

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 080677-EI
FLORIDA POWER & LIGHT COMPANY**

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

TESTIMONY & EXHIBITS OF:

MARLENE M. SANTOS

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

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

4 **DOCKET NO. 080677-EI**

5

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

7 A. My name is Marlene M. Santos. My business address is 9250 W. Flagler
8 Street, Miami, Florida, 33174.

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

10 A. I am employed by Florida Power & Light Company (“FPL” or the
11 “Company”) as Vice President of Customer Service.

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

13 A. As Vice President of Customer Service for FPL, I have responsibility for
14 development and implementation of programs and services that optimize the
15 level of customer service provided to FPL’s customers.

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

18 A. I have a Bachelor in Business Administration and a Master’s in Business
19 Administration from the University of Miami. Since joining FPL in 1981, I
20 have held numerous positions of increasing responsibility in several functional
21 areas, including Finance, Marketing, and Customer Service, and have
22 participated in various special projects as assistant to FPL’s President. I
23 joined Customer Service in 1990 and have been Manager of Marketing,

1 Manager of Commercial Services, Director of Revenue Recovery, and
2 Director of Customer Care. I have been Vice President of Customer Service
3 since January 2005.

4 **Q. Are you sponsoring any exhibits in this case?**

5 A. Yes. I am sponsoring the following exhibits: MMS-1 through MMS-3, which
6 are attached to my direct testimony.

- 7 • MMS-1, Care Center Satisfaction Research
- 8 • MMS-2, Billing and Payment Options
- 9 • MMS-3, FERC Customer Service O&M

10 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**
11 **(MFRs) in this case?**

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

- 13 • C-11, Uncollectible accounts

14 I am co-sponsoring the following MFRs:

- 15 • C-14, Advertising expenses
- 16 • D-6, Customer deposits
- 17 • C-8, Detail of changes in expenses (excluding Subsequent Year)
- 18 • C-15, Industry Association Dues
- 19 • C-41, O&M benchmark variance by function
- 20 • E-7, Development of service charges
- 21 • E-13b, Revenue by rate schedule – service charge
- 22 • F-9, Public notice

1 In addition, I am sponsoring the following 2009 supplemental MFR schedule
2 that FPL has agreed with the Commission Staff and the Office of Public
3 Counsel to file:

- 4 • C-11, Uncollectible accounts

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

6 A. The purpose of my testimony is to describe how FPL provides a superior level
7 of service to our customers while at the same time maintains a low cost and
8 efficient operation. I will also discuss how FPL is making the necessary
9 investments today in our Advanced Metering Infrastructure (AMI), also
10 known in the utility industry as “smart meters,” for the long-term benefit of
11 our customers; the Customer Service increase in Operations and Maintenance
12 (O&M) expense and Capital expenditures from 2006 through 2011; and the
13 need to update our service charges.

14 **Q. Please summarize your testimony.**

15 A. Floridians expect FPL to provide affordable, reliable, clean energy solutions.
16 Toward this end, we have worked to ensure that FPL’s Customer Service
17 performance continues to be excellent, and the service value received by our
18 customers remains high. We have worked to control costs by ensuring that
19 our operations have continued to be enhanced in terms of additional
20 functionality and technical capabilities to allow customers to be served as
21 accurately and efficiently as possible.

1 FPL has been recognized for providing superior service with several awards,
2 including the ServiceOne Award from PA Consulting Group and other leading
3 industry associations. In addition, FPL benchmarks first quartile in PA
4 Consulting's benchmarking study in key indicators and cost per customer for
5 care center, billing and payment processing functions.

6
7 FPL has designed its care centers to ensure all customer inquiries are
8 answered promptly and accurately. We have developed a "Best-In-Class"
9 Interactive Voice Response (IVR) system which provides customers with the
10 option to complete their interaction in a fully automated manner for many
11 general inquiries. Our field operation group provides face to face services and
12 has recently implemented a new system to reduce the "average speed of
13 appointment" time to meet with the customer and improve the overall
14 interaction.

15
16 FPL's customers are offered an extensive variety of billing, payment and
17 Internet options that are designed to provide added convenience and flexibility
18 in receiving and paying their bills or performing general inquires. These
19 options make it easier for customers to do business with FPL while at the
20 same time reducing operational costs to the company, which ultimately
21 benefits all customers in the long run.

1 We recognize that the economy is creating a hardship for many customers. As
2 a result, the Company also exceeds expectations by reaching out into the
3 communities and providing financial and energy efficiency programs for
4 seniors and low-income customers. FPL has become a recognized leader
5 within the utility industry for its efforts on behalf of customers in need.

6
7 One of the most important means by which we not only add value to the
8 service provided to our customers but at the same time help them save on their
9 electric bills is Demand Side Management (DSM). FPL has been a national
10 leader in DSM and offers a variety of energy efficiency and demand response
11 programs. Based on the most current national data available (2006) from the
12 Energy Information Administration, FPL ranks number one in terms of
13 megawatts for cumulative conservation achievement and number three in load
14 management.

15
16 FPL believes it is critical that the Company continue to invest today in order
17 to secure benefits for our customers in the future. As a result, we are investing
18 in technology to create a smarter and more efficient delivery system through
19 our AMI project. This will provide both service improvements and
20 operational efficiencies for our customers.

21
22 My testimony demonstrates and confirms FPL's high performance in the area
23 of Customer Service and the substantial benefits provided to customers. The

1 increased spending in Customer Service, including levels above the
2 Commission's benchmark, is reasonable and necessary and supports FPL's
3 need to increase base rates to a level that would allow FPL to continue
4 providing high quality and value of service at reasonable rates.

5

6 Finally, my testimony supports FPL's request to adjust service charges to
7 more closely reflect the cost of service and increase the late payment charge to
8 a level that will provide the appropriate incentive for customers to improve
9 payment behavior, which benefits all customers.

10

11

OVERVIEW OF CUSTOMER SERVICE

12

13 **Q. Please provide an overview of the Customer Service organization.**

14 **A.** FPL's Customer Service organization is responsible for the development and
15 execution of policies, processes and systems related to customer contacts.
16 This includes customer care centers; customer service field operations which
17 is responsible for account management for large commercial/industrial and
18 governmental customers; complaint resolution; billing and payment processes;
19 development and implementation of FPL's demand side management
20 programs; field meter activities including implementation of AMI; and credit
21 and collections activities. Customers may contact FPL through multiple
22 channels, including our customer care centers, by phone and Internet

1 automated services, or for some services, may schedule a face to face
2 appointment.

3 **Q. Please describe how FPL has been recognized for providing superior**
4 **performance in the area of Customer Service.**

5 A. FPL is recognized as an industry leader in terms of customer service
6 performance. Recently, FPL was awarded the prestigious ServiceOne Award
7 by the PA Consulting Group for the fifth consecutive year. PA Consulting
8 Group is a leading management, systems and technology consulting firm with
9 worldwide operations in more than 35 countries. The ServiceOne Award
10 recognizes utilities that provide exceptional service to their customers as
11 determined by a set of 24 objective measures of excellence in customer care
12 developed by a panel of industry experts. These measures were selected to
13 provide comprehensive, quantitative measurement of the service attributes
14 that matter to customers. The measures include meter reading, billing, call
15 center, field service, credit and collections, theft protection and self service.
16 In addition to receiving the ServiceOne Award, FPL's care center was also
17 awarded the PA Consulting Balanced Scorecard Achievement Award in 2008.
18 This award is provided to utilities that excelled in a specific functional area
19 within customer service. Our field operations group has also been nationally
20 recognized. Chartwell, an independent information services company that
21 facilitates knowledge exchange among utility professionals through research
22 and analytics, recognized us for best practices in 2006. I will discuss key
23 measures of these achievements and others in detail later in my testimony.

CUSTOMER CARE CENTERS

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

A. FPL's customer care centers generally are a customer's first point of contact for almost any inquiry or matter needing attention. Our customer care centers have been designed and engineered using current state of the art technology with the objective of ensuring that all customer inquiries are answered promptly and accurately. There are three care centers and numerous remote agents that have been configured to act as one virtual contact center that handles inbound and outbound calls, as well as faxes, letters, and e-mails. The three care centers allow customers to contact FPL 24 hours a day, 7 days a week. One center is located in West Palm Beach, the second is located in Miami and the last is a third party vendor located in El Paso, Texas. Combined, these centers handled over 34 million customer contacts in 2008, an increase of over 12%, or 3.6 million contacts, from 2006. These contacts included 8.7 million representative handled calls, 11.5 million automated calls, 12.2 million Internet transactions, 1.3 million outbound contacts, 177,000 faxes, 111,000 e-mails, and 14,000 customer letters.

Q. Please describe how FPL's customer care centers have achieved superior performance.

A. The use of leading edge technology, along with a strong emphasis on process management, has enabled us to achieve superior performance. At the care centers, FPL has consistently sought to employ innovative systems and

1 applications to ensure that all types of customer contacts are handled
2 promptly, accurately and efficiently. We also have designed and organized
3 our processes to complement our technology in ensuring consistency and
4 accuracy when handling customer issues.

5
6 One of the fundamental operational challenges of a care center, and a priority
7 for FPL, is to ensure that customers do not receive busy signals when calling
8 us. Many call centers limit the number of incoming calls at any one time.
9 Such a limitation will often cause customers to receive a busy signal. In
10 partnership with our telecommunication vendors, FPL designed a
11 telecommunications network solution to ensure that all calls are delivered to
12 FPL with the lowest probability of receiving a busy signal, regardless of
13 where in our territory the call originates. This was accomplished through the
14 use of overflow capabilities between local lines, toll-free lines, and the FPL
15 network. Local lines can only be utilized by a limited number of callers, so it
16 is important to have available the overflow capabilities and expanded capacity
17 of toll-free lines. For example, a customer will call a local line to contact FPL
18 and if all the local lines in that area are being utilized, the call is automatically
19 routed to a toll-free line and ultimately reaches FPL without a delay to the
20 customer.

21
22 In situations of extreme call volume, such as those associated with hurricanes,
23 we also have a back-up provider that will handle outage calls in the event that

1 all of the lines into our system are being utilized. This system has proven
2 invaluable for our customers during active hurricane seasons. For example, in
3 2004, FPL's service territory was severely impacted by hurricanes that caused
4 approximately 5.4 million customer outages. FPL's care centers and our
5 overflow vendor handled over 2.6 million outage calls during the period
6 between August 13 and October 4, 2004, including handling over 283,000
7 calls in a single day. Due to the efficient design and integration of our
8 telecommunications network, FPL was able to promptly answer our customers
9 calling to report power outages.

10
11 In addition to our enhanced telecommunications network, FPL in 2006
12 contracted with a third party vendor, GC Services, to establish a care center
13 outside of the FPL territory. The care center is located in El Paso, Texas.
14 This arrangement enhances FPL's business continuity by providing an
15 additional level of call handling capability that provides significant benefits
16 during a storm event that may impact either one or both care centers located in
17 Florida. As mentioned earlier, our three care centers operate as one virtual
18 center, so the care center location for any particular phone call is transparent
19 to the customer. This is another way in which FPL provides superior service
20 to our customers by ensuring our customers are able to contact us during even
21 the most difficult events such as a hurricane.

22
23 We also strive to have customer calls answered by a representative with the

1 appropriate skill level in order to ensure that a customer's call is handled in
2 the most effective and efficient manner. Automated Call Distributor
3 technology, which is the "brains" of our care center telecommunications
4 infrastructure, has been combined with Computer Telephony Integration to
5 provide optimum call routing and allow the three centers and remote agents to
6 act as one virtual care center. This integration of technologies enables calls to
7 be routed to a representative based on the order in which they were received
8 by the FPL system combined with the priority assigned to the type of call.
9 The result is that all FPL customers throughout the state receive the same
10 level of service, with priority given to customers reporting urgent matters,
11 such as a wire down or a power outage. The routing of the calls within the
12 network ensures that the representative receiving the call has the skills and
13 language capability necessary to handle the specific customer inquiry. The
14 interface of the telecommunications network with the customer information
15 systems facilitates retrieval of the customer's records. Through our computer
16 telephone integration technology, customer-specific information is delivered
17 to the representative's computer screen as the call is being answered by
18 automatic retrieval of the customer's records based on the telephone number
19 from which he or she is calling. The system also contains Graphical User
20 Interface software on the desktop which provides the representatives with
21 standardized processes for each inquiry type. The software ensures that any
22 customer calling with a similar issue will be handled in the same manner and
23 provided with the same answers.

1 A queue management system is also utilized to provide customers with the
2 option of waiting on hold during high call volume periods or requesting a call
3 back. When a customer contacts FPL and the expected wait to reach a
4 representative exceeds a predetermined threshold, the customer is presented
5 with the option of continuing to wait in the queue or requesting a call back by
6 entering their phone number using a touch tone phone. If the customer
7 chooses the option of being called back, a flag is placed in the queue to retain
8 the customer's original place in the queue. When the flag reaches the front of
9 the queue, the customer will be systematically called using the phone number
10 they provided. This system was put in place to provide the customer an
11 option of a call back and improve their overall experience. In 2008, over
12 95,000 customers benefited from this option and chose a call back rather than
13 waiting on hold during a busy period.

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

15 A. As previously described, the technology and architecture of the care centers
16 have been designed with the objectives of making it easier for our customers
17 to contact us and allowing us to handle customer calls as efficiently as
18 possible. Having overflow and routing capabilities allows a customer's
19 request to be handled with the shortest possible wait time by a specialized
20 representative who is specifically trained to proficiently handle the customer's
21 request or area of concern. This maximizes the opportunity to handle calls
22 quickly and efficiently without having to transfer the call between service
23 representatives. In times of high call volume, our queue management system

1 provides the customer with the option of a call back and not having to wait on
2 the phone. The ability to automatically identify and deliver customer-specific
3 information through computer telephone integration technology allows the
4 representative to greet the customer and immediately respond to the
5 customer's inquiry without having to ask the customer to provide account
6 information up front. FPL's care center systems and standardized processes
7 ensure that customers will be provided with a quick, consistent and accurate
8 response to the inquiry.

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

11 A. FPL participates in an annual benchmarking study conducted by PA
12 Consulting Group. PA Consulting has provided comprehensive benchmarking
13 services for over a decade to utility companies focusing on how their costs
14 and services measure against those of other utilities. The 2008 benchmarking
15 study, based on 2007 year-ending data, consisted of 29 electric and gas
16 utilities. As part of this study, many individual performance measures that are
17 typical industry indicators were benchmarked. The following metrics are
18 indicative of FPL's outstanding performance compared to other participants,
19 and in all cases FPL's performance is significantly better than the industry
20 average:

	<u>Performance Measures</u>	<u>FPL</u>	<u>Quartile</u>	<u>Group Average</u>
2	• Average speed of answer (seconds)	27	1 st	67
3	• Call abandonment rate	1.1%	1 st	4.1%
4	• Percent of call answered by the IVR	57.6%	1 st	34.4%
5	• Cost per customer	\$7.96	1 st	\$10.46

6

7 As mentioned previously, FPL's care center was awarded the PA Consulting
8 Balanced Scorecard Achievement Award in 2008. This was the inaugural
9 year for the award and it was awarded to utilities that excelled in functional
10 areas within customer service. Of the participating utilities, FPL was the only
11 company to receive the Balanced Scorecard Achievement Award for care
12 centers, reflecting FPL's superior performance in this area of its operations.

13 **Q. Please describe in more detail the key metrics described above.**

14 A. Average speed of answer (ASA) is an accepted industry measure for
15 determining how quickly a customer's call is answered. ASA measures the
16 average time customers wait in queue after leaving the IVR system to be
17 connected with a representative. The call abandonment rate is an indicator
18 that measures the percent of customers who hang up while in queue waiting to
19 speak to a representative. Typically, the longer customers have to wait to
20 speak to a representative, the higher the abandonment rate will be.

21 **Q. How has FPL been able to achieve such a high IVR penetration rate?**

22 A. FPL's industry-leading IVR penetration rate is the result of the development
23 of many applications that allow customers to easily complete general inquiries

1 through the IVR without the need to speak to a representative. Capabilities
2 have been created that provide interactive customer applications for
3 disconnecting service, power outage reporting, billing inquiries, bill payment,
4 payment extensions, reconnection of service, requesting duplicate bills and
5 obtaining general information on many other services we offer. In 2008,
6 business conducted through our self-service telephone applications increased
7 by over 750,000 transactions from 2006, a 7% increase. As a result, 60% of
8 all phone calls were conducted through our self-service telephone applications
9 in 2008.

10

11 FPL continuously looks to make improvements to the IVR to increase
12 customer satisfaction and use of the automated services. Dedicated process
13 specialists are assigned to the IVR operations with the key objective of
14 improving the customers' experience. FPL regularly participates in
15 benchmarking to identify improvement opportunities and best practices. In
16 addition, experts have been used to review our IVR processes and provide
17 recommendations to improve services. In 2006, the IVR menu was
18 redesigned to improve functionality and improve call routing capability. As
19 part of the redesign process, or any change for that matter, functionality
20 testing is performed to ensure the desired results are achieved before making
21 changes system wide. FPL also recently invested in upgrading the IVR
22 technology. The new platform is designed to improve usability of the IVR

1 applications and provide integration capability with future applications such
2 as voice recognition.

3

4 FPL's IVR has been recognized nationally as well. In 2007, our IVR was
5 ranked second out of 103 utilities in the ESource survey of North American
6 IVRs. ESource is a business that provides independent research, advisory,
7 and information services to utilities, major energy users, and other key players
8 in the retail energy marketplace. The study considered use of best practices in
9 usability, robust functionality and audio aesthetics.

10

11 In addition to providing customers with an alternate option to doing business
12 using self-service telephone applications, IVR technology also results in a
13 significantly reduced cost per transaction, since there is no manual
14 intervention required to complete a transaction performed over the IVR. For
15 example, in 2008, over \$15 million in avoided costs were realized as a result
16 of customers utilizing the various self-service telephone applications instead
17 of speaking directly with customer service representatives. Overall, this is
18 another example of FPL's emphasis on developing and using the best systems
19 available in order to minimize costs, which benefits customer bills in the long
20 run, and at the same time provides superior service that is highly valued by
21 our customers.

22 **Q. Why is FPL's Care Center cost per customer so much lower than the**
23 **other companies that participated in the study?**

1 A. FPL has created an efficient and cost effective operation at the care centers.
2 Our strong emphasis on process management results in enhanced accuracy
3 and consistency, which in turn, lowers our cost per customer. In addition to
4 continuously monitoring these processes, the leveraging of technology has
5 enabled FPL to keep its cost per customer low. As previously described, FPL
6 has maintained intense focus on improving and expanding the automated
7 services offered through its IVR and in 2008, 60% of FPL's inbound call
8 volume was handled in a completely automated manner. This penetration rate
9 is among the best in its class for our industry. A higher IVR penetration rate
10 demonstrates our customers' acceptance of automated services.

11

12 In addition to the success of our IVR automated applications, over 12.2
13 million customer transactions were conducted in 2008 through our automated
14 Internet applications. By offering a wide variety of automated applications,
15 we are providing customers with options that make doing business with FPL
16 easier, while at the same time, reducing our cost.

17

18 Another significant contributor to our low cost is the manner in which we
19 have engineered our telecommunications network using a combination of
20 local lines, toll-free lines and other telecommunications options instead of the
21 more expensive option of using toll-free lines exclusively, a method more
22 commonly used by other utilities.

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

2 A. The quality assurance program at the care centers is focused on continually
3 improving the overall quality of the response to a customer call. The program
4 is based on a voice and data monitoring system that is used to score the
5 overall quality of a call and provide appropriate feedback to the
6 representative. Through quality assurance observations, representatives are
7 monitored for accuracy, compliance to processes, and demonstrating
8 understanding and empathy to customers. FPL is currently upgrading its
9 quality monitoring system. Benefits of the new system will include 100%
10 voice recording on all calls received via the care center automated call
11 distributor, improved ability to monitor and track agent performance, and will
12 provide the foundation for integration of future enhancements such as speech
13 analytics. The quality program also includes process coordinators who focus
14 solely on continuously identifying improvements within the underlying
15 processes. We gather data from the quality observations and analyze trends to
16 identify improvement opportunities with policies or processes.

17 **Q. How frequently are customer inquiries resolved on the first contact?**

18 A. Based on FPL's customer care center satisfaction research, the percent of
19 customer inquiries resolved on the first contact has continued to increase for
20 both residential and business customers. Residential inquiries resolved on the
21 first contact increased from 76% in 2006 to 79% in 2008 and business
22 inquiries resolved on the first contact increased from 72% in 2006 to 79% in
23 2008. These are significant increases, and are yet another example of the

1 balance we have achieved between providing, and in this case improving
2 upon, the superior service we provide while at the same time reducing costs.
3 It clearly costs less to handle a call only once.

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 overall satisfaction with the
7 way calls are handled.

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

9 A. The surveys are conducted using a random selection process and are
10 performed on an ongoing basis. The surveys measure overall satisfaction with
11 the call, ease of contacting FPL, the representative and the IVR. The percent
12 satisfied score is the percent of customers who scored the process being
13 measured a six or seven on a seven point scale, with seven indicating the
14 highest satisfaction rating. Overall satisfaction with the call, ease of
15 contacting FPL and satisfaction with the representative are all at or above
16 84%. These scores demonstrate how FPL performs very well in these
17 measures. We have also seen significant improvement in satisfaction with the
18 IVR – from 61% in 2006 to 71% in 2008 for our business customers and from
19 65% in 2006 to 73% in 2008 for our residential customers. Additionally, a
20 key design of the surveys is to provide a means of identifying improvement
21 opportunities. FPL continuously monitors the results of the surveys in order
22 to identify those areas of concern for which we can take action proactively.

1 FPL's residential and business care center satisfaction research results are
2 attached to my testimony as Exhibit MMS-1.

3

4 **CUSTOMER SERVICE FIELD OPERATIONS**

5

6 **Q. Please describe how FPL provides service through its field operations**
7 **group.**

8 A. FPL provides additional services to our customers through its field force of
9 residential, small/medium business, and commercial/industrial representatives.
10 This group of employees is dedicated to serving individual customers at their
11 home or place of business. Services provided to our residential and
12 small/medium business customers include DSM programs such as, on-site
13 personalized analysis of business or home energy use; high bill investigations;
14 or addressing any other concern that a customer may have about their
15 electrical service. Commercial/industrial representatives provide a
16 personalized level of service to our larger commercial/industrial customers. A
17 dedicated account manager serves as a single point of contact for all energy-
18 related and customer service issues for these large, complex energy users. A
19 dedicated account team supports the efforts of the account manager in the
20 areas of reliability, new construction, new energy technology, billing, energy
21 efficiency and other innovative solutions.

22

23 Recent investments in systems for our field group have provided improved

1 service levels to our customers. A new scheduling and dispatching system
2 was implemented in 2008. This system brought wireless technology and real-
3 time scheduling to our field organization. This enabled the shortening of the
4 service delivery target or “average speed to appointment” from 21 to 14 days,
5 improving the time between the customer call to the field appointment by
6 35%. This is a significant improvement and directly benefits the customer
7 while at the same time reducing costs overall. In addition, real-time access to
8 customer data is provided to the field representative during face-to-face
9 appointments, enhancing the value of the appointment for the customer.

10 **Q. Does FPL measure customer satisfaction for customers who interact with**
11 **the field organization?**

12 A. Yes. Similar to how we conduct surveys with customers that contact our care
13 centers, ongoing surveys are performed to measure satisfaction of residential
14 and business customers with the way their field services are handled. Survey
15 results for these customers have been very positive. In 2008, customers rated
16 their satisfaction with the field representative at 97%. Small/medium business
17 customers rated their satisfaction with the field representative at 93% and
18 large commercial/industrial customers rated satisfaction with the account
19 manager at 96%. The percent satisfied score is the percent of customers who
20 scored the area being measured a six or seven on a seven point scale, with
21 seven indicating the highest satisfaction rating. Such a high level of
22 satisfaction is an amazing accomplishment of which we are very proud –
23 clearly our customers are receiving superior service in this regard.

1 In addition to the high customer satisfaction scores, our field operations group
2 has been recognized nationally for the high level of service provided to our
3 customers. FPL's account managers were ranked third out of 60 nationally in
4 the 2007 TQS National Key Accounts Benchmark survey and 11th for overall
5 satisfaction with FPL. TQS Research specializes in business-to-business
6 research among the largest energy users in the United States and Canada.
7 Also, in 2006, FPL was awarded the Chartwell Best Practice Award for
8 fostering relationships with mid-sized businesses through our innovative
9 implementation of Gold Service Standards as an industry best practice.

10

11

COMPLAINT RESOLUTION

12

13 **Q. How does FPL handle a dissatisfied customer?**

14 A. FPL's goal is to ensure that every customer is satisfied with the handling of
15 their inquiry. While it is not practical to expect 100% satisfaction, we have
16 developed a process that is designed to maximize the opportunity to
17 successfully address a customer's concern. Customers who contact the care
18 center and want their inquiry escalated are offered the option of speaking with
19 a care center account supervisor. Account supervisors are a group of
20 employees with more experience and broader authority who are dedicated to
21 resolving elevated customer issues quickly and efficiently. They are able to
22 resolve the majority of calls directly. However, if the call requires follow-up
23 with a department outside of the care center, the customer is provided the

1 department name to which their matter is being referred to, as well as a
2 timeframe in which the appropriate representative will contact the customer
3 for resolution. Additionally, the customer is given the care center account
4 supervisor's name and telephone number in the event they need further
5 assistance. A ticket for follow-up is then created, and the matter is monitored
6 for completion in a timely manner.

7

8 In the event that a customer complaint is not resolved, the customer may
9 choose to contact the Florida Public Service Commission (FPSC). As part of
10 our complaint handling process, FPL participates in the Transfer-Connect and
11 E-mail processes, established by the FPSC, to help resolve disputes between
12 regulated companies and their customers as quickly, effectively, and
13 inexpensively as possible. These processes involve transferring the customer
14 call or e-mail directly from the FPSC to FPL for expedited handling if the
15 customer agrees. FPSC contacts will be discussed in more detail later in my
16 testimony.

17 **Q. Does FPL track customer dissatisfaction?**

18 **A.** Yes. FPL developed the Customer Account Satisfaction Tracking (CAST)
19 system, a process to capture and track both customer dissatisfaction and
20 commendations. Customer service representative's record specific
21 information related to the customers' dissatisfaction into the system. In
22 addition, all FPSC complaints are also inputted into the system. This data is
23 rolled up into daily, weekly and monthly reports by department and business

1 process, and are available for review by all levels of supervision and
2 management. CAST provides a means for analyzing data and is useful in
3 identifying trends or issues, modifying processes and policies, and gauging the
4 impact of changes to processes and policies that impact the efficiency and
5 quality of customer service. In addition, FPL established a Customer
6 Advocacy group solely for the purpose of reviewing dissatisfaction
7 information. This group reviews CAST entries daily, makes follow-up calls to
8 customers if needed and looks for process improvement opportunities.
9 Through this group, numerous process improvement recommendations have
10 been made to improve services provided to our customers based on their
11 feedback. Examples of improvements include improved training material for
12 customer service representatives, providing various program applications in
13 multiple languages, and system enhancements such as allowing multiple pay-
14 online scheduled payments in one month.

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

17 **A.** As a result of the efforts described above, as well as numerous other initiatives
18 aimed at improving customer satisfaction, we have been successful in
19 reducing the number of complaints. When looking at the complaints that are
20 recorded as “logged” with the FPSC company-wide, FPL has shown a
21 reduction in complaints per 1,000 customers in 2008 from 2006. FPL had
22 0.1151 complaints per 1,000 customers in 2008 compared to 0.1574
23 complaints per 1,000 customers in 2006, a reduction of 27%. Among other

1 investor-owned utilities in Florida, FPL ranked second in 2008 in terms of
2 fewest logged FPSC complaints per 1,000 customers.

3

4 **ECONOMIC ASSISTANCE FOR CUSTOMERS**

5

6 **Q. What is FPL doing to help customers through these difficult economic**
7 **times?**

8 A. We recognize that the economy and today's climate of financial uncertainty
9 have created hardships for many of our customers. In particular, these
10 difficult times make it increasingly more challenging for low-income
11 customers to provide even the most basic needs for their families. FPL has
12 taken many proactive steps to assist these households over the past several
13 years by offering alternatives and support for those in need.

14

15 Specifically, we have increased our focus on programs, products and services
16 that are designed to help make energy more affordable. FPL's approach to
17 energy affordability has been to develop collaborative partnerships, with
18 various interested parties who share an interest in serving Florida's families in
19 need. FPL's energy affordability initiatives can be grouped under two main
20 categories: payment assistance and energy conservation.

21 **Q. Can you please discuss the energy affordability initiatives associated with**
22 **payment assistance?**

23 A. Yes. FPL has been working diligently to find ways to increase payment

1 assistance funding to eligible households in need. This has been achieved in
2 great measure through partnerships with various social services agencies in
3 the communities that FPL serves. This process is known as ASSIST and it
4 involves referring customers who are experiencing financial difficulty to an
5 appropriate social services agency. FPL personnel work closely with the
6 agencies to ensure continuity of service while resources are allocated and
7 secured for the customer. In 2008, over 83,000 assistance payments were
8 received from numerous agencies, representing approximately \$15.6 million
9 toward customers' electric bills. FPL also launched an Internet-based web
10 portal in 2008 for use by ASSIST partners, enabling them to more quickly and
11 accurately access information needed to help qualify FPL customers for
12 assistance. Agency response to this new tool has been very favorable. FPL
13 was recognized as runner-up in Chartwell's Best Practices Awards in
14 Customer Service and Marketing for our extraordinary customer relations
15 efforts related to the ASSIST web portal.

16
17 For those customers who have received ASSIST help, FPL has developed new
18 processes such as keeping customers updated, via e-mail and/or phone, of the
19 status of their payment commitments; offering home energy surveys; and
20 providing other services, such as FPL's Weatherization Program, to help make
21 energy more affordable. These are other examples of FPL initiatives
22 developed in order to ensure we meet the needs of our customers and provide
23 superior levels of service.

1 Another payment assistance program is FPL Care to Share, which FPL
2 established in 1994. This is a special fund that receives donations from
3 customers, FPL employees and FPL corporate contributions. Funds donated
4 to FPL Care to Share are administered by local social service agencies that
5 partner with FPL. FPL refers customers needing financial assistance to one of
6 the agencies that administers FPL Care to Share funds. In 2006, FPL donated
7 \$1 million to the fund, and repeated that donation again in 2007, 2008 and
8 2009. These donations were funded by FPL shareholders. In 2007, FPL
9 conducted its first annual employee payroll deduction contribution program,
10 and we are very proud of the fact that nearly \$68,000 has been raised through
11 this program. In 2008, FPL provided a web-based donation option as a
12 convenience for customers who pay their bills online. Since program
13 inception, nearly \$11.5 million in donations has been used to assist nearly
14 55,000 Florida families in need.

15 **Q. What other initiatives has FPL worked on to increase payment assistance**
16 **to customers?**

17 A. FPL has been leading several other initiatives with a focus on growing
18 available energy assistance resources, including identification of new funding
19 sources. For example, in 2006, FPL co-sponsored, with the Florida
20 Department of Community Affairs, the creation of the Florida Energy
21 Affordability Coalition (FLEAC). FLEAC is a statewide collaboration of
22 stakeholders including government, social service organizations and energy
23 providers, all working to find ways to better serve Florida's low and fixed-

1 income and senior customers. FLEAC has been working to identify new
2 sources of payment assistance. It is also working to help families find better
3 ways to conserve energy and become more self-sufficient. Working with the
4 Florida Department of Community Affairs, FLEAC developed a report of
5 energy affordability recommendations and presented them to the Senate
6 President and House Speaker in January 2009. Initiatives that were suggested
7 will increase payment assistance dollars, provide more resources for energy
8 conservation and provide other meaningful programs. Other FLEAC
9 members include Progress Energy, Tampa Electric Company (TECO), The
10 Salvation Army and the Florida Department of Elder Affairs.

11
12 Also in 2006, FPL executed a comprehensive advocacy plan to increase
13 Florida's funding from the Federal Low Income Home Energy Assistance
14 Program (LIHEAP). To share the story of Florida's financial need for more
15 assistance, FPL worked with numerous allies, including other utilities,
16 reaching out to Congress and others. FPL has since continued to be a strong
17 advocate, and has made several visits to Congress over the past three years.
18 FPL has become recognized within the utility industry as a leader for its
19 efforts on behalf of customers in need and believes our advocacy partnerships
20 have had a positive impact on LIHEAP funding. We are confident that these
21 efforts helped achieve a three-fold increase of LIHEAP funds to Florida that
22 will provide assistance to thousands of families that otherwise would not have
23 received help.

1 **Q. Can you please discuss the energy affordability initiatives that address**
2 **energy conservation?**

3 A. Yes. While it is important to provide eligible customers with assistance to pay
4 their energy bills, it is also important to help them understand how they can
5 help themselves through wise energy usage. That's why FPL has also
6 implemented several assistance programs that focus on energy conservation.

7

8 In 2008, we piloted a program for customers receiving FPL Care To Share and
9 LIHEAP payment assistance. Within a week of a customer's receipt of
10 payment assistance, we contacted them by telephone and offered a home
11 energy survey, energy conservation brochures and other information. This
12 timing was designed to provide a follow-up with these customers while the
13 need for energy management was still fresh on their minds. As part of the
14 program, the home energy survey and energy conservation brochures were
15 custom-tailored with tips and recommendations specifically for low income
16 customers. This very successful pilot has now become a permanent program.

17

18 Due to current economic conditions, FPL has also put in place affordability
19 outreach programs that help to address the needs in the community. We have
20 partnered with Community Action Agencies and energy efficiency contractors
21 to help provide this benefit to our customers. The programs consist of
22 monthly seminars throughout the state on bill management and energy
23 efficiency solutions and the Home Energy Makeover. The Home Energy

1 Makeover program targets low income communities and provides simple
2 solutions in home energy efficiency. This program has been very well
3 received and has been successful in providing energy efficiency
4 improvements to over 200 homes in 2008.

5 **Q. What other assistance programs does FPL offer?**

6 A. FPL offers a special program for customers who are registered as needing
7 special medical equipment through its Medical Essential Service Program.
8 Customers with special medical needs may depend on electricity for their well
9 being and FPL's Medically Essential Service Program addresses this matter.
10 For qualifying customers this program offers:

- 11 • Referrals to social service agencies that provide financial
- 12 assistance,
- 13 • A limited extension of time to pay electric bills,
- 14 • Special notification prior to disconnection of service for non-
- 15 payment, so customers can secure funds or make necessary
- 16 arrangements, and
- 17 • Protection from being billed an additional deposit.

18
19 Additionally, in October 2008, responding to the worsening economic crisis
20 and understanding that customer problems go beyond just their ability to pay
21 the energy bill, the FPL Group Foundation announced a \$1 million
22 sponsorship of a 2008 through 2009 "Basic Needs Program" to help
23 customers with non-energy bill needs. The program, funded by FPL

1 shareholders and administered by The Salvation Army, offers qualified
2 families a variety of assistance, including food, clothing, shelter, medical and
3 other basic needs. Thousands of customers throughout FPL's service territory
4 will benefit from this assistance initiative.

5

6

BILLING, PAYMENT AND INTERNET OPTIONS

7

8 **Q. What billing and payment options does FPL provide its customers?**

9 A. FPL recognizes that our customers desire options in terms of billing and
10 making payments, and the Company strives to enhance its service to
11 customers and provide such choices by offering a variety of billing and
12 payment options. These options are designed to make it easier for customers
13 to do business with the Company, and at the same time reduce costs which
14 benefit all customers in the long run. For billing options, customers may
15 choose to receive their bill electronically or as a paper bill. Customers then
16 have the option of paying bills by mailing the payment to FPL, paying at a pay
17 station or electronically through the phone or online. The list of billing and
18 payment options, including a description of the options, the date each option
19 began, and the number of transactions in each option as of December, 2008, is
20 attached to my testimony as Exhibit MMS-2.

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

22 A. Yes. FPL has several programs to better serve both residential and business
23 customers' needs relative to billing. One of our most convenient options is

1 the FPL E-mail Bill program. Customers who enroll in our E-mail Bill
2 program receive an e-mail that lets them know their new bill is ready for them
3 to view. They may then access our Internet website through a direct link
4 included in the e-mail and view their bill and bill insert online. In addition to
5 cost savings for FPL through reduced paper and postage, e-mail billing offers
6 benefits including an environmentally friendly, paper-free bill and an e-mail
7 reminder when the bill is due. Increasing customer acceptance to e-mail
8 billing is a focus and challenge for all utilities and FPL continues to educate
9 customers of the benefits. In the 2008 PA Consulting benchmarking study
10 mentioned previously, FPL ranked first quartile, reporting 13.3% of customers
11 receiving e-bills, compared to an average of 7.6% for the reporting 21
12 companies.

13
14 Our Summary Billing program allows customers with 10 or more FPL
15 accounts to request a single statement for the billing and payment of those
16 accounts. This program eliminates the task of handling and paying multiple
17 bills throughout the month.

18
19 FPL also provides “FPL Budget Billing” as an option for customers who want
20 to avoid the peaks and valleys of seasonal or monthly electric bills. Monthly
21 electric usage is levelized over a 12-month period, allowing the participating
22 customer to more easily budget their payments.

1 Another billing option is the “FPL 62 Plus Payment Plan.” This plan is
2 available to all customers who depend on fixed incomes such as social
3 security, disability or other similar type benefits. The program extends the
4 due date of the bill by 10 days, thus allowing one full month to pay after the
5 bill is issued. The intention of the program is to help participating customers
6 manage their monthly budget, especially if their electric bill is due at some
7 time other than when the monthly benefit check arrives.

8
9 Another program designed to help prevent disconnection of electric service is
10 the “FPL Friendly Reminder Plan,” which allows customers to designate
11 someone to receive a Final Notice prior to service disconnection. A
12 designated person, such as a caregiver, family member or neighbor, will
13 receive notification of any final notice issued by FPL, protecting the customer
14 from service disconnection because of an inadvertently unpaid bill.

15
16 As demonstrated, customers have a wide array of various billing options that
17 will meet most needs. FPL projects from 2006 to 2010, over 750,000
18 additional customers will have chosen to move to E-Mail Bill. This
19 acceptance not only shows our customers’ desire for options, thereby
20 enhancing the value of our service to customers, but will have also reduced
21 costs to FPL by over \$3.0 million.

22 **Q. Would you please elaborate on FPL’s payment options?**

23 **A.** Yes. FPL has multiple bill payment options to better serve both residential

1 and business customers' payment needs. For customer ease and convenience,
2 they may choose to:

- 3 • Mail a payment to FPL's payment processing center;
- 4 • Enroll in the FPL Automatic Bill Payment program that withdraws
5 the bill amount directly from the customer's bank at the agreed
6 upon time;
- 7 • Enroll in Checkfree, which is a service that works with the
8 customer's bank and offers online billing and/or payment features;
- 9 • Enroll in FPL Pay Online in order to pay their bill on FPL's
10 website;
- 11 • Pay at a walk-in pay station;
- 12 • Pay by phone from a touch tone phone using a checking account,
13 24-hours a day and have it posted to their account within minutes;
- 14 or
- 15 • Pay by credit or debit card.

16
17 In 2008, as a result of these options, nearly 60% of all payment transactions
18 were made through alternative channels rather than through mailing the
19 payment to FPL's payment processing center. This is an increase from 50%
20 in 2006 and we project it to increase to 63% by 2010. In the 2008 PA
21 Consulting benchmarking study, FPL ranked first quartile, reporting 54.5% of
22 payments received in 2007 were through alternative channels to U.S. Mail,
23 compared to an average of 36.4% for the reporting 21 companies.

1 **Q. How do FPL's costs for billing and payment functions compare to other**
2 **utilities?**

3 A. FPL has worked hard to control costs over the years in these functions by
4 maximizing postage and paper discounts and providing customers with lower
5 cost billing and payment options that meet their needs. Our success is
6 demonstrated in the 2008 PA Consulting benchmarking study. FPL ranked
7 first quartile in cost per customer for both billing and payment processing
8 functions.

9	<u>Cost per Customer</u>	<u>FPL</u>	<u>Quartile</u>	<u>Group Average</u>
10	• Bill print and mail	\$4.52	1 st	\$7.36
11	• Payment processing	\$0.47	1 st	\$1.04

12 **Q. Are payments received through U.S. Mail and processed in FPL's**
13 **payment processing center processed in a timely manner?**

14 A. Yes. FPL's process for handling mail payments is very efficient. In 2008,
15 FPL processed over 20 million payments in the payment processing center.
16 The payment processing department operates two shifts (day and night) and
17 six days a week (Monday through Saturday, excluding holidays) in order to
18 expedite the processing of customer payments. Payments are received
19 throughout the day from the United States Postal Service and are processed
20 using a state of the art, high speed Unisys and OPEX payment processing
21 equipment. Any exceptions are handled in a timely manner. As a result,
22 payments received through the mail are processed and applied to customer
23 accounts within 24 business hours of receipt from the Postal Service.

1 **Q. Would you elaborate on the other customer services that FPL provides to**
2 **its customers over the Internet?**

3 A. Yes. FPL recognizes that many customers appreciate the ability to use
4 interactive self-service to do business. FPL continues to focus on developing
5 and expanding its self-service applications so that its customers can conduct
6 business with FPL over the Internet. Customers may perform Internet
7 transactions such as billing inquiries, payment extensions, power outage
8 reporting and status update, street light outage reporting, order a duplicate bill,
9 and connect, disconnect or transfer service. As previously discussed,
10 customers may also view and pay their monthly bill online. In addition, they
11 may use the Internet to enroll in e-mail bill and online pay options. Almost all
12 of the information that may be obtained by calling the care centers is available
13 online.

14
15 The number of transactions performed on FPL's website continues to grow at
16 a steady pace. During 2008, over 12 million transactions were performed by
17 customers using Internet self-service applications. This is an increase of 32%
18 from 2006. In the 2008 PA Consulting benchmarking study, FPL ranked first
19 quartile, reporting 34.4% of customer contacts were handled through the
20 Internet in 2007, compared to an average of 3.7% for the reporting 18
21 companies. Our Internet applications not only provide options for conducting
22 business with the company that are preferred by many customers, they also
23 continue to be a means by which FPL can reduce operational costs.

1 **DEMAND SIDE MANAGEMENT**

2

3 **Q. Please describe FPL’s achievements in Demand Side Management.**

4 A. We know that Floridians expect FPL to provide affordable, clean energy
5 solutions. As a result, one of the most important means by which we not only
6 add value to the service provided to our customers but at the same time help
7 them save on their electric bills is DSM.

8

9 FPL has a long history of identifying, developing and implementing DSM
10 resources to cost-effectively avoid or defer the construction of new power
11 plants. These programs have included both energy efficiency and load
12 management programs, targeting both residential and business customers.
13 Since the early 1980s, our demand side management programs have helped us
14 avoid the need to build 12 power plants representing over 4,900 MW,
15 (including the impacts for FPL’s reserve margin requirements) and 21% of
16 FPL-owned total peak summer generation capacity. This accomplishment has
17 resulted in substantial cost savings for our customers over the years.

18

19 FPL’s current DSM Plan consists of seven residential DSM programs and 10
20 business DSM programs. These programs include offerings such as energy
21 surveys designed to assist residential customers in understanding how to make
22 their homes more energy-efficient; incentives for energy efficient
23 measures/practices such as qualifying air conditioners or ceiling insulation;

1 and load control management programs.

2

3 FPL's load management programs have proved extremely successful,
4 providing a broad-based opportunity for residential and business customers to
5 participate and receive significant cost savings through monthly credits
6 applied to their bills while also providing reliability benefits and the cost
7 effective avoidance of new generation, which benefits all customers.
8 Participating customers express high satisfaction with these load management
9 programs, with over 773,000 residential customers and over 21,000 business
10 customers currently participating in the programs.

11 **Q. Please describe how FPL has been a national leader in DSM.**

12 A. The U.S. Department of Energy reports on the effectiveness of utility DSM
13 efforts through its Energy Information Administration. Based on the most
14 current national data available, which is for 2006, FPL is ranked number one
15 nationally in terms of megawatts for cumulative conservation achievement,
16 and number three in load management. To put this in perspective, FPL serves
17 about 3% of the total United States consumers, but has achieved 13% of the
18 total U.S. conservation and 6% of the total load management. This is another
19 excellent example of FPL's superior performance and the resulting
20 outstanding service provided to our customers. All activities associated with
21 DSM are approved through a separate regulatory proceeding.

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ADVANCED METERING INFRASTRUCTURE

Q. What is FPL doing to support the development of Smart Grid technologies and to align itself with recent Federal legislation?

A. FPL has focused on AMI solutions (meter and infrastructure) for several years and supports the Energy Independence and Security Act of 2007's (EISA 2007) recommendation to accelerate policy makers' focus on deploying smart grid technologies. We have tested various solutions throughout the years and are implementing an AMI solution that will be in alignment with the requirements of EISA 2007. AMI serves as the initial step in the development of our smart grid initiative and supports the established federal policy to modernize the electric infrastructure. AMI also aligns with legislation contained within the American Recovery and Reinvestment Act of 2009 supporting modernization of the electric network.

Q. Please address FPL's plans for AMI.

A. FPL's AMI project includes the deployment of state of the art integrated solid state meters, also known as "smart meters," to the over four million residential and small/medium business customers it serves. The meters are equipped with two-way communications, remote reading, connection, and disconnection capabilities and will be able to collect data regarding consumption at predetermined intervals. The ability for two way communication will provide flexibility for future delivery of new service options for customers. The meters also include "flags" which will be useful

1 for the determination of outage, restoration and theft. Our project is expected
2 to last five to six years and has a total capital cost of \$645 million. The meter
3 deployment schedule is as follows:

- 4 • 2009 – 170,000
- 5 • 2010 – 1,100,000
- 6 • 2011 – 1,100,000
- 7 • 2012 – 1,100,000
- 8 • 2013 – 900,000

9 **Q. What is FPL's experience with AMI?**

10 A. We have deployed various metering technologies throughout the years to
11 determine which technology is best suited for FPL. In 2005, approximately
12 50,000 smart meters were deployed. The meters were single phase, non-
13 demand meters that generally serve residential and small and medium-size
14 business customers. Two different communication technologies were
15 deployed. There were approximately 34,000 power line carrier meters and
16 approximately 16,000 radio frequency meters installed. Analysis of the first
17 phase deployment provided confirmation of basic benefits and identified
18 potential benefits. It also identified the need for a flexible technology platform
19 necessary for future potential benefits and customer needs.

20
21 Our second phase deployment in 2007 and 2008 was a radio frequency mesh
22 technology, which links other meters to form a communications "mesh"
23 network. We deployed approximately 100,000 meters and have successfully

1 read and billed these accounts remotely. In addition, we have provided both
2 our customers and care center representatives with a web interface to assist
3 customers in managing their electric usage.

4 **Q. Would you elaborate on the benefits of AMI?**

5 A. Based on the experience of other utilities, as well as our reviews of the
6 technology, we believe AMI will provide both operational savings and service
7 improvements. The primary operational savings will come from reductions in
8 the cost associated with reading meters. Improvements in the meter reading
9 process will also lead to improvements in the back office and care centers,
10 resulting in fewer customer calls related to billing. In addition to providing
11 cost efficiency through automation, AMI will allow for several service
12 improvements. Service improvement opportunities include reducing
13 estimated bills and meter reading errors; accessing daily energy consumption
14 data by the customer; expediting the connect and disconnect process; creating
15 a safe work environment by eliminating the need to enter a customer's yard
16 and reducing exposure to traffic related accidents; identifying outages faster
17 and more precisely; and detecting meter tampering. AMI also enables
18 adoption by customers of innovative efficient technologies in the future.

19 **Q. Why is it important to implement AMI at this time?**

20 A. Despite the current economic down turn, FPL must continue to plan ahead and
21 make sound investments to ensure customer expectations are met now and in
22 the future. There are several reasons why an AMI deployment at this time is
23 the right thing to do for our customers. First, the AMI solution has achieved

1 levels of operational stability and consistent reliable performance making it
2 ready for a full deployment. Secondly, we should be providing customers with
3 consumption data to help them manage their usage and their costs. In order
4 for this to be achieved, AMI needs to be deployed. The deployment of AMI,
5 as mentioned previously, will take several years. Third, there is a large
6 movement towards deploying AMI in the industry. The utility leaders of this
7 movement are shaping the solution as well as aligning their deployment to the
8 production process and supply availability. It is important that FPL be a leader
9 in the movement so that we can ensure the solutions will serve our customers'
10 needs. Lastly, the AMI implementation is a critical step in moving the utility
11 towards having a Smart Grid that is envisioned in recent Federal legislation.

12

13

BAD DEBT EXPENSE

14

15 **Q. How does FPL forecast bad debt expense?**

16 A. FPL uses regression analysis to forecast bad debt expense. We model
17 expected bad debt expense using historical and projected data such as the
18 inflation adjusted price of electricity, kWh sales, and unemployment. These
19 variables have shown strong correlation with bad debt expense and provide a
20 means of measuring and accounting for contributing factors for non-payment.

21 **Q. How does FPL's bad debt expense compare to other utilities?**

22 A. FPL has worked hard to minimize bad debt through the use of statistical
23 modeling, standardized processes and fair and consistent policies. In the 2008

1 PA Consulting benchmarking study using 2007 data, FPL ranked first quartile
2 in bad debt as a percent of revenue with a rate of 0.17% compared to the
3 benchmark average of 0.57%. Bad debt as a percent of revenue is an industry
4 standard for measuring bad debt performance.

5 **Q. Why doesn't FPL simply use a historical bad debt rate for the test year?**

6 A. Through the regression analysis mentioned above, we have found that there
7 are two main drivers of a customer's ability to make payment, the dollar
8 amount of the bill and the economic conditions currently impacting their
9 ability to pay. These two variables are subject to changes overtime which
10 may not be reflected in the historical write-off experience, especially during
11 periods of economic instability. As a result, you cannot expect the historical
12 write-off rate to be a good predictor of the future. Prevailing economic
13 conditions will ultimately dictate when and if a customer makes payment.
14 There have been fundamental changes to the economy that may have
15 prolonged consequences on customer's ability to make payment. According to
16 testimony filed by FPL witness Avera, "...there is very little indication that
17 the dire conditions confronting the economy and financial markets will be
18 resolved quickly." Simply taking a historical bad debt rate may underestimate
19 these consequences and be an unreasonable estimate of the Company's future
20 bad debt expense. Through regression analysis, we are able to take historical
21 and projected economic data and assess the impact these will have on our bad
22 debt expense relative to the level of billed revenues. Using a purely historical

1 average without the benefit of forward looking considerations is not
2 appropriate.

3 **Q. Is FPL proposing any changes to the method by which bad debt expenses**
4 **are recovered?**

5 A. Yes. Due to the increasing percentage of revenues generated from clauses,
6 approximately 60% of a residential 1,000 kWh bill, and the volatility of the
7 revenues, moving the associated portion of uncollectible expense to the
8 appropriate clause is being requested. Revenues from clauses, specifically
9 fuel, continue to be the largest and most volatile component of revenues. By
10 making this change, we will ensure that the recovery of such costs is made in
11 a more timely manner. The Company adjustment associated with this change
12 is discussed by FPL witness Ousdahl.

13

14 **CUSTOMER SERVICE COST DRIVERS**

15

16 **Q. Please provide an overview of Customer Service's O&M expenses.**

17 A. Customer Service O&M is driven by several key activities including meter
18 reading, billing, payment processing, customer care (care centers), credit and
19 collections and various field and support activities to serve our customers. In
20 addition to these activities, uncollectible expense (the sum of bad debt and the
21 provision adjustment for uncollectible accounts) and long term investment in
22 AMI are considerable cost drivers for Customer Service O&M. The most
23 significant drivers affecting year to year changes in O&M have been the

1 impact of inflation and changing economic conditions. System growth
2 continues to drive O&M expense as well. I will discuss these in more detail
3 later in my testimony. FPL's historical and projected Federal Energy
4 Regulatory Commission (FERC) Customer Service O&M expense is attached
5 as Exhibit MMS-3.

6 **Q. Are there other O&M expenses, besides the Customer Service business**
7 **unit's O&M expenses that have been described earlier, included in the**
8 **FERC Customer Service O&M accounts and functional total presented in**
9 **FPL's MFRs?**

10 A. Yes. The FERC Customer Service functional areas include Customer
11 Accounts, Customer Service, and Sales. Included in these FERC O&M
12 accounts and functional totals are O&M expenses incurred or associated with
13 other FPL business units that relate to customer service activities (as defined
14 by FERC). Examples of these expenses would include those incurred by the
15 Information Management business unit associated with customer service
16 technology and expenses incurred by the Marketing and Communications
17 business unit. In Exhibit MMS-3, an "Other" line has been provided that
18 includes these expenses in order to reconcile the Customer Service business
19 unit O&M expenses with the FERC Customer Service functional totals
20 contained in the MFRs.

21 **Q. What actions did the Customer Service Business Unit take in light of the**
22 **2008 financial crisis and resulting economic downturn?**

1 A. As a result of changing economic conditions, Customer Service was faced
2 with significant increases in uncollectible expense and cost associated with
3 mitigating credit and collections activities. FPL recognized the changing
4 conditions early in 2008 and began taking aggressive actions to mitigate the
5 projected increase in uncollectible expense. Actions included adding
6 resources above planned levels for field collections and back office collection
7 activities, as well as increasing deposit coverage. These actions and the
8 increase in uncollectible expense increased O&M from plan by \$10.3 million
9 in 2008.

10
11 In response to these increasing costs, we reduced costs in other areas. We
12 made significant reductions in spending by canceling and deferring projects,
13 instituting a hiring freeze and reducing employee related expenses. This
14 resulted in Customer Service offsetting \$7.1 million of the \$10.3 million
15 increase discussed above.

16 **Q. How does the FERC Customer Service functional area expense proposed**
17 **for 2010 compare with the actual O&M expense incurred in 2006?**

18 A. FPL's FERC Customer Service O&M expense in 2006 for the three functional
19 areas was \$174.6 million while the 2010 proposed O&M expense is \$216.9
20 million. This is an increase in O&M expense of \$42.3 and is driven by the
21 following.

- 22 • Inflation has had the biggest impact on daily operations and
23 accounts for \$19.8 million of the increase.

- 1 • Credit and collection related expenses account for \$14.2 million of
2 the increase. This consists of an increase in uncollectible expense
3 of \$10.1 million driven primarily by economic conditions. As
4 discussed previously, aggressive actions have been put in place to
5 help mitigate the increasing uncollectible expense. These
6 mitigation actions account for an additional \$4.1 million of the
7 increase since 2006.
- 8 • Investments in projects and activities of \$8.6 million that provide
9 long term benefits including AMI, billing and payment options and
10 dedicated resources to improve safety and enhance quality and
11 operational excellence activities.
- 12 • System growth, primarily affecting our Customer Billing and Care
13 Center operations, has increased expenses by \$3.5 million.
- 14 • Productivity improvements, driven largely from initiatives to
15 increase participation in our low cost billing and payment options,
16 has reduced expenses by (\$3.8) million.

17 **Q. What are the FERC Customer Service functional area expenses projected**
18 **for 2011?**

19 A. FPL's projected FERC O&M expenses for 2011 are \$219.3 million or an
20 increase of \$2.4 million (1.0%) from 2010. This is driven primarily by
21 increased expenses related to inflation and several operational activities.
22 These increases are partially offset by lower uncollectible expense which is

1 based on an improvement in economic conditions projected at the time of our
2 forecast and operational savings from AMI.

3 **Q. Please discuss the change in Customer Service capital expenditures from**
4 **2006 to 2010 and 2010 to 2011?**

5 A. Customer Service capital expenditures are projected to be \$170.4 million in
6 2010 or \$166.8 million higher from 2006. Capital expenditures will decrease
7 by \$9.8 million to \$160.6 million in 2011. Deployment of AMI is driving the
8 increase in 2010, as well as the decrease in 2011. As mentioned earlier, AMI
9 will provide long-term benefits for our customers.

10

11

COMMISSION O&M BENCHMARK VARIANCES

12

13 **Q. Please discuss the comparison of FPL's 2010 Test Year O&M for the**
14 **Customer Accounts functional area to the Commission's benchmark**
15 **using 2006 as the benchmark year.**

16 A. The 2010 Test Year O&M for the Customer Accounts functional area is
17 \$169.5 million. The Commission's benchmark for the Customer Accounts
18 functional area is \$142.3 million. This difference is \$27.2 million. I will
19 detail below how this difference is caused by items that are clearly driven by
20 factors outside the CPI and customer growth benchmark.

21

- Deteriorating economic conditions since 2006 have significantly
22 increased uncollectible expense.

22

23

- Due to higher uncollectible expense driven by the deteriorating

1 economic conditions, credit and collections activities were
2 increased to mitigate the rise in uncollectible expense. These
3 activities include increased back office and field collection
4 staffing, professional services, administration costs, materials and
5 supplies.

- 6 • FPL must continue to plan ahead and make sound investments to
7 ensure customer expectations are met now and in the future.
8 Continued investment in AMI accounts for a portion of the
9 variance. We plan to deploy over one million smart meters in
10 2010, an activity that was not present in 2006. As discussed
11 earlier, this project will have long term benefits for our customers.
- 12 • Increases are realized in meter reading expense due primarily to
13 higher salaries and higher vehicle mileage cost. In order to keep
14 up with market conditions, it was necessary to increase the starting
15 salaries for our meter readers. In addition, our meter readers drive
16 approximately 4,000,000 miles annually. The mileage
17 reimbursement rate has increased by 46% from 2006.
- 18 • Call volume to our care centers continues to grow and is projected
19 to increase by more than 640,000 calls in 2010 from 2006. This
20 represents an increase of 7.5%, over double the customer growth
21 rate. In response to this increasing call volume, FPL instituted a
22 strategy in 2006 that is very beneficial to our customers. FPL
23 worked with a third party vendor to establish a call center in El

1 Paso Texas. By establishing this care center, FPL's call handling
2 capability was enhanced with a level of business continuity and
3 system flexibility that will help ensure our customers will be able
4 to contact us even during the most difficult times such as
5 hurricanes. In addition to increasing call volume and establishing
6 our third care center, starting salaries were increased for our entry
7 level care center representatives in 2006 to keep up with market
8 conditions.

9
10 In response to the active 2004 and 2005 storm seasons and efforts to continue
11 to improve customer interactions, FPL created dedicated teams for disaster
12 readiness and customer advocacy activities. Our disaster readiness group has
13 focused on process improvements identified after the 2004 and 2005 storm
14 seasons, including initiating a customer service mutual assistance program
15 with other utilities, developing a resource allocation tool designed to minimize
16 storm impact to customers in non-affected areas and improvements to our
17 outage communications system. The customer advocacy group is focused on
18 improving customer satisfaction through statistical analysis of complaints,
19 proactively contacting dissatisfied customers to identify opportunities for
20 process improvements and providing improved service to the agencies that
21 assist our low and fixed income customer segments.

1 **Q. Please discuss the comparison of FPL's 2011 Subsequent Year O&M for**
2 **the Customer Accounts functional area to the Commission's benchmark**
3 **using 2006 as the benchmark year.**

4 A. The 2011 Subsequent Year O&M for Customer Accounts functional area is
5 \$168.0 million. The Commission's benchmark for the Customer Accounts
6 functional area is \$147.2 million. The difference is \$20.8 million, which is
7 lower than the 2010 Test Year O&M benchmark variance of \$27.2 million.
8 Therefore, the key drivers of this variance have been discussed as part of the
9 2010 O&M Test Year benchmark comparison.

10 **Q. Please discuss the comparison of FPL's 2010 Test Year O&M for the**
11 **Customer Service functional area to the Commission's benchmark using**
12 **2006 as the benchmark year.**

13 A. The 2010 Test Year O&M for the Customer Service functional area is \$17.9
14 million. The Commission's benchmark for the Customer Service functional
15 area is \$16.4 million. The difference between the 2010 request is \$1.5
16 million. This variance is driven by an increase in dedicated resources to
17 improve safety, quality and operational excellence.

18
19 FPL is committed to safety. In 2007, the Customer Service Business Unit
20 began its journey towards a target of zero OSHA injuries. Key management
21 personnel developed a strategic safety plan which included detailed incident
22 analysis and reporting, enhanced communications, recognition and
23 implemented policy changes. Customer Service was able to reduce OSHA

1 injuries by 24% in 2008 when compared to 2006. In addition, a new quality
2 and operational excellence organization was formed to manage Customer
3 Service Six Sigma efforts that drive process and productivity improvements
4 within Customer Service. Six Sigma quality efforts are further discussed in
5 the testimony of FPL witness Bennett.

6 **Q. Please discuss the comparison of FPL's 2011 Subsequent Year O&M for**
7 **the Customer Service functional area to the Commission's benchmark**
8 **using 2006 as the benchmark year.**

9 A. The 2011 Subsequent Year O&M for the Customer Service functional area is
10 \$20.3 million. The Commission's benchmark for the Customer Service
11 functional area is \$16.9 million. The difference is \$3.4 million and \$2.0
12 million has already been explained in the 2010 Test Year benchmark
13 comparison. The remaining \$1.4 million difference is driven by the following
14 activities:

- 15 • FPL continues to look for opportunities to enhance the services we
16 provide to our customers. As part of our billing and payment
17 options, we plan to invest in new e-mail bill technology that will
18 provide a more interactive and easier to use e-mail bill and allow
19 for future enhancements. Improvements include customizable bill
20 content, downloadable copy of bills, easier navigation and ability
21 to retrieve data such as billing history from the email bill.

1 charges through base rates. In addition, for certain charges, there is also a
2 need to create an incentive for “cost-causers” to improve behavior so that
3 other customers are not unduly burdened with higher cost.

4 **Q. Has FPL performed a cost study projecting the cost of providing**
5 **miscellaneous services?**

6 A. Yes. MFR E-7, Development of Service Charges, provides the projected cost
7 for initial connects/disconnects on new premises, connects/disconnects on
8 existing premises, reconnects after non-payment, field collections on past due
9 accounts, and overhead or underground temporary service. In these service
10 charges, the projected cost of providing the service exceeds its currently
11 approved tariff charge.

12 **Q. Is FPL proposing to adjust the level of these service charges?**

13 A. Yes. FPL is proposing to adjust the charges for initial connects/disconnects
14 on new premises, connects/disconnects on existing premises, reconnects after
15 non-payment, field collections on past due accounts, and overhead or
16 underground temporary service to reflect the cost of performing these
17 transactions.

18 **Q. Is FPL proposing to set the service charge amounts based on the**
19 **projected full cost of providing the service?**

20 A. FPL is proposing that the service charges for connects/disconnects on existing
21 premises, reconnects after non-payment, field collections on past due
22 accounts, and overhead or underground temporary service be based on the full
23 updated projected cost. However, for the initial connects/disconnects on new

1 premises, FPL is proposing the service charge be set at a lower amount of
2 \$100.00 versus the full cost of \$135.95. FPL believes that a service charge of
3 \$100.00 is a reasonable charge, based on the work required for the initial
4 connect/disconnect activity and the proposed lower, non-cost based amount
5 will help to reduce the impact of the significant change from the current
6 charge of \$14.88.

7 **Q. Is FPL proposing any other changes to its service charges?**

8 A. Yes. FPL is proposing to modify its returned payment charge to reflect the
9 governing Florida Statutes. FPL currently charges \$23.24 per returned
10 payment. Section 68.065, Florida Statutes, however, specifies a tiered fee
11 structure based on the returned payment amount. Consistent with Section
12 68.065, FPL's proposed return payment charge is as follows:

- 13 • \$25 if the payment amount does not exceed \$50;
- 14 • \$30 if the payment amount exceeds \$50 but does not exceed \$300;
- 15 or
- 16 • \$40 if the payment amount exceeds \$300 or 5% of the payment
17 amount, whichever is greater.

18 This proposed change would also be consistent with the Commission-
19 approved return check charge for TECO, Progress Energy Florida, Gulf Power
20 and FPUC.

21
22 In addition, FPL currently charges 1.5% for late payments, but is proposing
23 the greater of 1.5% or \$10. Driven largely by the deteriorating economy, FPL

1 has seen a steady increase in the number of customers making late payments.
2 The percent of customers with late payments has increased from 21% in 2006
3 to 24% in 2008. This is an increase of 150,000 customers on average per
4 month. Other industries use late payment charges greater than \$10 to
5 encourage customers to pay on time. Other Florida utilities currently charge a
6 fee similar to what FPL is proposing, such as City of Miramar Utilities,
7 \$15.00 and Lee County Electric Cooperative, \$10.00 for residential
8 customers. FPL believes a \$10 minimum late payment charge will provide
9 the appropriate incentive for customers to improve payment behavior.

10 **Q. Is FPL proposing any new service charges?**

11 A. No. However, during FPL's review of current service charges, two
12 opportunities for potential new service charges were identified, but are not
13 included in this filing. The two opportunities include (1) charging \$1.00 to
14 customers who choose to receive paper bills and (2) charging \$1.00 to
15 customers who send their payment through U.S. Mail to our payment
16 processing center. These charges would not be cost-based, but would be
17 designed to create an incentive for customers to use alternative billing and
18 payment options, such as e-mail bill and online payment. Such a change
19 would recognize today's trend toward the utilization of non-paper based
20 transactions, and has the dual benefits of further reducing operational costs
21 which benefits all customers as well as having "green" environmental
22 attributes by reducing the use of paper products and reducing carbon-
23 emissions for delivery of paper bills.

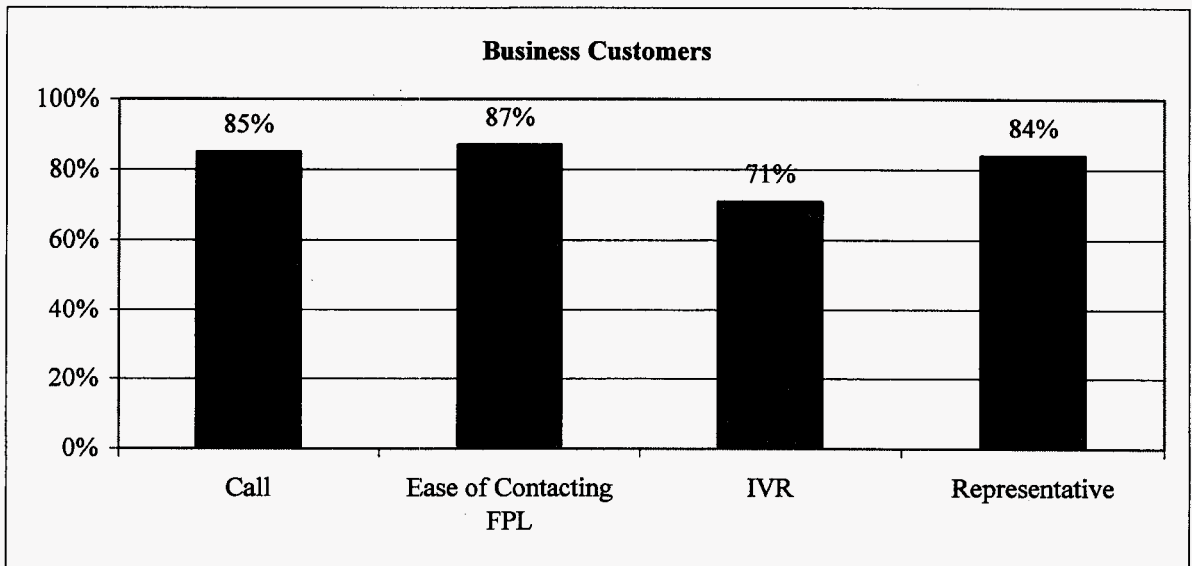
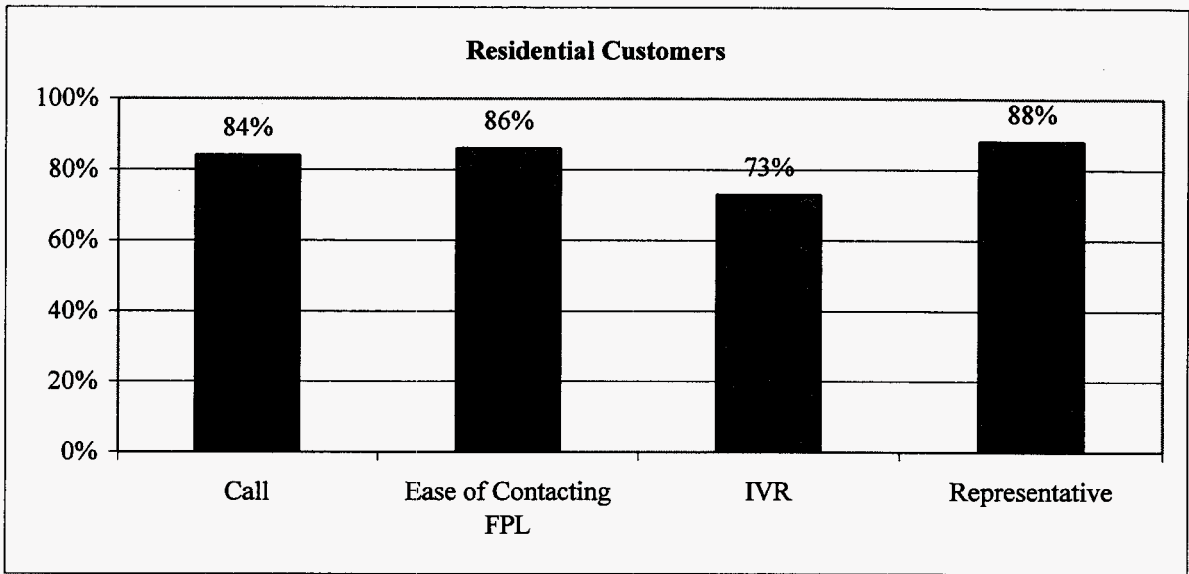
1 There continues to be a global trend among companies of all sizes to
2 encourage customers to choose electronic billing and payment options. This
3 trend is wide-spread but has seen a slow adoption rate in utilities. FPL
4 supports this effort and recognizes the benefits of these options to both the
5 customer and the Company, but also recognizes that an incentive, such as a
6 service charge, may be necessary to encourage customers to change to
7 electronic billing and payment options.

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

9 **A. Yes.**

2008 Customer Care Center Satisfaction Research
Key Satisfaction Measures

The satisfaction score is the percent of customers rating the area being measured a six or seven on a seven point scale, with seven indicating the highest level of satisfaction.

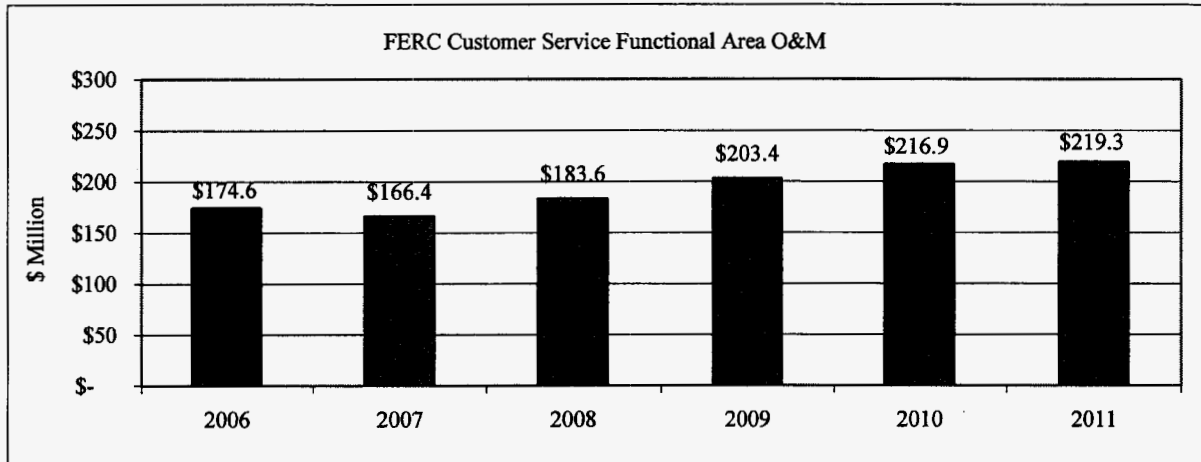


BILLING AND PAYMENT OPTIONS

Billing Options	Description	Number of 2008 Annual Transaction
US Mail Billing	Customer receives a bill via US Mail.	45,226,065
FPL E-Mail Bill	Customer receives an e-mail with a link to FPL.com, where they can view their bill.	6,229,160
E-Bill	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.	1,485,259
EDI	FPL Electronic Data Interchange allows a business customer to receive their bill electronically.	529,349
Summary Billing	Customers with 10 or more service locations may receive one summarized bill instead of receiving individual bills throughout the month.	434,740

Payment Options	Description	Number of 2008 Annual Transaction
Pay by US Mail	Customer remits payment through the U.S Postal Service.	22,552,945
EDI Payment	FPL Electronic Data Interchange allows a business customer to pay their bill electronically.	8,713,957
Automatic Bill Pay	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.	7,722,691
Pay Online	Customer makes payments online at FPL.com. Payments may be made anytime, 24 hours a day, 7 days a week.	5,732,228
Pay Station	Customer pays in person at an authorized pay station.	4,546,286
Pay by Phone	Customer makes payments using a touch-tone telephone. Payments may be made anytime, 24 hours a day, 7 days a week.	4,152,828
Online Billing Payments	Customer signs up with a third party to view and pay bills from multiple companies through the internet. These bills may be viewed and paid at a variety of internet web sites, including those of financial institutions, brokerage firms, United States Postal Service, etc.	1,484,871
Credit or Debit Card	Customer makes a payment using a credit or debit card through a third party vendor.	483,831

FERC Customer Service O&M
 (\$ Million)



FERC Customer Service O&M	2006	2007	2008	2009	2010	2011
Customer Accounts	\$ 127.1	\$ 131.8	\$ 149.3	\$ 159.1	\$ 169.5	\$ 168.0
Customer Service and Information	\$ 19.7	\$ 17.1	\$ 18.0	\$ 16.6	\$ 17.9	\$ 20.3
Sales	\$ 27.8	\$ 17.5	\$ 16.3	\$ 27.7	\$ 29.5	\$ 31.0
TOTAL	\$ 174.6	\$ 166.4	\$ 183.6	\$ 203.4	\$ 216.9	\$ 219.3

FERC Customer Service O&M by Key Activities

	2006	2007	2008	2009	2010	2011
Customer Service	\$ 110.4	\$ 114.6	\$ 119.1	\$ 125.9	\$ 132.6	\$ 137.9
Advance Metering Infrastructure	\$ 0.9	\$ 0.8	\$ 1.4	\$ 2.6	\$ 7.4	\$ 9.5
Uncollectible Expense	\$ 16.3	\$ 17.9	\$ 31.3	\$ 32.2	\$ 26.4	\$ 21.7
Sales	\$ 27.8	\$ 17.5	\$ 16.3	\$ 27.7	\$ 29.5	\$ 31.0
Other *	\$ 19.2	\$ 15.6	\$ 15.6	\$ 14.9	\$ 21.0	\$ 19.2
TOTAL	\$ 174.6	\$ 166.4	\$ 183.6	\$ 203.4	\$ 216.9	\$ 219.3

* Includes O&M expense incurred or associated with other FPL Business Units that relate to the operations of customer service (as defined by FERC)