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COMMISSION  
CLERK



October 11, 2011

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

RE: Docket No. 110002-EG

Dear Ms. Cole:

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above referenced docket. Also enclosed is a Compact Disk containing the Prehearing Statement in Microsoft Word as prepared on a Windows XP operating system.

Sincerely,

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COM \_\_\_\_\_  
APA \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
RAD \_\_\_\_\_  
SRC \_\_\_\_\_  
ADM \_\_\_\_\_  
OPC \_\_\_\_\_  
CLK \_\_\_\_\_

Enclosures

ec:

Beggs & Lane  
Jeffrey A. Stone, Esq.

*1+1 CD containing pre hearing statement in word version.*

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Conservation Cost Recovery )  
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Docket No. 110002-EG  
Date Filed: October 12, 2011

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned attorneys, and pursuant to Order No. PSC-11-0136-PCO-EG, issued February 28, 2011, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

**A. APPEARANCES:**

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire  
and STEVEN R. GRIFFIN, Esquire, of Beggs & Lane, P.O. Box  
12950, Pensacola, FL 32591-2950  
On behalf of Gulf Power Company.

**B. WITNESSES:** All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

<u>Witness</u> <u>(Direct)</u>	<u>Subject Matter</u>	<u>Issues</u>
1. Jennifer L. Todd	True-up; components of Gulf's conservation plan and associated costs; projections and program results	1, 2, 3, 4 (Generic), 7-8 (Company Specific)

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(JLT-1)	Todd	Schedules CT - 1 through CT - 6
(JLT-2)	Todd	Schedules C - 1 through C - 6

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the proposed ECCR factors present the best estimate of Gulf's Conservation expense at this time for the period January 2012 through December 2012, including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

**Generic Energy Conservation Cost Recovery Issues**

**ISSUE 1:** What are the final conservation cost recovery true-up amounts for the period January 2010 through December 2010?

**GULF:** Under recovery of \$287,164<sup>1</sup>. (Todd)

**ISSUE 2:** What are the total conservation cost recovery amounts to be collected during the period January 2012 through December 2012?

**GULF:** Recovery of \$29,288,627 (excluding revenue taxes). (Todd)

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<sup>1</sup> Gulf's petition incorrectly included the actual over recovery balance at 12/31/10- of \$2,922,947 instead of the Adjusted Net True-up for 2010 presented here.

**ISSUE 3:** What are the conservation cost recovery factors for the period January 2012 through December 2012?

**GULF:** The Company's proposed conservation cost recovery factors by customer class for the period January 2012 through December 2012 are as follows: (Todd)

<b>RATE CLASS</b>	<b>CONSERVATION COST RECOVERY FACTORS ¢/kWh</b>
RS, RSVP	0.342
GS	0.122
GSD, GSDT, GSTOU	0.120
LP, LPT	0.117
PX, PXT, RTP, SBS	0.115
OSI, OSII	0.067
OSIII	0.070

**ISSUE 4:** What should be the effective date of the new conservation cost recovery factors for billing purposes?

**GULF:** The new conservation cost recovery factors should be effective beginning with the first billing cycle for January 2012 and thereafter through the last billing cycle for December 2012. The first billing cycle may start before January 1, 2012, and the last cycle may be read after December 31, 2012, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Todd)

**Gulf Power Company Specific Conservation Cost Recovery Issues**

**ISSUE 7:** Should Gulf's proposal to change the method used to apportion recoverable conservation costs among the Company's customer classes be approved?

**GULF:** Yes. The current method for apportioning recoverable conservation costs among the Company's customer classes is no longer adequate or appropriate. Gulf's approved DSM Plan includes many programs that pass the Total Resource Cost (TRC) cost-effectiveness test but do not pass the Rate Impact Measure (RIM) test. This shift from RIM to TRC results in program offerings that directly benefit participating customers and provide some indirect benefit to non-participating customers, but put upward pressure on rates overall leaving non-participating customers with a net negative benefit, i.e. costs exceed benefits. Thus, expenses for non-RIM passing programs should be specifically assigned to the customer class which is eligible to participate in the program to avoid cross-subsidization between classes. Although this method still does not eliminate intra-class subsidization, it is more equitable than the current methodology, helping to reduce subsidies among customer classes. (Todd)

**ISSUE 8:** What conservation cost recovery factors should the Commission approve for Gulf's Residential Service Variable Pricing (RSVP) rate?

**GULF:**

1. The Commission should approve Gulf's traditional ECCR factor that is applicable to the RS and RSVP classes, with an effective date of January 1, 2012. This factor is shown on Schedule C-1, page 3, line 33 to Witness Todd's testimony.
2. Contingent on the approval of the associated rate design change in Gulf's pending rate case, Docket No. 110138-EI, ECCR factors for the four price tiers (P1, P2, P3, and P4) for Rate Schedule RSVP should be established. These factors are shown on Schedule C-6 to Witness Todd's testimony and should go into effect the month following the approval of the associated rate design change in Docket No. 110138-EI.

**Conservation Cost Recovery Issues Raised by Southern Alliance for Clean Energy (SACE)**

**ISSUE I:** Has the utility documented a levelized cost, or used another methodology, to determine the DSM plan program cost per unit of energy savings?

**GULF:** This issue is not appropriate for inclusion in this docket as there is no testimony related to this issue in the record. Further, Gulf complies with the requirements set forth in Rule 25-17.015, Florida Administrative Code, as it relates to costs filed in this proceeding. This rule does not include a requirement for program cost per unit of energy savings.

**ISSUE II:** Would a different mix of compliant DSM Plan programs result in a lower conservation cost recovery factor?

**GULF:** This issue is not appropriate for inclusion in this docket as there is no testimony related to this issue in the record. Further, Gulf's DSM program design was addressed extensively in Docket No. 100154 and approved by the Commission in Order No. PSC-11-0114-PAA-EG.

**ISSUE III:** Would modifying the design of existing compliant DSM Plan programs result in a lower cost recovery factor?

**GULF:** This issue is not appropriate for inclusion in this docket as there is no testimony related to this issue in the record. Further, Gulf's DSM program design was addressed extensively in Docket No. 100154 and approved by the Commission in Order No. PSC-11-0114-PAA-EG.

**ISSUE IV:** Would an increased reliance on lower cost compliant DSM Plan programs result in a lower cost recovery factor?

**GULF:** This issue is not appropriate for inclusion in this docket as there is no testimony related to this issue in the record. Further, Gulf's DSM program design was addressed extensively in Docket No. 100154 and approved by the Commission in Order No. PSC-11-0114-PAA-EG.

**ISSUE V:** Are the costs of the DSM Plan programs prudent?

**GULF:** Yes. (Todd)

F. STIPULATED ISSUES

**GULF:** Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

G. PENDING MOTIONS:

**GULF:** None.

H. PENDING CONFIDENTIALITY REQUEST:

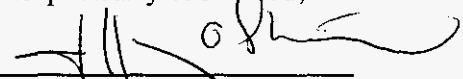
**GULF:** None.

I. OTHER MATTERS:

**GULF:** To the best knowledge of counsel, Gulf has complied, or is able to comply, with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for November 1-3, 2011, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 11<sup>th</sup> day of October, 2011.

Respectfully submitted,



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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Energy Conservation Cost Recovery** )

Docket No.: **110002-EG**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U.S. mail this 11th day of October 2011, to the following:

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