

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NOS. 050045-EI AND 050188-EI
FLORIDA POWER & LIGHT COMPANY**

JULY 28, 2005

**IN RE: PETITION FOR RATE INCREASE BY FLORIDA
POWER & LIGHT COMPANY
AND
IN RE: 2005 COMPREHENSIVE DEPRECIATION STUDY
BY FLORIDA POWER & LIGHT COMPANY**

REBUTTAL TESTIMONY OF:

C. DENNIS BRANDT

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6
7 **Q. Please state your name and business address.**

8 A. My name is C. Dennis Brandt. My business address is 9250 W. Flagler Street,
9 Miami, 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 Director of Products
12 and Services.

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

14 A. I am responsible for managing products and services relating to demand side
15 management, billing and payment options and value added products offered to
16 FPL's residential and business customers.

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

18 A. I received a Bachelor of Science Degree in Industrial Engineering from the
19 University of Miami in 1978. I received my Masters Degree in Industrial
20 Engineering from the University of Miami in 1984. I am a certified Professional
21 Engineer in the State of Florida. I was hired by FPL in 1979 in the Materials
22 Management department and have worked in positions of increasing
23 responsibility in the areas of Load Management, Commercial and Industrial

1 Marketing, Residential and General Business Marketing, and Product
2 Management and Operations.

3 **Q. What is the purpose of your rebuttal testimony?**

4 A. I will respond to portions of testimony submitted by Ms. Kimberly H. Dismukes,
5 on behalf of the Office of Public Counsel (OPC), which addresses allocations of
6 natural gas margins between FPL and FPL Energy Services, Inc. (FPLES). In
7 addition, in response to questions raised at the Ft. Myers customer service hearing
8 and at the request of OPC, I will address FPLES' Connect Services.

9 **Q. What is the amount of net revenues that Ms. Dismukes contends should be**
10 **attributed to FPL in 2006 based on the sales of natural gas in FPL's**
11 **territory?**

12 A. The amount identified on page 27 of Ms. Dismukes' testimony is \$2,746,000.

13 **Q. Is this the correct amount of net revenues for the natural gas business for**
14 **customers within FPL's service territory?**

15 A. No, as stated in FPL's response to OPC's Interrogatory No. 331, part E, FPL
16 reported the net revenues for the natural gas in-territory business for the 2006 test
17 year as \$1,734,000.

18 **Q. What is the difference in this amount and the amount used by Ms.**
19 **Dismukes?**

20 A. As also stated in FPL's response to OPC's Interrogatory No. 331, part E, FPL
21 reported net revenues of \$1,012,000 attributed to the Bill Statement Advertising
22 program. This value plus the \$1,734,000 of natural gas net revenues corresponds
23 to Ms. Dismukes' amount of \$2,746,000.

1 **Q. Is the Company proposing to change the allocation of the revenues and**
2 **expenses of the natural gas business for the test year?**

3 A. Yes. Prior to the test year, revenues and expenses for the natural gas business
4 were allocated between FPL and FPLES based on whether the natural gas
5 customer was within FPL's service territory or outside of its territory. All
6 customers within the FPL service territory had their associated revenues and
7 expenses recorded at FPL. For the test year, all natural gas revenues and expenses
8 are recorded at FPLES.

9 **Q. How was the natural gas business developed?**

10 A. The natural gas business was established in the late 1990's as part of FPL Group's
11 involvement in new deregulated energy markets. FPLES was active in several of
12 the deregulated electric and natural gas markets, primarily in the Northeast. To
13 support this effort, the required infrastructure, including a customer billing
14 system, risk management system and resources with technical knowledge in gas
15 operations, was established by FPLES.

16 **Q. How were these efforts used to support the natural gas business within FPL's**
17 **territory?**

18 A. This infrastructure, developed by FPLES, was used to support the sale of natural
19 gas to both in-territory FPL customers and other customers outside of FPL's
20 territory. A key difference between the sales of natural gas in-territory as
21 compared to the sales in other areas was the sales organization employed for this
22 activity. Initially for in-territory customers, FPL account managers were used to
23 market natural gas. In 2003, a dedicated sales force was deployed for natural gas

1 sales both in and out of territory, thus eliminating the need to utilize the FPL
2 account managers.

3 **Q. Why has the Company proposed transferring the in-territory natural gas**
4 **sales to FPLES?**

5 A. As I have explained, the key infrastructure that supports in-territory gas sales
6 resides within FPLES. In addition, with the creation of a dedicated sales force in
7 2003, there was no longer a need to utilize FPL account managers for this activity.
8 Finally, this activity is clearly not related to the provision of electric service. For
9 these reasons, FPL has concluded that both the in-territory and out of territory
10 natural gas activities should reside at FPLES.

11 **Q. Why has the Company proposed this change as part of this proceeding?**

12 A. The Company would have made this change sooner, but determined it was not
13 appropriate to make this type of change during the current rate agreement.

14 **Q. Is the Company planning to make an adjustment to recognize the market**
15 **value of the gas contracts being transferred to FPLES?**

16 A. Yes. This adjustment is discussed in Mr. Davis' rebuttal testimony.

17 **Q. Is the Company making an adjustment to the Bill Statement Advertising**
18 **program?**

19 A. Yes. The Company is adjusting the 2006 net revenues of \$1,012,000 attributed to
20 the Bill Statement Advertising program to reflect this as an FPL activity. This
21 adjustment is reflected in Document No. KMD-10 to Mr. Davis' rebuttal
22 testimony.

1 **Q. Please describe FPLES Connect Services.**

2 A. FPLES Connect Services was established in 1999. Customers call FPL's
3 customer care centers to either establish or transfer their electric service. The
4 customer is transferred to FPLES for confirmation of the request for electric
5 service. As part of the confirmation process the customer receives a confirmation
6 number and is also asked if he or she would be interested in hearing about other
7 products and services. If the customer is not interested, the call is ended. If the
8 customer is interested, then various products and services are offered to the
9 customer.

10 **Q. What value does FPLES' Connect Services offer?**

11 A. Connect Services provides an opportunity for the customer to initiate, through one
12 call, services such as local and long distance telephone service, newspaper
13 subscriptions, satellite and cable services in a fast and effective manner – a “one
14 stop shopping” approach. To that end, FPLES has formed partnerships with the
15 providers of these services that are offered to customers.

16 **Q. How have customers reacted to Connect Services?**

17 A. Our research found that those customers who elect to hear about these services are
18 more satisfied with the connect process than those who do not participate. These
19 customers see the benefit of a "one stop shop" during a sometimes stressful move.
20 FPL tracks customer reactions to major programs and processes. For the time
21 period of 2004 through June 2005, the rate of dissatisfaction with the Connect
22 Services was only .007%.

1 **Q. Does FPLES use FPL provided customer information in connection with**
2 **Connect Services?**

3 A. Only after permission is obtained from the customer. Moreover, FPLES does not
4 use any of this connect customer information for any other purposes, including
5 telemarketing efforts. Nor does FPLES retain or resell customer information such
6 as the customer's name, address or telephone number.

7 **Q. Does FPL bear any costs for Connect Services?**

8 A. No. FPL is fully reimbursed for the costs it incurs related to Connect Services.
9 These costs include the costs associated with the time spent transferring the call to
10 Connect Services, including overheads and adders and all associated
11 telecommunications costs.

12 **Q. What benefits does FPL and its customers receive from FPLES Connect**
13 **Services?**

14 A. The Connect Services business provides the customer's electric service order
15 confirmation at no cost to FPL. In addition, for customers who complete their
16 connect transaction with BellSouth as part of Connect Services, FPL receives
17 updated customer telephone numbers at no cost. Having accurate customer
18 telephone numbers substantially enhances FPL's provision of efficient and
19 effective customer service. FPL utilizes a popular call center technology called
20 Computer Telephony Integration (CTI). CTI integrates telephones with
21 computers, which produces many benefits for FPL and our customers. Utilizing
22 the telephone numbers assigned by the telephone company to each telephone
23 company customer, the CTI software attempts to match the telephone number

1 with an FPL account that has that same telephone number on record. A match
2 allows customers to utilize the self-service features of FPL's Interactive Voice
3 Response (IVR) system. A telephone number match also reduces the estimated
4 average handle time of each call by 25 seconds for calls handled by an FPL
5 representative. This reduces the customer's inconvenience of waiting while their
6 account is located as well as reducing FPL's cost per call.

7 **Q. Should the revenues and expenses for FPLES Connect Services be included**
8 **at FPL?**

9 A. No, Connect Services is not related to the provision of electric service, FPL is
10 fully reimbursed for the costs it incurs related to Connect Services and this
11 activity is performed by FPLES.

12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes.