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Dear Ms. Bennett

June 1st, 2010

This is the data requested by the Commission staff in your letter dated May 21, 2010 staff data request (no.2). If there is any additional information you need please contact us.

1) From 1991 until 2006 I was employed at FPL in Southwest Florida as a Major Account Manager. During this time period deregulation was considered within the state. FPL corporate staff personnel educated certain field personnel on a program to retain customers if deregulation was approved in the state. The effort was to protect the large customers from leaving the utility by allowing a discount on their electric bill via a prepay contractual obligation. The utility was going through several reorganizations during this time period and staff that worked on this project left by either taking advantage of severance packages offered or staff downsizing initiatives. The severance packages/downsizing programs combined with deregulation never materializing within the state therefore Prepay wasn't implemented. There isn't a specific tariff provision that would require the utility to offer a prepay program.

2) The discount rate as I remember was over 9% at the time Prepay was considered. Funding could be attained in the 4-5% range thus a spread or savings to the customer of 4-5% would be realized.

3) The IRS ruling referred to was issued in August 2003, which allowed municipal utilities to enter into a prepaid contract for electricity financed through issuance of tax-exempt bonds. (IRS bulletin 2003-41 T.D. 9085, available via internet)

4) This ruling does not require utilities to offer prepayment options for monthly bills. Several utilities are offering different prepay programs to assist their customer base.

5) When an electric customer is cognizant of their electric usage via monthly prepay metering or contract they are more cognizant of their electric usage. Please refer to FPL's Pre-Payment Study p.65 where several of the utilities mention energy conservation observed between 10 and 20% with their prepay programs.

6) FPL mentions several residential programs in their Pre-Payment Study. On the wholesale side of the electric business prepay contracts are being used. In different areas of the country to receive discounts.

Another prepay system was the E4E2 program in Ohio which is the largest in the country. In April 2005, the Energy Acquisition Corp.11, a non profit-corporation, sold $246million in bonds and used the proceeds to prepay estimated electric cost for schools covering the time period of 2005 through 2008. First Energy was the utility involved (Toledo Edison, Cleveland Electric Illuminating and Ohio Edison). A 10% electric base rate discount was given to program participants representing about 8.69%

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of total bill. There was a yearly True-up where estimated usage was compared to actual. Over consumed are charged and refund checks issued that consumed less. The Ohio School Council would like to repeat this contract at the present time (See Energy for Education 11 Program 2 attachment).

Still another type of prepay is the Memphis Gas Electric and Water prepay for wholesale electricity to serve their customer base. The utility entered into a prepay contract for 15years with TVA which saves their electric customers $13million annually. (See MGEW summary attachment)

The 2009 alternate energy project of the year (Milford Wind Corridor Phase 1). Southern California Public Power Authority (SCPPA) issued $237million in bonds to finance the prepayment of guaranteed generation from a 203MW wind farm in Utah for a 20year term. The financing structure uses tax-exempt bonds to prepay for electrical energy. This arrangement will deliver the energy at the lowest possible cost to the customer. (See First Wind – Milford Wind Attachment)

There are several types of prepay programs even allowing the customer to prepay a percentage of his monthly electric bill and then the utility paying interest until credits are issued later to mitigate future higher electricity costs (See PUC Approves PPL's Rate Stabilization Plan Attachment).
The program we suggest would be simply allowing the customer to take advantage of the utility's discount rate by prepaying for energy in advance based on historical usage with a yearly true-up to minimize any risk to the customer or FPL because of usage not consistent with historical use.

7) During the term of a contract fluctuations in cost of energy may occur. However it is important to consider that this fluctuation may either be positive or negative to the customer. Thus a true-up at the 12month mark would be advisable for a prepay contract. The customer is exposed to any cost recovery charge increase for the year. On the positive side the customer's exposure at true-up could also be excess dollars paid because the fuel component is less, energy conservation measures implemented or any impact of downsizing effects completed by the customer.

Respectfully
Don Morgan CPA
Frank Balogh CEM CEP

Energy for Education II Program

In 2005, the Ohio Schools Council and FirstEnergy expanded the first Energy for Education Program to all districts in the Cleveland Electric Illuminating, Ohio Edison and Toledo Edison service areas. This extended the prepayment base feature to CEI, Ohio Edison and Toledo Edison districts and extends the rate discount program through December 2008.

In April 2005, the Energy Acquisition Corporation II sold $246 million in bonds and used the proceeds to prepay the estimated electric energy costs for 238 districts and 11 MR/DD boards until December 31, 2008. Beginning in May, 2005, instead of paying a monthly bill to Cleveland Electric Illuminating, Ohio Edison or Toledo Edison, the districts pay an Ohio Schools Council lockbox (Trustee) for their estimated electrical usage. At the end of each fiscal year, a "true-up" process takes place wherein the actual cost of energy used per district is compared to the estimated cost of energy. Districts that used more than their estimate were charged; districts that used less received a refund.

Summary of Energy for Education Program II:

- 10% electric base rate discount for program participants representing about 8.693% of total bill.
- 5% estimated additional discount from prepayment financing.
- No district issued debt or is responsible for debt payments.
- The program applies to usage for all eligible classroom-related facilities.
- Districts pay level monthly billing based on estimated consumption.
- Current base rates frozen through 2008.
- Three year contract term ending December 31, 2008, 3½ year contract for existing Ohio Edison and Toledo Edison Energy for Education I districts.

The total savings for the last six months of Energy for Education II program was $5,800,000 or 13.7%. During 2008-09, the members consumed 381,800,000 kwh of electricity at a cost of $42,300,000.

The savings for the entire program was $37,600,000 or 13.6%.

OSC membership was not required to participate in this program. There was no program fee.

At the close of the Program, all remaining funds, $886,507.30, was distributed to the districts in proportion to their electric consumption as compared to the total of all districts in the Program during the life of the program.

Fitch Ratings

Memphis Light, Gas & Water (MLGW)'s Notes

Fitch Ratings

Wednesday, January 13, 2010 at 9:44am

NEW YORK - (Business Wire) Fitch Ratings assigns an 'AA+' rating to the following Memphis Light, Gas and Water (MLGW) electric system revenue bonds:

--$141.94 million series 2010 electric system revenue refunding bonds

The bonds are expected to sell in January 2010 and are secured by MLGW's net electric system revenues subordinate to the series 2002 senior lien bonds.

In addition, Fitch upgrades the following outstanding bonds to 'AA+' from 'AA':

--$11.490 million MLGW electric revenue (senior lien) refunding bonds, series 2002; and

--$1,028.52 million electric revenue bonds, series 2003A and refunding series 2008.

The Rating Outlook is Stable.

RATING RATIONALE:

--The upgrade reflects MLGW's strong financial metrics, stable power resource base, manageable and internally funded capital plan, and relatively diversified customer mix.

--MLGW continues to increase its cash balances and maintain healthy days operating cash-on-hand, even though electric customer usage has moderately declined with the economic recession. The healthy liquidity combined with the rapidly amortizing debt over the past several years have well-positioned MLGW financially.

--MLGW benefits from the favorable terms of the electric prepay transaction with the Tennessee Valley Authority ('TVA'; rated 'AAA' by Fitch) which allowed MLGW to prepay for electric capacity and energy through 2018 and locked in a fixed monthly credit from TVA for the prepayment term.

PRESS RELEASE: SCPPA APPROVES 200 MW WIND PURCHASE
02/15/2007

PASADENA, CA, FEBRUARY 15, 2007: The Southern California Public Power Authority (SCPPA) on behalf of its participating members; Los Angeles Department of Water and Power (LADWP), Burbank Water and Power and Pasadena Water and Power, announced the approval of a 20 year power purchase agreement with UPC Wind for Milford Wind Corridor Phase I (www.milfordwind.com) for the output of a 200 Megawatt (MW) wind generation facility to be located in Beaver and Millard Counties, Utah, subject to the approval of the local participant's governing bodies. The energy will be delivered to the Intermountain Power Project Switching Station by December 31, 2008.

The purchase contract is unique in two ways; first, SCPPA will prepay for the energy to be delivered during the 20 year term with the proceeds from an upcoming bond sale which will be provided to the project developers upon completion of the project; second, SCPPA will have the option to purchase the project after the 10th year of the agreement.

According to Ron Deaton, LADWP's General Manager, "this project is a great step towards helping LADWP meet its mandate of 20% renewables by 2010 and with the early buyout option and prepay feature it delivers the energy at the lowest possible cost."

SCPPA Executive Director Bill D. Carnahan said; "as far as we know this is one of the first agreements of its type for a publicly owned utility." SCPPA will contract with UPC Wind for the 20 year term, prepay for the energy, and sign power sales agreements with the participants to sell them the output of the project to repay SCPPA's costs including the ongoing operating expenses. "

LADWP will receive 185 MW (92.5%), Burbank 10 MW (5%) and Pasadena 5 MW (5%) from the project.

Additionally, this project will provide additional impetus to SCPPA and its members' plans to upgrade the Southern Transmission System (STS), which will deliver the wind energy from this project to Southern California. The STS is an existing 500 Kilovolt DC transmission line delivering power from the nearby Intermountain Power Project station in Utah to Southern California.

SCPPA is a California nonprofit joint action agency whose members include; the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon plus the Imperial Irrigation District.

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PUC Approves PPL's Rate Stabilization Plan to Mitigate Projected Rate Increases

August 07, 2008

HARRISBURG – The Pennsylvania Public Utility Commission (PUC) today approved a settlement that will permit PPL Electric Utilities Corp. to begin implementing its Rate Stabilization Plan (RSP).

"The strength and the weakness of this plan is that it is entirely voluntary. Unfortunately, there will be those who cannot afford to participate in it and there will be others who can afford to opt in to the program, but will not do so," said Vice Chairman James H. Cawley. "It is also unfortunate that this is one of the few beneficial options that we can provide to consumers to blunt the effects of rising global energy prices."

In a statement Commissioner Tyrone J. Christy said, "I am disappointed that more meaningful proposals are not on the table at this time. I believe we must continue to pursue every possible measure to protect customers from the lethal combination of a dysfunctional wholesale market and a retail framework that adds unnecessary costs to already-high wholesale prices."

Commissioners Kim Pizzingrilli and Robert F. Powelson issued a joint statement.

The Commission voted 5-0 to approve the RSP, which is designed to allow customers to prepay in anticipation of large price increases for supply service that will occur when PPL's generation rate caps expire on Dec. 31, 2009. In its filing, PPL projected a 34.5 percent increase for the average residential customer using 1,000 kWh per month. Because of its projected increase, PPL had sought approval to phase in the estimated 2010 rate increase.

As part of the plan, PPL customers can choose to make additional payments and receive corresponding credits on their electric bills through Dec. 31, 2011. The plan is available to residential, small commercial, small industrial and certain street lighting customers. According to the settlement, PPL may collect the RSP charge on a monthly basis from customers who voluntarily participate. The amounts collected under the RSP, plus 6 percent interest, will then be paid back to those customers participating in the form of an RSP credit on monthly bills from Jan. 1, 2010, through Dec. 31, 2011. As part of the settlement, the Commission directs PPL to begin its public notice campaign as soon as practicable and to submit a timeline to identify its target dates for customer notice, as well as the anticipated start date for the RSP payments.

On March 6, 2008, a Recommended Decision was issued by the PUC's Office of Administrative Law Judge (OALJ) recommending approval of a settlement, which had been submitted on Feb. 27, 2008, by various parties, including PPL Electric Utilities Corporation, the PUC's Office of Trial Staff, the state's Office of Consumer Advocate, the state's Office of Small Business Advocate and the Retail Energy Supply Association. The settlement resolves all issues associated with the RSP, filed by PPL on Nov. 30, 2007, which is intended to mitigate the expected 2010 rate increase over a period of several years with most participating customers receiving a series of annual single digit percentage increases through December 2011.