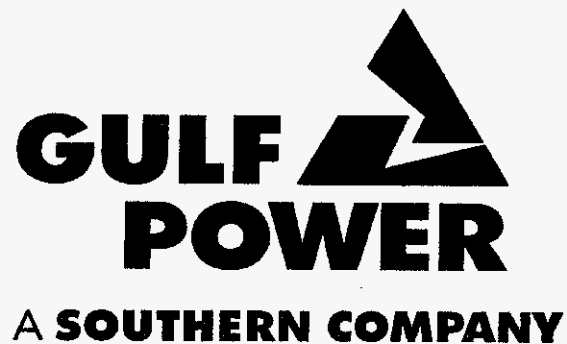


**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 110138-EI

**REBUTTAL TESTIMONY
OF
P. BERNARD JACOB**



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FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Rebuttal Testimony of
4 P. Bernard Jacob
5 Docket No. 110138-EI
6 In Support of Rate Relief
7 Date of Filing: November 4, 2011

8 Q. Please state your name, address, and occupation.

9 A. My name is Bernard Jacob, and my business address is One Energy
10 Place, Pensacola, Florida 32520. I am Vice President of Customer
11 Operations for Gulf Power Company (Gulf or the Company).

12 Q. Have you previously filed testimony in this proceeding?

13 A. Yes.

14 Q. What is the purpose of your rebuttal testimony?

15 A. The purpose of my rebuttal testimony is to respond to Office of Public
16 Counsel (OPC) witness Kimberly H. Dismukes' testimony regarding her
17 recommendation to disallow a portion of SouthernLINC charges from
18 Gulf's test year expenses. I will also address certain statistics contained
19 in the direct testimony of Florida Public Service Commission (FPSC or the
20 Commission) Staff witness Rhonda L. Hicks.

1 Q. Does Ms. Dismukes correctly characterize the role of SouthernLINC in its
2 relationship to Gulf Power and the Company's ability to provide service to
3 Gulf's customers?

4 A. No. Ms. Dismukes' testimony suggests that SouthernLINC was created to
5 provide communication services in the competitive marketplace as an
6 unregulated affiliate. The SouthernLINC expenses included in Gulf's 2012
7 test year are for telecommunication services that are necessary for the
8 continued reliable operation of Gulf's distribution and transmission system.
9 SouthernLINC's services are unique and have no commercial comparison
10 in the marketplace.

11
12 Although SouthernLINC markets its service commercially to certain
13 entities such as local municipalities, schools and utilities, such efforts are
14 to the benefit of Gulf and the other operating companies of the Southern
15 electric system. Gulf derives financial benefit from SouthernLINC's
16 commercial operations because the contribution to fixed costs from the
17 commercial aspect of SouthernLINC serve to reduce billings to Gulf and
18 its sister companies for the unique telecommunication services required
19 for regulated operations. SouthernLINC's margin on sales to non-
20 affiliates serves to reduce the costs of ownership and operation of this
21 unique telecommunications system tailored to the needs of Gulf and the
22 other operating companies of the Southern electric system.
23 SouthernLINC's services are billed to Gulf and its affiliates at cost less the
24 contribution to fixed costs obtained from SouthernLINC's commercial
25 subscribers.

1 The statement in Southern Company's 2010 Form 10-K regarding
2 SouthernLINC being responsible for a decrease in non-electric operating
3 revenues in 2009 and 2010 cited by Ms. Dismukes simply acknowledges
4 the fact that the profit from the commercial business part of SouthernLINC
5 in those years had declined and did not defray as much of the total cost of
6 SouthernLINC. This is not a case of electric utility customers subsidizing
7 the commercial customers of a non-regulated business. Quite the
8 contrary, the commercial business lines of SouthernLINC help reduce the
9 cost of the telecommunication services provided to Gulf as a vital part of
10 its operations.

11

12 Q. Why was SouthernLINC established as a subsidiary of Southern
13 Company?

14 A. SouthernLINC was established primarily to provide digital wireless voice
15 and data services to Gulf and its affiliates due to the lack of viable
16 alternatives in the commercial market. Prior to SouthernLINC, Gulf used a
17 radio system which was fixed-mounted in its vehicles and provided a base
18 system in its corporate and field offices. This system provided basic radio
19 functionality with limited channels. The users experienced several
20 operational issues such as: wait times for a channel to become available;
21 over-talk with simultaneous conversations; lack of portability; and
22 numerous radio coverage issues. SouthernLINC deployed an 800 MHz
23 system which provided push-to-talk communications on a portable hand-
24 held device. This portable hand-held device enabled the employee to keep
25 the radio with him or her while working on the electric network.

1 By having a hand-held communication device with the employee, personal
2 safety and operational productivity improved. The hand-held device
3 improved the communication capability by providing both private and
4 group talk. Functionality was expanded to include wireless cellular
5 service, data access, and instant messaging. Southern Company
6 established SouthernLINC as a subsidiary in 1996 to market this
7 technology developed to meet the operational needs of Gulf and the other
8 operating companies of the Southern electric system to other potential
9 users to help defray the costs of the system.

10

11 Q. Please describe other ways SouthernLINC is used by Gulf Power.

12 A. Gulf uses SouthernLINC for automated work order dispatch and vehicle
13 location for its service crews. SouthernLINC provides the capability to
14 electronically schedule and dispatch work orders based upon available
15 resources and equipment, thus enhancing customer value. As Gulf
16 installs additional smart grid equipment on its transmission and distribution
17 systems, SouthernLINC's interoperability between transmission and
18 distribution automation systems will result in enhanced monitoring,
19 switching, and fault location.

20

21 Q. Does SouthernLINC provide service that is unique when compared to
22 other telecommunications providers?

23 A. Yes. By design, the SouthernLINC network closely corresponds to the
24 Gulf Power electric grid and that of the entire Southern electric system,
25 including the rural areas of Gulf's service area.

1 For example, Gulf serves DeFuniak Springs, Bonifay, Graceville, Century
2 and other small communities and must have communication capabilities in
3 those rural areas. SouthernLINC provides voice and data
4 communications capability that is not always available from other wireless
5 communications providers. In many of these rural and underserved
6 communities, SouthernLINC is the only wireless service provider.

7
8 SouthernLINC designed and built its system to meet the rigorous
9 standards of utility construction. All sites have battery backup capabilities
10 with an absolute minimum capacity of between four and eight hours. In
11 addition, every site critical to electric operations must have a generator
12 with on-site fuel capacity sufficient to power the site for several days.

13
14 SouthernLINC also utilizes controllers and base radios for each site.
15 This type of construction is a function of the needs of the primary
16 customers of SouthernLINC, the operating companies of the Southern
17 electric system of which Gulf Power is a part. Gulf Power's service area
18 has been impacted by several hurricanes, tropical storms, and tornados
19 since SouthernLINC began operations. Without the strength of the
20 SouthernLINC system, Gulf's line operations would be severely hindered
21 during recovery efforts following storms.

22

23 Q. Please describe how SouthernLINC performed after Hurricane Ivan.

24 A. The impact of Hurricane Ivan to Gulf Power was catastrophic. In the
25 aftermath, the SouthernLINC wireless network was operational and

1 enabled Gulf crews to immediately begin restoration efforts in the areas
2 most severely impacted by this storm. Other communications carriers
3 sustained severe damage to their networks and their customers
4 experienced extremely limited communications capabilities for days after
5 the storm. The need for person-to-person communication is acute during
6 and after a natural disaster. Communications between utility crews,
7 electric grid operators, and other utility personnel are essential to effective
8 and efficient electric service restoration. Because of SouthernLINC's
9 infrastructure resiliency, SouthernLINC is able to provide communication
10 services and equipment not only to those restoring electric service but
11 also to a variety of public safety personnel, emergency responders,
12 governmental entities, and electric restoration crews. These unique
13 service characteristics are vital to Gulf's operations and its ability to
14 provide reliable and efficient service to its customers.

15
16 Q. Should the costs associated with SouthernLINC be fully allowed in the test
17 year?

18 A. Yes. Gulf and its customers benefit from the services provided by
19 SouthernLINC. The budgeted costs associated with SouthernLINC are
20 reasonable and should be fully allowed in the test year.

21
22 Q. Turning now to the testimony of Ms. Hicks, do you have any comments
23 about the statistics cited regarding customer contacts to the FPSC?

24 A. Yes. Overall, we are extremely proud of our service record in regards to
25 our response to customer contacts that come to the FPSC. We take

1 particular pride in the fact that the vast majority of all customer issues
2 coming to us from the FPSC via the warm transfer mechanism are able to
3 be resolved to the customer's satisfaction without further action needed by
4 the Commission. Beyond that, we are also pleased that we have such a
5 low incidence of customer contacts to the FPSC. Gulf averaged 430,216
6 customers from January 2009 through September 2011 and during this
7 period, the number of Gulf customer contacts filed with the Commission
8 totaled 1520, or 0.35 percent of the average number of customers. We
9 believe that this extremely low percentage of complaints by our customers
10 is a direct result of Gulf's commitment to customer service and customer
11 satisfaction.

12

13 Q. Do you have any other comments about the possible rule violation
14 mentioned in Ms. Hicks' testimony?

15 A. Yes. First, I want to take this opportunity to assure the Commission that
16 we at Gulf Power work very diligently to comply with all rules of the
17 Commission and we were very distressed by the event in question
18 registered in the FPSC's Complaint Activity Tracking System as inquiry
19 number 0971574E. In this particular case, Gulf's response was due at the
20 Commission on October 25, 2010 at 4:00 p.m. Central Standard Time.
21 Gulf sent an email response to the Commission on October 25, 2010 at
22 4:00 p.m. and a follow up facsimile at 4:01 p.m. CST with the FPSC
23 receiving the facsimile at 4:02 p.m. CST. Gulf acknowledges that our
24 response was certainly pushing the envelope on being submitted in a
25 timely manner and certainly left us open to being classified as being late.

1 We have taken steps that will hopefully help prevent a similar occurrence
2 in the future.

3

4 Q. Does that conclude your testimony?

5 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 110138-EI

Before me the undersigned authority, personally appeared P. Bernard Jacob, who being first duly sworn, deposes, and says that he is the Vice President of Customer Operations of Gulf Power Company, a Florida corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

The signed original affidavit is attached to the original testimony on file with the FPSC.

s/ _____
P. Bernard Jacob
Vice President of Customer Operations

Sworn to and subscribed before me this _____ day of _____, 2011.

Notary Public, State of Florida at Large

Commission No. _____

My Commission Expires _____