

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for authority to implement proposed FlatBill rate schedule by Gulf Power Company.

DOCKET NO. 040442-EI  
ORDER NO. PSC-04-1052-TRF-EI  
ISSUED: October 27, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
LILA A. JABER  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

ORDER APPROVING PROPOSED FLATBILL RATE SCHEDULE

BY THE COMMISSION:

INTRODUCTION

On May 12, 2004, Gulf Power Company (Gulf) filed a petition for authority to implement a proposed FlatBill rate schedule. Gulf's FlatBill is an optional pricing program that offers residential and small commercial customers a fixed monthly electric bill regardless of kilowatt-hour (kWh) usage for 12 months. We approved a FlatBill program as a pilot project in Order No. PSC-02-0787-FOF-EI in Docket No. 010949-EI, In re: Request for a Rate Increase by Gulf Power, issued June 10, 2002. The FlatBill pilot program was conducted during calendar year 2003. Gulf states that the success of the pilot led it to request approval for a similar program on a permanent basis. We have jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05 and 366.06, Florida Statutes. We approve Gulf's proposed program going forward, with the conditions explained in the body of this Order, and as set forth in Gulf's October 4, 2004, letter, attached to this Order as Attachment A and incorporated herein.<sup>1</sup>

DECISION

Gulf's proposed FlatBill program is similar to programs offered by Southern Company affiliates Georgia Power Company and Alabama Power Company. It is an optional pricing program that offers residential and small commercial customers a fixed monthly electric bill regardless of their kWh usage for a 12-month period. It is available to Residential (RS) and

<sup>1</sup> Gulf's proposed FlatBill tariff is not consistent with Rule 25-6.100(2), Florida Administrative Code, with respect to the billing detail that must be provided on the customer's bill. Gulf has indicated that it will apply for a waiver of the rule if the tariff is approved.

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General Service Non-Demand (GS) customers in good credit standing who have valid billing information at their current address for the twelve months prior to enrolling in the FlatBill program. Gulf conducted a customer satisfaction survey of the pilot FlatBill program and received 214 responses from the 353 customers surveyed. Of the customers responding, 95% indicated they were satisfied or very satisfied with the program. Seventy-six percent of respondents indicated that they would continue on the program if offered the opportunity (See Attachment B to this Order for the full survey results). Based on its most recent customer data, Gulf states that there are 213,400 residential and 13,500 commercial customers eligible to participate in the program. Gulf asserts in its petition that it expects between 12,000 and 18,000 total customers to sign up for the program in the first year.

In determining the customer's monthly FlatBill amount, Gulf applies a premium to the customer's otherwise applicable rate schedule. To calculate the bill, Gulf first determines the customer's forecasted annual kWh usage by weather normalizing the customer's historic annual usage. This technique statistically adjusts usage to remove the effects of unusual weather. Gulf then adjusts the normalized kWh by a consumption adder that reflects the increase in usage expected when it is decoupled from price. The company indicated that the consumption adder used will be different for new customers participating in FlatBill than for customers renewing their participation in the program. The normalized, consumptive kWh are then multiplied by the otherwise applicable base rate and adjustment clause per kWh charges. The resulting amount is then increased by a risk adder percentage, and the annualized customer charge is added. The risk adder is a factor that recognizes the various types of risk Gulf may incur in offering the program. The total is divided by twelve to arrive at the monthly FlatBill amount a customer pays. Each customer's FlatBill charge will be unique, reflecting that customer's specific kWh usage pattern. One month before the end of the 12-month period, the customer will receive a new FlatBill offer that is recalculated based on the customer's most recent kWh usage.

Based on our research and the results of Gulf's customer satisfaction survey, we agree with Gulf that the FlatBill program will "meet the needs and expectations of a significant number of Gulf's residential and small business customers" and be of benefit to those on fixed incomes and those who seek predictable, level bills throughout the year. We believe that the program also benefits Gulf by making its revenues less subject to seasonal variation, and by allowing Gulf the opportunity to collect higher revenues than they would have from standard rate customers.<sup>2</sup> We also believe, however, and Gulf agrees, that certain additions to the tariff and to the information

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<sup>2</sup> We are aware of the conservation effects of the FlatBill program. The pilot program resulted in an 8% increase in kWh consumption by participants. Typically, when monthly energy usage is averaged over an extended period of time, participants are not able to immediately see the fluctuations in their billing and adjust their usage quickly. Programs such as FlatBill even out the participant's usage and can result in increased kWh consumption by participants. Gulf states in its petition and in responses to our staff's questions that while there were observed increases in kWh consumption, there was no effect on peak demand. Gulf also explained that increased kWh usage had the effect of increasing load factor, which is generally desirable as it spreads fixed costs over a larger kWh base.

provided to customers are necessary to insure that customers can make an informed choice about participation in the FlatBill program.

I. Full Statement of all Terms and Conditions in the Tariff

Gulf's proposed tariff mentions but does not define the risk adder used to compute the FlatBill offer. Gulf has explained that the risk adder is a factor applied to the FlatBill that recognizes various types of risk the company may incur during the program. These include the risk of increased kWh usage, the risk of abnormal weather, regulated price risk, and the risk related to fuel price variability. During the pilot program, Gulf did not include a risk adder in the FlatBill offers made to customers. Under the permanent program, Gulf expects to initially set the risk adder at 5%. The risk adder will be the same for all FlatBill offers until Gulf changes it, and then the new adder will be used to calculate offers to all new and renewing customers. Gulf has indicated that it expects to change the risk adder no more than once per year in response to weather, consumption, and other external events that result in cost changes.

Gulf uses a proprietary business model that utilizes a Value at Risk methodology to calculate the risk adder. We do not think that full disclosure of the details of this methodology in the tariff and marketing materials is necessary, but we do find that Gulf should define the risk adder in general terms in the tariff, similar to the definition provided by Georgia Power Co. in its FlatBill tariff. We approve the language that Gulf has proposed to add to the tariff defining the risk adder as set out in Attachment A to this Order.

We also find that Gulf should describe in the tariff how a customer's estimated annual kWh is determined. The estimated annual kWh includes a consumption adder and an estimate to adjust for normal weather. The consumption adder is designed to help compensate Gulf for the expected increase in kWh consumption that will occur when customers are allowed to pay a flat rate regardless of usage. The normal weather adjustment is designed to remove the impact of abnormal weather from the customer's historic consumption. As with the risk adder, neither the consumption adder nor the weather normalizing adjustment are explicitly stated or defined in the submitted tariff sheets. We approve the language Gulf has proposed to add to the tariff defining the consumption adder and the adjusted normal weather, as set out in Attachment A to this Order.

The offer letter that Gulf sent to pilot FlatBill participants stated that if participants left the program prior to the end of 12 months, the participants agreed to pay Gulf the difference between what they would have paid for their usage under standard rates and the amount they paid on the FlatBill program. If this difference is negative, no refund is made to the customer. Because this is a condition for taking service under the tariff, we find that it should be included in the tariff, as Rule 25-9.002, Florida Administrative Code, requires. We approve Gulf's proposed language to address this condition of service as set out in Attachment A to this Order.

Gulf has indicated that if a customer's service is interrupted or their premises are destroyed due to a catastrophe or natural disaster, Gulf would remove the customer from the FlatBill program for the remainder of the applicable contract period, and all remaining bills would be calculated at the normal tariffed rate. The exit compensation clause discussed above would thus not be applicable in such circumstances. We find that Gulf should address this circumstance in its tariff, and we approve the language Gulf has proposed, as set out in Attachment A to this Order.

## II. Full Disclosure of all Terms and Conditions in the Marketing Materials

Gulf's marketing and offer materials, as well as the tariff, should accurately reflect the nature of Gulf's program. The offer materials for the pilot program consisted of a brochure that was sent to customers and an offer/agreement letter that showed the actual amount of the proposed monthly FlatBill. Customers signed the offer letter and sent the bottom portion back to the company as confirmation. Gulf stated that since it was waiting for Commission approval before producing marketing materials for the full program, the actual marketing information was not yet available. Gulf also stated, however, that the materials used for the full program would be similar to materials used in the pilot program. Gulf has proposed to include in the program solicitation letter the customer's average monthly bill over the last twelve months, as well as the customer's highest bill and lowest bill during that period. See Attachment A to this Order. We find that this information will be helpful in providing customers the opportunity to evaluate whether the cost of participating in the program is appropriate for them, and we approve the proposal. We also find, however, that there are other areas where additional disclosure or revision is needed.

The marketing materials should clearly indicate that the customer is paying a premium for the FlatBill service over the otherwise applicable rate schedule. While the pilot marketing and offer materials demonstrated the advantages of levelized bills, the offer or marketing materials did not indicate that the customer was paying a premium over normal standard rates for the FlatBill service. We do not believe that Gulf should be required to state the dollar or percentage amount of the premium, but we do believe that customers should be clearly informed that they will be paying for the privilege of having the FlatBill service. Gulf has proposed to add a statement on the offer letter notifying the customer they are paying a premium for the service, as set out in Attachment A to this Order, and we approve the proposal.

Gulf's offer material should disclose that the offered FlatBill price includes a consumption adder as well as a risk adder. We do not think that the company must provide a detailed explanation of how the consumption adder is calculated, but customers should be aware that the estimated kWh usage used in the FlatBill offer is adjusted due to their participation in the program. Gulf has proposed to include a statement in its offer that the customer's kWh consumption will be adjusted for usage growth, as set out in Attachment A. We approve the proposal.

The FlatBill contract automatically renews unless a customer contacts the utility to withdraw from the program. We find that the company should send a notice prior to the FlatBill contract expiration. Gulf has proposed that the customer will be notified of the new monthly FlatBill amount at least 30 days before the new bill goes into effect. We approve that proposal, as set out in Attachment A to this Order.

Like the tariff, the FlatBill marketing materials for the permanent program should clearly state the potential payment required of customers who leave the program early, and they should state that customers are not entitled to any refund due to early termination. Gulf has proposed to add this language to the FlatBill offer letter. We approve that proposal, as set out in Attachment A to this Order.

Finally Gulf has proposed to provide our staff with a copy of all marketing materials actually used by the company when the materials are put to use. We approve this proposal, as set out in Attachment A to this Order.

### III. Reporting Requirements

The FlatBill tariff may have a significant impact on Gulf's revenues. Given the impact that the FlatBill program could have on Gulf's revenues, we find that Gulf should keep us informed of the impact of the FlatBill program by filing a quarterly report with the Commission. The report should be similar in format to reports that are currently filed on a monthly basis by Alabama Power Company, Georgia Power Company, and Progress Energy Carolinas, Inc. (for North Carolina) with their respective commissions.

The report should contain the following information: the total revenues collected under the FlatBill tariff versus the revenues that would have been collected under the traditional (residential and general service) tariffs; identification of the amount collected under the risk adder; the projected kWh consumption by the FlatBill customers in aggregate for the quarter along with the actual kWh consumption by the FlatBill customers in aggregate for the quarter; and identification of the quarterly incremental number of participants on the FlatBill tariff. Gulf has proposed to provide this information to us, as explained in Attachment A to this Order. We approve the proposal. The report will provide an overview of the program and enable sound regulatory oversight. We note that Gulf has requested some flexibility in the required filing time for the report in the first months of operation of the program. We find that ultimately Gulf should file the report no later than 30 days following the end of the quarter. For the immediate future, however, Gulf may file its report within 45-60 days following the end of the quarter.

### IV. Caps on Risk and Consumption Adders

As noted above, two of the factors used to calculate a customer's FlatBill rate will be a risk adder and a consumption adder. The adders account for various types of risk that Gulf has identified in offering a customer the level bill. In the pilot program, Gulf noted that bills were

adjusted by a 3.9% consumption adder only. The results of the pilot program showed an actual increase in kWh usage of 8%. The proposed permanent program utilizes both a consumption adder and a risk adder.

The risk adder recognizes that actual usage and response may differ from what Gulf expected. The risk adder reflects three sources of risk: modeling risk, weather risk, and price risk. Gulf estimated a 5% risk premium based on its Value-at-Risk methodology. This methodology requires as inputs an aggregate risk measure, which is based on the variability of the three sources of risk, and a cost of capital input. Gulf used 20% as the cost of capital input. The 20% is the pre-tax cost of equity using the company's 12% authorized return on equity and a 38.575% effective tax rate. The Commission last set Gulf's return on equity by Order No. PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI. The authorized return on equity was 11.75% plus 25 basis points for Gulf's past performance and as an incentive for Gulf's future performance.

There is no limit on how often the consumption and risk adders may be changed, although Gulf has indicated that it intends to change the risk adder no more than once per year. The same risk adder would apply to all customer offers. The consumption adder may be different for new customers entering the program versus renewing customers. This difference is due to the expected differences in behavior between customers who enroll for the first time and those who renew, but the same percentage amount will be applied to all customers within each group.

Gulf has offered to cap the risk adder at 5% and the consumption adder at 10%, as set forth in Attachment A to this Order. We find these caps to be appropriate. The FlatBill tariff is an optional offering and there is a practical limit to what Gulf can charge before customers decide to opt out or not sign up for the program. We believe these caps will help insure that FlatBill customers pay reasonable rates. If in the future the company is able to collect data indicating that higher level caps are justified, the company may seek Commission approval to amend the existing tariff.

#### V. Regulatory Treatment of FlatBill Revenues

Gulf has agreed, and we find, that Gulf shall include all FlatBill program revenues, including any profit/loss, in operating revenues for all regulatory purposes. This treatment would match the revenues from the program with the associated administrative costs. FlatBill program revenues shall be allocated first to fully recover the cost recovery clause charges based on actual kWh usage each month.

CONCLUSION

As stated above, we believe that Gulf's proposed FlatBill rate schedule will provide a valuable billing option for Gulf's residential and small business customers and benefit those on fixed incomes and others who seek predictable, level bills throughout the year. We believe that the program also benefits Gulf by making its revenues less subject to seasonal variation, and by allowing Gulf the opportunity to collect higher revenues than it would have from standard rate customers. We therefore approve Gulf's proposal with the conditions set out in the body of this Order and in Attachment A to this Order. Gulf shall file new tariff sheets consistent with this Order for administrative approval.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission, that Gulf Power Company's Petition for authority to implement proposed FlatBill rate schedule is approved, as described in the body of this Order and in Attachment A to this Order. It is further

ORDERED that this Order shall become final upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, 32399-0850, by close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that Gulf shall file new tariff sheets consistent with this Order for administrative approval. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of October, 2004.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

MCB

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 17, 2004.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.



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October 4, 2004

Martha Carter Brown  
Office of General Counsel  
Florida Public Service Commission  
2450 Shumard Oak Boulevard  
Tallahassee, FL 32397

Dear Martha,

This follows several telephone conversations since the filing of Staff's recommendation in Docket No. 040442-EI dated September 23, 2004. The intent of these conversations has been to clarify some of the statements in Staff's recommendation in an effort to determine the areas of agreement between Staff and the Company prior to the Commission's consideration of this matter at the agenda conference on October 5, 2004. The purpose of this letter is to document the agreements reached between the Staff and the Company through the course of these conversations. As a result of the agreements detailed in this letter, the Staff and the Company are in agreement on all issues to be presented to the Commission at the agenda conference regarding this docket. It is the intent of the Staff and the Company that a copy of this letter with its attachments be distributed to the Commissioners for the October 5, 2004 agenda conference to memorialize the agreements reached by the Staff and the Company as a condition of Commission approval of *FlatBill*<sup>®</sup> program.

There are a number of places in the Staff recommendation where it is indicated that Gulf has agreed to supply additional language for either the tariff or the marketing materials. There are three attachments to this letter. The first is a two page document that contains additional tariff language. The second attachment is also a two page document that contains additional disclosure language for Gulf's marketing materials. As a result of our conversations subsequent to September 23, 2004, the Staff and the Company have agreed that the additional language contained in the first two attachments satisfies all of the Staff's requests for additional language for either the tariff itself or the marketing

materials Gulf will use in conjunction with the *FlatBill*<sup>®</sup> program, if it is approved by the Commission in the form contemplated by this letter. The third attachment is a side-by-side listing of the language in Staff's recommendation requesting additional language with the corresponding language from one of the first two attachments that satisfies the Staff's request.

As noted above, Staff agrees that the additional language set forth in the attachments to this letter fully satisfies all of the requests for additional language set forth in the Staff recommendation. Those requests for additional language for the tariff are set forth at the end of each of the last four paragraphs of Section I of the Staff Analysis regarding Issue 1 found on pages 5 and 6 of the Staff recommendation. Those requests for additional language for the marketing materials are set forth at the end of the second, third and fifth paragraphs of Section II of the Staff Analysis regarding Issue 1 found on page 6 of the Staff recommendation.

There are two additional recommendations contained in Section II of the Staff Analysis regarding Issue 1 regarding which agreement has been reached between Staff and the Company. The first is set forth at the end of the fourth paragraph of this section found on page 6 of the Staff recommendation. This letter will serve to confirm the Company's agreement with Staff that Gulf will notify each existing *FlatBill*<sup>®</sup> customer of the new monthly amount of the Company's renewal *FlatBill*<sup>®</sup> offer for the following 12 month period at least 30 days before the new bill goes into effect. Additional language to this effect has been included in the second attachment to this letter. The second such recommendation is set forth in the last paragraph of this section found at the top of page 7 of the Staff recommendation. As a result of the agreements detailed above, Staff has agreed that Gulf has fully satisfied the intent of this paragraph and no further submission or approval is needed prior to finalizing customer marketing information for use with the *FlatBill*<sup>®</sup> program if approved by the Commission in the form contemplated by this letter. In lieu of any further pre-approval as implied by the paragraph at the top of page 7 or paragraph No. 3 in the Conclusion found on page 9, Gulf has agreed to provide Staff a copy of all marketing materials actually used by the Company after such materials are actually put into use. If Staff finds that any such marketing materials fail to comply with the disclosure requirements agreed to in this letter, Staff will notify the Company of the omission and Gulf will immediately cease using such material and instead use corrected material that contains the required disclosures. Gulf commits to the Commission that it fully intends to comply with the disclosure requirements agreed to in this letter and that any such failure to comply is not likely to occur except through accident or inadvertence which Gulf will undertake serious efforts to avoid.

In Section III of the Staff Analysis of Issue 1 found on page 7 of the Staff recommendation, Staff sets forth several specific items to be included in Gulf's quarterly report to be filed with the Commission regarding the *FlatBill*<sup>®</sup> program. Based on discussions during our telephone conversations, Staff has clarified its request by deleting

expectations of a significant number of Gulf's residential and small business customers. We are pleased that through a productive dialogue, we have been able to satisfy Staff's concerns and as a consequence are able to join together in urging the Commission to approve the *FlatBill*<sup>®</sup> program as an optional service offering for Gulf's customers.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jeffrey A. Stone', written over a light gray rectangular background.

Jeffrey A. Stone  
For the firm

**Agreed upon additional language for Rate Schedule Flat-1 Residential/Commercial *FlatBill*<sup>®</sup> which Gulf will include in the final tariff if the proposed program is approved by the Commission**

*Following the "BILL FORMULA" section, add a section entitled "DEFINITIONS" to include the following:*

Estimated Annual kWh – Customer's expected annual energy consumption is calculated based on the customer's historical metered usage adjusted for normal weather and consumption changes in customer behavior.

Risk Adder – The adder is used to compensate Gulf Power for the risk associated with weather-related consumption as well as the risk associated with the non-weather impacts. This adder will not exceed 5%.

Annual Customer Charge – The monthly customer charge under Rate Schedule RS or Rate Schedule GS, as applicable, multiplied by 12.

Energy-Demand cents/kWh – The base rate charge under Rate Schedule RS or Rate Schedule GS, as applicable.

Normal Weather – Based on Gulf's seasonal heating degree-days and cooling degree-days.

*Under the section entitled "TERM OF CONTRACT" add the following language to what currently has been proposed:*

All eligible *FlatBill*<sup>®</sup> offers will be updated with their previous year consumption, and contracts will automatically renew for the following year, unless the customer notifies the company otherwise.

A customer who withdraws from the program prior to the end of the 12 month contract period will be required to pay any difference between their actual usage billed on Rate Schedule RS or Rate Schedule GS, as applicable, and the amount collected under *FlatBill*<sup>®</sup>.

Gulf Power shall have the discretion to waive any of the foregoing charges that would otherwise apply as a consequence of significant damage to a *FlatBill*<sup>®</sup> customer's premise caused by a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.

*Following the items already proposed in the "BILL FORMULA" section, add:*

Gulf Power periodically reviews the routes by which customers' meters are read to ensure they are in line with traffic patterns and efficiency goals. If a customer's neighborhood is reviewed, the date on which the customer's meter is read may change. Should this happen, the customer may see an adjustment in the *FlatBill*<sup>®</sup> amount for the next billing period. This adjustment only reflects a change in the number of days in this billing period and the customer will continue to receive the customer's regular *FlatBill*<sup>®</sup> amount after this adjusted billing.

**Disclosure Language on Offer Materials for *FlatBill*<sup>®</sup>**

The following sample language is representative of the elements Gulf Power would include on all *FlatBill*<sup>®</sup> offer materials presented to customers (in locations as noted):

Within Body of Offer Letter

“Your *FlatBill*<sup>®</sup> offer includes a premium that protects you from unpredictable bills caused by summer’s heat or winter’s cold, or changes in fuel prices, as well as changes in your electric usage. Your customized *FlatBill*<sup>®</sup> offer takes into account your past electric usage, expected weather for the upcoming 12 months, and predicted changes in usage.”

*Toll free number to call for more information.*

Within Billing/Offer Details (the following is subject to a future determination whether it can be reasonably obtained through Gulf’s CSS customer billing system)

AVERAGE MONTHLY AMOUNT (Most recent 12 months)  
HIGHEST BILL (Most recent 12 months)  
LOWEST BILL (Most recent 12 months)

On Sign-Up/Mail-In Portion of Letter

“I understand I can withdraw from the *FlatBill*<sup>®</sup> plan at any time. If I choose to withdraw before the end of the one-year agreement, I will pay the difference between the amount of energy used and the amount I’ve paid.”

*Toll free number to call for more information.*

Terms and Conditions Section (currently planned for the back of the Offer Letter)

***FLATBILL*<sup>®</sup> RATE – IMPORTANT TERMS AND CONDITIONS**

By choosing to participate in the *FlatBill*<sup>®</sup> rate plan, you agree to pay the monthly *FlatBill*<sup>®</sup> amount for electric service to the designated residence/premise shown on the reverse side for the initial 12-month contract period, beginning with your next monthly electric service bill.

Subject to other applicable laws and regulations, your participation in the *FlatBill*<sup>®</sup> rate plan will continue automatically until you withdraw or cease to be eligible for the plan (for example, if your service is cut for non-payment). At least 30 days before the end of each 12-month period, Gulf Power will notify you of the new monthly *FlatBill*<sup>®</sup> amount for the next 12-month period. At the end of each 12-month period, you may notify Gulf

Power of your decision to withdraw from this plan, in which case you will not be required to pay any additional charges in connection with the plan. Unless notified otherwise, Gulf Power will continue to bill you on this plan, but at the new monthly *FlatBill*<sup>®</sup> amount.

If at any time before the end of a 12-month contract period, you cease receiving electric service at the designated residence/premise (for example, you move from the residence/premise or the service to this residence/premise is disconnected), or you otherwise withdraw or are withdrawn from the *FlatBill*<sup>®</sup> rate plan, you will be required to pay any additional charges. Specifically, if the amount of electricity actually used results in a billing amount under your previous rate that is greater than the amount for which you have been billed under this plan, you must pay the difference. Gulf Power shall have the discretion to waive any of the foregoing charges that would otherwise apply as a consequence of significant damage to your premise caused by a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.

You will not receive any refund or credit for amounts paid under the *FlatBill*<sup>®</sup> rate plan: (1) if the amount of electricity actually used during the plan would have resulted in a billing amount under your previous rate that is less than the amount for which you have been billed, or (2) for any power outages or other unavailability of service for any reason whatsoever.

These *FlatBill*<sup>®</sup> terms apply only for electric service to the designated address. Under no circumstances can *FlatBill*<sup>®</sup> terms determined on the basis of one residence/premise be transferred to another residence/premise.

Your *FlatBill*<sup>®</sup> amount is based on the average electricity usage for the designated service address, as adjusted to reflect normal weather conditions and usage growth. The monthly *FlatBill*<sup>®</sup> amount also includes a charge to cover financial, weather and other risks.

Gulf Power periodically reviews the routes by which customers' meters are read to ensure they are in line with traffic patterns and efficiency goals. If your neighborhood is reviewed, the date on which your meter is read may change. Should this happen, you may see an adjustment in your *FlatBill*<sup>®</sup> amount for the next billing period. This adjustment only reflects a change in the number of days in this billing period and you will continue to receive your *FlatBill*<sup>®</sup> amount after this adjusted billing.

The *FlatBill*<sup>®</sup> rate plan is offered as an option by Gulf Power and is on file with the Florida Public Service Commission.

ATTACHMENT 3

Excerpt from Staff Recommendation	Conforming language from Agreement regarding tariff
<p>Page 5, 2<sup>nd</sup> full paragraph:</p> <p>Staff believes that full disclosure of the details of this methodology in the tariff and marketing materials is not necessary, but recommends that Gulf define the risk adder in general terms in the tariff, similar to the definition provided by Georgia Power Co. in its FlatBill tariff. Staff</p> <p>in calculating the FlatBill is important. Gulf has agreed to add language to the tariff defining the risk adder.</p>	<p>From the new "DEFINITIONS" definitions section to follow the "BILL FORMULA" section in the tariff:</p> <p>Risk Adder – The adder is used to compensate Gulf Power for the risk associated with weather-related consumption as well as the risk associated with the non-weather impacts. This adder will not exceed 5%.</p>
<p>Page 5, 3<sup>rd</sup> full paragraph:</p> <p>Staff recommends that Gulf should define the consumption adder and the adjusted normal weather in the tariff. Gulf has agreed to add language to the tariff to do so.</p>	<p>From the new "DEFINITIONS" definitions section to follow the "BILL FORMULA" section in the tariff:</p> <p>Estimated Annual kWh – Customer's expected annual energy consumption is calculated based on the customer's historical metered usage adjusted for normal weather and consumption changes in customer behavior.</p>



ATTACHMENT 3

Excerpt from Staff Recommendation	Conforming language from Agreement regarding tariff
<p>Page 5, 4<sup>th</sup> full paragraph:</p> <p>difference is negative, no refund is made to the customer. This provision, while stated in the petition, is nowhere stated on the proposed tariff sheets that Gulf filed. Since this clearly is a condition for taking service under the</p>	<p>From the new language to be added to the tariff section entitled "<i>TERM OF CONTRACT</i>":</p> <p>A customer who withdraws from the program prior to the end of the 12 month contract period will be required to pay any difference between their actual usage billed on Rate Schedule RS or Rate Schedule GS, as applicable, and the amount collected under <i>FlatBill</i><sup>®</sup>.</p>
<p>Fourth, in discussions with staff, Gulf indicated that if a customer's service was interrupted or their premises were destroyed due to a catastrophe or natural disaster, Gulf would remove the customer from the <i>FlatBill</i> program for the remainder of the applicable contract period, and all remaining bills would be calculated at the normal tariffed rate. The exit compensation clause discussed above would thus not be applicable in this case. Staff recommends that this provision be included in the tariff as well, and Gulf has agreed to add this language.</p>	<p>From the new language to be added to the tariff section entitled "<i>TERM OF CONTRACT</i>":</p> <p>Gulf Power shall have the discretion to waive any of the foregoing charges that would otherwise apply as a consequence of significant damage to a <i>FlatBill</i><sup>®</sup> customer's premise caused by a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.</p>

ATTACHMENT 3

Excerpt from Staff Recommendation	Conforming disclosure language for marketing materials
<p><b>Page 6, 2<sup>nd</sup> full paragraph:</b></p> <p>... customers should be made clearly aware that they will be paying for the privilege of having the FlatBill service. Gulf has agreed to add a statement on the offer letter notifying the customer they are paying a premium for the service.</p>	<p><b><u>Within Body of Offer Letter</u></b></p> <p>“Your <i>FlatBill</i><sup>®</sup> offer includes a premium that protects you from unpredictable bills caused by summer’s heat or winter’s cold, or changes in fuel prices, as well as changes in your electric usage. Your customized <i>FlatBill</i><sup>®</sup> offer takes into account your past electric usage, expected weather for the upcoming 12 months, and predicted changes in usage.”</p> <p><i>Toll free number to call for more information.</i></p> <p><b><u>Within the “Terms and Conditions” section of the Offer letter</u></b></p> <p>Your <i>FlatBill</i><sup>®</sup> amount is based on the average electricity usage for the designated service address, as adjusted to reflect normal weather conditions and usage growth. The monthly <i>FlatBill</i><sup>®</sup> amount also includes a charge to cover financial, weather and other risks.</p>
<p><b>Page 6, 3<sup>rd</sup> full paragraph:</b></p> <p>... customers should be aware that the estimated kWh usage used in the FlatBill offer is adjusted due to their participation in the program. Gulf has agreed to include a statement in its offer that the customer’s kWh consumption will be adjusted for usage growth.</p>	<p><b><u>Within the “Terms and Conditions” section of the Offer letter</u></b></p> <p>Your <i>FlatBill</i><sup>®</sup> amount is based on the average electricity usage for the designated service address, as adjusted to reflect normal weather conditions and usage growth. The monthly <i>FlatBill</i><sup>®</sup> amount also includes a charge to cover financial, weather and other risks.</p>

ATTACHMENT 3

<b>Excerpt from Staff Recommendation</b>	<b>Conforming disclosure language for marketing materials</b>
<p><b>Page 6, 4th full paragraph:</b></p> <p>Staff recommends that the customer be sent a notice prior to the FlatBill contract expiration. In discussions with staff, Gulf indicated that the customer will be notified of the new monthly FlatBill amount at least 30 days before the new bill goes into effect.</p>	<p><b>Within the "Terms and Conditions" section of the Offer letter</b></p> <p>Subject to other applicable laws and regulations, your participation in the <i>FlatBill</i><sup>®</sup> rate plan will continue automatically until you withdraw or cease to be eligible for the plan (for example, if your service is cut for non-payment). At least 30 days before the end of each 12-month period, Gulf Power will notify you of the new monthly <i>FlatBill</i><sup>®</sup> amount for the next 12-month period. At the end of each 12-month period, you may notify Gulf Power of your decision to withdraw from this plan, in which case you will not be required to pay any additional charges in connection with the plan. Unless notified otherwise, Gulf Power will continue to bill you on this plan, but at the new monthly <i>FlatBill</i><sup>®</sup> amount.</p>

ATTACHMENT 3

<u>Excerpt from Staff Recommendation</u>	<u>Conforming disclosure language for marketing materials</u>
<p>Page 6, 5th full paragraph:</p> <p>... [S]taff believes that all marketing materials for the permanent program must clearly state the potential payment required of customers who leave the program early, and that customers are not entitled to any refund due to early termination. Gulf has agreed to add this language to the offer letter.</p>	<p><u>Within the "Terms and Conditions" section of the Offer letter</u></p> <p>If at any time before the end of a 12-month contract period, you cease receiving electric service at the designated residence/premise (for example, you move from the residence/premise or the service to this residence/premise is disconnected), or you otherwise withdraw or are withdrawn from the <i>FlatBill</i><sup>®</sup> rate plan, you will be required to pay any additional charges. Specifically, if the amount of electricity actually used results in a billing amount under your previous rate that is greater than the amount for which you have been billed under this plan, you must pay the difference. Gulf Power shall have the discretion to waive any of the foregoing charges that would otherwise apply as a consequence of significant damage to your premise caused by a natural disaster or other similar conditions for which an emergency has been declared by a governmental body authorized to make such a declaration.</p> <p>You will not receive any refund or credit for amounts paid under the <i>FlatBill</i><sup>®</sup> rate plan: (1) if the amount of electricity actually used during the plan would have resulted in a billing amount under your previous rate that is less than the amount for which you have been billed, or (2) for any power outages or other unavailability of service for any reason whatsoever.</p>

Survey Results - Residential and Commercial Totals (214 of 353 surveys received back - 61%)

Questions

1 How satisfied are you overall with the FlatBill® program?

	1	2	3	4	5	6	7	8	9	10	% Satisfied
Very dissatisfied											
Very Satisfied (Rated 8-10)											92%

2 How satisfied are you with the ease of understanding the billing process?

	1	2	3	4	5	6	7	8	9	10	% Satisfied
Very dissatisfied											
Very Satisfied (Rated 8-10)											94%

3 What would you say is the main advantage of being on the FlatBill® program? Please rank your top three choices...

195	Knowing that your electricity bill will be the same each month
24	Knowing that your electricity bill will not be affected by changes in the weather
49	Knowing that your electricity bill will not be affected by forgetting to turn off lights, or adjusting the setting on your thermostat
125	Knowing that your electricity bill will not be affected by changes in electricity prices
112	Knowing your electricity bill amount for the entire year, no matter how much you use
13	Other, please explain... <i>Allows us to stay within our budget. Best thing to come along in a while...especially when you have a limited budget. I am very pleased. Peace of mind. Convenience. All of the above. We are still very careful with our consumption. Not impressed. None of the above. Very satisfied. Senior citizens fixed income (social security), we know exactly what we have to do to maintain budget. Better for budget. Important thing is that when 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 FlatBill program. Ability to budget house expenses.</i>

4 Now that you have experienced nearly a year on the FlatBill® program, would you say that the FlatBill® program has turned out to be

88 Better than expected 121 About what you expected 4 Not so good as expected

5 Realizing that the second year on FlatBill® would be based on usage during the first year, how likely would you be to renew when current year expires? (76% would VERY Likely Renew)

162 Very Likely 26 Somewhat Likely 23 Undecided 2 Somewhat Unlikely 1 Very Unlikely

6 Would you recommend FlatBill® to others?

208 YES 3 NO

7 Were you a Budget Billing customer prior to FlatBill®? (35% were Budget Billing customers)

73 YES 137 NO

8 Did you implement any of the efficiency tips that you were given when you enrolled in the FlatBill® program? (82% implemented efficiency tips)

163 YES 36 NO