

ORIGINAL

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040442-EI



May 11, 2004

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Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of Gulf Power Company's Petition for Authority to Implement its Proposed FlatBill<sup>®</sup> Rate Schedule.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in Microsoft Word format as prepared on a Windows NT based computer.

Sincerely,

*Susan D. Ritenour (lw)*

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Office of Public Counsel

Tariff to ECR

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Gulf Power Company's petition for authority to implement its proposed FlatBill® rate schedule. )  
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Docket No.: 04\_\_\_\_-EI

Date filed: May 12, 2004

**GULF POWER COMPANY'S PETITION FOR AUTHORITY TO IMPLEMENT ITS PROPOSED FlatBill® RATE SCHEDULE**

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, hereby petitions the Florida Public Service Commission ("FPSC" or "Commission") for authorization to implement Gulf's proposed FlatBill® rate schedule as a regular tariff offering. This petition, along with the information and proposed tariff sheets set forth in the attachments hereto, is intended to meet the Commission's requirements set forth in Rule 25-9.005 of the Florida Administrative Code. In support of the relief requested by this petition, the Company states:

1. Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone  
Russell A. Badders  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32591-2950

Susan D. Ritenour  
Secretary and Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

2. Gulf is a corporation with its headquarters physically located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company's mailing address for its corporate headquarters is One Energy Place, Pensacola, Florida 32520. The Company is an investor-owned electric utility operating under the jurisdiction of this Commission.

3. By this petition, Gulf is seeking authority to change the Company's FlatBill<sup>®</sup> program from the pilot stage, approved by the Commission as a limited availability, experimental rate for a single 12 month period, to a regular feature of the Company's retail rate offerings contained in Gulf's Tariff for Retail Electric Service. Attachment A to this petition is the Company's proposed Rate Schedule FLAT-1 Residential/Commercial FlatBill<sup>®</sup>, Revised Sheet Nos. 6.39 through 6.40. Gulf specifically seeks the Commission's approval of the revised tariff sheets set forth in Attachment A to this petition.

4. The primary reason for the Company's desire to implement such a program as a regular tariff offering is simple - to meet customer expectations. The FlatBill<sup>®</sup> program is a specific example of the type of responsiveness to customer needs and expectations that has enabled the Company to enjoy high levels of customer satisfaction, and the state's lowest level of customer complaints. The FPSC acknowledged the Company's successes in regards to customer satisfaction in the Commission's final order in Gulf Power's most recent rate case. "We find that Gulf's past performance has been superior and we expect that level of performance to continue into the future." (Order No. PSC-02-0787-FOF-EI in Docket No. 010949-EI, issued June 10, 2002 at page 35) The FlatBill<sup>®</sup> program is designed to meet the needs and expectations of a significant number of Gulf's residential and small commercial customers. Residential and small commercial customers have consistently expressed a need or desire for the ability to have a level of certainty with regard to their electric bill. Since electricity is often a significant expense item to both residential and small commercial customers, the ability to budget for their electricity use is important. Gulf currently offers the Budget Billing (Rate Schedule BB) rate rider to help customers better manage their electric expense. Gulf's FlatBill<sup>®</sup> program takes the concept of

levelized billing provided to Gulf's customers through the Budget Billing rate rider and expands it as discussed below. The proposed FlatBill<sup>®</sup> program is part of Gulf Power's continuing efforts to be responsive to its customers' needs and expectations.

5. The Commission approved Gulf's FlatBill<sup>®</sup> program for implementation on a pilot basis in Order No. PSC-02-0787-FOF-EI. The pilot program was conducted during 2003 and is now complete. Attachment B to this petition is a summary report of the results of that pilot program. Through the pilot FlatBill<sup>®</sup> program, Gulf was able to gather information regarding its customers' energy consumption, possible peak demand impact, and customer satisfaction and behavior changes. Overall, Gulf's pilot FlatBill<sup>®</sup> program revealed that participating customers had a high level of customer satisfaction with the FlatBill<sup>®</sup> concept. Based on the information gained from the Commission-approved pilot program, Gulf seeks authority to include the FlatBill<sup>®</sup> rate schedule as a regular offering in the Company's retail tariff.

The FlatBill<sup>®</sup> rate schedule as a regular offering would give residential (Rate Schedule RS) and small commercial customers (Rate Schedule GS) the opportunity to purchase retail electric service at a fixed (or flat) monthly bill amount for a specified contract period pursuant to individual contracts offered by the Company and accepted by the customer. Customers entering into contracts pursuant to the FlatBill<sup>®</sup> rate schedule will know exactly what their electric bills will be for the entire contract period. The FlatBill<sup>®</sup> concept was praised by customers in the pilot program because of the certainty it provides regarding their electric bills and the ability it gives them to accurately budget their expenses for electricity throughout the contract period. Approval of the proposed FlatBill<sup>®</sup> rate schedule would give Gulf Power the benefit of being able to project for the FlatBill<sup>®</sup> customers how much revenue will be collected for the contracted period.

In addition, the Company would see a reduction in the number of calls to the Company's call center following periods of extreme weather which would otherwise lead to large bill amounts.

6. Under the FlatBill<sup>®</sup> program as proposed in this petition, Gulf would determine a fixed monthly bill amount for each eligible customer. If the customer accepts the fixed price offer from Gulf, the monthly bill amount for that customer will be fixed for the contract period regardless of that customer's energy consumption. One month prior to the end of each customer's contract period, the customer would be given a new offer for the next contract period and, unless the customer contacts Gulf and elects to cease service pursuant to the FlatBill<sup>®</sup> rate schedule, the contract with the new offer amount would continue for the next contract period. Each new offer would be based on the previous contract period usage. As a result, the customer continues to have an incentive to utilize conservation steps and measures to avoid higher fixed bill amounts in subsequent contract periods. If a customer elects to cease taking service pursuant to the FlatBill<sup>®</sup> rate schedule following the end of the contract period, the customer will be returned to their former rate. In the event that a customer chooses to cease receiving service pursuant to the FlatBill<sup>®</sup> rate schedule prior to the end of the contract period, the customer will be required to pay Gulf the difference between their actual usage billed on either the RS or GS rate schedule and the amount collected under the FlatBill<sup>®</sup> rate schedule.

7. As was the case during the pilot program, the bill presented to a customer electing to receive service pursuant to the FlatBill<sup>®</sup> rate schedule will contain a single line item charge that is inclusive of all customer charges, energy charges, and cost recovery clause charges that would otherwise be applicable under either the RS or GS rate schedules. As was recognized during the pilot, the nature of the FlatBill<sup>®</sup> program is such that the information specified in subparts 1, 2 and 4 of Rule 25-6.100(2)(c), Florida Administrative Code, is not available or applicable to the customer's monthly bill. An attempt to include such information would be misleading to the FlatBill<sup>®</sup> customer. As a result, the Company requests approval to continue the practice authorized during the pilot program of excluding such information from the face of bills for customers taking service pursuant to the new FlatBill<sup>®</sup> rate schedule.

8. As proposed, the new FlatBill<sup>®</sup> rate schedule would be available to those residential customers in good credit standing who have valid billing information on Rate Schedule RS at their current residence for the twelve-month period immediately preceding the FlatBill<sup>®</sup> offer. In addition, commercial customers in good credit standing who have valid billing information on Rate Schedule GS at their current service location for the twelve-month period immediately preceding the FlatBill<sup>®</sup> offer would also be eligible to select the FlatBill<sup>®</sup> rate schedule. In the first twelve months following implementation of the regular FlatBill<sup>®</sup> program, Gulf estimates that approximately 12,000 to 18,000 customers will change from their current rate schedule to the FlatBill<sup>®</sup> program.

9. Upon implementation of its FlatBill<sup>®</sup> program if this petition is approved, Gulf Power will determine the amount of revenues for surveillance and other regulatory purposes using the actual energy usage of customers on the FlatBill<sup>®</sup> rate schedule during the applicable period and multiplying that actual energy usage by the otherwise applicable rate (RS or GS with appropriate cost recovery factors). This calculated amount will be reflected in base rates and the recovery clauses on a monthly basis as though these were the rates applied to the customers for their usage. The estimated net increase to annual base rate and cost recovery clause revenues as a result of Gulf's implementation of the proposed FlatBill<sup>®</sup> program is expected to be approximately \$1,100,000 for the first twelve months after implementation, exclusive of state and local taxes, franchise fees, etc. Any difference between the calculated amount of base and cost recovery clause revenues and the FlatBill<sup>®</sup> contract amount will flow to or be absorbed by the Company's shareholders.<sup>1</sup>

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<sup>1</sup> This treatment is consistent with the approach approved by the Commission for the pilot program as set forth in the following paragraph from page 100 of Order No. PSC-02-0787-FOF-EI:

53. Gulf's new FlatBill pilot program shall be approved provided that: 1) the fuel and other cost recovery clauses revenues (sic) associated with FlatBill customers are credited to the clauses at the then-current tariffed adjustment clause rates, and based on the customer's actual metered kWh usage; and 2) any shortfall in base rate revenues between the customer's bill at standard rates and the FlatBill revenues will be absorbed by the company. (Issue 116)

WHEREFORE, Gulf Power Company respectfully requests that the Florida Public Service Commission authorize the Company to implement its proposed FlatBill<sup>®</sup> program as a regular tariff offering consistent with this petition through approval of the tariff sheets set forth in Attachment A hereto, and further requests that the Commission grant such other relief as is just and reasonable under the circumstances of this petition.

Respectfully submitted the 11<sup>th</sup> day of May, 2004.



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**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**Beggs & Lane**

P. O. Box 12950

Pensacola, FL 32591

(850) 432-2451

**Attorneys for Gulf Power Company**



**ATTACHMENT A**

**Tariff Sheet**

**RATE SCHEDULE FLAT-1  
RESIDENTIAL/COMMERCIAL FlatBill®**

PAGE 1 of 2	EFFECTIVE DATE
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**AVAILABILITY:**

Available throughout the entire territory served by the Company.

**APPLICABILITY:**

Gulf Power customers in good credit standing, who have valid billing information for service pursuant to either Rate Schedule RS or Rate Schedule GS at their current premise for the twelve-month period immediately preceding the offer, excluding temporary service, are eligible to request the FLAT-1 rate.

All service shall be taken at the same voltage, from a single delivery point, and shall be measured by a single meter.

**CHARACTER OF SERVICE:**

The delivery voltage to the Customer shall be the voltage of the available distribution lines of the Company for the locality in which service is to be rendered.

**BILL FORMULA:**

**Annual Bill** = {[Estimated Annual kWh (Energy-Demand cents/kWh + Estimated Fuel cents/kWh + Estimated ECCR cents/kWh + Estimated ECR cents/kWh + Estimated PPCC cents/kWh)] X Risk Adder} + Annual Customer Charge

Each Customer's annual bill is specific, or unique, to that customer.

**Monthly Bill** = Annual Bill / 12

**TERM OF CONTRACT:**

Service under this schedule shall be for a period of not less than one year.

**DEPOSIT:**

A deposit amounting to twice the estimated average monthly bill may be required before service is connected at designated premises. The deposit may be applied to any final bills against the Customer for service.

**ISSUED BY:** Susan Story



Section No. VI  
Seventh Revised Sheet No. 6.40  
Canceling Sixth Revised Sheet No. 6.40

PAGE 2 of 2	EFFECTIVE DATE
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(Continued from Rate Schedule FLAT-1, Sheet No. 6.39)

**TAX ADJUSTMENT:**

See Sheet No. 6.37

**FRANCHISE FEE BILLING:**

See Sheet No. 6.37

**FUEL CHARGE:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges pursuant to Sheet No. 6.34 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**PURCHASED POWER CAPACITY COST:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges pursuant to Sheet No. 6.35 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**ENVIRONMENTAL COST:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges pursuant to Sheet No. 6.36 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**ENERGY CONSERVATION:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges pursuant to Sheet No. 6.38 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**GROSS RECEIPTS TAX ADJUSTMENT:**

See Sheet No. 6.37

**PAYMENT OF BILLS:**

See Sheet No. 6.37

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

**ISSUED BY:** Susan Story

## **Legislative Format**

**RATE SCHEDULE FLAT-1  
 RESIDENTIAL/COMMERCIAL FlatBill® FLATBILL  
 Limited Availability Experimental Rate**

PAGE 1 of 2	EFFECTIVE DATE June 7, 2002
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**AVAILABILITY:**

Available throughout the entire territory served by the Company.

**APPLICABILITY:**

~~Gulf Power residential customers in good credit standing, who have twelve months valid billing information on or under for service pursuant to either Rate Schedule RS or Rate Schedule GS at their current premise for the twelve-month period immediately preceding the offer, excluding temporary service, are eligible to request the FLAT-1 rate. residence are eligible to participate in the pilot program.~~

~~Gulf Power Commercial customers in good credit standing, who currently purchase electric service under Gulf Power's Rate Schedule GS (General Service) and who have twelve months of valid billing information at their current location are eligible to participate in the pilot program.~~

All service shall be taken at the same voltage, from a single delivery point, and shall be measured by a single meter.

~~Applicable to those customers participating in Gulf Power Company's FlatBill pilot program.~~

**CHARACTER OF SERVICE:**

The delivery voltage to the Customer shall be the voltage of the available distribution lines of the Company for the locality in which service is to be rendered.

**MONTHLY BILL FORMULA:**

**Annual Bill** = {[Estimated Annual kWh ({Energy-/Demand cents/kWh + Estimated Fuel cents/kWh + Estimated ECCR cents/kWh + Estimated ECR cents/kWh + Estimated PPCC cents/kWh}) X Risk Adder} + Annual Customer Charge]

Each Customer's annual bill is specific, or unique, to that customer.

**Monthly Bill** = Annual Bill / 12

**TERM OF CONTRACT:**

Service under this schedule shall be for a period of not less than one year.

**DEPOSIT:**

A deposit amounting to twice the estimated average monthly bill may be required before service is connected at designated premises. The deposit may be applied to any final bills against the Customer for service.

**ISSUED BY:** Susan Story~~Travis Bowden~~



Section No. VI  
~~Seventh~~<sup>Sixth</sup> Revised Sheet No. 6.40  
Canceling ~~Sixth~~<sup>Fifth</sup> Revised Sheet No. 6.40

PAGE 2 of 2	EFFECTIVE DATE June 7, 2002
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(Continued from Rate Schedule FLAT-1, Sheet No. 6.39)

**TERM OF CONTRACT:**

Service hereunder shall be for a period of one year — the length of the FlatBill pilot program.

**TAX ADJUSTMENT:**

See Sheet No. 6.37

**FRANCHISE FEE BILLING:**

See Sheet No. 6.37

**FUEL CHARGE:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges See pursuant to Sheet No. 6.34 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**PURCHASED POWER CAPACITY COST:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges See pursuant to Sheet No. 6.35 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**ENVIRONMENTAL COST:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges See pursuant to Sheet No. 6.36 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**ENERGY CONSERVATION:**

The customer's actual monthly bill will be determined as set forth above and will not include a separate increase or decrease for the charges See pursuant to Sheet No. 6.38 that would be applicable for service taken under Rate Schedule RS or Rate Schedule GS.

**GROSS RECEIPTS TAX ADJUSTMENT:**

See Sheet No. 6.37

**PAYMENT OF BILLS:**

See Sheet No. 6.37

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

**ISSUED BY:** Susan Story~~Travis Bowden~~



## Results of Gulf Power Company's *FlatBill*<sup>®</sup> Pilot Program

### Summary

As part of Gulf Power's most recent rate case, the Company sought and was granted authorization to conduct a *FlatBill*<sup>®</sup> pilot program.

The *FlatBill*<sup>®</sup> pilot introduced a pricing program which offered residential (Rate Schedule RS) and small commercial customers (Rate Schedule GS) the opportunity to purchase retail electric service at a fixed or flat monthly bill amount, customized for each customer, for 12 months. It was the Company's belief that this new rate would be a valuable energy product/price optional package that would be well received by customers. The purpose of the pilot program was to gather information in order to decide whether or not a broad-scale application of such a program at Gulf Power would be appropriate. The major focus of this data collection involved evaluating consumptive behavior changes of the participating customers, the resulting impact on peak demand and the determination of the customers' satisfaction with the program.

With the pilot now complete, the Company has been able to gather energy consumption data needed to analyze the customers' behavior changes as a result of being billed on the *FlatBill*<sup>®</sup> rate and the impact those changes had on peak demand. In addition, a customer survey was conducted which produced valuable feedback.

Following is an overview of the *FlatBill*<sup>®</sup> pilot program results.

### Gulf Power *FlatBill*<sup>®</sup> Pilot Program

The *FlatBill*<sup>®</sup> pilot program at Gulf Power began in the fall of 2002, when approximately 5,000 *FlatBill*<sup>®</sup> offers were mailed to a group of residential and small commercial customers. Accounts fitting the criteria for participation in the program were identified. The criteria used for identification were accounts with at least 12 months usage history at the premise and good credit standing with the Company. The 5,000 offers were randomly selected from that pool of accounts.

From the 5,000 offers mailed, 3,000 to residential customers and 2,000 to small commercial customers, 386 acceptances were received. Of those, 256 were from residential customers and 130 were from small commercial customers.

Each customer that enrolled in the program was sent a letter to confirm their participation and monthly *FlatBill*<sup>®</sup> bill amount. Enclosed with the confirmation letter was a pamphlet of conservation/energy efficiency tips and recommendations for both summer and winter energy savings. Customers who enrolled in the program received their first of twelve bills on the *FlatBill*<sup>®</sup> rate in January 2003 and their final bill on the *FlatBill*<sup>®</sup> rate in December 2003.

The *FlatBill*<sup>®</sup> monthly bill amounts were derived from each individual customer's historical kWh usage, weather normalized, and adjusted for the expected increase resulting from participation in the program. This resulted in an estimated annual kWh. These kWh were then

multiplied by the appropriate base rate and cost recovery clause adders for the contract period. The resulting sum was added to the annualized customer charge, and divided by 12 to arrive at the monthly *FlatBill*<sup>®</sup> amount.

There were three areas of interest for which the Company sought to collect information in this pilot program: (1) Impact on kWh consumption; (2) Impact on Peak Demand; and, (3) Customer Reaction. Each of these is discussed below.

### **Impact on kWh Consumption**

The customers who participated in the *FlatBill*<sup>®</sup> pilot program, on average, did increase their kWh consumption. In order to assess the amount by which the energy consumption increased, a usage comparison was done between the actual and predicted kWh consumption of the *FlatBill*<sup>®</sup> customers.

For each month, January through December 2003, actual kWh consumption was measured for each *FlatBill*<sup>®</sup> customer. In addition, for each of these months, a calculation was made to predict, based on actual weather, what each of the customers would have used if they had not been in the *FlatBill*<sup>®</sup> program. Averages of both the actual and predicted totals by month were used to show the difference in usage that can be attributed to the fact that these customers were on the *FlatBill*<sup>®</sup> rate.

There was an increase in consumption accounted for by the customers being on the *FlatBill*<sup>®</sup> rate.

### **Impact on Company Peak Demand**

In order to determine the impact that the *FlatBill*<sup>®</sup> customers would have on the Company's peak demand, *FlatBill*<sup>®</sup> sample and control groups were established. At the beginning of the pilot, approximately 140 load research meters were deployed at participating *FlatBill*<sup>®</sup> customers' premises to make up the sample group. This sample was selected randomly and represents over one third of the total pilot population. The control group was selected, based on energy consumption matches, from the existing load research meters already deployed in the field and approved by the Cost of Service Load Research Rule filed by the Company with the Florida Public Service Commission.

For each Gulf monthly peak hour in the months of January to December 2003, the difference between the mean kW of the control group and the mean kW of the *FlatBill*<sup>®</sup> sample group was calculated. In addition, the confidence intervals (CI) around this difference were calculated at the 90 percent level, which means that there is a 90 percent certainty that the difference between the two groups will fall between the upper and lower CI bounds.

A statistical test was performed on all months to see if the CI included the value of zero. According to this test, if the CI included the value of zero, there was statistically no significant difference between the demands for the test and control groups for that month. If this is the case, the *FlatBill*<sup>®</sup> group did not affect the Gulf system peak for that month.

For all months except November, the CI included the value of zero. In November, the Upper Bound of the CI was close to zero but did not include that value.

Since there is no statistically significant difference between the demands at the monthly system peak hours for the *FlatBill*<sup>®</sup> sample and control groups, except for one month of the twelve, the conclusion is that, during the Pilot, the usage patterns shown by the *FlatBill*<sup>®</sup> customers had basically no more effect on the Gulf Power monthly peak demand than if they had not been in the *FlatBill*<sup>®</sup> program.

In other words, although there was an increase in kWh consumption attributed to the *FlatBill*<sup>®</sup> customers, this additional usage did not have a noticeable impact on peak demand.

### **Customer Reaction**

During the month of October 2003, Gulf Power conducted a mail survey of all of its *FlatBill*<sup>®</sup> pilot program participants. Three hundred and Fifty-three surveys were mailed, with 214 responses received (61%). This is an extraordinarily high response rate to a mail survey.

The vast majority of the responses received were very positive. For instance, when asked for their overall satisfaction with the program, on a scale of 1 – 10, with 10 representing “Very Satisfied”, 95% of the respondents scored the program an 8 or above. When asked if, given the chance and knowing their *FlatBill*<sup>®</sup> offer for the upcoming year would be based on consumption from the current year, they would renew their contract, 76% of the respondents answered that they would “Very Likely” renew.

Some of the comments received back included: “Senior citizens, fixed income (social security), we know exactly what we have to do to maintain budget”; “Important thing is that you are on a fixed income, it’s hard to pay large bills...thank you for giving us a chance to pay our bill each month with the *FlatBill*<sup>®</sup> program”; “Allows us to stay within our budget, best thing to come along in a while, especially when you have a limited budget”; “Thank you so much for helping me on my small business.”

In addition, it is important to mention, that the *FlatBill*<sup>®</sup> pilot program participants did not abandon conservation efforts as a result of being on *FlatBill*<sup>®</sup>. As a matter of fact, 82% of the *FlatBill*<sup>®</sup> customers who responded to our survey implemented energy tips included with their confirmation letter.

### **Conclusion**

The *FlatBill*<sup>®</sup> Pilot Program was completed in December 2003. The Company has successfully gathered the data that was identified to reach the goals established for the pilot.