exhibit AGS-1, the 2014
3 budgeted Sales expenses include the following major activities: \$491,000
4 (Administration) and \$680,000 (Programs and Incentives).

5

6 Q. Please describe the activities included in Gulf's Administration category.

7 A. The Administration category includes expenses for labor associated with
8 economic development activities, information technology expenses and
9 other miscellaneous expenses (e.g., travel, office supplies, etc.).

10

11 Q. Please describe the activities included in Gulf's Programs and Incentives
12 category.

13 A. Customer Programs and Incentives category includes sponsorships for
14 project development efforts conducted by local, regional and state
15 economic development agencies and organizations. These project
16 development efforts promote Northwest Florida through targeted
17 marketing, site evaluations and development and partnership events. It
18 also includes incentives associated with Gulf's re-occupancy incentive
19 discussed previously in my testimony. Also previously discussed, this
20 category includes expenses associated with Gulf's annual Economic
21 Symposium.

22

23

24

25

1 Q. Is Gulf's projected level of Sales expenses in 2014 representative of a
2 going forward level of Sales expenses beyond 2014?

3 A. Yes. This is best illustrated by comparing the 2014 level of Sales
4 expenses to the budgeted levels of Sales expenses for the years 2013-
5 2017, which were also developed in the same budget process. This is
6 shown on Schedule 3, page 2 of Exhibit AGS-1.

7

8 Q. Are Gulf's Sales expenses consistent with FPSC Rule 25-6.0426 and
9 section 288.035, Florida Statutes?

10 A. Yes. Gulf's Sales expenses are consistent with FPSC Rule 25-6.0426
11 and section 288.035, Florida Statutes.

12

13 Q. How do Gulf's Sales expenses forecasted for 2014 compare to the O&M
14 benchmark level of Sales expenses?

15 A. As shown in Schedule 4, page 2 of my exhibit, the test year Sales
16 expenses are over the benchmark by \$158,000. This variance is due to
17 an increase in administrative expenses necessary to support the addition
18 of an economic development analyst position and associated costs
19 (\$126,000) and additional expenses for economic development programs
20 and projects (\$32,000).

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X. SUMMARY

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Q. Ms. Strickland, please summarize your testimony.

A. My testimony demonstrates and confirms Gulf's high performance in the area of customer service and the substantial benefits Gulf's Marketing organization provides to customers.

My testimony also demonstrates and confirms the Company's commitment and engagement in economic development. These efforts benefit all customers and support statewide initiatives to create jobs and strengthen the economy.

The O&M expenses described in my testimony are carefully budgeted, controlled and utilized in a manner to ensure value is provided to our customers and satisfaction remains at very high levels. The \$16,644,000 budgeted for CS&I and the \$1,171,000 budgeted for Sales in the test year are reasonable, prudent and necessary expenses and are representative of the levels that will continue to be incurred in the future when new rates resulting from this case are in effect.

Q. Ms. Strickland, does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 130140-EI

Before me the undersigned authority, personally appeared
Angela G. Strickland, who being first duly sworn, deposes, and says that she is
the Marketing General Manager of Gulf Power Company, a Florida corporation,
that the foregoing is true and correct to the best of her knowledge, information,
and belief. She is personally known to me.

Angela G. Strickland
Angela G Strickland
Marketing General Manager

Sworn to and subscribed before me this 8th day of July, 2013.

Monica A. Williams
Notary Public, State of Florida at Large

Commission No. EE166803

My Commission Expires 2/6/16



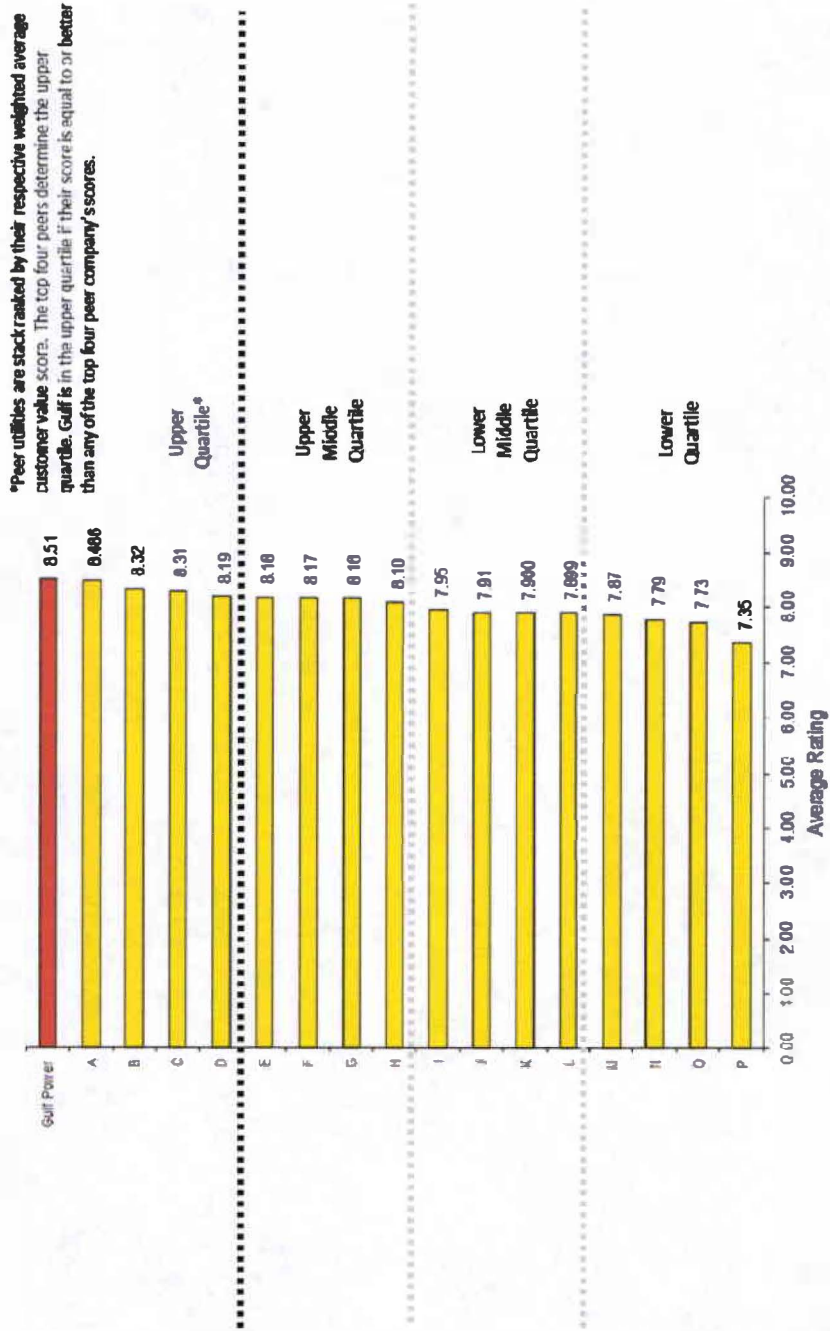
Responsibility for Minimum Filing Requirements

| <u>Schedule</u> | <u>Title</u> |
|------------------------|--|
| C-6 | Budgeted Versus Actual Operating Revenues and Expenses |
| C-9 | Five Year Analysis – Change in Cost |
| C-12 | Administrative Expenses |
| C-14 | Advertising Expenses |
| C-41 | O&M Benchmark Variance by Function |
| F-8 | Assumptions |

Customer Value Benchmark Peer Utilities

1. AEP
2. Dominion Resources
3. Duke Energy
4. Entergy
5. Exelon
6. MEAG
7. NextEra Energy (FPL)
8. Oglethorpe
9. PPL
10. Progress Energy
11. Reliant Energy
12. SCANA
13. TECO
14. TVA
15. TXU
16. WE Energies

Customer Value Benchmark - Overall Rank Chart



**Customer Service and Information
Expense Detail (\$000)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Supervision | 1,877 | 1,829 | 1,897 | 1,949 | 1,991 |
| Customer Programs and Services | 13,314 | 13,583 | 13,802 | 14,048 | 14,243 |
| Advertising | 1,233 | 1,232 | 1,235 | 1,237 | 1,238 |
| Total | 16,424 | 16,644 | 16,934 | 17,234 | 17,472 |

**Sales
Expense Detail (\$000)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|-------|-------|-------|-------|-------|
| Administrative Expenses | 481 | 491 | 508 | 523 | 536 |
| Programs and Incentives | 680 | 680 | 680 | 680 | 680 |
| Total | 1,161 | 1,171 | 1,188 | 1,200 | 1,213 |

Customer Service and Information
Test Year Benchmark versus 2014 Budget
(\$000)

| | Benchmark | 2014 Budget | Variance |
|--------------------------------|-----------|-------------|----------|
| Supervision | 3,031 | 1,829 | (1,202) |
| Customer Programs and Services | 15,968 | 13,581 | (2,387) |
| Advertising | 1,213 | 1,234 | 21 |
| Total | 20,212 | 16,644 | (3,568) |

Sales
Test Year Benchmark versus 2014 Budget
(\$000)

| | Benchmark | 2014 Budget | Variance |
|--------------------------------|------------------|--------------------|-----------------|
| Administration | 365 | 491 | 126 |
| Programs and Incentives | 648 | 680 | 32 |
| Total | 1,013 | 1,171 | 158 |