

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 050045-EI  
FLORIDA POWER & LIGHT COMPANY**

**MARCH 22, 2005**

**IN RE: PETITION FOR RATE INCREASE BY  
FLORIDA POWER & LIGHT COMPANY**

**TESTIMONY & EXHIBITS OF:**

**MARLENE M. SANTOS**

DOCUMENT NUMBER-DATE

02772 MAR 22 05

FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                               **FLORIDA POWER & LIGHT COMPANY**

3                                   **DIRECT TESTIMONY OF MARLENE M. SANTOS**

4   **DOCKET NO. 050045-EI**

5   **MARCH 22, 2005**

6

7   **Q.    Please state your name and business address.**

8    A.    My name is Marlene M. Santos. My address is 9250 W. Flagler Street, Miami,  
9           FL 33174.

10 **Q.    By whom are you employed and what is your position?**

11   A.    I am employed by Florida Power & Light Company (FPL) as Vice President of  
12           Customer Service.

13 **Q.    Please describe your duties and responsibilities in that position.**

14   A.    As Vice President of Customer Service for FPL, I have responsibility for  
15           development and implementation of programs and services that optimize the level  
16           of customer service provided to FPL's customers. In that regard, I oversee  
17           development and execution of policies, processes and systems related to customer  
18           contact, billing, complaint resolution and other services provided to customers.  
19           This involves responsibility for the operations of the customer care centers, meter  
20           reading, billing, payment processing, revenue recovery, field services, and  
21           marketing.

22 **Q.    Please describe your educational background and professional experience.**

23   A.    I have a Bachelor of Arts degree in finance and a Masters in Business

1 Administration from the University of Miami. Since joining FPL in 1981, I have  
2 held numerous positions of increasing responsibility in several functional areas  
3 including finance, marketing, and customer service and have participated in  
4 various special projects as assistant to FPL's President. I joined Customer  
5 Service in 1990 and have been manager of marketing, manager of commercial  
6 services, director of revenue recovery, and director of customer care. I became  
7 Vice President of Customer Service in January 2005.

8 **Q. Are you sponsoring an exhibit in this case?**

9 A. Yes. I am sponsoring an exhibit consisting of five documents, Document Nos.  
10 MMS-1 through MMS-5, which are attached to my direct testimony.

11 **Q. Are you sponsoring or co-sponsoring any MFRs in this case?**

12 A. Yes. I am sponsoring the following MFRs:

- 13 • C-11, Uncollectible accounts
- 14 • C-14, Advertising expenses
- 15 • D-6, Customer deposits
- 16 • F-9, Public notice

17 Additionally, I am co-sponsoring the following MFRs:

- 18 • C-8, Detail of changes in expenses
- 19 • C-15, Industry Association Dues
- 20 • C-41, O&M benchmark variance by function
- 21 • E-7, Development of service charges
- 22 • E-13b, Revenue by rate schedule – service charge

23

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

2 A. The purpose of my testimony is to describe the high quality of service that FPL  
3 provides to our customers while maintaining low cost and efficient operations.  
4 Furthermore, my testimony supports FPL's need to increase base rates to a level  
5 that would allow the Company to continue providing high quality service at  
6 reasonable rates.

7 **Q. Please describe FPL's achievements in the area of Customer Service.**

8 A. FPL's achievements in the area of customer service have been driven by the  
9 mission of the Customer Service business unit to build customer satisfaction  
10 through excellence in customer service. FPL employees are committed to  
11 demonstrate care and concern for our customers and to strive to meet or exceed  
12 customers' expectations.

13  
14 As I will explain in more detail later in my testimony, FPL is recognized as an  
15 industry leader in terms of customer service performance. There also has been a  
16 significant effort by FPL to develop new and innovative ways to make it easier  
17 and more convenient for our customers to do business with FPL.

18  
19 Recently, FPL was awarded the ServiceOne Award by PA Consulting Group. PA  
20 Consulting Group is a leading management, systems and technology consulting  
21 firm with worldwide operations in more than 35 countries. The ServiceOne  
22 Award recognizes utilities that provide exceptional service to their customers as  
23 determined by a set of 18 objective measures of excellence in customer care

1 developed by a panel of industry experts. These measures were selected to  
2 provide comprehensive, quantitative measurement of the service attributes that  
3 matter to customers. The measures include meter reading, billing, call center,  
4 field service, revenue recovery (credit and collections), and theft protection. I  
5 will discuss key measures of this achievement in detail later in my testimony.

6  
7 While customer service achievements are pervasive throughout the business unit,  
8 I would like to focus first on the successes FPL has achieved with our customer  
9 care centers, billing and payment options, and the development of automated  
10 services through both the telephone and the internet.

11  
12 The customer care centers generally are a customer's first point of contact for  
13 almost any inquiry or matter needing attention. FPL care centers have been  
14 designed and engineered to provide a high level of service to customers by  
15 answering inquires promptly and accurately. In recognition of our high level of  
16 performance, FPL became the first electric company in the nation to have its  
17 customer care centers certified as a Center of Excellence by Purdue University's  
18 Center for Customer Driven Quality. I will discuss this achievement in detail  
19 later in my testimony.

20  
21 FPL's customers are offered an extensive array of billing and payment options  
22 that are designed to supply customers with added convenience and flexibility in  
23 receiving and paying their bills. These billing and payment options are designed

1 to make it easier for customers to do business with FPL and at the same time,  
2 reduce the cost to the company.

3  
4 Finally, a significant effort has been undertaken to develop and expand our Voice  
5 Response Unit (VRU) and internet business applications. These applications  
6 offer customers the ability to conduct business using interactive self-service  
7 functions, while reducing the cost per transaction.

### 8 9 **CUSTOMER CARE CENTERS**

10 **Q. Please describe the operation of the customer care centers.**

11 A. FPL's customer care centers have been designed and engineered using state of the  
12 art technology with the objective of ensuring that all customer inquiries are  
13 answered promptly and accurately. There are two care centers and numerous  
14 remote agents that have been configured to act as one virtual contact center that  
15 handles inbound and outbound calls as well as faxes, letters, and all forms of  
16 electronic mail, such as e-mail and internet contacts. The two customer care  
17 centers allow customers to contact FPL 24 hours a day, 7 days a week. One  
18 center is located in West Palm Beach with average annual staffing of  
19 approximately 230 representatives, while the second is located in Miami with  
20 average annual staffing of approximately 370 representatives. Excluding  
21 hurricane related contacts, these centers handled over 24 million customer  
22 contacts in 2004, an increase of over 110%, or 13 million contacts, from 1998.  
23 These contacts included 7.7 million representative handled calls, 8.9 million

1 automated calls, 6.7 million internet transactions, 975,000 outbound contacts,  
2 170,000 faxes, 44,000 e-mails, and 16,000 customer letters. As a result of  
3 hurricanes Charley, Frances, and Jeanne striking FPL's service territory, over 2.9  
4 million hurricane related contacts were also handled in 2004. These contacts  
5 include 900,000 representative handled calls, 1.7 million automated calls and  
6 280,000 internet contacts.

7 **Q. Please describe how the customer care centers have achieved high**  
8 **performance.**

9 A. The use of leading edge technology along with a strong emphasis on process  
10 management has enabled us to achieve high performance. At the care centers,  
11 FPL has consistently sought to employ innovative systems and applications to  
12 ensure that all types of customer contacts are handled promptly, accurately and  
13 efficiently. We also have designed and organized our processes to complement  
14 our technology in ensuring consistency and accuracy when handling customer  
15 issues.

16  
17 One of the fundamental operational challenges of a care center, and a priority for  
18 FPL, is to ensure that customers do not receive busy signals when calling FPL.  
19 Many call centers limit the number of incoming calls at any one time. Such a  
20 limitation will often cause customers to receive a busy signal. FPL's care center  
21 management worked together with systems providers and telecommunications  
22 partners to design a telecommunications network solution to ensure that all calls  
23 are delivered to FPL with the lowest probability of receiving a busy signal,

1 regardless of where in our territory the call originates. This was accomplished  
2 through the use of overflow capabilities between local lines, toll-free lines, and  
3 the FPL network. Local lines can only be utilized by a limited number of callers,  
4 so it is important to have available the overflow capabilities and expanded  
5 capacity of toll-free lines. For example, a customer will call a local line to contact  
6 FPL; if all the local lines in that area are being utilized, the call is automatically  
7 routed to a toll-free line and ultimately reaches FPL without a delay to the  
8 customer. We also have a back-up provider that will handle outage calls in the  
9 event that all of the lines into our system are being utilized.

10  
11 This system has proven invaluable for our customers during the recent hurricanes  
12 that impacted our service territory and caused approximately 5.4 million customer  
13 outages. FPL's care centers and our overflow partner handled over 2.6 million  
14 outage calls during the period between August 13 and October 4, 2004, including  
15 handling an all time FPL high of over 283,000 calls in a single day. Due to the  
16 efficient design and integration of our telecommunications network, FPL was able  
17 to promptly answer our customers calling to report power outages.

18  
19 We also strive to have customer calls answered by a representative with the  
20 appropriate skill level. Automated Call Distributor (ACD) technology, which is  
21 the "brains" of our care center telecommunications infrastructure, has been  
22 combined with Computer Telephony Integration (CTI) to provide optimum call  
23 routing and allow the two centers and remote agents to act as one virtual care

1 center. This integration of technologies enables calls to be routed to a  
2 representative based on the order in which they were received by the FPL system  
3 combined with the priority assigned to the type of call. The result is that all FPL  
4 customers throughout the state receive the same level of service, with priority  
5 given to customers reporting urgent matters, such as a wire down or a power  
6 outage. The routing of the calls within the network ensures that the representative  
7 receiving the call has the skills and language capability necessary to handle the  
8 specific customer inquiry. The interface of the telecommunications network with  
9 the customer information systems facilitates retrieval of the customer's records.  
10 Through CTI, customer-specific information is delivered to the representative's  
11 computer screen as the call is being answered by automatic retrieval of the  
12 customer's records based on the telephone number from which he or she is  
13 calling. The system also contains Graphical User Interface (GUI) software on the  
14 desktop which provides the representatives with standardized processes for each  
15 inquiry type. The GUI software ensures that any customer calling with a similar  
16 issue will be handled in the same manner and provided with the same answers.

17 **Q. How do these technologies benefit customers?**

18 A. As previously described, the technology and architecture of the care centers have  
19 been designed with the objectives of making it easier for our customers to contact  
20 us and allowing us to handle customer calls as efficiently as possible. Having  
21 overflow and routing capabilities allows a customer's request to be handled with  
22 the shortest possible wait time by a specialized representative who is specifically  
23 trained to proficiently handle the customer's request or area of concern. This

1 maximizes the opportunity to handle calls quickly and efficiently without having  
2 to transfer the call between service representatives. The ability to automatically  
3 identify and deliver customer-specific information through CTI allows the  
4 representative to greet the customer and immediately respond to the customer's  
5 inquiry without having to ask the customer to provide account information up  
6 front. This process saves approximately 20 seconds on each successful account  
7 retrieval. FPL's care center systems and standardized processes ensure that  
8 customers will be provided with a consistent and accurate response to the inquiry.

9 **Q. How do FPL's customer care centers compare with other call centers in the**  
10 **industry?**

11 A. When comparing FPL's care centers to other utility call centers, we generally find  
12 that FPL has a higher level of automation and lower cost due to the combination  
13 of the many different systems and applications. Also, in 2003, FPL was  
14 recognized as the first utility in the nation to have its customer care centers  
15 certified as a Center of Excellence by Purdue University's Center for Customer  
16 Driven Quality. Purdue's Center for Customer Driven Quality is an organization  
17 focused on helping business partners attain the highest standards for customer  
18 service.

19 **Q. Please describe the nature of this certification.**

20 A. The Purdue University Center of Excellence certification process is a joint effort  
21 between Purdue University and Benchmark Portal. Benchmark Portal manages  
22 the call center database located at Purdue University's Center for Customer-  
23 Driven Quality where call center applicants are compared against each other. The

1 Call Center Certification process is unique in the following ways:

- 2 • It begins with a thorough statistical comparison between the call center  
3 striving to be certified and a peer group of similar call centers in the same  
4 industry sector.
- 5 • It is based on a balanced scorecard approach, namely, how well call centers  
6 are able to manage call handling at a high level of efficiency (high volumes at  
7 low cost) and effectiveness (high quality in terms of results).
- 8 • It identifies areas of high performance and quantifies gaps in areas of low  
9 performance based on hard statistical comparisons.

10

11 The Purdue certification process involves a rigorous two-day onsite review during  
12 which Purdue University experts evaluate the call centers based on objective,  
13 quantitative data. As a result of meeting or exceeding all requirements for  
14 certification, FPL became the first utility to have its customer call centers certified  
15 as Centers of Excellence.

16

17 In 2000, FPL's customer care centers also were recognized as the number one  
18 ranked care center in the META Group benchmarking study based on six  
19 operational effectiveness areas. The META Group is a leading research and  
20 consulting firm that focuses on information technology and business  
21 transformation strategies. There were 20 participants in the study representing  
22 other comparable call centers in the gas and electric utilities industry within the  
23 United States.

1 FPL believes these third-party evaluations confirm that our customer call centers  
2 are operating at a high level of performance.

3 **Q. Please provide examples of key metrics and how FPL's customer care centers**  
4 **compare with other call centers in the industry.**

5 A. FPL participates in an annual benchmarking study conducted by PA Consulting  
6 Group. PA Consulting Group is a leading management, systems and technology  
7 consulting firm with worldwide operations in more than 35 countries. PA  
8 Consulting has provided comprehensive benchmarking services for over a decade  
9 to utility companies focusing on how their costs and services measure against  
10 those of other utilities. The 2004 benchmarking study, based on 2003 year ending  
11 data, consisted of 35 electric and gas utilities. As part of this study, many  
12 individual performance measures that are typical industry indicators were  
13 benchmarked. The following metrics are indicative of FPL's outstanding  
14 performance compared to other participants.

- 15 • Average speed of answer – group average: 76 seconds; FPL: 29 seconds
- 16 • Call abandonment rate – group average: 5.8%; FPL: 2.0%
- 17 • Cost per call – group average: \$3.63; FPL: \$1.85

18 **Q. What is average speed of answer?**

19 A. Average speed of answer (ASA) is an accepted industry measure for determining  
20 how quickly a customer's call is answered. FPL's ASA is significantly better  
21 than the group average. Over the years, FPL has committed to improving this  
22 operating indicator. In 1998 FPL's ASA for representative handled calls was 50  
23 seconds. As mentioned above, our 2003 ASA was 29 seconds which is a

1 significant improvement. However, in 2004 our ASA was 49 seconds, much  
2 higher than 2003. This increase was due to the associated increase in phone calls  
3 as a result of the 3 hurricanes that impacted our service territory. Prior to the first  
4 hurricane in August 2004, FPL's ASA year-to-date was 28 seconds. Due to the  
5 large number of estimated bills and catch-up work created as a result of the focus  
6 on the hurricanes, call volume for September through December was significantly  
7 higher than originally forecast. While some immediate operational and staffing  
8 changes were made as a result of the extraordinary storm season, we were not  
9 able to achieve the same ASA that we had in 2003.

10 **Q. What is the "call abandonment rate"?**

11 A. The call abandonment rate is an indicator that measures the percent of customers  
12 who hang up while in queue waiting to speak to a representative. Typically, the  
13 longer customers have to wait to speak to a representative the higher the  
14 abandonment rate will be. FPL's call abandonment rate improved from 4.7% in  
15 1998 to 2.0% in 2003. This is significantly better than the group average of 5.8%.  
16 However, the rate in 2004 increase to 3.7%. This increase was due to the higher  
17 call volume due to the impact of the extraordinary hurricane season that was  
18 discussed in my previous answer. As I indicated, the increase in call volume  
19 drove up our ASA which resulted in a higher call abandonment rate.

20 **Q. Why is FPL's cost per call so much lower than the other companies that  
21 participated in the study?**

22 A. FPL has created an efficient and cost effective operation at the care centers. Our  
23 strong emphasis on processes results in enhanced accuracy and consistency,

1 which lowers our cost per transaction. In addition to continuously monitoring  
2 these processes, the leveraging of technology has enabled FPL to keep its cost per  
3 transaction low. In 1999, FPL reengineered the VRU and focused on improving  
4 and expanding the automated services offered through the VRU. In 2004,  
5 approximately 56% of FPL's inbound call volume was handled in a completely  
6 automated manner by the VRU. This penetration rate is among the best in its  
7 class for our industry. In the 2004 PA Consulting Benchmarking study, FPL  
8 reported the highest 2003 VRU penetration rate of 49%. The average for the 32  
9 companies reporting VRU penetration data was 21% and only 2 other utilities had  
10 a rate greater than 40%. A higher VRU penetration rate demonstrates our  
11 customers' acceptance of automated services. Additionally, by offering a wide  
12 variety of automated VRU applications, we are providing customers with options  
13 that make doing business with FPL easier, and at the same time, lower our cost  
14 per transaction.

15  
16 Additional technological enhancements that have lowered costs per call include  
17 integration between the telecommunications equipment and the customer  
18 information systems, and the development of other applications that improve the  
19 overall efficiency of the call handling process. For example, as I previously  
20 mentioned, CTI functionality saves about 20 seconds per call.

21  
22 Finally, another significant contributor to our low cost is the manner in which we  
23 have engineered our telecommunications network using a combination of local

1 lines, toll-free lines and other telecommunications options instead of the more  
2 expensive toll-free lines.

3 **Q. Why does FPL have such a high VRU penetration rate?**

4 A. FPL's industry leading VRU penetration rate is the result of the development of  
5 many applications that allow customers to easily complete general inquiries  
6 through the VRU without the need to speak to a representative. VRU capabilities  
7 have been created that provide interactive customer applications for disconnecting  
8 service, power outage reporting, billing inquiries, bill payment, payment  
9 extensions, reconnection of service, requesting duplicate bills and obtaining  
10 general information on many other services we offer. In addition to providing  
11 customers with an alternate option to doing business using interactive telephone  
12 applications, VRU technology also results in a significantly reduced cost per  
13 transaction, since there is no manual intervention required to complete a  
14 transaction performed over the VRU.

15 **Q. What evidence is there that customers like to use the VRU option?**

16 A. While customers have the option of speaking to a live representative, many  
17 customers like to do business through the VRU. The VRU is a simple and  
18 efficient way for them to do business with us. The rapid growth of VRU use  
19 since 1998 demonstrates growing acceptance by our customers of the VRU  
20 system and the increase in and improvement of the VRU features. In addition,  
21 customer care center satisfaction research performed in 2004 indicates that 70%  
22 of customers that used the VRU were very satisfied or satisfied with the call. Our

1 research also found that 82% of our customers stated that the VRU has directions  
2 and instructions that are clear, and 74% found the VRU easy to use.

3 **Q. What percentage of customer inquiries are resolved with one call?**

4 A. Based on FPL's residential customer care center satisfaction research, the percent  
5 of customer inquiries resolved with one call has increased from 72% in 2000 to  
6 78% in 2003. In 2004, there was a decrease to 73%, driven by estimated bills and  
7 service restoration issues as a result of the hurricanes.

8

9 Reducing repeat calls has been an ongoing priority and has improved over the  
10 past few years. At the end of 1999 we implemented the Request Issuance  
11 Tracking System (RITS), which enables customer service representatives to  
12 inform the customer of when to expect resolution of their request. The system  
13 also allows us to track requests that have been forwarded to other departments  
14 outside of the care center. RITS has contributed significantly to the reduction of  
15 call-backs from customers.

16 **Q. What type of quality assurance program is in place at the care centers?**

17 A. The quality assurance program at the care centers is focused on continually  
18 improving the overall quality of the response to a customer call. The program is  
19 based on a voice and data monitoring system that is used to score the overall  
20 quality of a call and provide appropriate feedback to the representative. Through  
21 quality assurance observations, representatives are monitored for accuracy,  
22 compliance to processes, and demonstrating understanding and empathy to  
23 customers. The quality program also includes process coordinators who focus

1 solely on continuously identifying improvements within the underlying processes.  
2 We gather data from the quality observations and analyze trends to identify  
3 improvement opportunities with policies or processes.

4 **Q. Does FPL measure customer satisfaction for customers who contact the**  
5 **customer care centers?**

6 A. Yes. Ongoing surveys are performed to measure satisfaction of residential  
7 customers with the way their calls are handled.

8 **Q. Please describe the results of these surveys.**

9 A. FPL's residential customer care satisfaction research results are attached to my  
10 testimony as Document No. MMS-1. The surveys were initially performed  
11 during the first quarter of 1999 and they measure overall satisfaction with FPL,  
12 the call, the representative and the VRU. The percent satisfied score is the  
13 percent of customers who are very satisfied or satisfied with the area being  
14 measured. A key design of the surveys is to provide a means of identifying  
15 improvement opportunities. FPL continuously monitors the result of the surveys  
16 in order to proactively take action in areas of opportunity.

17  
18 Since 1999, there has been a positive trend in each of the four measures. While  
19 each of the tracking lines shows positive improvement, individual data points  
20 reflect decreases in a few periods. For example, there is a drop in the attribute for  
21 "Overall Satisfaction with the VRU" for the 2 periods in 2004. We believe this is  
22 due to a change in the VRU made at the end of 2003 that affected customers who  
23 were not able to successfully transact in the VRU. These customers were

1 automatically provided the most common requested information, such as current  
2 balance and recent payments. Initial analysis shows that these customers did not  
3 find this information beneficial and test changes are being made to confirm. If  
4 this holds true, the change made at the end of 2003 will be removed and  
5 satisfaction scores with the VRU should improve to prior year levels.

6  
7 The three other key measures also dropped slightly in the second period of 2004.  
8 Although analysis of the surveys is not complete, it is certain that these customer  
9 satisfaction scores were impacted by the aftermath of the hurricanes. However,  
10 overall there is significant improvement in each of the four key satisfaction  
11 measures between the scores in 1999 when the surveys were first performed, and  
12 the most recent scores for 2004.

13 **Q. What options do FPL customers have if they are not satisfied by the response**  
14 **that the representative provides?**

15 A. Customers are offered the option of speaking with a care center account  
16 supervisor. Account supervisors are a group of employees with more experience  
17 and broader authority who are dedicated to resolving elevated customer issues  
18 quickly and efficiently. There is also a complaint resolution process that has been  
19 established to ensure that customers' concerns or issues are handled appropriately.

20 **Q. Please describe FPL's customer complaint resolution process.**

21 A. FPL implemented a new customer complaint resolution process in 2001 to ensure  
22 that customer complaints are handled in an expeditious manner by a network of  
23 contacts throughout many business units and departments. This process,

1 combined with the RITS process described earlier, provides customers with a  
2 specific contact person to ensure resolution of their matter and a timeframe within  
3 which FPL will address the customer's issue. Once a customer asks to speak with  
4 a supervisor, the call is forwarded to a care center account supervisor.

5  
6 Once a call is elevated from a care center representative to a care center account  
7 supervisor, the account supervisor determines how to resolve the customer's  
8 issue. The majority of calls are resolved directly by the care center account  
9 supervisor, however, if the call requires follow-up with a department outside of  
10 the care center, the customer is provided the department name to which their  
11 matter is being referred to, as well as a timeframe in which the appropriate  
12 representative will contact the customer for resolution. Additionally, for all calls,  
13 the customer is given the care center account supervisors name and telephone  
14 number in the event they need further assistance and a ticket is then created, and  
15 the matter is monitored for completion in a timely manner.

16  
17 In the event that a customer complaint is not resolved, the customer may choose  
18 to contact the Florida Public Service Commission (FPSC). As part of our  
19 complaint handling process, FPL participates in the FPSC warm transfer program.  
20 This program was established by the FPSC to help resolve disputes as quickly,  
21 effectively, and inexpensively as possible by transferring the customer call or  
22 email directly from the FPSC to FPL if the customer agrees. FPSC contacts will  
23 be discussed later in my testimony.

1 In addition to the complaint resolution process, FPL implemented the Customer  
2 Account Satisfaction Tracking (CAST) system, a process to capture and track  
3 both customer dissatisfaction and commendations. This data is rolled up into  
4 daily, weekly and monthly reports by department and business process and  
5 available for review by all levels of supervision and management. CAST  
6 provides a means for analyzing daily, weekly and monthly data and is useful in  
7 identifying trends or issues, modifying processes and policies, and gauging the  
8 impact of changes to processes and policies that impact the efficiency and quality  
9 of customer service.

#### 11 BILLING AND PAYMENT OPTIONS

12 **Q. What types of billing and payment options does FPL provide its customers?**

13 A. FPL strives to enhance its service to customers by offering a variety of billing and  
14 payment options that are designed to make it easier for customers to do business  
15 with the Company. Customers may choose to pay their bills through the internet,  
16 by phone, through automatic bank withdrawals, at our pay agents, with credit  
17 cards or, of course, through regular mail with a check or money order. Customers  
18 choosing to pay their bills through the internet may do so directly from our  
19 website or through other websites where they can pay multiple bills. The list of  
20 billing and payment options, including a description of the options, the date each  
21 option began and the number of participants in each option as of December 2004  
22 is attached to my testimony as Document No. MMS-2.

23

1 In addition to developing new and expanding existing billing and payment  
2 options, FPL has been recognized as a leader in payment processing operations.  
3 FPL's payment processing operations were recently recognized by the  
4 Association of Work Process Improvement as having best practices in quality,  
5 innovation and workload. As described in their April 2003 Journal of Work  
6 Process Improvement, "FPL uses a combination of sound technology, efficient  
7 business practices and strong customer focus to reduce costs and improve  
8 customer satisfaction in their payment remittance operation."

9 **Q. Would you please elaborate on FPL's billing options?**

10 A. Yes. In recent years, FPL has developed several programs to better serve both  
11 residential and business customers' needs relative to billing. Customers may now  
12 enroll in our e-mail billing program and those that do receive an e-mail that lets  
13 them know their new bill is ready for them to view. They may then access our  
14 internet website through a direct link included in the e-mail and view their bill and  
15 bill insert on-line. They may also pay the bill on-line as well.

16  
17 The Summary Billing program allows a customer with ten or more FPL accounts  
18 to request a single statement for the billing and payment of those accounts. This  
19 program eliminates the task of handling and paying multiple bills throughout the  
20 month.

21  
22 FPL also provides a program called "FPL Budget Billing" as an option for  
23 customers who want to avoid the peaks and valleys of seasonal or monthly

1 electric bills. The monthly electric usage is levelized over a 12-month period,  
2 allowing the participating customer to more easily budget their payments for  
3 electric service.

4  
5 Another billing option is the "FPL 62 Plus Payment Plan." This plan is available  
6 to all customers who depend on fixed incomes such as social security, disability  
7 or other similar type benefits. The program extends the due date of the bill by ten  
8 days, thus allowing one full month to pay after the bill is issued. This means that,  
9 regardless of when the customer's monthly benefit check is received, the  
10 customer will have sufficient time to pay his or her electric bill. This helps  
11 participating customers manage their monthly budget, especially if their electric  
12 bill is due at some time other than when the monthly benefit check arrives.

13  
14 FPL recognizes the customer benefits and cost reduction opportunities in having  
15 customers utilize electronic billing and payment options when compared to  
16 standard bill delivery and payments through the U.S. Postal Service (USPS). In  
17 1998, approximately 75% of all payments were received via mail and processed  
18 through FPL's payment processing center. At year end 2004, less than 60% of all  
19 payments were received via mail and processed through FPL's payment  
20 processing center.

21 **Q. Does FPL have any plans for Automated Meter Reading (AMR)?**

22 **A.** Yes. Approximately 50,000 AMR meters will be deployed in 2005. The meters  
23 deployed will be single phase, non-demand meters that generally serve residential

1 and small and medium size business customers. Two different communication  
2 technologies will be deployed. There will be approximately 34,000 power line  
3 carrier meters and approximately 16,000 radio frequency meters. In addition to  
4 the AMR meters, FPL will deploy a connect/disconnect switch on a limited basis  
5 as a pilot. Analysis of the first phase deployment is expected to be completed by  
6 mid-year 2006. Once completed, FPL will begin system wide deployment. This  
7 phase is estimated to take approximately 5 to 8 years.

8 **Q. What are the benefits of Automated Meter Reading?**

9 A. In addition to providing cost-efficiencies through automation, AMR will improve  
10 customer satisfaction and employee safety by lessening the need for estimated and  
11 adjusted bills and create a safer work environment by eliminating the need to  
12 enter a customer's property to read meters. An AMR solution also has the  
13 potential to provide additional benefits from functionality in the areas of:

- 14 • Meter tamper detection
- 15 • Load profile analysis
- 16 • Outage restoration verification

17  
18 **OTHER CUSTOMER SERVICES**

19 **Q. Would you elaborate on the other customer services that FPL provides to its**  
20 **customers over the internet?**

21 A. Yes. FPL recognizes that many customers appreciate the ability to use interactive  
22 self-service to do business. In recent years, FPL has been developing and  
23 expanding its internet applications so that its customers can conduct business with

1 FPL over the internet. Customers may perform transactions such as payment  
2 extensions, power outage reporting and status update, street light outage  
3 reporting, order a duplicate bill, and connect, disconnect or transfer service over  
4 the internet. As previously discussed, they may also view and pay their monthly  
5 bill on-line. In addition, they may use the internet to enroll in the e-mail bill and  
6 online pay options discussed earlier. Almost all of the information that may be  
7 obtained by calling the care centers is available on-line.

8  
9 Two of the most successful applications have been FPL Pay Online (POL) and the  
10 Online Home Energy Survey. In 2001, the first full year FPL POL was available,  
11 approximately 275,000 payments were processed. During 2004, over 2.4 million  
12 payments were processed. This application has proven very successful and  
13 continues to steadily increase in participation. The Online Home Energy Survey  
14 was developed to help customers better understand and manage their energy costs.  
15 The survey provides a detailed billing breakdown summarizing how their energy  
16 dollar was used during the survey period, explains the impacts of weather on  
17 energy usage and provides customers with recommendations on how to conserve  
18 energy and save money on their electric bill. This application was implemented  
19 in mid-2001 and has been very effective in providing customers with a better  
20 understanding of the impacts of energy consumption, particularly during the  
21 summer period when energy consumption is highest.

1 A list of all the transactions that may be performed by customers over the internet  
2 is attached as Document No. MMS-3. During 2004, approximately 6.7 million  
3 transactions were performed by customers using internet self-service applications.

4 **Q. What types of programs does FPL offer its special needs customers?**

5 A. FPL 62Plus, a program that I previously discussed, is especially designed for  
6 customers with fixed incomes from social security, disability and other benefits.  
7 Another program that was designed to help prevent disconnection of electric  
8 service is the "FPL Friendly Reminder Plan." The plan allows the customer to  
9 designate someone to receive a Final Notice prior to service disconnection. A  
10 designated person, such as a caregiver, family member or neighbor, will receive  
11 notification of any final notice issued by FPL, protecting the customer from  
12 service disconnection because of an inadvertently unpaid bill.

13 **Q. What type of community outreach programs does FPL offer?**

14 A. FPL and its employees go above and beyond in caring for our customers. This  
15 has been achieved primarily by working with the various social services agencies  
16 in the communities that FPL serves. A process has been established whereby  
17 customers experiencing financial difficulty are referred to an appropriate social  
18 services agency. FPL personnel work with the agencies to ensure continuity of  
19 service while resources are allocated and secured for the customer. In 2004 over  
20 81,000 assistance payments were received from numerous agencies, representing  
21 approximately \$11.7 million toward customers' electric bills.

22

23 In 2001 FPL also established "AWARE" (Always Watching for At-Risk Elders).

1 This program was established in conjunction with the Center for Information and  
2 Crisis Services of Palm Beach County, where customers needing special  
3 assistance due to abuse, exploitation, or medical neglect, are referred to the  
4 appropriate social services agency. It has since been expanded to most other  
5 counties in FPL's service territory. FPL customer service field employees, such  
6 as collectors and residential representatives, are trained to recognize possible  
7 cases of abuse or neglect with senior citizens. Since inception, the program has  
8 identified hundreds of individuals who were potentially at risk and provided  
9 agency referral for assistance. This program is highly valued by the community  
10 social services agencies, as it is filling a need in our communities that is difficult  
11 to meet.

12 **Q. What other type of assistance does FPL provide customers?**

13 A. FPL has established "Care to Share." This is a special fund that receives  
14 donations from customers and FPL corporate contributions. Funds donated to  
15 Care to Share are administered by local social service agencies that partner with  
16 FPL. FPL refers customers needing financial assistance to one of the agencies  
17 that administers Care to Share funds. In 2004, contributions exceeded \$450,000  
18 and over \$6,500,000 has been donated since the program inception in 1994.

19  
20 FPL was also very responsive to community needs in the aftermath of the  
21 hurricanes in 2004. While working around the clock to restore power, FPL also  
22 helped rebuild the lives of thousands of Floridians by raising funds for the  
23 American Red Cross and the Florida Hurricane Relief Fund. Between FPL

1 employees, customers and Company matching gifts, FPL raised approximately  
2 \$1.4 million toward hurricane relief.

3 **Q. Are there any other functions of Customer Service that you would like to**  
4 **discuss?**

5 A. Yes. An additional service that FPL provides to its customers is its field force of  
6 residential, small and medium business, and commercial and industrial  
7 representatives. This group of employees is dedicated to serving the individual  
8 customer at his or her home or place of business. Residential and small and  
9 medium business representatives conduct high bill investigations and address any  
10 other concern that a customer may have about his or her electrical service.  
11 Commercial and industrial representatives provide a personalized level of service  
12 to our larger commercial/industrial customers. They proactively work with the  
13 customer on specific electric service requirements and related issues as well as  
14 any other customer service matters. Additionally, FPL offers an array of services  
15 to its business customers. These services include power monitoring, thermal  
16 scanning, performance contracting and preventative maintenance programs.  
17 Revenues generated by these services are greater than the costs incurred by FPL.

18 **Q. Please discuss FPL's Revenue Recovery operations.**

19 A. Revenue Recovery's primary role is to set policies and processes for credit and  
20 collections. The objective of this function is to ensure that policies are fair and  
21 reasonable and that they are applied consistently. The policies are established to  
22 be more lenient with customers who normally are good-paying customers and  
23 unexpectedly need additional time to pay, while being strict with habitually

1 delinquent customers. In 2004, approximately 782,000 payment extensions were  
2 granted. We recognize that the inability to pay timely is a sensitive issue for  
3 many customers; therefore, customers that prefer not to discuss this issue with a  
4 customer service representative have the capability of requesting a payment  
5 extension through the VRU or over the internet. A decision about whether to  
6 grant the extension is automatically made by the system, based on a complex  
7 analysis of data and criteria, and a response is provided to the customer  
8 immediately. Since the system generates a recommendation, customers will  
9 receive the same recommendation, whether they speak to a customer service  
10 representative directly or use an automated payment extension application  
11 through the VRU or over the internet.

12  
13 The critical measure of success for FPL's Revenue Recovery operations is  
14 reflected in the amount of write-offs as a percent of revenues. Through changes  
15 in policies and processes we have been able to maintain write-offs as a percent of  
16 revenues at or below 0.158% between 1998 and 2004 despite significant increases  
17 in fuel charges during this period. This operating indicator is considered the best  
18 in its class. In the 2004 PA Consulting Benchmarking study, 18 electric and gas  
19 utilities with greater than 1,500,000 customers provided their write-off rate for  
20 2003. FPL ranked number one in this group with a write-off rate of 0.134% for  
21 2003. FPL ended 2004 with a write-off rate 0.158%. The change between 2003  
22 and 2004 is attributable to the increase in fuel charges. All other things being  
23 equal, higher bills produce an added difficulty in payment.

1 **FPSC CUSTOMER CONTACTS**

2 **Q. How has the number of FPL customer contacts to the FPSC changed in**  
3 **recent years?**

4 A. For the Customer Service business unit, total customer contacts to the FPSC,  
5 including warm transfers, courtesy calls, and logged complaints were 3,660 in  
6 2003 and only 3,320 in 2004. When comparing 2004 with 2003, we had a 9%  
7 decrease in customers contacting the FPSC. What is most impressive about this  
8 decrease in customer contacts is that it was achieved even with the three major  
9 storm events of 2004. The storms mainly created customer contacts associated  
10 with estimated bills as a result of redeployment of our meter readers and  
11 subsequent true-up bills. Excluding these storm-related contacts, there was an  
12 18% reduction in customer contacts to the FPSC. Additionally, Customer  
13 Service, on an overall basis, has seen a decrease in the number of FPSC  
14 infractions in recent years. Infractions are cited by the FPSC when a utility has  
15 violated a FPSC rule, the company tariff or the stated company policy. Customer  
16 Service infractions per 1,000 customers decreased from .004 in 1998 to no  
17 infractions in 2004.

18  
19 **COST MANAGEMENT**

20 **Q. Has FPL's high level of service resulted in commensurate increases in costs?**

21 A. No. The Company has been able to successfully balance the delivery of high  
22 quality services while maintaining cost-efficient operations. Since 1998, FPL has  
23 been able to improve the quality of its service and offer additional products and  
24 services to our customers while maintaining a low Operation & Maintenance

1 (O&M) cost per customer. FPL's Customer Service O&M cost per customer has  
2 decreased from \$28.53 per customer in 1998 to \$28.32 per customer in 2004.  
3 This has been accomplished by the commitment of Customer Service  
4 management and employees to identify and implement process improvements  
5 throughout the business unit. We have focused on enhancing the processes that  
6 support the interface with the customer. We also have streamlined and automated  
7 many of the back-end processes, such as billing and accounting. A key  
8 contributor to cost savings has been the use of technology to enhance customers'  
9 ability to conduct self-service transactions through the internet or the VRU. This  
10 was demonstrated earlier in my testimony by FPL's best in class VRU penetration  
11 rate.

12  
13 Although Customer Service has managed to keep its O&M cost per customer  
14 relatively flat since 1998, based on the 2006 forecast, O&M cost per customer  
15 will increase from \$28.32 in 2004 to \$28.98 per customer. I will explain the need  
16 for this increase later in my testimony. FPL's historical and projected Customer  
17 Service O&M cost per customer is attached as Document No. MMS-4.

18 **Q. Can you provide additional examples of Customer Service processes that**  
19 **have been streamlined and improved and thereby minimized cost increases?**

20 **A.** Yes. FPL has achieved streamlined, accurate and efficient operations in the  
21 billing and payment processing functions. Many of the process and system  
22 enhancements that have been implemented have mitigated the increases in  
23 postage that have occurred over these years. Since 1999, the United States Postal

1 Service (USPS) postage has increased 3 times for a cumulative total of over 15%.  
2 However, due to process improvements within FPL's billing operations, the  
3 average cost of mailing a customer's bill increased by only 11% during the same  
4 period. These cost savings have been accomplished through systems and process  
5 implementation that allow FPL to receive the greatest USPS discounts for bulk  
6 mailings, zip code optimization and reduction in return mail. FPL's printing and  
7 mailing function was featured by Pitney Bowes as a world class operation in a  
8 special November 2001 edition of "Document Processing Technology," a  
9 publication sponsored by Pitney Bowes. Also, as mentioned earlier in my  
10 testimony, in 2003 FPL's payment processing operations were recognized by the  
11 Association of Work Process Improvement as a best practice in quality,  
12 innovation and workload.

13

14 Encouraging customers to participate in the option of viewing their bills through  
15 the internet is another measure that allows FPL to continue to manage billing and  
16 mailing costs in spite of continuing postage increases. As of December 2004,  
17 there are over 133,000 customers enrolled directly in FPL's E-mail bill program  
18 or Online Billing through third party vendors. FPL believes this is an area of  
19 continued opportunity and is strongly focused on increasing customer  
20 participation in electronic billing and payment options.

21

22 **Q. How will FPL continue to manage costs?**

23 **A.** FPL has been very successful at containing costs while achieving high quality and

1 level of service in customer service in recent years. This has been accomplished  
2 in spite of tremendous customer growth and many adverse economic conditions  
3 including deterioration in the economy as a result of the events on September 11,  
4 2001 impacting customers' ability to pay their bill, higher fuel costs which  
5 increase write-offs and several increases in postage. While FPL has been a leader  
6 in implementing technology and process improvements that provide both  
7 enhanced services for customers and cost reduction for FPL, we can no longer  
8 squeeze additional efficiencies out of current systems and processes to continue to  
9 meet the needs of our customers. An example is FPL's VRU systems. The VRU  
10 system has been utilized to the fullest extent of its current technology in providing  
11 useful self-service applications to customers. In order to continue to make  
12 significant increases in VRU penetration, new applications that are more complex  
13 in nature and offer greater functionality will be required. Examples of such  
14 applications include voice recognition and a system that allows a care center  
15 representative the ability to provide assistance to customers having difficulty  
16 accessing their account within the VRU.

17  
18 Tremendous customer growth will continue to be the key driver in cost. FPL is  
19 forecasting customer growth of over 147,000 new customers through 2006. The  
20 addition of these customers will increase the number of meters read by  
21 approximately 1.7 million annually. In addition, this will add approximately 1.7  
22 million bills to render and payments to process annually and a significant increase  
23 in customer contacts. Although FPL will continue to seek improvements in

1 efficiencies and processes, costs continue to increase faster than our ability to find  
2 offsetting savings and increased expenditures will be necessary to continue to  
3 excel in Customer Service areas.

4 **Q. How much are Customer Service O&M cost forecasted to increase in 2006?**

5 A. In order to meet the demands of customer growth and continue providing high  
6 quality customer service, Customer Service O&M costs are projected to increase  
7 by approximately \$7.1 million or 6% from 2004 to 2006. FPL's historical and  
8 projected Customer Service O&M expense is attached as Document No. MMS-5.

9 **Q. Please explain the major drivers of the O&M increase.**

10 A. Customer growth is the biggest driver of this increase. Of the \$7.1M increase,  
11 just over \$2.4 million is directly related to increases in expenses in meter reading,  
12 billing and payment operations and handling higher call volume in our care  
13 centers. In 2006, there is a projected USPS postage increase of \$0.04. This  
14 increase contributes an additional \$2.2 million in billing expenses. Increases of  
15 \$1.2 million in AMR spending associated with deployment of an additional  
16 100,000 meters and \$1.2 million for initiatives or customer service project  
17 spending account for the remaining amount.

18 **Q. How much are Customer Service capital expenditure cost forecasted to  
19 increase in 2006?**

20 A. Customer Service capital expenditure cost are projected to increase from \$2.6  
21 million in 2004 to \$14.6 million in 2006; an increase of approximately \$12.0  
22 million.

23

1 **Q. Please explain the major drivers of the capital expenditure increase.**

2 A. Deployment of 100,000 additional AMR meters and the associated cost account  
3 for approximately \$9.0 million of the increase. Development of new care center  
4 systems designed to better manage and enhance our customers experience when  
5 contacting FPL accounts for the remaining \$3.0 million.

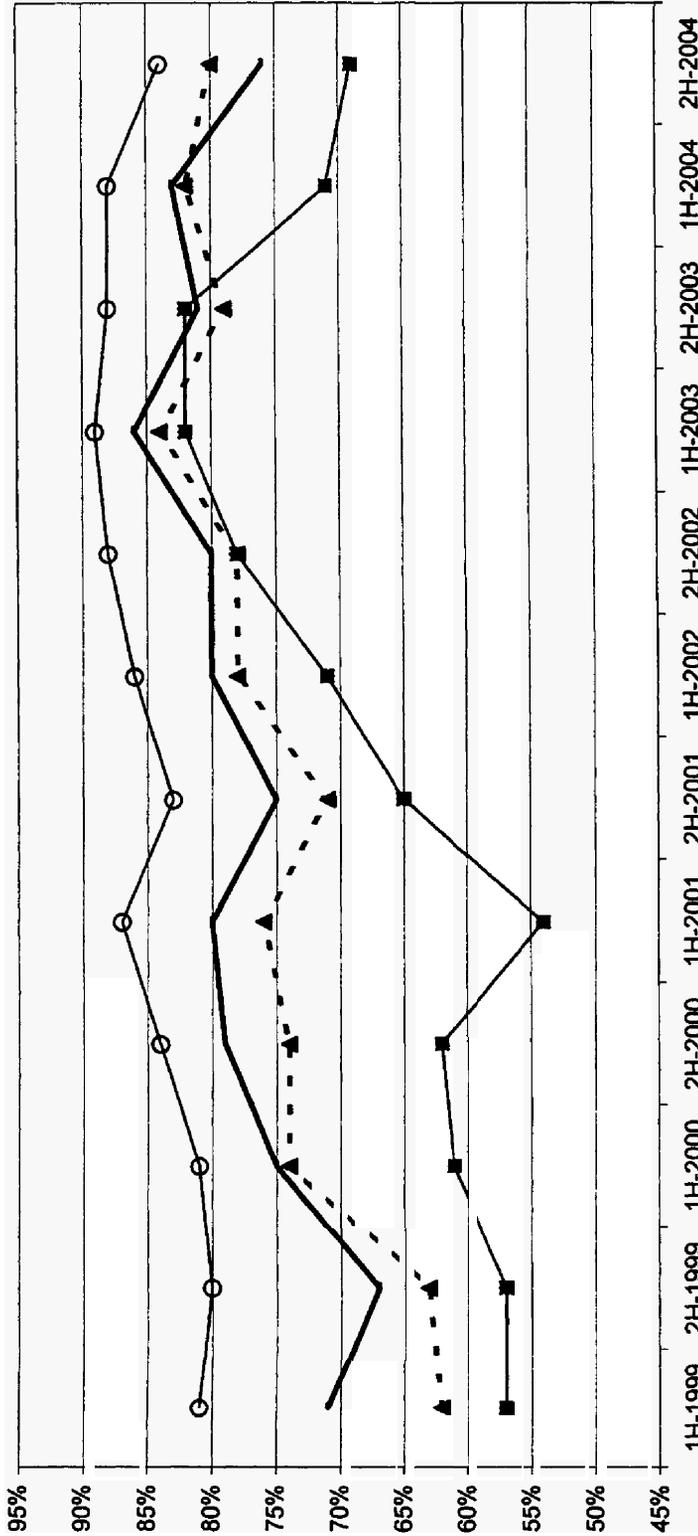
6 **Q. Please summarize your testimony.**

7 A. Since 1985, FPL's Customer Service operations have been significantly enhanced  
8 in terms of additional functionality and technical capabilities to allow customers  
9 to be served as accurately and efficiently as possible. FPL has been recognized  
10 for providing high quality service with several awards including the ServiceOne  
11 Award from PA Consulting Group and certification as a Center of Excellence by  
12 Purdue University's Center for Customer Driven Quality. FPL also has expanded  
13 the types and number of options and services provided to its customers in order to  
14 better meet their growing expectations and changing needs. The Company also  
15 exceeds expectations by reaching out into the communities with special programs  
16 for the different customer segments we serve. My testimony demonstrates and  
17 confirms FPL's high performance in the area of Customer Service and high level  
18 of customer satisfaction. Finally, I have shown that the increased spending in  
19 Customer Service is reasonable and necessary and supports FPL's need to  
20 increase base rates to a level that would allow FPL to continue providing high  
21 quality of service at reasonable rates.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.

**Residential Customer Care Center Satisfaction Research**  
**Key Satisfaction Measures**  
**Percent of Customers Very Satisfied or Satisfied**



-▲- Satisfaction with FPL  
-○- Satisfaction with the Representative  
-■- Satisfaction with the Call  
-▲- Satisfaction with the VRU

	1H-1999	2H-1999	1H-2000	2H-2000	1H-2001	2H-2001	1H-2002	2H-2002	1H-2003	2H-2003	1H-2004	2H-2004
Satisfaction with FPL	62%	63%	74%	74%	76%	71%	78%	78%	84%	79%	82%	80%
Satisfaction with the Call	71%	67%	75%	79%	80%	75%	80%	80%	86%	81%	83%	76%
Satisfaction with the Representative	81%	80%	81%	84%	87%	83%	86%	88%	89%	88%	88%	84%
Satisfaction with the VRU	57%	57%	61%	62%	54%	65%	71%	78%	82%	82%	71%	69%

**BILLING AND PAYMENT OPTIONS**

<b>Billing Options</b>	<b>Year Program Implemented</b>	<b>Description</b>	<b>Number of Participating Customers December 2004</b>
FPL E-Mail Bill	2001	Customer receives an e-mail with a link to FPL.com, where they can view their bill.	69,176
E-Bill	1997	Customer signs up with a third party to view bills from multiple companies through the internet. These bills may be viewed at a variety of internet web sites, including those of financial institutions, brokerage firms, United States Postal Service, etc.	63,963
EDI	1995	FPL Electronic Data Interchange allows a business customer to receive their bill electronically.	26,409
Summary Billing	1993	Customers with multiple service locations may receive one summarized bill instead of receiving individual bills throughout the month.	37,754
FPL Budget Billing	1983	Customers receive a bill based upon the historical rolling average of their energy costs so the amount due is approximately the same each month.	280,046
FPL 62 Plus Payment Plan	1979	The due date of the bill is extended by ten days for customers who depend on fixed incomes such as social security, disability or other similar type benefits.	56,881
US Mail Billing	1925	Customer receives a bill via US Mail.	4,167,933

**BILLING AND PAYMENT OPTIONS**

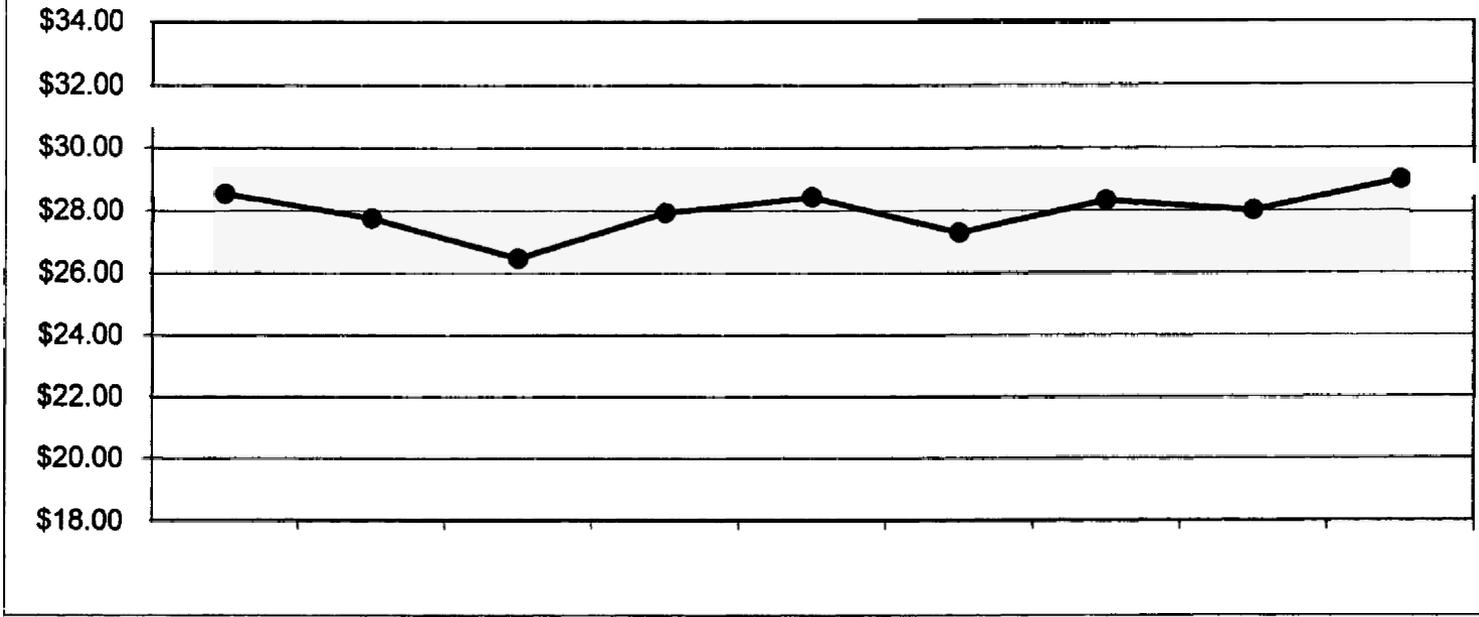
<b>Payment Options</b>	<b>Year Program Implemented</b>	<b>Description</b>	<b>Number of Participating Customers December 2004</b>
Credit Card	2003	Customer makes a payment using a credit card through a 3 <sup>rd</sup> party vendor.	8,584
Pay Online	2001	Customer makes payments online at FPL.com. Payments may be made anytime, 24 hours a day, 7 days a week.	232,519
Pay by Phone	2001	Customer makes payments using a touch-tone telephone. Payments may be made anytime, 24 hours a day, 7 days a week.	247,056
Automatic Bill Pay	1993	Customer pre-authorizes automatic transfer of payment from their checking accounts. Customers may choose between 10 to 20 days after the billing date to have their funds withdrawn.	410,693
Pay Station	1993	Customer pays in person at an authorized pay station.	453,913
Pay by US Mail	1925	Customer remits payment through the U.S Postal Service.	2,329,405

## INTERNET TRANSACTIONS

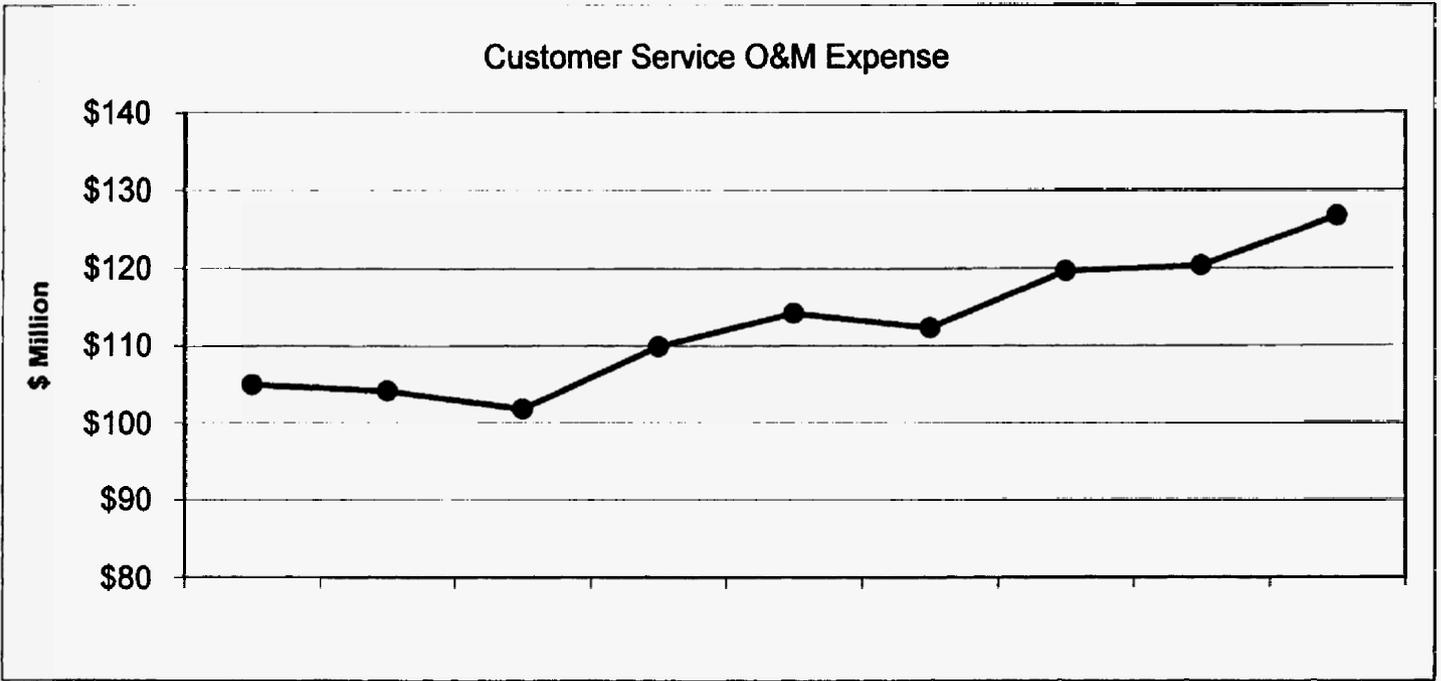
The following is a list of transactions that customers can perform over the internet:

- Automatic Bill Pay (ABP) Options
  - Enrollment
  - Discontinue participation
  - Re-activate participation
  - Update information
- E-Mail Bill Program
  - Enrollment request
  - Enrollment pending
  - Discontinue participation
- Inquiry on Bill Statement
  - View current month bill or 12 month billing history
  - View current payment or 12 month payment history
  - View kWH 12 month history
  - View 12 month usage history (data and graphical presentation)
- Budget Billing Enrollment
- Issue Connect Service Order
- Issue Disconnect Service Order
- Issue Transfer Service Order
- Payment Extension Request
- Pay Online
  - Enrollment
  - Internet Pay
  - Discontinue Participation
  - Update Information
- Home Energy Survey and/or Duct Test Request
- TV Interference Investigation Report
- Online Home Energy Survey
- Power Outage Reporting and Outage Status Update
- Update Customer Account Information
  - Telephone Numbers
  - Email Address
  - Mailing Address

Customer Service O&M Cost per Customer



	1998	1999	2000	2001	2002	2003	2004	2005	2006
O&M Cost per Customer	\$28.53	\$27.74	\$26.46	\$27.92	\$28.41	\$27.28	\$28.32	\$28.00	\$28.98



(\$ Million)	1998	1999	2000	2001	2002	2003	2004	2005	2006
Customer Service O&M	\$105.0	\$104.2	\$101.8	\$109.9	\$114.2	\$112.3	\$119.6	\$120.3	\$126.7