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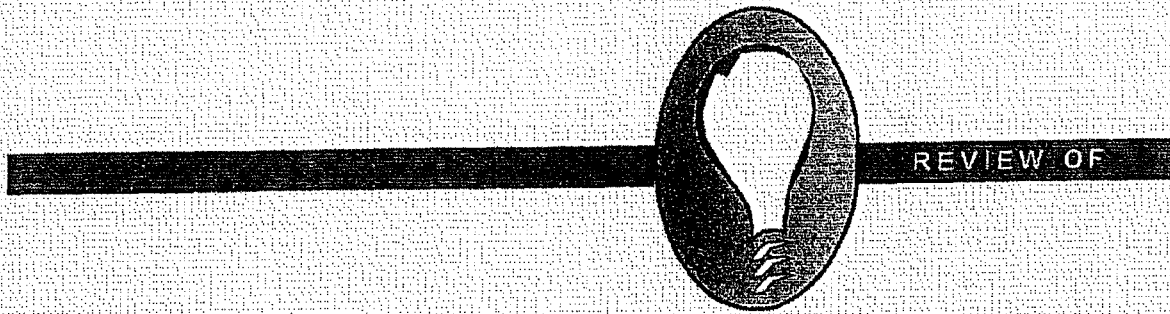
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DECEMBER 2008



Customer Property
Damage Claims

of

Florida's Four Major
Investor-Owned
Electric Utilities

CONFIDENTIAL

By Authority of
The State of Florida
Public Service Commission
Division of Regulatory Compliance
Bureau of Performance Analysis

CONFIDENTIAL DRAFT
12/18/2008

Review of
**Customer Property Damage Claims
of Florida's Four Major
Investor-Owned Electric Utilities**

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December 2008

**By Authority of
The State of Florida
Public Service Commission
Division of Regulatory Compliance
Bureau of Performance Analysis**

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1.0 EXECUTIVE SUMMARY

1.0 Executive Summary

1.1 Purpose and Objectives

In July 1999, the Bureau of Regulatory Review, now known as the Bureau of Performance Analysis, completed a review of customer property damage claims processes at the four major investor-owned electric utilities in Florida. At the request of the Division of Economic Regulation, this Review of Customer Property Damage Claims was conducted as a follow-up of the 1999 review to update the Commission's information regarding customer damage claims handling procedures.

The primary objective of this review was to document and evaluate the policies, procedures, and methodologies used by each of the companies to resolve customer property damage claims. The review also examined whether the utilities provided prompt, fair, and consistent handling of damage claims submitted by the customer, and it examined how well the utilities comply with applicable Florida Public Service Commission (Commission or FPSC) rules in processing customer's property damage claims.

1.2 Scope

This review examines the customer damage claims handling process for the four major investor-owned electric utilities in Florida, during the period 2003 through August 2008. The scope of this review focused on each company's:

- ◆ Policies and Procedures
- ◆ Goals and Objectives
- ◆ Compliance With Commission Rules
- ◆ Claims Review and Evaluation Process
- ◆ Internal Audit Frequency and Findings
- ◆ Customer Education
- ◆ Damage Prevention Programs
- ◆ Claims Trending and Analysis

Effective property damage claims handling ensures that the company has thoroughly investigated all possible causes of the damage claim and has fairly assessed its liability for the customer's damage. However, efficient and effective handling of claims does not necessarily mean that a decision favoring the customer is always the outcome. The efficient and effective handling of a customer damage claim should provide a fair and equitable claim resolution for both the customer and the company. Timeliness of completing the process is also important to both the customer and company. The customer wants to receive a prompt evaluation and claim decision to repair or replace damaged equipment. The company also wants to resolve any potential liability that may exist and restore the customer's damaged equipment.

1.3 Methodology

The information compiled in this report was gathered via company responses to staff document requests and interviews of key personnel involved in the claims process at each company. Staff also examined samples of each company's claim files to evaluate whether customer claims are handled timely, fairly, consistently, and in compliance with company policies and procedures. Based on the interviews with key employees and reviews of the company's claim files, audit staff assessed the company's overall timeliness of claims processing, consistency of claims handling, fairness to the customer and company, and compliance with company policies and procedures. Audit staff's observations and overall opinion of each company are summarized below, and discussed in greater detail within chapters 2.0 through 5.0.

1.4 Background and Perspective

Customer property damage claims occur when a customer's premise or property is damaged due to an electrical event. These events may be caused by a number of factors affecting the utility's electrical system. Electric companies have control over company workmanship, system design, equipment installation, system maintenance, and quality of electrical service. However, the utility has no control over tornadoes, storms, lightning, and other conditions that may impact the companies' systems and the customer's equipment. Additionally, some customer property damage may be caused by lightning or other surges entering the customer's premise through the equipment of other utilities, such as cable or telephone lines that may be improperly grounded. Determining the true cause of a customer's property damage is not always a straightforward process.

Each company has filed a continuity of service tariff with the Florida Public Service Commission that establishes the fact that companies cannot provide 100 percent continuous service to its customers. Rule 26-6.044(2), Florida Administrative Code, Continuity of Service, requires that utilities are to keep records of their system reliability and continuity of service data, customer's service interruption notifications, and other data for a period of at least ten years. The rule states that each company is to capture the date, time, and cause of each outage event and report these annually to the FPSC. Paragraph (3) of the rule also requires that the companies should make all reasonable efforts to prevent interruptions and attempt to restore service within the shortest time possible. The fact that an outage occurs does not automatically create a liability on the utility. Instead, the particular circumstances of each customer property damage case must be carefully examined and assessed.

In some cases, the circumstances may establish liability, while in other cases the company may be absolved from any liability to compensate the customer. The determination hinges largely on determining possible responsibility for damage by the utility. In the interest of requiring the regulated utility to provide safe, reliable, and satisfactory service, this area of company operations is of concern to the FPSC.

Exhibit 1 provides 2007 comparable claims statistics for each company. The data shows the number of customers served, the number of claims filed and paid, the percent of claims paid and the average amount paid by each company for 2007 customer damage claims.

2007 Claim Statistics				
	FPL	Gulf	PEF	TEC
Customers	4,500,000			
Claims Filed	9,061			
Percent Paid	33.6%			

EXHIBIT 1

Sources: Document Requests 1-3, 2-2

When comparing claim statistics for 2007, FPL leads the amount paid, claims filed and claims paid comparison, which is logical given it has the largest customer base. [REDACTED] follows FPL in the total amount of dollars paid in claims. [REDACTED] also has the highest percent of claims paid and the highest average paid per claim. Conversely, [REDACTED] average paid per claim, and percent of claims paid was the lowest of the four companies in 2007.

Appendix A also provides a Survey of 2008 Claims Payment Policies for each company. The survey compares the company's pay/deny decisions in similar claims situations. As shown in the survey, [REDACTED] in some situations the other companies do not, and [REDACTED] does not pay in some situations where other companies do make payment. While the companies are generally similar in pay/deny decisions [REDACTED]

1.5 Conclusion

Overall, during the period reviewed of 2003 through 2008, the utilities paid between 31 and 48 percent of the claims submitted. Staff believes that the utilities conducted timely, consistent, and fair property damage claim investigations. Staff also identified several key areas where additional company effort is needed to improve the claims process. Listed below are staff's recommendations in these key areas of property damage claims activity.

1.5.1 Florida Power and Light

- ◆ FPL should comply with the PSC reporting requirements for Rule 25-6.019(2), Florida Administrative Code, regarding reporting of property damage exceeding \$5,000.
- ◆ FPL should formally document its claims policies, procedures, goals, and objectives.

- ◆ FPL should improve its claims documentation practices in order to provide consistent and complete information.
- ◆ FPL should provide property damage claim forms in Spanish.
- ◆ FPL should provide a means for authorizing payment for inspections and repairs where approved vendors are not available to customers.

1.5.2 Gulf Power Company

- ◆ [REDACTED]
- ◆ [REDACTED]
- ◆ [REDACTED]
- ◆ [REDACTED]

1.5.3 Progress Energy Florida

- ◆ [REDACTED]
- ◆ [REDACTED]
- ◆ [REDACTED]
- ◆ [REDACTED]

1.5.4 Tampa Electric Company

- ◆ [REDACTED]
- ◆ [REDACTED]
- ◆ [REDACTED]

2.0 FLORIDA POWER & LIGHT COMPANY

2.0 Florida Power & Light Company

Florida Power and Light Company (FPL), headquartered in Juno Beach, is the largest investor-owned electric utility in Florida. The company is one of two principle subsidiaries of FPL Group, serving 4.5 million customers along the eastern seaboard and southern portions of Florida. During the period from January 2003 through August 2008, on average, FPL received 8,754 customer property damage claims per year, which represented less than two-tenths of one percent of FPL's total customer base.

2.1 Policies and Procedures

Does FPL have clearly defined policies and procedures for handling customer property damage claims?

FPL's policies and procedures for customer property damage claims are highlighted in its *Process for Public Claims* flowchart, as shown in **Appendix B**. This flowchart is provided to all of FPL's investigating agents and is designed to promote uniformity of handling on every claim.

FPL's *Process for Public Claims* flowchart details the steps for property damage claim investigations, directing the agent through the different phases of the investigation through its conclusion. However, the company does not have written policies to formalize its corporate doctrine. The flowchart does not include the use of corporate insurance, documentation of claim information, customer release requirements, or acceptable methods to calculate depreciation or settlement to the customer.

What are FPL's customer property damage claims goals and objectives?

Like its policies and procedures, FPL does not have a formal written set of goals and objectives for the company's claim process. FPL monitors and evaluates individual agent performance using an agent *Year-to-Date Summary* that highlights performance measurements as claims are investigated. This summary tracks the agents' performance in customer service and investigative milestones as damage claims progress. Agents are not evaluated by how many claims they approve or deny, but are gauged on the completeness of their work and meeting timelines, such as contacting the customer within 72 hours of receiving the complaint.

Each agent begins the year with 100 points and points are deducted if performance measurements are not met, or avoidable errors are made when investigating a customer complaint. For instance, if a payment to a customer is not properly filed by the agent within seven days of receiving all required paperwork from the customer, the agent would have two points deducted from his or her total. A customer complaint to the Public Service Commission where the agent is found to have made an improper action or decision will result in a 15 point deduction from the total. Agents can also earn points by positive feedback from customers. Generally, a customer accolade will result in two points being added to their total. This point system, involving numerous categories, is tracked throughout the year. Coaching opportunities with the agent's manager are completed if the agent's performance is found to be decreasing or insufficient.

What recent changes have been made to FPL's property damage claims process?

During the timeframe of this review, from January 2003 through August 2008, there have been no major changes to FPL's customer property damage claims process. The last changes occurred in 2002, when FPL implemented several updates to its pay/deny matrix. FPL no longer pays for open neutrals on underground wires unless there has been a prior history of the wire failing. If there is a history of a prior open neutral in an underground wire, FPL may pay the customer's claim. This policy is also true for transformer failures. If there is a history of the transformer failing, the customer claim will be paid. FPL stated it reserves the right to fix a problem on the first occurrence, and pay on future occurrences should the repair fail, as any prior diagnostic testing that can be done would have provided only a snapshot of the condition of the equipment. It should be noted that this condition exists throughout the industry because there is no known reliable and cost-effective means of testing underground wires or the internal parts of a sealed transformer.

FPL has also updated its policy on Momentary Power Interruptions (MPIs). Prior to 2002, a customer would have to experience three verifiable MPIs within a one-month period prior to FPL accepting liability for a claim. Now the customer must experience ten MPIs within a one-month period that are investigated individually to determine company liability.

Does FPL's property damage claims process comply with established Florida Public Service Commission rules and regulations?

FPL's process for handling customer property damage claims is not fully in compliance with Rule 25-6.019(2), Florida Administrative Code, Notification of Accidents. As stated in the Rule,

Each utility shall report to the Commission within 30 days of any malfunction of or accident involving any part of the electrical system, fire, or explosion, that:
(a) Involves damage to the property of others for an amount in excess of \$5,000,
or,
(b) Cause significant damage, in the judgment of the utility, to the utility's facilities.

FPL has a process in place that complies with the reporting requirements for Rule 25-019(2). When an agent receives a claim of \$5,000 or more, he or she will fill out an internal form and send it to FPL's Legal Department which has the responsibility for notifying the PSC. The company has submitted some claims to the PSC that meet the requirements set forth by the above rule; however, it has not fulfilled the requirements entirely. FPL has reported 56 of the 188 claims that were greater than the \$5,000 reporting threshold during the period from January 2003 through August 2008. It is apparent that at some point in FPL's reporting procedures that the process breaks down, and the reports are not being sent to the FPSC as required. During this review, discussions between the appropriate FPSC staff and FPL clarified these reporting requirements, which will be beneficial in future reporting.

FPL's plan for inspecting and maintaining its plant facilities is important to customer damage claims because the frequency and quality of company inspections may impact the overall condition of facilities and the quality of service provided. Rule 25-6.036, Florida Administrative Code, Inspection of Plant, states:

Each utility shall adopt a program of inspection of its electric plant in order to determine the necessity for replacement and repair. The frequency of the various inspections shall be based on the utility's experience and accepted good practice. Each utility shall keep sufficient records to give evidence of compliance with its inspection program.

FPL states its inspection program for its above-ground equipment allows the company to proactively check for potential serviceability and safety issues and to make repairs or replacements as needed. Along with visual inspection and testing of equipment, FPL has included Thermovision into its overhead distribution testing repertoire. This infrared technology allows a technician to visually identify overhead equipment that is overheating and could potentially cause a failure. This proactive testing of overhead facilities is primarily used by FPL to inspect feeder lines for potentially faulty equipment.

FPL states there is no reliable, cost-effective way to inspect underground wires. Underground wire inspections are handled through routine daily field maintenance operations. Understandably, FPL customers often experience a failure before the company knows there is a condition in the underground cable to repair or replace. Once a wire failure has been identified, the necessary repair is completed, and the wire is placed back into service. FPL states it reserves the right to repair the cable on the first event and pay for any further failures should they occur.

2.2 Disposition of Claims

What recent customer property damage claim trends are observable for FPL for the years 2003 through 2007?

Exhibit 2 shows the numbers of customer property damage claims filed and paid during the period 2003 through 2007. Over the period, FPL received an average of 8,754 property damage claims per year, and paid an average of 3,507 (40 percent) of the total claims received each year. The remaining 60 percent of unpaid claims were for reasons that include:

- ❖ The claim was denied payment when no fault was found on FPL's equipment
- ❖ The customer failed to pursue the claim by submitting repair estimates or receipts to FPL
- ❖ The claim was pending further investigation
- ❖ The claim was in litigation

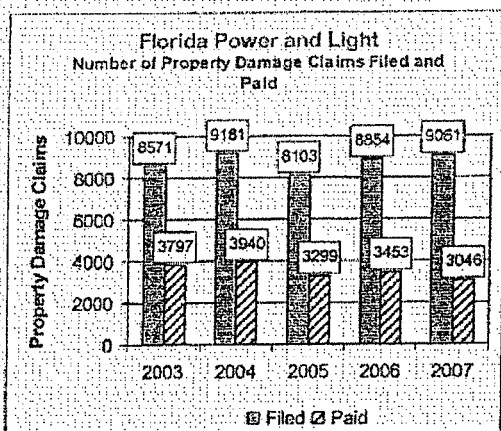


EXHIBIT 2

Source: FPL's Response to Document Request 1-3

Exhibit 3 shows the annual percentage of customer property damage claims paid during the period. FPL paid 44.3 percent of the total claims that were pursued by customers in 2003. The percentage of claims paid has decreased in small increments every year through 2007 when FPL paid 33.6 percent. While there has been no change to FPL's pay/deny matrix during this time-frame, there has been an increase in reported property damage claims in categories that FPL traditionally does not pay. For instance, the number of claims that were categorized as [REDACTED]

Additionally, the category where FPL's liability for the property damage [REDACTED]

has also increased. The number of claims in this category increased from 252 in 2003 to 688 in 2007. FPL does not pay claims in situations where [REDACTED]

Exhibit 4 shows the total dollars FPL paid in property damage claims over the period of 2003 through 2007. During this time, the company paid out an average of \$2.3 million per year. When compared to the number of claims paid each year in Exhibit 2, the company's average payment per property damage claim for this period was \$658.

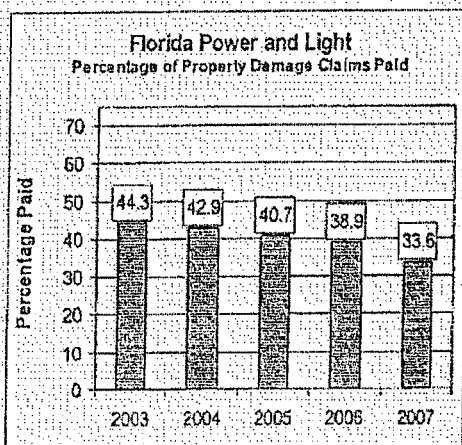


EXHIBIT 3

Source: FPL's Response to Document Request 1-3

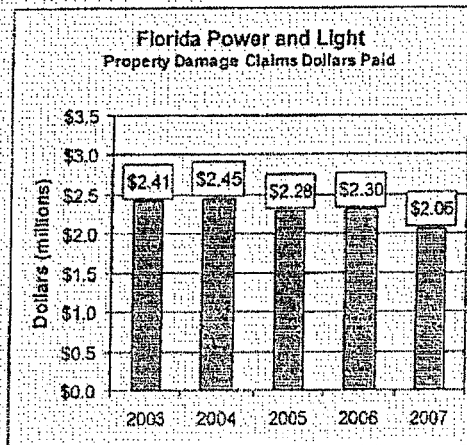


EXHIBIT 4

Source: FPL's Response to Document Request 1-3

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Exhibit 5 shows the ten most frequent causes (from highest to lowest) for customer property damage claims filed against FPL in 2007. Of FPL's current cause codes, these top ten causes accounted for 82 percent of the total claims filed in 2007. As shown, the greatest number of customer property damage claims filed were the result of [REDACTED]

Exhibit 5 also shows the number of claims paid for each leading cause. For 2007, FPL paid 2,318 of the 7,469 filed claims (31 percent). It should be noted that five of the leading categories are causes that, due to their nature, are nearly always excluded from payment. For example, 1,051 claims were categorized as [REDACTED] Those types of claims hinge on

CHART A

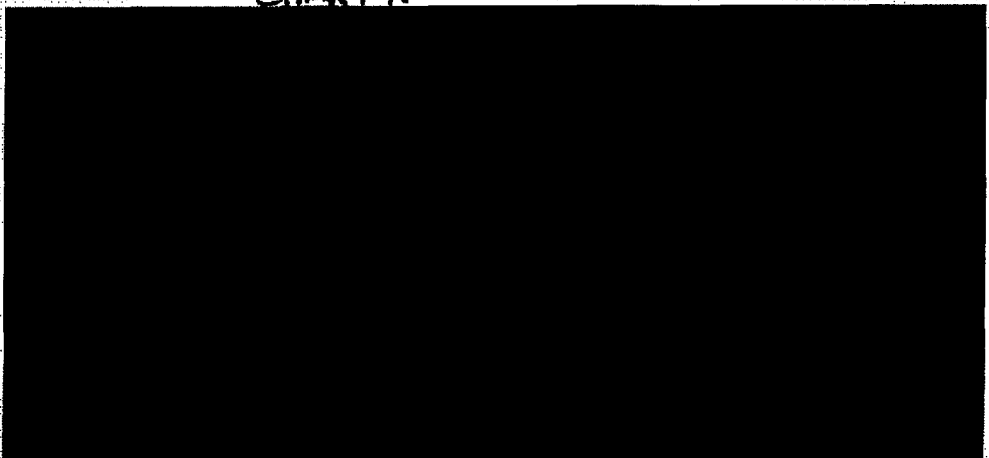


EXHIBIT 5

Source: FPL's Response to Document Request 1-3

the assumption that FPL should provide 100 percent service availability with no interruptions at all. However, by its *Continuity of Service Tariff*, the company points out that it is relieved from liability for property damages. The tariff states: "The company shall use reasonable diligence at all times to provide continuous service at the agreed normal voltage, and shall not be liable to the customer for complete or partial failure or interruption of service, or for fluctuations in voltage, resulting from causes beyond its control or through the ordinary negligence of its employees, servants, or agents." Also, Acts of Nature are excluded from consideration since FPL deems those cases to be beyond the company's control.

Chart "A"

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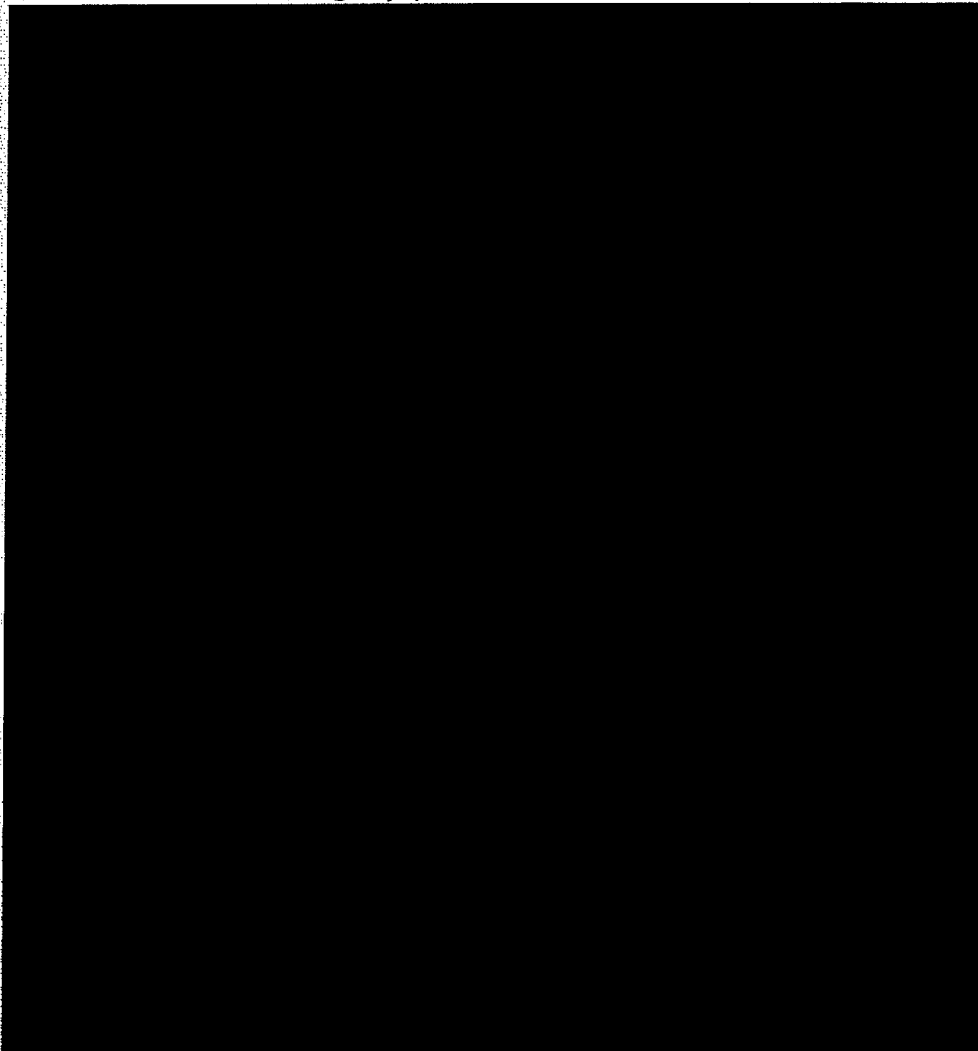


EXHIBIT 6

Source: FPL's Response to Document Request 1-4

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Exhibit 6 depicts the 32 cause code categories used by FPL when investigating and tracking claims. Claims for each cause code are indicated as being either paid or denied under normal conditions. The last change to the cause codes came in 2002 when FPL eliminated [REDACTED] [REDACTED] from the list, and it added codes that would more accurately detail the cause of the damage, as well as payment policy.

2.3 Claims Handling

How does a customer file a property damage claim with FPL?

A customer may file a property damage claim with FPL by U.S. Mail, e-mail, notifying a work crew member, or by calling the Customer Care Center. Any of these methods of contact should result in a claims agent calling to speak with the customer within three business days. If the initial contact with FPL indicates that essential equipment (such as a refrigerator or air conditioner) has been damaged, the agent will respond to the customer within two hours if the claim was filed before 4:00 p.m. If the claim was filed after 4:00 p.m., the agent will contact the customer the next day.

The most widely used method of notifying FPL of a property damage claim is calling the Customer Care Center and speaking with a representative. The representative will collect basic information to determine whether the customer has experienced a loss or property damage. If damage has occurred, the representative will quickly research the system to see if a cause is readily discernable. While representatives cannot negotiate any settlement or complete an investigation, they are allowed to inform the customer if the reason for their loss is due to circumstances that FPL is not responsible for and will not pay, i.e. a vehicle hitting a pole. If a customer is notified of circumstances of this kind, and still wishes to pursue the matter further, the customer is forwarded to an account supervisor that will continue to handle the customer's concerns. The supervisor will research further to determine whether FPL may be liable for the damage. If it is determined that FPL may be liable, or the customer opts to pursue the issue, the customer will be contacted by a claims agent within the next three business days.

How does FPL investigate a customer's property damage claim?

Once a case is assigned, a claims agent will open the new claim in FPL's Work Management System (WMS) called STORMS. The agent will review the information and prepare a customer folder. The agent then conducts a preliminary investigation of internal systems, such as the Trouble Call Management System (TCMS). The TCMS stores trouble ticket data that details problems that were reported, the time each was reported, the type of repair or maintenance performed, and when service was restored. The agent can also research information in the Data Warehouse for archived data, or in the Account Maintenance System (AMS). AMS tracks which system equipment the customer is linked to and gives information on transformer loading/overloading. Weather reports such as Wunderground.com and FPL's lightning tracking system are also included in the investigation. If the preliminary investigation indicates that FPL is liable for the damages, the agent informs the customer. If liability cannot yet be determined, the agent can further investigate by interviewing work crews and subject matter experts available within FPL. The agent may also request a Recording Volt Meter (RVM) be installed at the customer's residence to monitor and record any MPIs.

1 If FPL accepts liability for a claim, how does it reimburse the customer for
2 damages?

3 Under FPL's claims handling process, agents are allowed to settle claims for up to [REDACTED]
4 without any documentation required from the customer (e.g. *Statement of Claimant* form,
5 receipts, repair estimates), and up to [REDACTED] with the required documentation. All claims that
6 exceed [REDACTED] are transferred to the Legal Department for further processing and may require
additional documentation.

The agent assigned to the claim will make contact with the customer and explain the claims process, along with what information the customer will need to submit to FPL. The *Statement of Claimant* form is mailed which gives the customer an opportunity to describe what happened and provide a list of any damaged property. The form also provides FPL with a statement that the customer acknowledges the claim to be true and that filing a false claim is a violation of state law. FPL does not have the *Statement of Claimant* form available to its customers in Spanish.

For claims that require repair estimates or work to be completed, the customer may select either a vendor of their choice or one from FPL's list of authorized vendors. If a vendor is selected from FPL's list, the claims payment is made directly to the vendor. If an authorized vendor is not available in the customer's area, the customer must pay the costs up front. FPL then reimburses the customer once the paperwork is received.

Once the customer presents all the required documentation to settle the claim, FPL will reimburse the customer for costs incurred repairing the equipment. If an item is deemed irreparable, or the repair cost is greater than the current value of the item, FPL will pay for replacement at current value minus any accrued depreciation. The agent uses the model and serial number for the item to determine its current value. While depreciation tables used are based on the type of equipment and expected useful life, FPL applies the tables to the benefit of the customer. Generally, there is no depreciation deducted for the first two years. After two years, FPL will deduct 10 percent every year, up to 80 percent. Therefore, FPL will pay at least 20 percent of the item's value regardless of how old the item is.

If the customer's original claim remains open for 90 days without FPL receiving the required documentation, the claim will be closed as "no action." Often in these cases the customer has chosen to not pursue the claim, or has elected to file it on their homeowner's insurance policy. However some customers cannot afford to pay for estimates and repairs and then wait for FPL to issue a reimbursement check. FPL does not have a program in place to assist a customer that is unable pay for these charges in advance, potentially leaving the customer with damaged property without a means of having it repaired.

2.4 Claims Sample Analysis

Is FPL timely, consistent, fair, and compliant with its procedures for handling customer property damage claims?

Using FPL's database of claims filed from January 2003 through August 2008, audit staff conducted an analysis of a statistically significant, random sample of claim files to determine if the processing and payment of the claims were completed uniformly and fairly for both the customer and the company. Audit staff selected 89 claims and analyzed each to formulate an overall opinion of the company's claims process based on four categories: timeliness, consistency, fairness, and compliance with the company's own established guidelines. This sample size provides a 90 percent confidence level with a margin of error of plus or minus 3 percent.

Timeliness

In review of FPL's claims handling timeliness, audit staff compared the goals and objectives highlighted in the agents *Year-to-date Summary* to the actual results that were documented in the customer claim file. Agents were reviewed on the time intervals for the initial customer contact, submission of customer payment request, and the completion of the claim investigation.

FPL's process requires agents to call the customer and attempt to make first contact within three business days. Audit staff observed that of the 89 claims in the sample, 84 customers (94 percent) were documented to have been contacted within 3 business days. It was also noted that if an agent had not logged a contact by the second business day, STORMS (WMS) alerts the agent that the customer needs to be contacted.

Once an agent receives all required documentation from the customer, any resulting payment request for customer reimbursement should be submitted and payment completed within seven days. The sample reviewed by staff showed 22 property damage claims that were approved for payment. Of these 22 claims, 18 (82 percent) were documented to show settlement to the customer within the seven-day timeframe. The remaining four claims were paid to the customer; however, there was no documentation indicating the payment was made within seven days to the customer.

The final timeliness performance measurement guideline is that an agent must either complete or close the investigation as "No Action" prior to 90 days. Fifty-nine claims within this sample were closed as "No Action" due to customer action or inaction that included: failing to provide the required documentation; not returning the agent's calls; or throwing away damaged equipment prior to the claim investigation. A claim that is closed as "No Action" may be reopened if the customer contacts the agent and supplies the required documentation. The remaining 30 claims were completed within 90 days and either closed as paid, denied, or forwarded to the Legal Department for further investigation or pending litigation.

Audit staff finds that FPL does complete its claims investigations in a timely manner. Claims are generally investigated and closed in accordance to FPL's goal of being within 90 days from the time the agent receives the claim.

Consistency

Audit staff's analysis of the consistency in handling the sampled claims included adherence to the *Process for Public Claims* flowchart, adherence to the pay/deny matrix, uniform application of depreciation and valuation methods, and consistent use of the case information. To the extent possible, audit staff attempted to determine whether like cases were treated similarly and whether consistent use was made of company guidelines and processes.

Of the 74 claims in the sample that were eligible to be paid, 45 claims (61 percent) indicated in the notes that a *Statement of Claimant* form had been mailed to the customer, as is required. The *Statement of Claimant* form provides FPL with a written account of the customer's description and timeframe of the incident, along with details of any property the customer is claiming to have been damaged. The form also provides the company with a signed acknowledgement that the customer understands that knowingly filing a false claim is a violation of law, punishable under Florida Statutes. There were 22 claims within the sampling where all of the required documentation was returned to the agent and reimbursement was sent to the customer. The remaining 59 claims that were eligible for payment, but closed as "no action," were due to the customer not returning the *Statement of Claimant* form, not submitting a required estimate or repair invoice, throwing away damaged items prior to making the claim, or the customer electing to pursue the claim through homeowner's insurance.

Audit staff found that FPL's claims agents were consistent in determining the value of damaged property by using its established depreciation tables, paying based on invoices and estimates, or a combination of the two. This sample also contained five claims that were denied payment. All five claims were consistent with the pay/deny matrix as damage codes that are not paid by FPL, such as company liability in question and damage to three-phase equipment. The same is true for the remaining 74 claims as they were all eligible for reimbursement under the pay/deny matrix. Of the remaining ten claims, three were sent to the Legal Department for further investigation, and seven were withdrawn by the customer due to either no damage to report, or their appliances were repaired under separate warranty.

Staff finds the documentation practices of the Claims Department to be inconsistent and incomplete. The claims within this sample frequently lacked key information such as when, or if, a *Statement of Claimant* form was mailed. Additionally, claims files failed to document conversations with customers, and reasons for closing the claim with the action used. On two occasions, the customer detail screen was not filled out which omits information such as the claim code, contact information and claim disposition. The lack of proper documentation does not allow for an auditor, or the claim agent's manager, to review the claim and reconstruct the process flow of the claim.

Fairness

Audit staff's review of FPL's fairness in claims handling included whether claims were considered and treated equally, claims decisions were fair and equitable, customer equipment was fairly valued and depreciated, customers were fairly notified of the claims decision, and whether claimants received fair payment of the claim.

The five Claims that were denied in this sample were for reasons that were previously indicated on the pay/deny matrix, such as a business' three-phase equipment was damaged which is not a payable claim at any time. Of the 59 claims closed as "No Action," 13 were found to be due to customer actions that were outside FPL's responsibility, such as a customer wanting to claim a damaged computer that had been thrown away and was no longer available to be inspected by a licensed technician.

Audit staff believes FPL's methods for determining the value of the damaged item, and the decision-making process is generally fair to both the customer and the company.

Compliance

Audit staff's review of FPL's compliance in claims handling included whether claims activities were handled according to company policies, procedures, and guidelines. Staff's sample of 89 claims files showed that 54 (61 percent) included documentation to support that the claim was compliant with the company's policies, procedures, and guidelines for claims handling. Staff identified 35 situations (39 percent) where it was unable to fully identify the handling of a claim to be compliant due to incomplete documentation.

As noted earlier in this review, FPL does not have a formal written policy and procedure manual. The Claims Department uses the *Process for Public Claims* flowchart along with screen prompts throughout its Work Management System for instruction. While staff cannot say FPL is out of compliance with the policies and procedures implied in the flowchart, it can say that documented policies and procedures will help correct inconsistencies in claims handling.

2.5 Customer Education and Protection Plans

What efforts does FPL make to inform customers of the property damage claims process?

Though FPL does not have any property damage claims education materials for customers, FPL does have materials used to educate customers on power outages and/or power quality issues. These materials include power backup systems, selecting power protection equipment, identifying potential power problems, and basic troubleshooting tips if you believe you may have a power problem in your home. These resources are available to customers in printed form, in both English and Spanish, as well as on FPL's internet web-site. Information about the property damage claims process is available to the customer through the Customer Care Center, and when speaking to an agent when filing a property damage claim.

What programs are available through FPL to prevent potential damage to the customer's appliances and equipment?

FPL offers damage prevention programs to its customers through its affiliate, FPL Energy Services. FPL Energy Services offers a surge protection plan called SurgeShield. SurgeShield protects the customers in two ways. First, a heavy-duty surge protector can be installed on a customer's meter. This device helps protect larger appliances, such as the air conditioner, refrigerator, and stove from large power surges. This is coupled with smaller surge protectors that are plugged into the wall outlet to defend against smaller surges that may not engage the larger device at the meter, but are large enough to effect more sensitive equipment, such as a stereo or computer. This program is monitored by FPL and the additional charge is included on the FPL bill. If a customer experiences equipment damage while under the protection of SurgeShield, they may still contact FPL to file a claim. The claims agent conducts the investigation to determine whether an open neutral caused the damage. If this is the case, the agent would proceed with the investigation. If the damage was by any other cause the customer is forwarded to SurgeShield representatives to begin the claims process, as SurgeShield is a separate entity from the utility itself.

FPL customers also have access to the Power Surge Protection Program which is an insurance policy available through FPL Energy Services, and is underwritten by American Bankers Insurance Company of Florida. The Power Surge Protection Program allows customers to purchase coverage in amounts ranging from \$5 per month for \$2,000 coverage through \$25 per month for \$10,000 coverage. A customer enrolled in this plan can be reimbursed for up to the amount of their purchased coverage in the event of a covered loss. The purchase of the Power Surge Program is an additional coverage option and does not eliminate the customer from recovering additional losses from FPL if the damages are greater than the purchased coverage. For example, if the customer has \$3,000 in damage, but only \$2,000 in Power Surge Protection, they would first settle with the insurance plan and then present a Letter of Settlement to the claims department. The customer's claim would then be investigated as described above, only the settled amount from the Power Surge Protection would be deducted from the reimbursable losses paid by FPL.

2.6 Conclusion

Overall, during the period reviewed, staff believes FPL provided its customers timely, consistent, and fair property damage claim investigations. Staff has identified several areas that offer an opportunity for FPL to further improve its claims handling efforts. From the information gathered, on-site interviews conducted, and the sample analysis results, staff developed the following recommendations:

- ◆ FPL should comply with the PSC reporting requirements for Rule 25-6.019(2), Florida Administrative Code, regarding reporting of property damage exceeding \$5,000.
- ◆ FPL should formally document its claims policies, procedures, goals, and objectives.

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- ◆ FPL should improve its claims documentation practices in order to provide consistent and complete information.
- ◆ FPL should provide property damage claim forms in Spanish.
- ◆ FPL should provide a means for authorizing payment for inspections and repairs where approved vendors are not available to customers.

FPL does have a policy in place that accounts for FPSC reporting requirements. When an agent receives a claim of \$5,000 or more, he or she will fill out an internal form and send it to FPL's Legal Department which has responsibility of notifying the FPSC. While FPL has submitted claims to the PSC that meet the requirements set forth by Rule 25-6.019(2), it has not fulfilled the requirements entirely for all applicable claims.

FPL does not have a formal written policy and procedure manual. The Claims Department uses the *Process for Public Claims* flowchart along with screen prompts throughout its Work Management System. The company also gauges an agent's performance using the Agent Year-to-Date Summary. These tools together provide a good basic day-to-day guideline for an Agent and Manager to follow while investigating claims. It is staff's opinion that FPL should document its policies and procedures as part of the Power Systems Departmental Policy. Written policies and procedures are also essential to the company should it ever find itself in a position where it needs to defend them.

The documentation practices of the Claims Department is inconsistent and incomplete. The lack of documentation of key claim information does not allow for accurate recollection of claim details, such as conversations with customers, actions taken throughout the investigation, and methodology employed to determine the outcome of a claim.

FPL does not make the *Statement of Claimant* form available to its customers in Spanish. It was observed by audit staff on at least one occasion where a Spanish interpreter was required to speak with the customer, but an English form was sent to the customer. The *Statement of Claimant* form is a required document to proceed with the property damage claim. Staff notes that FPL should supply all forms that are necessary for customers to complete a property damage claim in Spanish, and possibly other languages, to assist its non-English speaking customers.

Under FPL's claims handling process, agents are allowed to settle claims for up to [REDACTED] without any documentation required from the customer, and up to [REDACTED] with the required documentation. Once a claim has been filed and FPL accepts liability, the customer must get repair or replacement estimates on the damaged equipment, and submit that paperwork along with a completed *Statement of Claimant* form. FPL currently has authorized vendors in some areas that can perform an estimate and complete repairs at no cost to the customer. The vendor will directly bill FPL for payment.

In areas where a vendor is not available, the customer must arrange to get the estimate and repairs and pay the costs upfront to be later reimbursed by FPL. This could present a hardship for a customer who has sustained a loss, FPL has accepted liability, but the customer cannot afford to pay first and wait for reimbursement. Staff believes FPL should evaluate its current policy on customer reimbursement to include a program to assist its customers in the event an authorized vendor is not available.

7.0 APPENDICES

Appendix A

Survey of 2008 Claims Payment Policies

Instructions: For each listed damage cause, indicate whether or not a claim would be paid. Also provide any information in company comments that would be considered during the claim investigation to determine if the claim will be paid.

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A B C D E CHART A

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Damage Cause	Claim Paid?	Company Explanation
	Yes No	
1 Acts of God or Nature (lightning, wind, flood)		[REDACTED]
2 Normal operation of electrical system (e.g. feeder relay)		
3 Utility "normal" equipment failure:		
Transformer failure		
Lightning arresters		
Regulator		
Hot leg		
Wire down		
Open neutral		
Transponder		
4 Service cut in error		
5 Delayed reconnection of service		

Appendix A

Chart "A"
E

A	B	C		D	E
		Damage Cause	Claim Paid		
		Yes	No		
6.	Failure of utility to maintain equipment:				
	Transformer failure				
	Lightning arresters				
	Hot leg				
	Wire down				
	Open neutral				
	Transponder				
	Deteriorated/rotten pole				
7	Malfunctioning service connection:				
	Due to improper hook-up by utility				
	Due to normal wear and tear				
	Due to failure of utility-owned equipment				
	Due to failure of customer owned equipment				
8	Dig-ins to customer's other utilities				

Appendix A

CHART "A"
E

A	B	C		D	E
		Damage Cause	Claim Paid?		
		Yes	No		
9	Utility's contractor's error or damage				
10	Customer or customer's contractor error or damage				
11	Inadequate ground at customer premises:				
	On customer's side of meter				
	On utility's side of meter				
12	Failed surge protector leased or sold by utility to customer				
13	Three phase customer's power surge				
	Residential				
	Commercial/Industrial				
14	Insufficient generation:				
	Due to unforeseen operating event on reporting utility's system				
	Due to lack of sufficient generating capacity on reporting utility's system				
	Due to unforeseen operating event on other than the reporting utility's system				
	Due to lack of sufficient generating capacity on other than the reporting utility's system				
15	Verifiable consequential and incidental damages resulting from any claim that is otherwise paid (e.g. food, motel, wage and other non-speculative damages)				

A B C D E F G H I J

Appendix B
Florida Power & Light

Process For Public Claims

Chart "A"

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