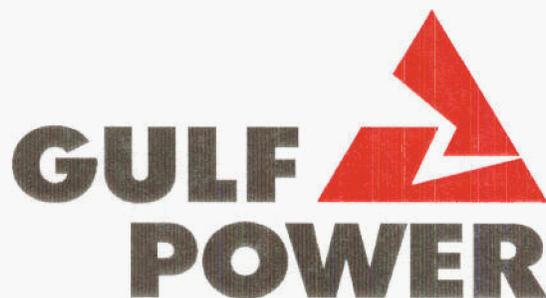


ORIGINAL

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010949-EI

TESTIMONY AND EXHIBIT
OF
M. D. NEYMAN



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

11242 SEP 10 8

FPSC-COMMISSION CLERK

ORIGINAL

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Margaret D. Neyman
5 Docket No. 010949-EI
6 In Support of Rate Relief
7 Date of Filing: September 10, 2001

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

9 A. My name is Margaret D. Neyman; and my business address is One
10 Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power
11 Company as General Manager of Marketing.

12 Q. Please summarize your educational background and your work
13 experience at Gulf Power Company.

14 A. I attended Auburn University and received a B.S. degree in Industrial
15 Engineering in 1980. I have been continuously employed by Gulf Power
16 Company for twenty years. I have held positions of increasing
17 responsibility in the following areas: Corporate Performance, Customer
18 Service, Appliance Sales, and Marketing Services. I am currently General
19 Manager of Marketing.

20 Q. Have you prepared an exhibit that contains information to which you will
21 refer in your testimony?

22 A. Yes. Exhibit MDN-1 was prepared under my supervision and direction.
23 Schedule 1 details the test year and Benchmark year expenses relating to
24 marketing activities at Gulf Power Company.

25 DOCUMENT NUMBER-DATE

11242 SEP 10 01

FPSC-COMMISSION CLERK

1 Counsel: We ask that Ms. Neyman's Exhibit MDN-1 consisting of
2 two schedules be marked as Exhibit No. ____.

3
4 Q. Ms. Neyman, are you the sponsor of certain Minimum Filing Requirements
5 (MFRs)?

6 A. Yes, these are listed on Schedule 3 at the end of my exhibit. To the best
7 of my knowledge, the information contained in these MFRs is true and
8 correct.

9
10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to justify Gulf Power Company's
12 Customer Service and Information expenses, Sales expenses, Economic
13 Development expenses, and Advertising expenses contained in the
14 June 2002 – May 2003 test year. I will describe the organization and
15 functions within Gulf's Marketing department, the Company's philosophy
16 relating to sales, conservation, and efficiency and their impact on the
17 customer. I will also discuss the Company's economic development and
18 advertising activities and expenses.

19
20 Q. How is Marketing organized within Gulf Power Company?

21 A. Marketing is vertically integrated within the Company. That is, all
22 functions relating to program development, evaluation, and
23 implementation report to and are accountable to the General Manager of
24 Marketing. The general functions of Marketing include: Marketing
25 Services, Mass Marketing (residential and small business customers),

1 Major Accounts, and District Marketing.

2 Marketing Services includes Pricing and Rates, Load Research,
3 Translation Services, Market Reporting and Economic Evaluation,
4 Forecasting, and New Products and Services. Marketing Services is also
5 responsible for the development and reporting of the Company's demand
6 side management plan. This activity also includes the projection and true-
7 up filings for ECCFI. Forecasting consists of developing the Company's
8 short and long-term (25-year) energy, demand, and revenue projections
9 annually.

10 The Mass Marketing group develops and supports programs,
11 products, and services aimed at the residential and small business
12 segments. This includes conservation programs, technical assistance
13 audits, **GoodCents Select** program management, and efficient energy
14 sales.

15 The Major Accounts group focuses on the largest industrial and
16 commercial accounts. These are the Company's largest and most
17 specialized customers. The customers are grouped into industry
18 segments (e.g., forest products, military, health care, etc.) and each
19 segment is assigned to an administrator. Because of the unique nature of
20 these customers, it is necessary that each segment administrator be
21 extremely knowledgeable of the assigned businesses and their
22 processes, outputs, markets, and competition.

23 District Marketing includes residential, commercial and industrial
24 sales activities. The Company has district offices in Panama City, Fort
25 Walton, and Pensacola. District Marketing is responsible for managing

1 day-to-day customer relationships. These activities include helping
2 customers with energy audits; equipment alternatives, sizing, and
3 installation options; and energy efficiency and conservation opportunities.
4

5 Q. Please describe Gulf Power Company's overall marketing philosophy.

6 A. Gulf Power Company's Marketing department operates by both balancing
7 and maximizing the interests of all of the Company's stakeholders –
8 customers, stockholders, and regulators. The Company recognizes that
9 its success is dependent upon gaining and retaining the confidence of our
10 customers. By gaining an understanding of the customer, the Company is
11 able to anticipate and meet those needs with existing or new products
12 and/or services.
13

14 Q. Ms. Neyman, can you provide a couple of recent examples of how Gulf
15 Power Company has implemented this philosophy?

16 A. Yes. Gulf Power Company has recently introduced two innovative
17 programs – Real Time Pricing and **GoodCents Select** – that emphasize
18 pricing flexibility as a means to increasing energy efficiency. The
19 Company has tested and implemented these programs that incorporate
20 pricing structures that better reflect the marginal costs associated with
21 providing electric service. The customer is guided by the price signals in
22 making purchase decisions, including demand side and/or energy
23 efficiency measures, that more appropriately reflect the scarcity of
24 resources used in producing and supplying electric service.
25

1 Q. Please explain the Real Time Pricing program.

2 A. Gulf Power Company introduced Real Time Pricing (RTP) as a pilot
3 program in 1995. The Company's Real Time Pricing program sends
4 hourly prices a day ahead to commercial and industrial customers
5 subscribing to the tariff. Customer reactions to these price signals impact
6 demand response (conservation) and economic efficiency.

7 The recurring theme from a post-pilot survey was what RTP did for
8 the customer. Customers for the first time, in their words, felt "in control"
9 of their energy purchasing decisions.

10 The pilot served as the basis for the Company's petition for a
11 permanent RTP tariff. The FPSC approved the RTP tariff as a permanent
12 offering in September 1999 in FPSC Docket No. 990315-EI.

13

14 Q. Please describe the **GoodCents Select** program.

15 A. Gulf Power Company introduced **GoodCents Select** as the Company's
16 innovative pricing program aimed at residential customers. **GoodCents**
17 *Select* is designed to provide residential customers with a means of
18 conveniently and automatically controlling and monitoring their energy
19 purchases in response to prices that vary during the day and by season in
20 relation to the Company's cost of producing or purchasing energy. The
21 **GoodCents Select** system allows the customer to control more precisely
22 the amount of electricity purchased for heating, cooling, water heating,
23 and other selected loads.

24 Variable pricing for all customer classes better reflects the cost of
25 service and provides a basis for customers to trade off service levels with

1 cost. Environmental and regulatory stakeholders benefit from flexible
2 pricing through energy and demand conservation and increased economic
3 efficiency. The customers benefit through control of their processes or
4 homes and increased value from each purchase. The Company gains
5 through a more efficient use of its generation and distribution system and
6 increased customer satisfaction.

7 The **GoodCents Select** system was recently awarded the 2001
8 Governor's New Product Award. The award was based on the quality and
9 innovation of the product and its economic contribution to Florida.

10
11 Q. Ms. Neyman, what has Gulf Power Company learned from these two
12 programs?

13 A. Both of these examples illustrate Gulf Power Company's recognition that
14 our success is dependent upon gaining and retaining the confidence of
15 our customers. Knowing the customer and providing the products and
16 services demanded allows the Company to position itself as the energy
17 provider of choice.

18
19 Q. How are marketing programs developed, evaluated, and implemented?

20 A. As stated previously, Gulf Power Company relies extensively on listening
21 to the customer. This is accomplished through market research, the
22 Company's experienced corporate and field staff interaction with
23 customers, and national and regional information sources on emerging
24 trends. The Company also uses its internal marketing databases to
25 identify emerging customer usage patterns and preferences. Gulf Power

1 Company additionally leverages its affiliation with the Southern Company
2 and the other system operating companies to co-fund projects and
3 exchange information on consumer trends, preferences, leading edge
4 technologies, and marketing techniques.

5 Information gathered from these diverse sources is then
6 assimilated and translated into new or enhanced products/services or
7 programs. The marketing programs are then tested against a matrix
8 consisting of consumer attributes, financial considerations, and marketing
9 issues.

10
11 Q. Can you provide any examples of how the marketplace changes have
12 impacted marketing programs?

13 A. Yes. The pervasiveness of computers in the home and workplace has
14 changed how Gulf Power Company interacts with its customers and how
15 customers expect the Company to respond to their needs.

16 Enhancements made to the Energy Audit program are illustrative of how
17 the Company has responded to marketplace changes. Prior to the advent
18 of computers, customers needed to contact the Company and then one of
19 the Company's energy consultants made a physical visit to the customer's
20 home to perform the energy audit. Today, a customer using the Internet
21 can go on-line and complete an energy audit questionnaire and have the
22 analysis and report sent to them via e-mail.

23 Likewise, demographic and workplace changes have necessitated
24 Gulf Power Company being accessible to customers in more ways and for
25 more hours. The Company allows customers to request a new service

1 connection or disconnection, make bill inquiries, request an additional
2 service, or notify us of an outage through the Internet or the Customer
3 Service Center by telephone – 24 hours a day and 7 days per week.
4 Previously, these routine services might have required a visit or telephone
5 call to a local or district office during normal business hours.

6 One of Gulf Power Company's goals is to make contact between
7 the Company and its customers seamless. As the pace of life has
8 accelerated, the Company has responded to the customer's need for
9 more ways to access the Company.

10
11 Q. Has competition in the energy marketplace impacted Gulf Power
12 Company's marketing efforts?

13 A. Yes. Competition takes many forms in the marketplace. In its most
14 obvious form, competition in the large commercial and industrial sectors
15 can be in the form of the direct acquisition of the customer's energy
16 requirements through co-generation. The loss of customers to self-
17 generation can result in increased costs to all of the Company's
18 customers. The retention of these blocks of energy load by the Company
19 can prevent the general body of customers from having to bear the fixed
20 costs previously associated with serving these customers.

21 Competition does not have to be between competing energy
22 sources or suppliers. Gulf Power Company must also deal with the
23 competition our customers face. For example, our customers compete
24 with other national or international facilities that can displace the output of
25 the local facility. Helping a customer maintain its competitive position

1 benefits the customer, the Company, the economic well being of the
2 community, and the general body of customers.

3 A very subtle form of competition has emerged as customers have
4 asked for "green" energy from non-traditional sources. In response, Gulf
5 Power Company became the first utility in Florida to develop and receive
6 approval of a Green Pricing Rate Rider. This program allows customers
7 to purchase photovoltaic energy in 100-watt blocks through the
8 Photovoltaic Optional Rate Rider (PV). Subscribing to the optional energy
9 blocks allows the customer to displace traditional generation sources with
10 electricity from "green" sources. When the total subscription reaches
11 1 mW, the Company has the option to either build an alternative green
12 energy source or to purchase green energy.

13 Gulf Power Company recognized that to maintain a high level of
14 customer satisfaction, and therefore increase its ability to retain all types
15 of customers, it must be proactive and creative in meeting its customers'
16 needs. Innovative programs and/or pricing options are examples of how
17 competition in its many forms continues to shape the Company's
18 marketing efforts.

19
20 Q. Does Gulf Power Company actively sell energy?

21 A. Yes. Gulf Power Company selectively sells energy, but only when it is
22 cost-effective for all its customers. The Company attributes its success in
23 the marketplace to its ability to sell concepts to our customers such as
24 conservation, load management, and general economic efficiency. These
25 skills have also enabled the Company to selectively sell energy. In order

1 to be the competitive energy supplier of choice in Northwest Florida, the
2 Company must minimize its overall cost of service. This enables our
3 customers to maximize the overall value received from our services.
4 Improving the Company's load factor by selling electricity primarily during
5 off-peak periods increases the utilization and efficiency of existing and
6 planned facilities and thus helps minimize cost to all customers.

7 Real Time Pricing for commercial and industrial customers and
8 **GoodCents Select** for residential customers are examples of marketing
9 strategies that encourage on-peak reduction and off-peak sales. Time-
10 of-use rates, available to all customer classes, are designed to elicit the
11 same type of customer response.

12
13 Q. Why does Gulf Power Company concentrate its marketing efforts on
14 increasing off-peak energy sales?

15 A. The Company's on-going market and load research reveals definite
16 changes taking place in market conditions. The Company and its
17 business customers face an increasingly competitive market environment.

18 This competitive business environment has placed a significant
19 block of the Company's energy load at risk. The Company has already
20 invested to serve this energy load. Loss of large blocks of load from
21 single customers has occurred and continues to be at risk as these
22 businesses face domestic and foreign competition, co-generation, higher
23 production costs, and dated facilities and equipment.

24 As a result of this environment, Gulf Power Company's long term
25 strategy has been to ensure the lowest cost and most reliable electricity to

1 its customers. A vital part of this strategy has been conservation and
2 efficiency marketing efforts begun by the Company over twenty years ago.
3 The Company's ultimate objective, which the Company believes to be in
4 the best interests of its customers, is to minimize overall costs of service
5 through increasing the efficiency and utilization of existing facilities while
6 reducing future requirements. This strategy conserves corporate
7 investment, utilizes it more efficiently, and puts downward pressure on
8 rates to all customers by spreading fixed costs over more electricity sales.

9 The overall plan is a long term one, encompassing conservation,
10 off-peak sales, pricing alternatives, load management options,
11 co-generation, and other demand side options.

12
13 Q. What value does Gulf Power Company's Marketing Department bring to
14 its customers?

15 A. The Company has been successful in marketing high efficiency electric
16 technologies for heating and water heating in the new home and business
17 markets and improving the Company's load factor. The educational
18 efforts of the Company result in customers having access to all of the
19 information necessary to make informed decisions regarding energy
20 efficient end-use products. The marketing efforts of Gulf Power Company
21 help improve the Company's load factor. As noted above, an improved
22 load factor will result in a more efficient electrical system and result in
23 lower costs for all customers.

1 Q. How does Gulf Power Company measure the success of its marketing
2 efforts?

3 A. Gulf Power Company continually talks with its customers. Personal
4 contact, letters, e-mail, telephone calls, and surveys are all ways
5 customers let us know how we are doing.

6 One of the Company's stated goals is to be in the upper quartile in
7 customer value when measured against a peer group of utilities. The
8 results of these annual surveys are part of each marketing employee's
9 performance plan. These studies primarily allow the Company to
10 compare and contrast itself against a group of 16 peer utilities in the
11 Southeast and nationally.

12 Gulf Power Company has an excellent track record with regard to
13 customer value. In the three customer segments it monitors (large
14 business, general business, and residential), the Company ranks number
15 three in the residential segment, number two in the general business
16 segment, and number one in the large business segment. The Company
17 ranks second in overall value when all three segments are combined.

18 Surveys and all other customer contacts help Gulf Power Company
19 measure its success with developing and delivering products and
20 services. The Company is proud of its record and the high customer
21 value and satisfaction scores bear out that we are being successful in
22 meeting the needs of our customers.

23
24
25

1 Q. Ms. Neyman, would you please provide some details as to the marketing
2 expenses Gulf Power Company seeks to recover?

3 A. The total test year budget for Gulf Power Company's marketing efforts is
4 \$9,922,000. The test year budget amount includes only operating and
5 maintenance expenses to be recovered through base rates. A portion of
6 the marketing budget is recovered through the Energy Conservation Cost
7 Recovery clause (ECCR). That portion of the marketing budget to be
8 recovered through base rates is 71 percent of our total marketing budget.

9 The marketing portion of the test year expenses is contained in
10 Schedule 1 of my exhibit. The expenses to be recovered are Customer
11 Service and Information Supervision, Customer Assistance Expenses,
12 CS&I Information, Sales, Advertising, and Miscellaneous Customer
13 Service & Information Expenses. These expenses are adjusted for ECCR
14 related expenses. The net marketing expenses in the test year are
15 projected to be \$9,922,000.

16

17 Q. How do the expenses you have identified for the test year compare to the
18 Benchmark expenses?

19 A. The marketing test year expenses are under the Benchmark by \$478,000.

20

21 Q. What are the major reasons for the variance in expenses between the test
22 year and the Benchmark?

23 A. One of the major reasons for the decrease in expenses is the reduction of
24 staff members. In 1990, the marketing organization had 92 employees.
25 Of those 92 employees, 16 were managers/supervisors, 60 were

1 professional employees, and 16 were support staff employees. From
2 1990 to the test year, six manager/supervisor level positions were
3 eliminated. The professional staff employee count has remained the
4 same. There was an increase of one support staff position resulting in a
5 net reduction of 5 positions.

6 Another major reason for the decrease in expenses is the
7 discontinuance of programs. Programs that have been discontinued
8 include Shine Against Crime, Presentations and Seminars, Energy
9 Education, Architects and Engineers Program, and the GoodCents
10 Incentive Program.

11
12 Q. Ms. Neyman, are there any other areas of Gulf Power Company's
13 expenses you would like to address?

14 A. Yes. I would like to briefly discuss the Company's advertising and
15 economic development activities and expenses.

16
17 Q. Why is Gulf Power Company seeking to recover dollars spent on
18 advertising?

19 A. Gulf Power Company depends on advertising as one of the primary
20 methods of communication with our customers. This communication
21 results in a greater awareness of the various products and services that
22 are available to customers. These products and services are available to
23 assist customers in making their homes and businesses more enjoyable,
24 comfortable and safe and provides for operation in a more energy efficient
25 and, therefore, cost efficient manner.

1 Q. What types of advertising does Gulf Power Company utilize?

2 A. The Company primarily utilizes mass media advertising including: radio,
3 television, newspaper and billboard advertising. These mediums have
4 proven to be the most cost effective way to communicate with our
5 customers. The combination of these media outlets seeks to reach the
6 very broad and diverse audience served by Gulf Power Company.

7

8 Q. What is Gulf Power Company's advertising philosophy?

9 A. The Company's advertising philosophy is two-pronged. First, the
10 Company advertises to communicate with customers to affect their
11 beliefs. Second, we advertise to affect their behaviors. The first tenet of
12 advertising is that the customer must believe that an organization is
13 credible and has the customer's best interest in mind. Unless that is
14 established, it does not matter what programs, products and/or services
15 are offered. The Company cannot affect behaviors until and unless the
16 customer has confidence in the institution offering the product or service.
17 To establish this credibility, we communicate messages about Gulf Power
18 Company's rates, our reliability, and our community service; and we
19 encourage customers to practice safety around electricity. All of these
20 messages are critical to first gaining public acceptance of Gulf Power
21 Company as a caring, well-managed institution. Only then can the
22 Company effectively educate the customer about the efficient use of
23 energy.

24 The second step is to affect behaviors. In our case, this means
25 convincing our customers to practice energy efficiency and to enroll in our

1 conservation programs and our demand side management programs. In
2 this second step, the Company uses advertising to inform customers
3 about program availability and benefits. Both steps – establishing
4 company credibility and communicating program availability – are critical
5 to the success of our energy efficiency efforts.

6
7 Q. What types of advertising does Gulf Power do to affect customer beliefs?

8 A. We educate customers about our low rates, high reliability, environmental
9 commitment, community service, and customer services. Advertising
10 centered on rates helps customers understand the cost associated with
11 the energy they purchase. Once they believe that their electricity is a
12 good value, this impacts their behavior and helps them make decisions
13 about products and equipment for their homes and businesses that will
14 improve their energy efficiency. Reliability, community service and
15 customer service messages affect customer satisfaction and company
16 loyalty. Customer loyalty is essential for customer retention and customer
17 participation in all of our energy efficiency programs.

18
19 Q. Are all advertising costs currently being recovered through base rates?

20 A. No. At present, only those advertising costs associated with informing
21 customers about our marketing programs and safety are recovered. Gulf
22 Power Company believes this ignores the benefits of communicating
23 effectively with customers to change behaviors. Even though the
24 Company has not been able to recover these other costs, we have
25 continued to advertise those messages that affect customer beliefs – low

1 rates, good reliability, concern about the environment – because the
2 Company understands that credibility has to be established as we gain
3 buy-in for our conservation programs. The customer views Gulf Power as
4 one entity – not in separate pieces. A message to build loyalty will affect
5 behavior, which is essential for the success of our energy conservation
6 programs. This is why the Company is seeking recovery of all of its
7 advertising expenses.

8
9 Q. What types of products or services does Gulf Power Company advertise?

10 A. The Company advertises the GoodCents Home Program for new and
11 existing homes. This includes advertising about energy efficient end-use
12 technologies for heating, cooling and water heating. Gulf Power
13 Company promotes Energy Audits and **GoodCents Select**. These
14 programs assist customers with energy saving advice and provide tools
15 that allow customers to take an active part in the management of their
16 energy use. We also promote the Geothermal Heating and Cooling
17 Program providing, information about the most efficient heating and
18 cooling systems available for homes and businesses. Additional
19 advertising is directed at the safe use of electricity by our customers,
20 safety in and around our electrical equipment and systems, the reliability
21 of our service, our competitive rates, and our environmental record and
22 stewardship.

23
24 Q. What are the advertising expenses Gulf Power Company seeks to recover
25 through base rates?

1 A. In Schedule 1 of my exhibit, the advertising expenses are broken out by
2 functional area. The first portion of the advertising budget can is included
3 Customer Service and Information Expense. This portion of the
4 advertising budget for the test year is \$595,000.

5 The second portion of the advertising budget is shown under
6 Corporate Communications and Advertising. The amount the Company is
7 seeking to recover in this area is \$550,000. The total advertising budget
8 that the Company seeks to recover through base rates is \$1,145,000.

9
10 Q. Ms. Neyman, could you please indicate why Gulf Power Company seeks
11 to recover economic development expenses?

12 A. Yes. In 1994, The State of Florida recognized that economic
13 development improves the quality of life for all Floridians and that public
14 utilities play an important role in economic development. This was
15 codified in Section 288.035, Florida Statutes, that provides the FPSC with
16 the authority to permit public utilities to recover reasonable economic
17 development expenses. FPSC Dockets 971334-PU and 000418-PU
18 further defined the boundaries of recoverable economic development
19 expenses.

20 The expenses that Gulf Power Company seeks to recover meet the
21 rules as specified by the FPSC. The Company's economic development
22 activities support state, regional, and local development agencies in
23 recruitment, retention, prospecting, planning assistance, community
24 revitalization, trade shows, and other approved activities which promote
25 Northwest Florida's competitive economic climate.

1 Q. What is the amount of economic development expenses that Gulf Power
2 Company has included in the test year budget?

3 A. Gulf Power Company has included \$1,006,000 of the Company's
4 projected test year economic development expenses in the calculation of
5 the revenue requirements requested in this case. This amount is slightly
6 less than the total amount of economic development expenses the
7 Company has budgeted for the period. Gulf Power Company is asking
8 that the Commission authorize the Company to include 95 percent of its
9 actual recoverable economic development expenses in the monthly
10 surveillance reports following conclusion of this case, subject to a cap
11 equal to the lesser of 0.15 percent of the Company's gross annual
12 revenues or \$3.0 million.

13
14 Q. What type of expenses are incurred in the area of economic
15 development?

16 A. The economic development expenses can be broken into four main
17 areas. Approximately 30 percent of the requested expenses are in
18 financial support of regional and national marketing efforts to promote
19 Northwest Florida. This includes trade shows, direct advertising,
20 partnership with Florida's Great Northwest and Enterprise Florida (the
21 statewide public/private economic development organization). Another
22 30 percent supports direct marketing efforts in urban and rural
23 communities, Chambers of Commerce, and includes initiatives with Main
24 Street, Downtown Revitalization and Urban job retention and creation.
25 This portion of the expenses also includes support for the University of

1 West Florida and three junior/community colleges.

2 Another 20 percent of the requested economic development
3 expenses are used in financial support of regional and statewide
4 organizations that promote and benefit regional economic development
5 efforts. Activities in this arena include the Florida League of Cities, Florida
6 Association of Counties, Florida Economic Development Council, Florida
7 Chamber of Commerce, and Northwest Florida Association of Chambers.
8 The remainder of the test year expenses are for labor and associated
9 office expenses (offices, material, travel, and clerical support).

10
11 Q. How do the test year expenses compare to the 2000 adjusted expenses?

12 A. The test year expenses are \$295,000 above the 2000 adjusted expenses
13 (see Mr. Saxon's Schedule 3 – Sales). When the FPSC granted Gulf
14 Power Company the authority to recover economic development
15 expenses in late 1995, the Company started building an economic
16 development program from the ground up. During 1996 and 1997, most
17 of the economic development department's expenditures were for
18 salaries, direct support to local chambers of commerce, and a limited
19 marketing and advertising budget. Based on the success of the
20 Company's initial marketing efforts of 1996 and 1997, the Company has
21 carefully increased its direct marketing and advertising in order to build
22 awareness for Northwest Florida as a great place to conduct business.
23 The economic development department's marketing efforts include direct
24 advertising, attending trade shows with Enterprise Florida and working
25 directly with site consultants. As the Company's economic development

1 symposium attendance grew, the Company continued to increase its
2 budget in this area.

3 Over the past two years, the Company has also contributed directly
4 to a new regional public/private partnership called "Florida's Great
5 Northwest". This program is proving to be very successful and the
6 Company intends to increase its contribution to this program. Gulf Power
7 Company has also increased its financial contributions to rural and urban
8 economic development initiatives that were not an original part of the
9 Company's economic development program. The Company has also
10 increased its commitments to local chambers of commerce, Enterprise
11 Florida and the Florida Chamber of Commerce. In summary, the
12 Company's increased spending in the test year is a reflection of the
13 maturing of our relatively new economic development program and our
14 increased contributions to other economic development programs that
15 leverage our overall efforts.

16
17 Q. Ms. Neyman, would you please summarize your testimony?

18 A. Yes. Over the past three decades, Gulf Power Company has built a solid
19 reputation with its customers and business partners in developing and
20 delivering solutions to energy related issues. Beginning in 1975 with the
21 GoodCents programs for homes and businesses, the Company has been
22 a leader in the field of energy efficiency and conservation. More recently,
23 the Company started offering Real Time Pricing for industrial and
24 commercial customers and **GoodCents Select** for residential customers.
25 These latter two new innovations not only reduce demand and can save

1 energy but also help increase the overall efficiency of the Company's
2 electrical system.

3 Gulf Power Company has been successful because it listens to its
4 customers and trade allies. All of the various channels through which the
5 customer can communicate with the Company are used to bring new
6 products and services to market. The Company values the trust it has
7 earned from its customers and knows that its continued success is
8 dependent upon maintaining and building on that relationship.

9 The Company relies upon advertising to educate customers about
10 conservation, energy efficiency, safety, new products and services, rates,
11 reliability, environmental issues, community service, and customer
12 services. The Company believes all of its messages are tied together and
13 strengthen its ability to help the customer make well informed and
14 reasoned decisions regarding the Company and its products and services.

15 The Company believes that economic development improves the
16 quality of life for all Floridians and that Gulf Power Company plays an
17 important role in this effort. The Company's Economic Development
18 Department provides financial support of regional, statewide, and national
19 marketing efforts to promote Northwest Florida. Economic development
20 also support the efforts of urban and rural communities in direct marketing
21 efforts.

22
23 Q. Ms. Neyman, does this conclude your testimony?

24 A. Yes.

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

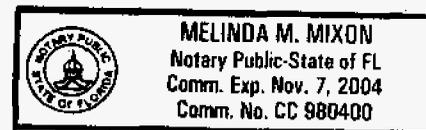
Docket No. 010949-EI

Before the undersigned authority, personally appeared
Margaret D. Neyman, who being first duly sworn, deposes, and says that she is
the Marketing General Manager, Marketing Department of Gulf Power Company,
a Maine corporation, and that the foregoing is true and correct to the best of her
knowledge, information, and belief.

Margaret D. Neyman
Margaret D. Neyman
Marketing General Manager

Sworn to and subscribed before me by Margaret D. Neyman who is
personally known to me this 17th day of September, 2001.

Melinda M. Mixon
Notary Public, State of Florida at Large



**Comparison of 1990 Benchmark to Test Year
(\$000)**

	<u>1990 Approved</u>	<u>Test Year System Benchmark</u>	<u>Test Year Expenses</u>	<u>Increase/Decrease Dollars</u>	<u>%</u>
Customer Services and Information Expense	5,680	10,400	9,922	(478)	-5%
Sales Expense	:	:	1,006	1,006	100%
Corporate Communications and Advertising (A & G)	:	:	<u>550</u>	<u>550</u>	<u>100%</u>
Total CS&I, Sales and A & G Advertising Expenses	<u>5,680</u>	<u>10,400</u>	<u>11,478</u>	<u>1,078</u>	<u>10%</u>

Florida Public Service Commission
 Docket No. 010949-EI
GULF POWER COMPANY
 Witness: M. D. Neyman
 Exhibit No. _____ (MDN-1)
 Schedule 1
 Page 1 of 1

O & M BENCHMARK VARIANCE BY FUNCTION

Customer Service and Information

		<u>\$(000)</u>		
1990 Allowed		5,680		
Test Year Adjusted Benchmark		10,400		
Test Year Adjusted Request		9,922		
System Benchmark Variance		(478)		
<u>Description</u>	<u>1990 Allowed</u>	<u>Test Year Benchmark</u>	<u>Test Year Request</u>	<u>Variance</u>
1. IT Products & Services	0	0	23	23
2. Personnel Reductions	223	409	0	(409)
3. GoodCents New and Existing	437	800	708	(92)
				<u>(478)</u>

O&M BENCHMARK VARIANCE BY FUNCTION

Customer Service and Information

1. IT Products & Services

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	23
System Benchmark Variance	23

Justification

In 1990, the majority of all Information Technology (IT) costs were in the A & G function. These IT costs are now charged directly to the business unit incurring the costs wherever it is feasible to do so. With the evolution of computer technology use within the work force over the past 10-12 years, there has been marked decreases in the need for support personnel to handle correspondence, presentations, reports, etc. for other professional job classifications. Computer technology has enabled the general workforce to do more with automated processes, thus increasing total productivity.

O & M BENCHMARK VARIANCE BY FUNCTION

Customer Service and Information

2. Personnel Reductions

	<u>\$(000)</u>
1990 Allowed	223
Test Year Adjusted Benchmark	409
Test Year Adjusted Request	0
System Benchmark Variance	(409)

Justification

The personnel structure of Marketing was evaluated and 6 exempt level positions were reduced. The positions included managers and professional positions. One non-exempt staff position was added to assist with meeting the needs and expectations of the customers.

O & M BENCHMARK VARIANCE BY FUNCTION

Customer Service and Information

3. GoodCents New and Existing

	<u>\$(000)</u>
1990 Allowed	437
Test Year Adjusted Benchmark	800
Test Year Adjusted Request	708
System Benchmark Variance	(92)

Justification

The GoodCents New and Existing program have reduced non-labor expenses due to increased efficiencies.

Responsibility for Minimum Filing Requirements

<u>Schedule</u>	<u>Title</u>
A-8	5 Year Analysis – Change in Cost
C-8	Report of Operation Compared to Forecast - Revenue and Expenses
C-12	Budgeted Vs. Actual Operating revenues and Expenses
C-17	Conservation Revenues and Expenses
C-18	Conservation Revenues and Expenses
C-19	Operation and Maintenance Expenses - Test Year
C-20	Operation and Maintenance Expenses - Prior Year
C-21	Detail of Changes in Expenses
C-26	Advertising Expenses
C-57	O&M Benchmark Variance by Function
C-65	Outside Professional Services
F-17	Assumptions