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COMMISSION
CLERK



November 30, 2010

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

claim of confidentiality
 notice of intent
 request for confidentiality/extension
 filed by OPC

For DN 08214-10, which
is in locked storage. You must be
authorized to view this DN.-CLK

Dear Ms. Cole:

Re: Docket No. 090042-EI

Enclosed is Gulf Power Company's Amended Request for Extended Confidential
Classification in the above docket.

Sincerely,

Susan D. Ritenour (lw)

COM _____
APA I
ECR _____
GCL I
RAD _____
SSC _____
ADM _____
OPC _____
CLK I

vm

Enclosures

cc: Beggs & Lane

DOCUMENT NO. DATE
09068-10 12/1/10
PPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Review of Electric Customers'
Property Damage Claims
_____)

Docket No.: 090042-EI
Date: November 30, 2010

AMENDED REQUEST FOR EXTENDED CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorneys and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files this amended request that the Florida Public Service Commission enter an order extending confidential classification for certain documents and information produced by Commission Staff in connection with a Review of Electric Customers' Property Damage Claims (PA-08-08-003) (the "Review"). As grounds for this request, the Company states:

1. On January 12, 2009, Gulf Power filed its initial Request for Confidential Classification of certain documents and information produced by Commission Staff and Gulf Power in connection with the Review. (See, Document No. 00272-09).

2. On March 20, 2009, the Commission entered an order granting Gulf Power's request for confidential classification. See, Order No. PSC-09-0162-CFO-EI (Document No. 02429-09).

3. As provided in section 366.093(4), Florida Statutes, and by the Commission's Order, the confidential information will be made public after a period of 18 months unless Gulf or another affected party shows, and the Commission finds, that the confidential information warrants extended confidential treatment.

4. On September 14, 2010, Gulf filed its Request for Extended Confidential Classification of the confidential information for an additional 18-month period. (See, Document No. 07660-10).

5. On November 3, 2010, Commission Staff returned the confidential information to Gulf Power with the exception of the final version of Staff's report titled "Customer Property Damage Claims of Florida's Four Major Investor-Owned Utilities" issued in December 2008 (the "Final Report"). The foregoing report contains the same confidential information that was addressed in paragraph 2 of Gulf Power's initial Request for Confidential Classification (Document No. 00272-09) and paragraph 6 of Gulf Request for Extended Confidential Classification (Document No. 07660-10) and which was ultimately determined to be confidential pursuant to Order No. PSC-09-0162-CFO-EI (Document No. 02429-09). The foregoing information has been redacted in the published Final Report (See, pages 32-33, 38, 40, and 42-43 of Document No. 08213-10) and appears in non-redacted format in Document No. 08214-10.

6. The confidential information contained in Document No. 08214-10 is entitled to continued confidential classification for the same reasons that it was initially classified. As stated in Gulf's initial Request for Confidential Classification, the information relates directly to findings and results of an internal audit pertaining to customer property damage claims. Consequently, this information is confidential pursuant to section 366.093(3)(b), Florida Statutes.

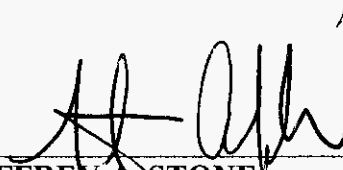
7. The information filed pursuant to this request is intended to be, and is treated as, confidential by Gulf Power and, to this attorney's knowledge, has not been otherwise publicly disclosed.

8. The confidential information, which is now incorporated in the Final Report, appears in redacted form on pages 32 (lines 1-4), 33 (lines 1-5), 38 (lines 1-6 and 7-11), 40 (lines 1-3), 42 (lines 1-2) and 43 (line 1) of Document No. 08213-10 and un-redacted form in

Document No. 08214-10. A page-by-page, line-by-line depiction of the confidential information is attached as Exhibit "A," hereto.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the confidential information depicted on Exhibit "A" and found in Document No. 08214-10 from public disclosure for an additional period of eighteen (18) months.

Respectfully submitted this 30th day of November, 2010.



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EXHIBIT "A"

DOCUMENT NO. DATE
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EPSC - COMMISSION CLERK

Upon receipt of the claim, the goal is to achieve initial contact with the customer within two business days. When initial contact is made with the claimant, the claims representative will let the claimant know if the claim is being accepted for payment or declined, if possible. When a claim is accepted for payment, the claimant will receive instruction on the information needed to support any claims payment, and how to get that information to the claims department.

Once all paperwork has been received from the customer and/or vendor, Gulf's goal for the claims representative is to have payment in the mail, or available for customer pickup, within ten business days. Each representative also has a goal to complete 80 percent of all damage claims within 60 days. If there has been no contact with the customer within 60 days, a letter will be sent to the customer informing them that the claim will be closed due to lack of contact. The customer is instructed to contact the company in order to have their claim reopened.

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

Gulf has implemented several recent changes to its customer property damage claims department. In 2005, Gulf elected to no longer use a customer claim form as part of the reporting procedure. Claims representatives, instead of the customer, were responsible for filling out the form, and Gulf determined this redundancy was easily eliminated by inputting the information directly into its system. Customers now provide information on damaged equipment either over the phone, or by faxing or mailing the information to the claims representative, who directly inputs the information into the claim system.

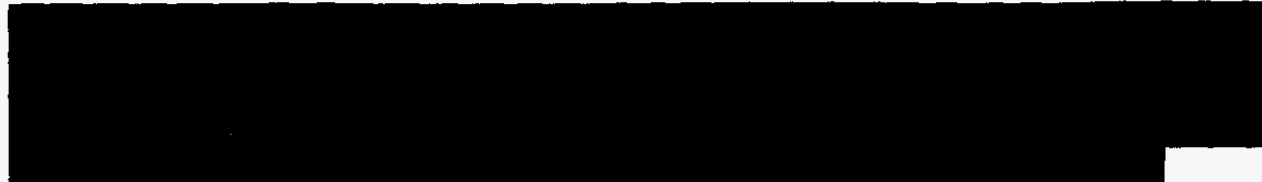
In August, 2006, Gulf changed the internal structure of the Claims Department to have all of the claims representatives report directly to the Claims Manager. Prior to this time, the claims representatives reported to the local Customer Service Manager. Gulf recognized that the previous organization was creating inconsistencies in the claims payment process. Now that the claims representatives report directly to the Claims Manager, claims are reviewed to ensure decisions and payments are consistent with the current policies and procedures and are fair to both the customers and the company.

In 2007, Gulf instituted a new payment processing system, the El Paso Check Request System that now goes directly to Accounts Payable for processing. This change impacted Gulf operations as a whole, not just the Claims Department. In June, 2008, Gulf stopped the use of procurement cards as a means to acquire smaller items for customers to settle their claims. All payments must now go through the El Paso system for accounting purposes. Gulf still allows use of the procurement card to make payments in rare circumstances, such as when a customer's essential equipment (air conditioner, refrigerator, etc.) is damaged and no authorized vendor is currently available. The representative may authorize payment to an outside vendor to get the equipment repaired.

In mid-2008, Gulf's Risk Management Group participated in an internal audit which included the Claims Department.

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

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

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

Gulf provided a list of 62 claims for over \$5,000 since 2003. However, none of these claims had been reported to the PSC during that period. During the review, discussions between appropriate FPSC staff and Gulf clarified these reporting requirements. Gulf has agreed to provide a retroactive listing of all reports meeting the above listed requirements for the period. Staff notes that the *Gulf Power Company Claims Procedures Manual* does not include information relating to the reporting requirements of Rule 25-6.019(2). A revision to Gulf's procedures could provide a useful control.

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

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

Gulf has an inspection program for its above-ground equipment that allows the company to proactively check for potential serviceability and safety issues and to make replacements or repairs as needed. Gulf's distribution maintenance plan for overhead service lines includes conducting regular tree trimming activities on its feeder and lateral lines to minimize tree and limb damage, along with regular inspections and routine maintenance on its substations to assure they are in good operational condition.

Gulf states there is no reliable, cost-effective way to inspect underground wires. Underground wire inspections are handled through routine daily field maintenance operations.

3.4 Claims Sample Analysis

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

Due to a change in 2006 to Gulf's policies and procedures that significantly changed the organizational structure of the claims department, staff chose to conduct an analysis of a limited judgment sampling of claims filed from June 2006 through August 2008. Audit staff evaluated 24 claim files to assess the handling process. Through the sample analysis, audit staff sought to formulate an overall opinion of the company's claims process based on four categories: timeliness, consistency, fairness, and compliance with the company's own established guidelines.

Timeliness

In review of Gulf's claims handling timeliness, audit staff compared the goals and objectives highlighted in the *Risk Management Claims and Litigation Team Goals and Objectives* to the actual results that were documented in the customer claim file. Claims Representatives were reviewed on the timeframe for the initial customer contact, submission of customer payment request, and the completion of the claim investigation. Also in consideration was if the claim was closed within 60 days if there was no response from the customer.

Audit staff's review of this sample indicated failures in documenting key dates involved in the claim. Of the 24 claims sampled, 16 claims (66 percent) contained dates that could not support a finding that indicates the claims were being completed in a timely manner. Key areas of the claims report that were often omitted were the closed date, transaction information, and the date of customer or vendor payments.

As noted, in mid-2008, Gulf's Risk Management Group participated in an internal audit which included the Claims Department. [REDACTED]

Audit staff observed that the lack of entering information into the Riskmaster system at the time the event occurred leads to inaccurate and incomplete reporting of key facts. The timeline of key events of the claim investigation cannot be followed or reconstructed based on the information that is being entered into the claim file. Gulf's policies and procedures identify the Riskmaster system as the company's means of documenting and tracking claims. [REDACTED]

evaluation unless they are new/high-end models. Large screen televisions, appliances, computers, and high-end items do require a diagnostic evaluation and will be repaired rather than replaced if repair is cost effective. For smaller items and evaluated items that cannot be repaired, the company will pay the actual depreciated value of the item to the customer using the same valuation/depreciation tables that are used by all the insurance companies.

Within the sample, 15 claims indicated the company's policy and procedures manual were not being used. Claims representatives gathered the items' information, such as model number, and sometimes serial number, but did not collect the items' ages. The representative often used a retail website to find a similar item and issued payment or authorized purchase at the price of the new item with no depreciation used. Audit staff also noted several instances when the claims representative offered an allowance to the customer to settle the claim, but included no documentation to describe how that amount was calculated.

The one claim where a depreciation table was used included two items that actually met the requirements of needing a diagnostic examination first. No examination was performed and the depreciation table was used with what may appear to be an inflated purchase price provided by the customer. With no supporting documentation within the claim paperwork indicating why such high values were used, the customer may have been paid more than necessary for compensation.

Audit staff observed practices in collecting damaged item information that may have exposed the company to fraudulent claims. Customers called or faxed information to the representatives without any verification that the items actually existed. For smaller claims, it may not be cost effective to verify each item. However, for a list of items totaling thousands of dollars, the company should require verification that the customer owns the items even if a visit to the customer's premises is required. At least one such instance was observed where no verification was performed. Similarly, at least one customer told the representative that they had thrown the damaged item away prior to filing the claim or allowing the item to be evaluated, but still received reimbursement.

Audit staff believes the company should consider the use of a claims form that the customer must sign to both verify the items they are reporting damaged, and acknowledge that knowingly filing a false claim is unlawful. Audit staff also believes that all depreciation and methods used to determine settlement should be documented in detail in the Riskmaster system.

Compliance

Audit staff's review of Gulf's compliance in claims handling included whether claims activities were handled according to company policies, procedures, and guidelines. [REDACTED]

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[REDACTED] The manual does highlight the standards the company requires its claims representatives to follow when investigating a property damage claim. Gulf also has a pay/deny matrix that is categorized to allow accurate identification and tracking of causes of property damage and types of equipment failure.

Audit staff's sample analysis indicated that claims representatives are using the pay/deny matrix properly and arriving at conclusions that are fair to both the customers and the company. However, of the 15 claims within the sample that were paid, staff concluded 10 claims (66 percent) contained property valuations that were not in compliance with Gulf's policies and

- ◆ In-home electronic equipment or mechanical appliances which, in Tesco's reasonable discretion, deem to be used primarily for commercial purposes or extraordinary home office/business purposes,
- ◆ Products, materials, data, or information used or stored on or in in-home electronic equipment or mechanical appliances.

3.6 Conclusion

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

- ◆ Gulf should comply with the PSC reporting requirements for Rule 25-6.019(2), Florida Administrative Code, regarding reporting of property damage exceeding \$5,000.
- ◆ Gulf should comply with the company's policies and procedures when determining the value of damaged property.
- ◆ Gulf should comply with the company's policies and procedures and should improve its accuracy, consistency, and completeness of documentation of claim information.
- ◆ Gulf should require customers to sign a form to verify damaged property and acknowledge the claim to be true and correct.

Over the period covered in this review, Gulf has implemented several changes to its customer property damage claims department. Staff believes these changes, which are highlighted throughout this chapter, are appropriate and improve the claims process.

At the time of this review, Gulf was not complying with Rule 25-6.019(2). Discussions between FPSC staff and Gulf clarified these reporting requirements, and Gulf has agreed to provide a listing of all reports meeting the above listed requirements retroactive from 2003 through 2008 to date.

Staff believes that claims representatives are utilizing the pay/deny matrix properly and arriving at conclusions of investigations that are fair to both the customers and the company. However, many claims contained property valuation that is not in compliance with Gulf's policies and procedures either by the method used to determine the amount paid to the customer, or a lack of supporting documentation to support how the representative determined the amount.

Audit staff believes that accurate and consistent documentation is essential to properly recording property damage claims. The lack of proper documentation does not allow for an outside auditor, or the company's claims manager, to review the claim and arrive at an accurate understanding of the process flow of the claim. Gulf's policies and procedures identify the Riskmaster system as the means Gulf uses to document and track claims. [REDACTED]

████████████████████ Staff believes that entering all information that is relevant to the claim into the Riskmaster system should improve management's ability to track claims and identify areas that should be further addressed.

Audit staff believes that Gulf should require customers to sign a form that verifies damaged property and acknowledges the claim to be true and correct. Claims representatives are frequently receiving this information from the customer without verification that the items even exist. Without this form, Gulf does not have a control in place to reduce the potential for fraud in either claim reporting, or payment of the claim.