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Exhibit A

CONFIDENTIAL DOCUMENTS

(SUBMITTED SEPARATELY)

11/9-23-01
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DOCUMENT NUMBER-DATE

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FPSC-1100/DS/REPORTING

**FPL and FPL Services Cost Allocation Audit
Historical Year End December 31, 1997
Audit Control No. 97-233-4-1**

Auditor's Report

Audit Purpose: We have applied the procedures described in Section II of this report to determine if there is cross subsidization between Florida Power and Light and FPL Services; to determine if the flow of marketing data from Florida Power and Light to FPL Services causes an unfair advantage; to determine if the company is complying with their October 10, 1996 letter written to the Commission regarding line item billing, assignment of contracts from Florida Power and Light to FPL Services, and flow of marketing data between Florida Power and Light and FPL Services. The audit exit conference was held on January 16, 1998. This report is based on confidential information which is separately filed with the Division of Records and Reporting.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce financial statements for public use.

Opinion: Based on the interviews with employees and the "1997 Business Plan for CI Customer Service (Strategies and Supporting Activities)," Florida Power and Light appears to be promoting FPL Services. Also, there were expenses paid by Florida Power and Light which should be allocated to FPL Services.

Florida Power & Light's Response:

As stated in the auditor's report, the purpose of this audit was to determine if:

- there is cross subsidization between Florida Power & Light and FPL Services;
- the flow of marketing data from Florida Power & Light to FPL Services causes an unfair advantage;
- the company is complying with their October 10, 1996 letter written to the Commission regarding line item billing, assignment of contracts from Florida Power & Light to FPL Services and the flow of marketing data between Florida Power & Light and FPL Services.

Florida Power & Light (FPL) understands the first and the third purposes of the audit. However, as to the second stated purpose of the audit, FPL does not understand (a) what is meant by the term "unfair advantage" and (b) why the audit appears to extend beyond the Commission's responsibility to protect utility customers from unjust and unreasonable rates and service practices (including the protection against cross-subsidization of non-utility activities) to a consideration of protecting potential competitors of non-regulated affiliates of FPL providing non-regulated services. The Commission's responsibility under Chapter 366, Florida Statute, unlike its responsibility under Chapter 364, does not extend to policing competition. Questions of "unfair advantage", whatever that vague concept means, simply do not fall within the Commission's current statutory mandate to protect utility customers from unjust and unreasonable utility rates and practices in providing utility service, in this case, the provision of electricity. Thus, FPL believes that the stated scope of this audit is too broad, and that the standard to be investigated in this over broad area is too vague.

FPL did commit to certain conduct in its October 10, 1996 letter to the staff. Those specific commitments, as well as the Commission's statutory responsibility to protect against cross subsidization of non-utility services with utility resources, is the more proper focus of the audit rather than the vague concept of "unfair advantage". FPL's commitments in October 1996 were a new point of reference in its relationship with FPL

Services. While data prior to that may serve a valid comparative purpose, it cannot be used to measure FPL's compliance with commitments that began in October 1996.

FPL believes that the findings and opinions expressed in the audit report do not make this point sufficiently clear, possibly leaving an impression that certain practices continue, when they have in fact been discontinued. Even in those cases where an isolated event has been cited, the report does not state whether the practice cited was widespread or a single incident. In judging FPL's attempt at compliance with the October 10 letter, fairness would suggest that any incidents specifically identified as needing correction be placed in context and recognized as aberrations from FPL's normal practice.

Based on our review of the audit findings, FPL believes that the data shows the following, since October 10, 1996:

- There were very minor cases of FPL Services not reimbursing FPL for services provided. The total impact was less than \$6,000.
- FPL Services does not have access to FPL marketing data beyond what is available to any other vendor.
- FPL has complied with our agreements outlined in our October 10, 1996 letter.

The audit shows that FPL and FPL Services can improve in some areas and that continued vigilance is necessary to enforce the terms of the October 10, 1996, agreement. FPL stands by that agreement and will continue to take all necessary measures to ensure that FPL and FPL Services enjoys no unique to utility information.

FPL has comments related to specific disclosures in the report, which follow.

Disclosure No. 1: FPL Services Files

Statement of Fact: Staff reviewed all of the sales files for FPL Services to determine if the files contained any information that would lead us to believe that FPL Services was benefiting from their relationship with Florida Power and Light's regulated business or if they were obtaining leads from them. We reviewed the files in the company's Plantation, Margate, Brevard, Miami and Fort Myers offices.

Staff believes the following items found in the files are areas of concern:

- ① 1. A letter from Denny George, an FPL Services sales manager, on October 18, 1995 to the Department of Corrections states:

"With Florida Power and Light having spent \$100 million on some demand side management programs, I believe that we are uniquely qualified to handle such a high profile effort as the Department of Corrections."

2. The presentation materials used by Services states that Services is owned and managed by Florida Power and Light Company. The materials also state that an independent study commissioned by the Florida Energy Office showed that Florida Power and Light is among the nation's leaders in promoting and implementing demand side management programs, and that Florida Power and Light ranked sixth in total demand and third in total energy savings among utilities nationwide.

3. Letters from Brevard County in May of 1994 and May of 1995 discuss making agreements with Florida Power and Light for demand side management and energy efficient services and granting Florida Power and Light authority to bid lighting retrofit projects.

Opinion: The above information from FPL Services (1 & 2) give the appearance that FPL Services is the regulated utility. In the letter from Brevard County (3), FPL Services is referred to as Florida Power and Light thus staff questions whether Brevard County knew there was a distinction.

FPL Response:

- ② The three items found as "areas of concern" should be placed in context. First, it must be remembered that the audit reviewed all of FPL Services' sales files (in excess of 250 sales files). Based on this complete (not a sampling) review, only two items (the first and third Statements of Facts) were found that may be confusing to a customer about the relationship between FPL and FPL Services. Second, in every item referred to, the
- ③ documents were over two years old, predating the October 10 agreement letter. Thus, less than 2% of the sales files even raise a question about potential customer confusion. Third, the audit opinion is properly stated as raising a question in the audit staffs' mind rather than reaching a conclusion that there is customer confusion about the distinction between FPL and FPL Services. FPL believes that customers understand and appreciate the difference between the two companies.

Twenty five FPL employees were interviewed in the audit. The auditor asked only one employee, the account manager for Brevard County Schools, if the school board saw FPL and FPL Services as one company. The employee's response was that he did not believe so, since the school board requested that FPL Services work together with FPL in the preparation of presentation discussed above.

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As to the three specific items referred to, FPL responds as follows.

FPL agrees that the October 18, 1995 letter might blur the distinction between FPL and FPL Services. Both companies have been working since October 1996 to provide a better distinction, and it should be noted no documents dated after October 1996 were found by Staff as blurring the distinction between FPL and FPL Services.

As to item (2), it is proper for FPL Services to disclose it is owned by FPL. First, this distinguishes the two companies. Second, customers should not be left with their impression that the FPL name has been licensed out to a non-affiliate. The statement about ownership is accurate, as are the other statements about the findings of the Florida Energy Office study. It would be most unfortunate if the position were taken that FPL Services, an entity not regulated by the Commission, should be restricted from making accurate statements. Finally, there is a curious inconsistency between this item and items (1) and (3). In items (1) and (3) the concern suggested is that the distinction between FPL and FPL Services is not clearly stated. Here that distinction is clearly stated. Concerns are raised if no distinction is drawn and concerns are raised if clear distinctions are drawn. It is difficult to see the underlying standard, if any. FPL respectfully suggests that the Commission should not be concerned when a non-regulated affiliate makes accurate statements, one of which is that it is separate from but owned by FPL. There is no utility customer interest to be protected in such a circumstance, and the Commission's responsibility is to protect utility customers in their provision of electric service.

As to item (3), FPL agrees that the letters in question, both of which predate October 1996, might not adequately distinguish FPL and FPL Services. However, there is other information from the audit not discussed which suggests that the Brevard County School Board understood the distinction between FPL and FPL Services. In the audit, twenty-five FPL employees were interviewed. The only FPL employee asked if the school board saw FPL and FPL Services as one company responded that he did not believe so, since the school board requested that FPL Services work together with FPL in the preparation of the presentation. That employee was the account manager for the Brevard County Schools.

Disclosure No. 2: FPL Services Name and Affiliation with FPL

- ① **Statement of Fact:** FPL Services received more rebates from the Commercial Industrial Lighting program in 1997 than any other vendor.

FPL Services name includes the utility name. Their letterhead, business cards and shirts contain the Florida Power and Light logo.

- ② A review of FPL Services correspondence files and a discussion with Denny George, a FPL Service representative, revealed that FPL Services routinely sends out letters that discuss how Services was specifically formed by Florida Power and Light to meet the energy efficiency needs of its qualifying customers by removing marketing barriers to the implementation of energy efficiency projects, and that the services provided are a natural extension of Florida Power and Light's demand side management program. These letters often contain organization charts showing Services as a subsidiary of Florida Power and Light. These letters were found both before and after October 1996.

A letter written by internal audit on April 29, 1994 states the following:

"A primary advantage to Florida Power and Light is that the joint venture partner will provide expertise on the operation of an ESCO (Energy Service Company), and the name of FPL will be associated with the projects, thus retaining Florida Power and Light customers."

All except one of the FPL Services sales representatives were former Florida Power and Light Marketing Representatives. Therefore, the customers already associate them with Florida Power and Light. They are familiar with the large customers in the service territory, and are familiar with many Florida Power and Light employees. Until recently their offices were in Florida Power and Light utility buildings and they shared common areas with them.

Opinion: Although FPL Services has Services added to the utility's name and is a separate subsidiary, the company still gives the appearance of being part of the regulated business. Since FPL Services has received more rebates than the other vendors, the appearance of being part of a well established utility company may be giving the company a competitive edge.

FPL's Response:

FPL has several concerns with the Statement of Facts.

- ③ The audit reports' statement that "FPL Services received more rebates from the Commercial Industrial
④ Lighting Program in 1997 than any other vendor" is inaccurate. When the rebates for the C/I Lighting program were requested for the audit, complete information for 1997 was not yet available. Based on an analysis for
⑤ all of 1997, the largest amount of rebates were paid to customers who self-installed measures, the second
⑥ largest amount of rebates was to another ESCO and FPL Services was paid the third largest amount of C/I
⑦ Lighting rebates. In addition, FPL offers other DSM programs for commercial and industrial customers in
⑧ addition to our C/I Lighting program. In 1997, FPL Services received only two percent of the total rebates
⑨ paid for all the commercial / industrial related programs.

The second Statement of Fact is that the FPL Services name includes the FPL name and logo. FPL's position on this issue is discussed in our response to Disclosure No. 1. This issue was previously addressed in our letter to Ms. Sheila Erstling, dated October 10, 1996. FPL does not understand the concerns about the use of

FPL as part of the name of FPL Services. As long as FPL customers are not adversely affected, we do not believe that a FPL affiliate using the FPL name is an issue. To the contrary, FPL's customers are positively impacted through increased DSM. Also, the FPL name is taken from the holding company, FPL Group, and that name may be transferred to an affiliate, just as other utility holding companies have done.

If FPL enjoys a good name and reputation, such goodwill has been financed solely by FPL's stockholders, FPL Group and developed through the performance of FPL's management serving to meet the needs of our stockholders. Consistent with Section 366.06, Florida Statutes, FPL customers do not pay rates funding FPL's goodwill. FPL's goodwill is not included in FPL's rate base and the Commission has consistently disallowed expenses promoting goodwill, such as image advertising and charitable contributions. Only FPL's stockholders, not its customers, have a legal interest in FPL's name and reputation.

The third Statement of Fact is concerned with FPL Services discussing with customers about why FPL Services was formed and its corporate structure. The principle reason that FPL Services was formed was to assist customers in the implementation of DSM by removing many of the market barriers. The only appropriate Commission perspective under existing statutes is how the existence of FPL Services and its competition facilitates the regulatory and statutory objective of implementing energy conservation. The fact that FPL Services utilizes FPL's DSM program incentives to reduce the customer's cost to implement energy conservation measure makes them no different from the hundreds of other trade allies that utilize FPL's programs. The explanation of FPL Services corporate structure to customers is part of the normal sales process, with the purposes of providing the customer an understanding of the stability of the firm and disclosing the distinction between FPL and FPL Services. Other ESCOs that work with our customers face similar customer concerns, in spite of being part of organizations that are significant in size and potentially better known than FPL.

It should be noted that the internal audit letter quoted predates October 1996. Moreover, customer retention works to the advantage of utility customers. It avoids lost revenue and potential stranded investment, reducing upward pressure on rates for remaining customers. Working to maintain customer satisfaction and retain customers is appropriate conduct for either a regulated or a competitive firm. It does not support a conclusion that there is "an unfair competitive advantage".

The last Statement of Fact is that all but one of the FPL Services sales representatives are former FPL employees who are familiar with FPL's customers and employees. This is not accurate. Only fifty percent of the FPL Services sales force are former FPL employees. This percentage of former FPL employees has continued to decrease over time. An important consideration not discussed in this statement of fact is the number of former FPL employees who have been employed by other ESCOs including Landis & Staffa, Honeywell, York and Bosek & Gibson.

The opinion offered, that "the appearance of being part of a well established utility company may be giving the company (FPL Services) a competitive edge" is appropriately hedged by the use of the word may. However, even that tenuous opinion is overstated. The opinion is drawn from the inaccurate factual statement that FPL has received more rebates than other vendors. This is not accurate as to total rebate amounts or the number of rebates. The opinion fails to note that the FPL name and logo are the property of its shareholder, FPL Group, that FPL customers have not paid for the name, logo or goodwill to maintain the name's value, and that the name's value, if any, derives from the performance of FPL's management. If it provides a competitive advantage, and that remains to be shown, the advantage is not unfair, and it properly belongs to FPL's shareholders to use as they deem appropriate.

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Disclosure No. 3: Recommendation of Vendors by FPL Employees

Statement of Facts: One of staff's objectives was to determine if Florida Power and Light company employees recommend vendor/participants for conservation programs and/or recommend FPL Services for conservation programs and/or other energy measures. Information was obtained through interviews with Florida Power and Light company employees (25), Florida Power and Light customers (26), vendors (12), and reviews of FPL Services files. The methodology for selecting the people to interview is disclosed in the scope section of this report.

Florida Power and Light Company Interviews:

Thirteen of the 25 have told their customers about FPL Services, and one employee stated that this is part of their strategic plan. The context in which the Florida Power and Light employees told their customers about FPL Services is detailed on the Exhibit to this disclosure.

Four of the 25 people interviewed charged time to FPL Services. None of the remainder charge any time to FPL Services. The reasons given for charging time to FPL Services were (1) a technical specialist was assigned to work for Services four days a week, (2) assigned a certain amount of time to work for Services because an officer of Services, (3) a rates product manager charged 10% of time to Services and (4) a Sales Specialist charged 5% of time to Services. None of the Managers charged time to FPL Services.

Customer Interviews:

One customer stated that they contacted Florida Power and Light Company and Florida Power and Light contacted FPL Services.

In another case the customer said that they only worked with Florida Power and Light company and FPL Services through the whole process.

FPL Services Files:

A letter from a regulated account manager to Metropolitan Dade County on 9/12/95 discussed the services that Florida Power and Light can provide through its subsidiary. It also states that Florida Power and Light is the only company that can offer the option to finance the projects by means of a service charge which can be placed directly on the utility bill. In the interview, this person stated that he was trying to see if Metro Dade could take advantage of reductions. At the County's request he was exploring possibilities of putting FPL Services charges on the utility bill. FPL Services was the only company who could offer line item billing at the time. The line item issue was resolved in the October 10, 1996 letter.

- ① In an e-mail dated 7/10/97, a regulated employee set up a meeting with a Services employee and a Tropicana
② employee. In his interview the regulated employee said Tropicana wanted an overall energy audit.

- ③ An e-mail dated 7/11/97 from a regulated employee to an FPL Service employee and another regulated employee states that "The most opportunities lie with this committee and FPL Services is the primary way we can bring the resources to bear on this project for Tropicana." This employee was not one of the people interviewed.

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Another e-mail from a regulated employee to another regulated employee and an FPL Services employee dated 7/10/97 states: "I got the feeling at lunch and throughout the meeting that there is a significant level of interest in FPL Services if we could continue to do good things for them."

Opinion: It appears that Florida Power and Light employees let their customers know that FPL Services is available and a subsidiary of Florida Power and Light. It also appears that they have been encouraged to do this by management as part of their goals. At the same time only four of the people interviewed charged time to FPL Services. Also Florida Power and Light company employees talking about FPL Services could cause an unfair advantage to other competitors.

FPL's Response:

Once again, the opinion is appropriately stated tenuously ("could") rather than definitively ("has" or "will"). The remainder of the opinion, that there may be "an unfair advantage to other competitors," does not follow from the facts stated, and more importantly, is simply a matter beyond the proper scope of the audit. It is not the Commission's responsibility to police competition regarding non-utility activities. The term "unfair advantage" is a vague, value laden term which has no statutory foundation in Chapter 366, Florida Statute.

The opinion for this disclosure is based on three premises: 1) the belief that FPL employees let customers know about FPL Services, and they have been encouraged to do this by management as part of their goals, 2) the fact that only four of the 25 people interviewed charged time to FPL Services, and 3) the belief that FPL employees talking about FPL Services could cause an unfair advantage to other competitors. FPL responds as follows to each premise.

First, FPL uses FPL Services to help educate customers about the benefits of DSM and to assist customers in implementing DSM initiatives, especially when they might not do so otherwise. This is done to promote DSM overall, which is to the mutual good of all our customers. FPL does not "unfairly" promote FPL Services, and, in fact, our employees encourage customers to solicit bids from multiple vendors on DSM projects in order to obtain the best possible price. Our employees' primary concern is ensuring that the customer's best interest is served. (We are not aware of any customers who indicated in the interviews with the FPSC that FPL had promoted FPL Services, and no such references were made in Disclosure No. 3.) FPL employees often suggest that a customer contact vendors other than FPL Services who can assist the customer with a particular project or initiative. FPL employees are encouraged to help FPL meet its DSM goals, and they are advised to do so by putting the needs of our customers first.

Second, in regard to the concern that only four people allocated time to FPL Services, our review shows that is appropriate, since the other employees interviewed were working on the customer's behalf, and they were not performing any work for FPL Services. In addition, when an FPL employee works on a special project for FPL Services, then direction / management oversight for that activity is provided by FPL Services and not FPL management.

Third, concerning the issue that FPL employees talking about FPL Services could cause an "unfair advantage", the audit discusses the interactions between FPL, FPL Services and FPL's customers. The first customer was Metropolitan Dade County. The statement of fact is correct that the FPL account manager was exploring possibilities of putting FPL Services charges on the utility bill at the request of the Dade County.

① The second customer was Tropicana. In this instance, the customer knew who FPL Services was but did not have sufficient information about their entire service offerings. It was agreed that the next step was to have someone from FPL Services talk directly with the customer. In both of these cases there is no evidence that FPL Services had an "unfair advantage" over its competitors.

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Disclosure No. 4: Marketing Data

Statement of Facts: One of staff's objectives was to determine if marketing data was being given to FPL Services employees by Florida Power and Light Company employees, and/or if FPL Services employees had access to Florida Power and Light company marketing data. Information was obtained through interviews with Florida Power and Light company employees (25), Florida Power and Light customers (26), vendors (12), and reviews of FPL Services files. The methodology for selecting the people to interview is disclosed in the scope section of this report.

According to an FPL Services representative in Brevard County, prior to October 1996 FPL Services employees were accessing Florida Power and Light's computer system to obtain load data and 15 minute interval peak time of use data. This practice was stopped in October 1996.

FPL Services Files:

In reviewing FPL Services files, information was found that shows in one instance FPL Services obtained this data after October 10, 1996, without written permission from the customer.

An e-mail to an FPL Services person on 8/6/97 included customer load data. Per other information in the file, the customer was contacted 9/11/97. FPL Services did not have authorization to receive the load data.

A comparison of the list of Florida Power and Light employees whose names were found on correspondence in FPL Services files with the company marketing database user list showed that 19 had access to the marketing database.

Florida Power and Light Company Employee Interviews:

Of the 25 Florida Power and Light company employees interviewed, 24 said that they did not give out data unless they had a written request from the customer. One stated that he gives FPL Services employees information about the customer such as size, square foot, what FPL Service can offer the customer.

Vendor Interviews:

Of the interviews with 12 vendors, all except one did not believe that FPL Services was being told of their contracts after requesting load data. Most of the vendors got the data within a day or a week. One of the vendors did complain about how long it took to get 15 minute interval peak time of use data. We asked the vendor to supply documentation, but the vendor did not send it to us.

Our interviews showed that other vendors did not have a problem with obtaining data, but most of their customers were not of the size that would have the specific meter necessary (SSDR) to detail 15 minute interval data which seemed to be the area of the problem.

Except for 15 minute interval peak time of use data, most the customers' information is available on the Internet. A customer has to have a specific meter for this information. Most of the companies who have the specific meter also have an in house system that gives them the information they want.

Opinion: From the information we obtained, it appears that problems for vendors to obtain load data are not prevalent. It appears that the company is adhering to its October 10, 1996 letter by not allowing FPL Services people access to Florida Power and Light company marketing databases. However, there have been some exceptions, and Florida Power and Light company employees who deal with FPL Services people and the customers do have access to the marketing database.

FPL's Response:

As described in our letter dated October 10, 1996, FPL has taken steps to deny FPL Services employees access to FPL marketing databases and re-affirmed our policy of not providing any customer specific data to a third party without the customer's written consent. FPL agrees with the opinion that, in spite of a few exceptions, we are adhering to the October 10, 1996 agreement. FPL will continue to monitor this process and strive to eliminate any exceptions.

Disclosure No. 5: Interaction Between FPL and FPL Services

Statement of Fact: Interviews with Florida Power and Light employees revealed the following information. The Vice President of Florida Power and Light Marketing and Sales is also the President of FPL Services. The fixed time allocation shows both.

A Florida Power and Light Company employee stated that they have invited FPL Services people to Florida Power and Light Company general meetings to inform Services people of lighting certificates and the process for rebate. This same information is given to other vendors on a one to one basis. The employee also stated they invite other vendors to their general meetings to inform Florida Power and Light employees about new products on the market.

A Florida Power and Light Company employee said that one goal of the job is to provide customer service and get Florida Power and Light to be the preferred provider in light of deregulation.

FPL's Response:

The first Statement of Fact is that the FPL Vice President of Marketing is also President of FPL Services with a payroll allocation of expenses to both. This is true. The payroll allocations made to both entities reflect that actual amount of time spent performing duties and responsibilities for each.

The second Statement of Fact states that FPL Services employees are invited to FPL general meetings to inform them of lighting certificates and the process for rebate while the same information is given to other vendors on a one to one basis.

Typically, FPL general meetings do not address issues such as the processing of certificates or rebates. FPL has a very proactive effort for communication with our numerous DSM program trade allies. A prime example is FPL's current efforts to address our recently approved DSM revisions. Elements of this communication plan include letters to trade allies informing them of forthcoming changes, meetings at various locations throughout our service territory to further reinforce our changes and trade ally newsletters. FPL Services is communicated with and treated the same as the other hundreds of program trade allies. FPL does have one on one meetings with trade allies when the situation warrants, such as handling customer complaints, resolving paperwork related issues and contractor recruitment for program participation.

The last Statement of Fact quoted an FPL employee who said that the one goal of the job is to increase customer satisfaction and have FPL as the preferred provider. This is and has been a goal of FPL for a number of years. In fact, the FPL corporate vision is:

"We will be the preferred provider of safe, reliable, cost-effective products and services that satisfy the electricity related needs of all our customer segments."

This is further supported by our four corporate areas of focus:

- Strong customer orientation
- Cost-effective operations
- Commitment to quality
- Speed, simplicity and flexibility

This employee is simply striving to make the vision and areas of focus tangible and actionable.

Disclosure No. 6: Presentation by FPL with FPL Services and Other Vendors

Statement of Facts:

I. Presentation to School Board of Brevard County

A presentation was made to the School Board of Brevard County on February 19, 1997. This presentation was called "Business Partnership - Brevard County School District and Florida Power and Light/FPL Services." According to Florida Power and Light personnel, this was an informational presentation which had been specifically requested by the staff of the Brevard County School Board. The Florida Power and Light account manager worked in conjunction with the school board staff to develop the presentation.

① Per Florida Power and Light, one Florida Power and Light account manager, Jim Quinn, was present at the meeting along with Denny George, North Area Sales person at FPL Energy Services.

The only identifiable costs for this presentation at Florida Power and Light were for printing copies in the amounts:

Major Accounts	\$192.50
Area Mgmt - ECCR	82.50

Other costs, not identifiable but known to be charged to Florida Power and Light are for the payroll of the account manager whose fixed distribution is to different programs in energy conservation.

② The preparation costs to FPL Energy Services are unknown as they do not track general and administrative expenses at this level of detail. The time for Denny George, North Area Sales would have been charged to FPL Energy Services, Inc.

This contract was not yet awarded at the time of the audit.

II. Attending Other Vendor/Participant Meetings

We requested that the company supply us with information as to how often Florida Power and Light regulated employee representatives attend presentations for proposals or implementation with vendors and customers other than FPL Services and customers for 1996 and 1997.

The company responded for 1997. They stated that Florida Power and Light representatives attend presentations for proposals or implementation with vendors at the customers' request. They also stated that about one-third of their representatives attended meeting with vendors other than FPL Services. The company gave an example of eight vendor meetings as follows:

<u>A</u>	<u>Vendor</u>	<u>Type of Meeting</u>
③	Slattery Electric	Lighting proposal/approval
④	Pitts Consulting	Thermal Energy Storage (TES) proposal
⑤	CES Way	TES Commissioning
⑥	CES Way	Lighting and HVAC proposals
⑦	Trane	TES proposal
⑧	TLC Engineering	TES proposal
⑨	Venderweil Engineering	Ten year expansion plan proposal
⑩	Flour Daniels	General discussion regarding TES

- In answer to our request the company provided us with copies of other presentations to customers with Florida Power and Light and vendor/participants. One was with Grumman Corporation and dated April 1992. The second one was also with Grumman and Honeywell dated October 89 and active through 93-94.

Opinion:

I. The presentation to the School Board of Brevard County includes references to both Florida Power and Light company and FPL Energy Services on practically every page. It appears that FPL Energy Services is working in conjunction with Florida Power and Light energy conservation people to sell their product.

Florida Power and Light energy conservation did not allocate any time charges to FPL Energy Services for this presentation.

The combination of Florida Power and Light and FPL Services personnel at a presentation along with their names linked on the same pages, gives the appearance that FPL Services is Florida Power and Light.

II. The company representatives do attend meetings with other vendor/participants at the customer's request. There is no evidence that Florida Power and Light plans and/or prepares presentations with other vendor/participants since the organization of FPL Services.

III. The difference between Florida Power and Light representative participation with FPL Services and other Vendor/Participants is that it appears that Florida Power and Light is working with FPL Services to prepare presentations where this is not the case with other vendor/participants.

FPL's Response:

The Statement of Facts for this disclosure centered on: 1) a presentation to Brevard County schools, 2) attending other vendor presentations.

First, FPL was working cooperatively with FPL Services and Brevard School employees on this presentation. FPL's role in this effort was to ensure that the information in the presentation was accurate and reflected the best interests of the customer. The goal was to help Broward County Schools successfully implement an effective demand-side management effort. As part of this type of interaction, the FPL employee is fulfilling his or her role as an account manager and has the objective to ensure that the customer's needs are being met. The time and expenses related to the FPL account management function should be allocated to FPL as was done in this situation. The customer had a clear differentiated view of the roles of FPL and FPL Services.

Of course FPL Services was working in conjunction with FPL to sell its products. Its products are eligible for FPL DSM programs incentives. Every FPL trade ally which sells DSM products eligible for FPL DSM programs works "in conjunction with Florida Power and Light energy conservation people to sell their product". That is the way FPL's DSM programs are designed. FPL's DSM programs are helping all FPL trade allies to sell their products, as is intended. It advances the regulatory goal of increasing energy conservation. At the customer's request, FPL attends all ESCO presentations and assists the customer. FPL enjoys no special status as to presentations with vendors.

With all due respect to the audit staff, FPL disagrees that either or both the mere presence of FPL personnel or the mention of both FPL and FPL Services on the same page gives the appearance these two entities are one. The mention of two entities, FPL and FPL Services, shows they are distinguished from each other. The attendance of FPL personnel at any ESCO presentation does not lead the customer to believe FPL personnel

are really ESCO personnel or vice versa. It is particularly clear that the customer sees the distinction between FPL and FPL Services when the customer requests FPL Services presence. As noted earlier, the only FPL employee interviewed about the presentation stated that he believed the Brevard County School Board understood the difference between FPL and FPL Services.

Second, FPL employees rarely prepare any presentations with any vendors. The presentation done for Brevard Schools was not initiated by FPL, but rather was the result of a customer request, and is not a typical occurrence. As was correctly pointed out, there are relatively few instances in which FPL employees prepare presentations with any vendor. In fact, only three instances were discussed in this disclosure; one with FPL Services and two with other vendors.

Disclosure No. 7: Payroll Allocation

Statement of Facts:

Part of our procedures was to determine if Florida Power and Light regulated employees were allocating their time correctly to regulated base rates, ECCR rates, and nonregulated items. For this staff selected a sample of Florida Power and Light regulated employees to (1) determine how their time was allocated, (2) determine the methodology used to allocate and (3) determine the types of documentation for the methodology.

We selected a sample of 77 names and obtained the type of payroll allocation for each Florida Power and Light employee. Generally, the allocations were a fixed percent, or if they varied an exception report by the hours worked on each work order was submitted. In order to get the allocations for each employee, the company had to go to each business unit.

In answer to our request Florida Power and Light stated that there is no corporate-wide policy or procedure to document the methodology to determine fixed payroll distribution. It is up to each Business Unit to determine their own fixed payroll distribution.

We asked the company to explain the methodology for payroll allocations and document a sample. The company said the 1997 documentation was not available.

In lieu of 1997 documentation, the company provided documentation for the methodology of fixed allocations for 1998. They said 1997 was done in the same way. For 1998 an explanation was given for the manager's
① fixed allocation which is 78% of time to base rates and 22% of time to ECCR. The company illustrated that
② this was based on the total Base and ECCR budget for 1998. The 1998 budget is 70% base rates and 30% for
③ ECCR. The company said the difference between the managers fixed allocation percent and the budget percent is a judgmental call based on history by the managers.

Opinion: There is no corporate policy or methodology for allocations. The documentation for allocations is not in one area. The documents for the sample requested for 1997 were not available. Part of the allocation methodology is judgmental and therefore undocumented.

In light of the company having deregulated subsidiaries, and future deregulation, it seems that a formal corporate allocation policy and/or methodology would give more assurance that the company is allocating the correct amounts to regulated and deregulated business, and to items charged to the clauses.

FPL's Response:

The Statement of Facts for this disclosure center around whether the employees of the company were correctly allocating their payroll and the various methods that FPL uses to allocate payroll among these classes of rates.

Based on the sample of 77 employees examined as part of the audit, there is no indication in the opinion for this disclosure that there was any inappropriate allocation of payroll. As previously discussed, when FPL employees meet with customers and any ESCO, their payroll and associated expenses should be charged to the utility. FPL employees working for, or on FPL Services projects, charge their time back to FPL Services in accordance with company procedures and policies. These procedures and policies are included as Attachment No. 1. FPL employees use their payroll time recording as the source documentation for charging back to FPL Services time spent doing FPL Services related work.

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Employees will either charge actual hours worked on a project or the charge will be based on a percent of their total time for a pay period (as allocated via a fixed payroll distribution maintained in the payroll system). Management is responsible for insuring that allocation of an employee's time is accurate and that charges flow to the appropriate accounts. Formal policies would appear to add little value to the current approach.

FPL respectfully submits that any opinion premised in whole or in part on "future deregulation" is highly speculative and unwarranted.

Disclosure No. 8: FPL C/I Business Plan

Statement of Facts: Through an employee interview, staff obtained a copy of the Florida Power and Light 1997 Business Plan for CI Customer Service. Part III, Strategies and Supporting Activities includes a line item that states: "Identification of opportunities for FPL Services."

As identified in Audit Disclosure No. 4, four of the 25 employees interviewed charged their time to FPL Services and three of these were working on special projects for FPL Services.

Opinion: Based on the business plan, Florida Power and Light appears to be promoting FPL Services in the normal course of business. It also appears that not all of the Florida Power and Light Company employees promoting FPL Services in the course of business are charging time to FPL Services.

FPL's Response:

The opinion for this disclosure states that FPL appears to be promoting FPL Services in the normal course of business and that not all employees promoting FPL Services are charging time to FPL Services. A copy of the 1997 Commercial / Industrial Business Plan is submitted in support of this opinion as Attachment No. 2.

Item 3D, "Identification of opportunities for FPL Services", of the 1997 Commercial / Industrial Business Plan is only one of five items that support FPL's stated objective of providing products and services that help meet the customer's needs. This item references those opportunities where FPL can educate customers and promote a DSM opportunity that benefit the customer. This was never intended to have FPL employees recommend FPL Services or any other ESCO that was not in the best interest of the customer. All FPL employees have a clear understanding that our customers' interests are our first and foremost concern, and our employees may call on any number of vendors, including but not limited to FPL Services, if it will benefit the customer. FPL is not aware of any instances where a customer felt we were unfairly promoting FPL Services. And, since FPL employees are not working on behalf of FPL Services, there is no reason to allocate any time to FPL Services.

Disclosure No. 9: Office Furniture and Rent Expense

Statement of Facts: FPL Services has an office in Margate and in Brevard, along with district offices, located in the utility's property. The district offices are located in the General Office, Ft. Myers and Plantation Florida Power and Light utility buildings.

The office furniture located in the Margate and Brevard buildings does not appear in FPL Services' Depreciation Summary Report. A list of the furniture is shown in a page that follows:

The office furniture located in the district offices does not appear in FPL Services' Depreciation Summary Report. The following is located at the offices:

General Office - Miami - Desk, chair, credenza, file cabinet, book shelf and a round table with 5 chairs.

Ft. Myers - Desk, chair, credenza, file cabinet and bookcase.

Plantation - Desk and two chairs.

Also, FPL Services does not pay the utility for the use of offices their employees use at the General Office-Miami, Ft. Myers and Plantation.

Opinion: It appears that the above office furniture is owned by the utility and therefore should be compensated for the furniture. Also, the utility should be compensated for providing the use of office space. Staff visited these sites and determined the size to be as follows:

General Office-Miami - Approximately 100 square feet office

FT. Myers - Approximately 100 square feet office

Plantation - Cubicle

FPL's Response:

The statement of facts addresses the use of office furniture and space owned by FPL and used by FPL Services without compensation being provided to FPL.

- ① FPL Services paid to FPL \$88,267 in 1997 for rent. FPL understands and agrees with the concern raised by
- ② the raised by the auditor. FPL Services has been billed \$5,008.27 for past usage of space in the three locations discussed above. On a going forward basis, all office space utilized by FPL Services will be charged
- ③ to them. The office furniture was billed at its fair market value of \$270. FPL will continue to bill FPL Services for any further use of its office furniture and space.

Disclosure No. 10: Expenses

Statement of Facts: On November 20, 1997 staff requested the documentation which showed that FPL Services was charged for internal audit fees for an audit that was performed by the utility during 1997.

- ① The auditor was provided with the entry to charge the subsidiary for the fees totaling \$22,616.88. The entry was prepared on November 26, 1997.

Also, FPL Services does not have any stockholders or website expense allocations on their books.

Opinion: It appears that the entry to charge the subsidiary for internal audit fees was prepared due to the auditors' inquiry.

Also, the subsidiary should be charged for a share of stockholders and website costs, since they benefit by obtaining capital from Florida Power and Light Group.

FPL's Response:

The statement of facts for this disclosure is concerned with two issues: 1) the timing of internal audit charges to FPL Services and 2) stockholder and website expenses for FPL Services.

We agree that the year-end adjustment to reclassify the FPL's auditor's time to the FPL Energy Services internal audit gives the appearance to have been triggered by the FPSC's inquiry. In reality, we were in the process of independently investigating this issue from the standpoint of our budget review - whereby we had observed and questioned why we were not seeing our non-utility or "below the line" O&M budget being charged / allocated for auditor's activities outside of the utility. In fact, we were in the process of gathering and reviewing individual employee data so that we could determine the amount of the required reclassification to non-utility. The director of the department had given a deadline of year-end for the adjustment.

In order for this situation not to reoccur in the future, the awareness and importance of this issue has been communicated to the entire audit staff.

- ② The second issue concerns website expenses and stockholders costs that were not charged to FPL Services. FPL Services has one page in the FPL website. Based on the cost to develop this one page for the website, FPL Services has been billed \$25. Shareholder expenses are allocated to the subsidiaries of FPL Group using the equity allocation method. The equity investment in FPL Services has been removed from the equity investment in the utility in order that FPL Services portion of these costs are now allocated to nonregulated operations.



General Operations

Date Approved: 12/10/96

#905

Subject:	Section:
Intercompany Resource Sharing	FPL Group and Affiliated Companies

- Scope** To establish business practices to be observed in the relationship between Florida Power & Light Company and its regulated subsidiaries (Utility) and FPL Group, Inc. and its nonutility affiliates, hereinafter called Group.
- Objective** The objective of these policies and guidelines is to ensure that prompt and fair compensation or reimbursement is given/received for all assets, goods, and services transferred between the Utility and Group and that information reported to Group or the Utility meets the reporting requirements agreed to by the Utility and Group. The flow of information and transfers of assets, goods and services among these parties is to be conducted in accordance with the policies set forth in these procedures and if appropriate, in accordance with other applicable FPL procedures.
- General** As a general policy, the Utility is to minimize resource sharing and intercompany transactions to assure sufficient separation between the Utility and Group. However, this does not preclude Group from utilizing Utility resources or the Utility utilizing Group resources, where such sharing of resources results in overall efficiencies or in revenues producing opportunities for the Utility.
- The Utility is not to provide financial support to the affiliates. At no time is the Utility to act as a guarantor for any debt or liability incurred by Group.
- All intercompany transactions must be adequately documented.
- Implementation** Each department is responsible for implementation of these policies within its organization. Each department is to identify established procedures and any that need to be developed in order to comply with the policies and guidelines described in these procedures. Department heads are responsible for assuring that each employee in their department adheres to the procedures, policies, and guidelines.
- Internal Controls** As described in these procedures, internal control measures are to be maintained to ensure that policies are observed and that potential or actual deviations are promptly detected and corrected.
- If a situation arises which has not been covered by these policies and guidelines, the situation is to be brought to the attention of the designated officers of the Utility for review and/or approval.
- Definitions**

Affiliate	An individual affiliate company, including Florida Power & Light Company (Utility), within FPL Group, Inc.'s holding company structure, or the holding company itself.
Net Book Value	The original cost of an asset, reduced by applicable valuation reserves and offsets (e.g., accumulated depreciation, deferred taxes, and unamortized investment tax credits).
Non-utility Affiliates	Non-utility affiliate companies that are established and operated wholly at the risk of the shareholders and are not subsidized by Utility ratepayers.
Utility-Related Subsidiaries	Subsidiary companies that support Utility operations, and which provide services which otherwise would be performed by the Utility itself. Utility-related subsidiary profits or losses are assigned to the Utility.
Florida Public Service Commission (FPSC) Guidelines	<p>The following guidelines are contained in the FPSC Staff Report on Electric Utility Diversification and Transactions with Affiliated Companies (Docket No. 850096-EI):</p> <ol style="list-style-type: none">1. In general, the arms-length nature of a transaction may be established by the existence of an objectively administered, open competitive bidding process or by some process producing comparable results.2. Vendors should be selected on the basis of a formal evaluation system which is neutral in its application and capable of producing quantifiable ratings of individual suppliers. Considerations other than price, quality and vendor performance should be thoroughly documented.3. In general, the price of goods or services which the utility purchases from or provides to its non-utility affiliates should be at least as favorable to the utility as the prices for similar goods or services exchanged in the competitive market under similar terms.4. Any utility which has a contract with an affiliated company is to administer that contract in a manner identical to the administration of a contract with an independent company.5. In the case of material transactions with affiliates, all aspects of the procurement process should be documented and available to the Commission upon request.6. Utility assets should not be used to secure, nor should the utility act as guarantor for, any debt or other liabilities incurred by the parent or any affiliate.

7. The only loans made by the utility to the parent or any affiliate should be for short-term cash management purposes.

8. General compliance with this policy does not remove the responsibility of a utility to justify any particular transaction the Commission may require be specifically justified.

9. If the Commission determines that a utility's unjustified departure from this policy has resulted in increased revenue requirements or increased risk to the utility then the Commission may disallow the excessive expenses, impute additional revenues, or adjust the utility's allowed return as necessary to avoid an adverse impact on the utility's ratepayers.

Intercompany Billings

Intercompany billings are to be issued on a timely basis. A detailed file for each transaction and contract with an affiliate(s) is to be retained by the Utility in order to provide an adequate audit trail. This facilitates prompt reimbursement from the recipient of assets, goods, or services. The budget control (BUCS) work order system (ER 99) is the mechanism used to record and track all utility activities including those that relate to Group. Intercompany billings are issued by Joint Ownership Accounting.

Intercompany billings issued for transfers of assets, goods, or services from the Utility are to be accompanied by supporting documentation, principally the Utility's audit trail reports. Transfer pricing computations must be documented in order to facilitate verification of methods used to compute cost or current fair market value of transferred assets, goods, or services. Costs incurred or time spent on behalf of Group are to be accumulated, priced, and billed each month in an expeditious manner to enable timely payment.

The nonutility portion of the Utility's shared resources (allocable expenses) is to be charged to the respective affiliate. To that extent, practical, shared costs are to be billed directly by the Utility to the nonutility affiliates. None of these costs are to be reallocated to the Utility. This policy creates a simplified and direct audit trail. The monthly intercompany bills are to be accompanied by a summary of charges by work order, location, and expenditure analysis code (EAC) and the calculation(s) for all indirect loadings.

Charges to/ from Group

Each Utility department generating charges to another entity is responsible for accumulating proper documentation such as invoices, contract agreements, etc. to support those charges. Upon request, documentation and/or explanations (including the methodology for calculating loading rates) are to be promptly forwarded by the entity generating the charge to the entity charged.

Exception: In the case of non-utility FPL Group subsidiaries, the entity generating the charge must forward the documentation to the entity being charged, upon availability.

Work that **benefits** Group as approved through the budget process is to be charged to the appropriate Group work order. Any project not previously approved through the budget process must be approved by the appropriate personnel of the entity to be charged and the Utility department head. Appropriate supporting documentation (invoices, contract agreements, etc.) must be obtained showing proper approvals, work order numbers, and other pertinent data for loaned Utility employees.

Utility employees providing goods and/or services directly to Group are to obtain the appropriate Group work order number before commencing with any nonutility related work. This ensures that costs incurred by the Utility on behalf of Group are not to be included in the Utility's cost of service, and avoids an adverse impact on the Utility's ratepayers.

**Intercompany
Payments**

Payments for assets, goods or services received from Group are due upon receipt of the invoice and are remitted to the Payment Processing Center to ensure proper recording and reporting. Adequate documentation to support the payment is to be maintained by the Utility.

Inter-Office Correspondence



To: Intercompany Billing Recipients

Date: February 24, 1997

From: Robert Onsgard
Joint Ownership Accounting

Subject: 1997 Intercompany Billing Rates

Attached are the 1997 billing rates for utility employees working at our subsidiaries. These rates are effective starting with the current billing for January 1997. Below is a reminder of the billing policy and the long term assignment policy.

Intercompany Billing Policy

Utility employees working for the subsidiaries are charged back at an hourly rate which represents the utilities total costs for that employee. These rates are comparable with market rates for similar qualified personnel. The rates are derived based on the employee's classification hourly value point loaded for taxes, insurance, pension, welfare, non-productive time (holiday/vacation) and A&G costs. This loading yields a standard rate for each classification, which is billed based on the number of hours worked by the employee at the subsidiary. These loading rates, and the standard billing rate by classification, are provided on the next page.

Long Term Assignment Policy

When a utility employee will be working for a subsidiary for over 12 months, the loading rate on that employee's salary can be lowered to include only taxes, insurance, pension and welfare. The 1997 long term loading rate is 21.77%.

To qualify for this long term loading rate the subsidiary must provide Joint Ownership Accounting the dates the employee will be on long term assignment and the employees social security number. During the long term assignment the employee must charge 100% of their time, including non-productive time, to the subsidiary, and be physically located at the subsidiary facilities.

Should you have any questions, please do not hesitate to contact me.

Thank you,

A handwritten signature in black ink, appearing to read 'Robert Onsgard', is written over a horizontal line.

Robert Onsgard, Supervisor
Joint Ownership Accounting

STANDARD BILLING RATES FOR 1997

Utility employees working for the subsidiaries are billed out at an hourly rate equal to their classifications value point times the utility loading percentage.

Loading Rates for 1997 InterCompany Billings

	1997		1996		Change
	%	\$100.00	%	\$100.00	%
Non Productive	12.94%	\$12.94	13.55%	\$13.55	(0.61)
A&G Payroll	15.79%	\$17.83	16.35%	\$18.57	(0.73)
Pension and Welfare	11.85%	\$15.50	11.08%	\$14.64	0.86
Taxes & Insurance	9.92%	\$12.97	8.58%	\$11.34	1.64
A&G Expense *	160.81%	\$28.68	143.44%	\$26.63	2.05
Blended Rate	87.92%	\$187.92	84.72%	\$184.72	3.20

* Applied only on A&G Payroll

Inter-Company Billing Rates by Salary Band

	Salary Band	1997	1996	Change	
		Standard Hourly Rate	Standard Hourly Rate	Rate	Percent
		(A)	(B)	(C)	(D)
<u>Exempt</u>	1	\$34.00	\$33.00	\$1.00	3%
	2	\$37.00	\$36.00	\$1.00	3%
	3	\$43.00	\$42.00	\$1.00	2%
	4	\$48.00	\$46.00	\$2.00	4%
	5	\$54.00	\$51.00	\$3.00	6%
	6	\$59.00	\$57.00	\$2.00	4%
	7	\$66.00	\$63.00	\$3.00	5%
	8	\$71.00	\$67.00	\$4.00	6%
	9	\$77.00	\$74.00	\$3.00	4%
	10	\$83.00	\$80.00	\$3.00	4%
	11	\$90.00	\$86.00	\$4.00	5%
	12	\$101.00	\$96.00	\$5.00	5%
	13	\$115.00	\$106.00	\$9.00	8%
	14	\$127.00	\$112.00	\$15.00	13%
<u>Non-Exempt</u>	Reg 01	\$15.00	\$14.00	\$1.00	7%
	Reg 02	\$17.00	\$16.00	\$1.00	6%
	Reg 03	\$20.00	\$19.00	\$1.00	5%
	Reg 04	\$23.00	\$23.00		
	Reg 05	\$27.00	\$26.00	\$1.00	4%
	Reg 06	\$31.00	\$30.00	\$1.00	3%
	Reg 07	\$34.00	\$33.00	\$1.00	3%
	Reg 08	\$38.00	\$35.00	\$3.00	9%
	Nuc 04	\$23.00	\$23.00		
	Nuc 05	\$27.00	\$26.00	\$1.00	4%
	Nuc 06	\$32.00	\$31.00	\$1.00	3%
	Nuc 07	\$40.00	\$39.00	\$1.00	3%
	Nuc 08	\$44.00	\$43.00	\$1.00	2%

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Author: Don Moranz at USFPL102
Date: 5/13/97 9:45 AM
Priority: Normal
TO: Joseph C Berardinelli at USFPL123 (1)
CC: Robert Onsgard
CC: Frank Isabella
CC: Idania Garcia
CC: Winnie Lohmann
Subject: OVERHEAD RATE CALCULATION

----- Message Contents -----

THE CUMULATIVE OVERHEAD RATE APPLIED TO FPL EMPLOYEES WHO PERFORM
TASKS FOR AFFILIATED COMPANIES IS 87.92% FOR 1997. THIS IS BASED ON
DATA COMPILED AT YEAR END 1996. THE FOLLOWING IS THE CALCULATION:

BASE PAYROLL		\$100.00
HOLIDAY, VACATION, ETC. 12.94%		12.94
TOTAL PAYROLL		112.94
ADMINISTRATIVE & GENERAL PAYROLL	15.79%	17.83
		130.77
PENSION, WELFARE, TAXES, & INSURANCE	21.77%	28.47
*ADMINISTRATIVE & GENERAL EXPENSES	25.39%	28.68
TOTAL	87.92%	\$187.92

*APPLIED TO TOTAL PAYROLL

IF YOU HAVE ANY QUESTIONS, PLEASE CALL ME AT 552-4968.

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1997 BUSINESS PLAN FOR CI CUSTOMER SERVICE

I. MISSION STATEMENT

CI will market and deliver energy related products and services to governmental, commercial and industrial customers in a manner that differentiates FPL from other providers.

II. CI ENVIRONMENT

1. The pace of restructuring and other competitive activities is accelerating:
 - A. Regulatory and legislative initiatives have been introduced at the federal and state levels, with a number already passed.
 - B. ESCo's and other suppliers are increasing their efforts to develop business relationships with our customers.
 - C. Customers are more knowledgeable and are being aggressive in their efforts, especially at the chain/national account level.
 - D. CI is being challenged to meet customer demands for competitive options in a regulated environment.
2. FPL's price position is changing:
 - A. Our relative position has improved, but we are still not a "low cost" provider.
 - B. 76% of large CI customers rate our price as "Moderate", while 16% feel it is "High or Very High".
3. The future structure of our industry and the timing of change is uncertain:
 - A. We should not base planning on the assumption that any particular scenario will develop.
 - B. We should work to protect FPL's future by addressing all needs of FPL's CI customers.
4. Reliability and power quality are key concerns of our customers:
 - A. In 1996, only 62% of our large CI customers rated the overall quality of power as Excellent or Very Good.
 - B. The 1996 rating was 10 percentage points lower than that of two years ago (72% in 1994).
 - C. Customers are affected differently by various types of outages, depending on the nature of their business.
 - D. Communications with customers are not always timely or effective, especially in response to trouble calls.

III. STRATEGIES AND SUPPORTING ACTIVITIES

1. Strategy: Continue to build relationships with the appropriate customer contacts / decision makers:
 - A. Utilize (SAMS) customer account plans.
 - B. Management and Executive visits and other targeted communications.
2. Strategy: Understand customer business needs, issues and concerns:
 - A. Segmented focus on customers in groups with commonalities.
 - B. Internal as well as external training opportunities for CI employees.
3. Strategy: Provide products and services that help meet customer business needs:
 - A. Superior service with basic/core customer service needs.
 - B. Expert DSM and energy use consultations.
 - C. Provision of value added services, such as power quality analysis and solutions and rate/billing options.
 - D. Identification of opportunities for FPL Services.
 - E. Working with Marketing and related departments in developing responses to customer RFPs.
4. Strategy: Identify and address potential competitive scenarios affecting our customers:
 - A. Gather customer/industry market intelligence.
 - B. Employ Management and Executive visits.
 - C. Participate in industry organizations and activities.
 - D. Utilize (SAMS) customer account plans.
5. Strategy: Prepare CI to be successful in a competitive environment:
 - A. Identify and implement needed system requirements.
 - B. Make available the necessary training.
 - C. Participate in industry seminars and workshops.
 - D. Work to successfully integrate our CI field organization with the new CI Marketing group.

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