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November 14, 2001

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

VIA FEDERAL EXPRESS

In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light
Docket No: 000824-EI

Dear Ms. Bayo:

Florida Power Corporation ("FPC" or the "Company") is filing herewith are the original and twenty (20) copies of Florida Power Corporation's Notice of Filing errata sheet and revised exhibits to the testimony of Charles J. Cicchetti and Notice of Filing direct testimonies and the balance of MFR Schedules B -D and MFR Section E - Rate Schedules and Section A.

We request you acknowledge receipt and filing of the above by stamping the additional copy of this letter and returning it to me in the self-addressed, stamped envelope provided.

If you or your Staff have any questions regarding this filing, please contact me at (727) 821-7000.

Very truly yours,

Gary L. Sasso
Gary L. Sasso

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DNS 14462-01, 14463-01
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Review of Florida Power
Corporation's Earnings, Including Effects
of Proposed Acquisition of Florida Power
Corporation by Carolina Power & Light**

DOCKET NO. 000824-EI

Submitted for Filing:
November 15, 2001

**DIRECT TESTIMONY
OF
MARTHA W. BARNWELL

ON BEHALF OF
FLORIDA POWER CORPORATION**

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**DIRECT TESTIMONY OF MARTHA W. BARNWELL
ON BEHALF OF FLORIDA POWER CORPORATION**

1 **I. Introduction**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Martha W. Barnwell. I am Director of Customer Service for Florida
4 Power Corporation (“Florida Power” or “the Company”). My business address is
5 2166 Palmetto Drive, Clearwater, Florida 33765.

6

7 **Q. What are your duties and responsibilities?**

8 A. I am responsible for serving Florida’s 1.4 million customers in the areas of
9 customer billing and collections of revenues, call center operations, Web
10 applications, and paystation operations.

11 .

12 **Q. Please describe your educational background and work expertise.**

13 A. I am a graduate of Meredith College in Raleigh, N.C., where I received a
14 Bachelor of Science degree in Business Management in 1984. I worked for
15 Carolina Power & Light Company (“CP&L”) in a variety of positions for 17 years
16 prior to being appointed to my current position. Among other assignments, I
17 served as Project Leader to centralize customer service functions for CP&L; as
18 Manager for Call Services for CP&L; as Customer Service Integration Project
19 Manager for the North Carolina Natural Gas Company (“NCNG”) acquisition; as
20 Manager of Customer Service for NCNG; and as Customer Service Integration

1 Project Manager for the Florida Progress acquisition, which led to my current
2 position.

3

4 **II. Purpose and Summary of Testimony**

5 **Q. What is the purpose of your testimony?**

6 A. I appear on behalf of Florida Power to discuss the Company's strategy for
7 enhancing customer service and to support the reasonableness of expenses in that
8 area.

9

10 **Q. What schedules in Florida Power's MFRs do you sponsor?**

11 A. I sponsor or co-sponsor Schedules C-8, C-21, C-27, C-52, C-57, and C-61 insofar
12 as they relate to customer accounts and customer service. These schedules are
13 true and correct, except as modified by testimony in this proceeding.

14

15 **Q. Please summarize your testimony.**

16 A. The Company is dedicated to anticipating and meeting the needs of its customers
17 by effectively utilizing technology and resources to improve responsiveness and
18 customer satisfaction. We are aware that our customers are increasingly
19 demanding greater convenience and more accessibility, which we are providing
20 through Web-based services, electronic billing, additional payment locations, and
21 prompt customer service response. We believe the initiatives we are budgeting
22 will enable us to provide the world-class service that our increasingly
23 sophisticated customers expect. In addition, our recent merger has enhanced the

1 Company's ability to become more responsive to customer needs at a reasonable
2 cost.

3
4 **III. Customer Accounts**

5 **Q. Please provide an overview of expenses for customer accounts.**

6 A. We are forecasting to spend \$66 million in 2002 for customer accounts expense.
7 Included in this amount is approximately \$5.9 million in synergies. We are able
8 to achieve these cost savings by reducing redundant functions between Florida
9 Power and CP&L, where staffing levels need not depend upon an increase or
10 decrease in the number of customers. In addition, Florida Power is implementing
11 a number of best practices and process improvement initiatives to improve
12 customer service and lower costs in the areas of new payment locations, high bill
13 inquiries, call center management, and collections management.

14
15 Our 2002 budget amount is expected to exceed the O&M benchmark
16 amount of \$58.4 million by \$7.6 million. The budget includes labor costs and
17 other costs of operating our customer information system, including the
18 innovations that I describe below. The variance is driven primarily by \$8.4
19 million to operate and maintain the Company's customer service information
20 system ("CSS"), which was implemented in 1995, after the last rate case. The
21 CSS system is the centerpiece of our customer service operations. It provides
22 enhanced billing flexibility and supports the integration of other critical systems
23 such as our D2K system (described in the Direct Testimony of Robert Sipes).

1 customer phone call management system, customer internet site, and outage
2 reporting systems.

3
4 **Q. Please describe CSS and how it benefits Florida Power's customers.**

5 A. The Company implemented CSS on March 17, 1995 at an initial cost of \$58
6 million. It is a windows-driven system developed in house with Andersen
7 Consulting. The program required three years of development, training, and
8 change management prior to implementation.

9
10 CSS has allowed Florida Power to improve its customer service efficiency
11 significantly. The system has helped improve the efficiency and effectiveness of
12 new hire training, and it supports the centralization of various accounting
13 functions, which, in turn, has enabled the Company to reduce labor costs. As part
14 of the continuing development of the CSS system, the Company subsequently
15 added an on-line HELP feature, which provides customer representatives with
16 customer account and billing information and facilitates better work flow between
17 the customer service and delivery organizations.

18
19 In addition, CSS has enhanced and expanded the functionality of our
20 systems, enabling the Company to offer a variety of services that our customers
21 have come to expect, including: internet services, electronic billing and
22 presentment, enhanced budget billing capability, and summary billing for large
23 industrial customers. The system also offers the ability to combine customers

1 with multiple accounts to view their billing, credit, and payment history on
2 various account levels, and it has enabled the Company to increase recoveries of
3 previously charged-off dollars by tracking customer information for both active
4 and inactive accounts.

5
6 CSS is now integrated with our voice-response unit providing greater
7 accessibility to information for our customers and decreasing call handling time,
8 and by virtue of its being integrated with our outage management system and our
9 outage reporting system, CSS provides customers with estimated outage
10 restoration times and helps support our demand side management programs.

11
12 **Q. You mentioned that the Company has been able to reduce costs as a result of**
13 **the merger by eliminating and consolidating functions. Apart from these**
14 **savings, do you expect to enjoy other, less quantifiable merger synergies in**
15 **the area of customer accounts?**

16 A. Yes, we do. As a result of our best practices review with CP&L, we will be
17 implementing a number of initiatives in this area, which will better enable Florida
18 Power to anticipate and fulfill evolving customer expectations:

- 19 • *Automated metering technology.* We believe that economies of scale resulting
20 from the merger will enable the Company to implement automated meter
21 reading capability, thus reducing costs and improving customer service. We
22 will undertake a pilot program using this technology with industrial and other
23 large customers. We expect to be able to implement this technology on an

1 ongoing basis as a result of that program, and we anticipate that automated
2 metering will reduce meter reading estimates and errors from hard-to-read
3 locations and improve customer service by providing real-time information
4 for billing and outage identification and virtual disconnection and
5 reconnection of service. In this manner, we expect to be able to provide more
6 timely customer information and greater access to and flexibility in service.

- 7 • *New payment locations.* We are adding about 150 new locations to the 50 pay
8 stations that existed in Florida before the merger. These new locations will
9 replace 33 business offices, which we are phasing out this year. Most new
10 locations will offer expanded hours, and some will be open around the clock.
11 This customer service model has been used successfully by CP&L since 1996;
12 both informal and formal survey results indicate customers find this approach
13 much more convenient and easy to use.
- 14 • *New Software/Increased Web Enablement.* We have implemented new
15 software that enables our customer service representatives to resolve billing
16 inquiries during the initial customer contact. This allows the representative to
17 analyze the customer's bill on the spot and to compare it directly with
18 recorded temperatures for the customer's specific area. Also, new
19 applications are available on the internet to allow our customers to complete
20 requests on line. These include connect and disconnect requests and analysis
21 of usage history. Our Web application is now more robust, and we have
22 placed emphasis on moving additional functionality to the Web to give all

1 customer segments, residential/commercial/industrial, increased access to
2 information and greater choices in how they do business with us.

3 • *Combined Customer Service.* Although we will continue to handle the vast
4 majority of customer calls for Florida Power customers in Florida, CP&L and
5 Florida Power have combined their customer service organizations in order to
6 maximize knowledge and management oversight and to provide a consistent,
7 customer-focused approach to the management of customer service. This
8 combination allows for more effective use of resources in the development of
9 training programs and system and Web application upgrades, and it allows us
10 to leverage the combined needs of the two companies to procure more
11 advantageous contracts with outside vendors for collections, outage reporting,
12 and payment management. In addition, during major storm events as well as
13 during the late night hours, each of the four customer service centers—Florida
14 (two centers), Carolina, and NCNG—can provide additional resources to help
15 manage peak call volumes for the other.

16 • *New technologies.* Call management systems in Florida will be integrated
17 with Carolina systems in early 2002 facilitating improved sharing of
18 resources, statistical reporting, and call-type tracking and performance
19 monitoring, thus reducing the resource requirements for handling the inbound
20 customer phone calls. In addition, this new technology will allow for
21 improved outage reporting and improved access to restoration information and
22 will enhance our automatic outage call back system. In mid-2001, a new

1 vendor system was implemented that makes 1,000 additional telephone lines
2 available to our customers in major storm events.

3

4 **Q. Are the Company's expenditures for customer service cost-effective and**
5 **reasonable?**

6 A. Certainly. We are very pleased with the success of our efforts in this area, and we
7 believe that we are providing prompt and effective customer service with great
8 efficiency and optimum reliance on automation. The integration of CSS with
9 other corporate functions enhances our ability to get the greatest benefit from our
10 technology and centralized management, thus improving the cost-effectiveness of
11 all these functions.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

15

16