

**REVIEW OF THE
PAYMENT ARRANGEMENT
PROGRAMS
OFFERED BY THE
FLORIDA ELECTRIC
INDUSTRY**

DECEMBER 2012

**BY AUTHORITY OF
THE FLORIDA PUBLIC SERVICE COMMISSION
OFFICE OF AUDITING AND PERFORMANCE ANALYSIS**

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TABLE OF CONTENTS

CHAPTER	PAGE
1.0 EXECUTIVE SUMMARY	
1.1 Scope and Objectives	1
1.2 Background and Perspective	1
1.3 Overall Opinion	6
2.0 FLORIDA POWER & LIGHT COMPANY	
2.1 Complaints and Inquiries Regarding Payment Arrangements	9
2.2 Payment Arrangement Monitoring and Internal Controls	9
2.3 Policies and Procedures for Payment Arrangements and Collections	12
2.4 Assistance Programs	15
2.5 Conclusion	17
3.0 GULF POWER COMPANY	
3.1 Complaints and Inquiries Regarding Payment Arrangements	19
3.2 Payment Arrangement Monitoring and Internal Controls	19
3.3 Policies and Procedures for Payment Arrangements and Collections	22
3.4 Assistance Programs	25
3.5 Conclusion	27
4.0 PROGRESS ENERGY FLORIDA, INC	
4.1 Complaints and Inquiries Regarding Payment Arrangements	29
4.2 Payment Arrangement Monitoring and Internal Controls	29
4.3 Policies and Procedures for Payment Arrangements and Collections	32
4.4 Assistance Programs	34
4.5 Conclusion	35
5.0 TAMPA ELECTRIC COMPANY	
5.1 Complaints and Inquiries Regarding Payment Arrangements	37
5.2 Payment Arrangement Monitoring and Internal Controls	37
5.3 Policies and Procedures for Payment Arrangements and Collections	40
5.4 Assistance Programs	42
5.5 Conclusion	43

TABLE OF EXHIBITS

NO.	EXHIBIT	PAGE
1.	Florida's Four Largest IOUs FPSC Warm Transfer / Complaint Activity	2
2.	Payment Arrangements Requested	2
3.	Payment Arrangement Disposition	3
4.	Total Customers Disconnected by Four Largest Florida IOUs	3
5.	Total Revenues Written-off by Four Largest Florida IOUs	4
6.	LIHEAP Funds Allocated to Florida	5
7.	FPL's FPSC Warm Transfer / Complaint Activity	9
8.	FPL's Payment Arrangements Requested	10
9.	FPL's Payment Arrangement Disposition	10
10.	FPL's Total Customers Disconnected	11
11.	FPL's Gross Write-offs	12
12.	FPL's Financial Assistance Statistics	16
13.	Gulf's FPSC Warm Transfer / Complaint Activity	19
14.	Gulf's Payment Arrangements Requested	20
15.	Gulf's Payment Arrangement Disposition	20
16.	Gulf's Total Accounts Disconnected	21
17.	Gulf's Total Net Revenues Written-off	22
18.	Gulf's Financial Assistance Statistics	26
19.	PEF's FPSC Warm Transfer / Complaint Activity	29
20.	PEF's Payment Arrangements Requested	30
21.	PEF's Payment Arrangement Disposition	30
22.	PEF's Total Accounts Disconnected	31
23.	PEF's Total Gross Revenues Written-off	32
24.	PEF's Financial Assistance Statistics	34
25.	TECO's FPSC Warm Transfer / Complaint Activity	37
26.	TECO's Payment Arrangements Requested	38
27.	TECO's Total Customers Disconnected	39
28.	TECO's Total Revenues Written-off	39
29.	TECO's Financial Assistance Statistics	42

1.0 EXECUTIVE SUMMARY

1.1 SCOPE AND OBJECTIVES

The economic crisis that began in 2007 continues to affect Florida electric industry customers, as evidenced by large numbers of Florida utility customers seeking payment assistance on their utility bills. Florida Public Service Commission staff conducted a review of the payment arrangements offered by four of the investor-owned electric utilities (IOUs) in Florida. This report documents how each utility provides payment arrangement programs to its customers. Specifically, FPSC audit staff focused on the following areas related to payment arrangements:

- ◆ Complaints and Inquiries
- ◆ Monitoring and Internal Control
- ◆ Policies and Procedures
- ◆ Payment assistance programs

1.2 BACKGROUND AND PERSPECTIVE

THE U.S. AND FLORIDA'S ECONOMY

In November 2008, the U.S. National Bureau of Economic Research reported that a recession began in December 2007. In September 2010, the Business Cycle Dating Committee determined that a trough in business activity occurred in the U.S. economy in June 2009. This trough marked the end of the recession. The committee stated that the beginning of the recovery does not mean that the economy has returned to operating at normal capacity.¹ Despite the growth in the economy, persistent high unemployment remains, along with fluctuating consumer confidence, the decline in home values, increased foreclosures, personal bankruptcies and rising prices in petroleum and food.

According to a Bloomberg Businessweek article, Florida has been one of the hardest-hit states in the housing crash. In January 2012, Florida saw 12,102 notices of home mortgage default, auction or seizure, a rise of 14 percent as compared to a year earlier.² Florida's unemployment rate peaked in January and February 2010 at 11.4 percent, declined to 9.9 percent in December 2011 and further declined to 8.5 percent in October 2012, indicating some recovery.³

THE IMPACT OF THE ECONOMY ON FLORIDA RATEPAYERS

Billing-related calls received by the FPSC may be indicative of customers who are experiencing hardship in paying their electric utility bills. The numbers of calls to the FPSC which were warm transferred or resulted in billing complaints over a five-year period for the four largest IOUs are shown in **Exhibit 1**. Total billing warm transfers and complaints peaked in 2009 at 10,082. A subset of this total, payment arrangement warm transfers, likewise peaked in 2009 at 6,491.

¹ The National Bureau of Economic Research announcement of June 2009 business cycle trough/end of last recession.

² Bloomberg Businessweek article, February 17, 2012, *Florida Foreclosures Climb 14% as Lenders Resume Home Seizures* by Dan Levy.

³ Bureau of Labor Statistics data.

FLORIDA'S FOUR LARGEST IOUs FPSC WARM TRANSFER / COMPLAINT ACTIVITY 2007 - 2011				
Year	Billing Warm Transfers	Billing Complaints	Total Billing Warm Transfers and Complaints	Payment Arrangement Warm Transfers
2007	4,623	750	5,373	3,145
2008	7,299	1,037	8,336	5,286
2009	8,813	1,269	10,082	6,491
2010	7,201	1,109	8,310	5,493
2011	5,647	822	6,469	4,494

EXHIBIT 1

Source: FPSC Complaint Database

To assist customers, the four largest investor-owned electric utilities are providing alternative payment arrangements, when customers are unable to pay their electric bills. **Exhibit 2** shows the numbers of payment arrangements that were requested from 2007 through 2011, and either established or denied. In 2010, over 4.2 million payment arrangements were requested by customers and 2.9 million arrangements were established. In 2011, over 4.3 million payment arrangements were requested resulting in 3 million payment arrangements established.

PAYMENT ARRANGEMENTS REQUESTED ⁴ (FPL, PEF, GPC AND TECO) 2007 - 2011			
	Established / Granted ⁵	Denied ⁶	Total Requested
2007	2,592,956	985,517	3,578,473
2008	2,565,841	1,099,669	3,665,510
2009	2,891,103	1,418,593	4,309,696
2010	2,938,533	1,342,291	4,280,824
2011	3,039,776	1,264,257	4,304,033
Totals	14,028,209	6,110,327	20,138,536

EXHIBIT 2

Source: Compilation of Exhibits 8, 14, 20 and 26.

Exhibit 3 shows the numbers of payment arrangements for FP&L, PEF and GPC which were either completed (arrangement was satisfied) or went into default during 2007 through

⁴ For Progress Energy Florida, cancelled payment arrangements which indicate that an arrangement was modified, are not reflected on this chart, and amount to 113,827 for the five-year period shown.

⁵ For Florida Power & Light Company, Jan 2007 – Oct 2008 payment extensions granted or established contains only CCR (Customer Care), IVR (Interactive Voice Response) and Web contacts. Nov 2008 – Dec 2011 payment extensions granted or established contains contacts made through the following FP&L channels: CCR (Customer Care), IVR / VRU (Interactive Voice Response), Web, Revenue Recovery, Revenue Protection, Customer Advocacy, PSC, SCS, Assist, Customer Billing, Field Operations and Other.

⁶ For Tampa Electric Company, denials shown for 2007, 2008 and January 1, 2009 through April 17, 2009, do not include denials via the IVR. On April 17, 2009, TECO replaced its IVR, which now captures this data.

2011. In 2011, over two million payment arrangements were completed by customers and almost 700 thousand payment arrangements went into a default status.

PAYMENT ARRANGEMENT DISPOSITION (FPL, PEF AND GPC) ⁷ 2007 - 2011			
	Completed	Defaulted	Total Disposition
2007 ⁸	1,585,155	605,397	2,190,552
2008	1,671,724	539,353	2,211,077
2009	1,818,592	608,640	2,427,232
2010	1,932,868	619,856	2,552,724
2011	2,010,683	695,806	2,706,489
Totals	9,019,022	3,069,052	12,088,074

EXHIBIT 3

Source: Compilation of Exhibits 9, 15, and 21.

As shown in **Exhibit 4**, in 2010 and 2011, over [REDACTED] accounts in Florida had their electric service disconnected for non-payments by the four largest IOUs. The number of disconnects peaked at over [REDACTED] accounts in 2009.

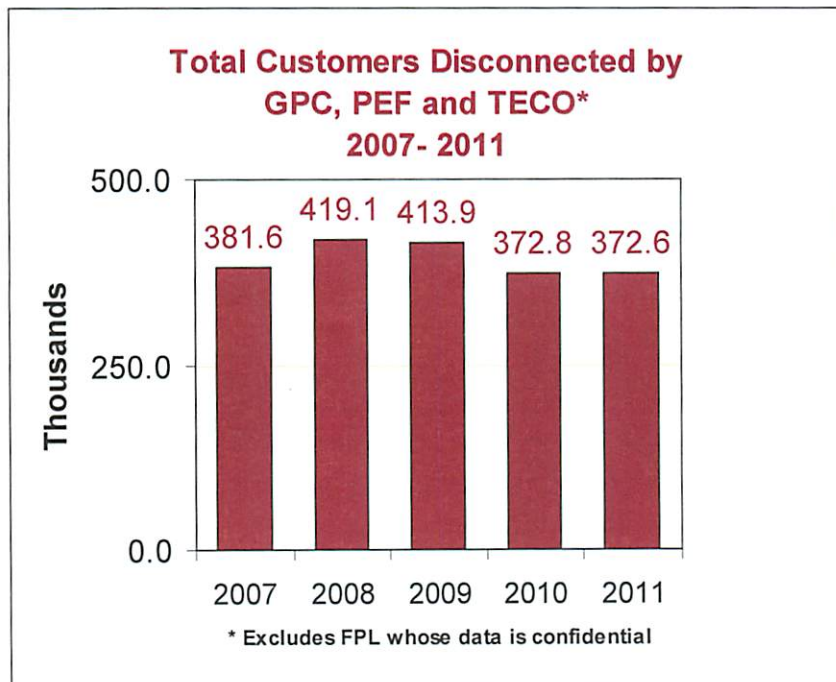


EXHIBIT 4

Source: Compilation of Exhibits 16, 22 and 27.

⁷ TECO does not have automated systems that track the ultimate disposition of payment arrangements granted. Therefore, the percent of payment arrangements granted by the company that were ultimately completed or defaulted is unknown. However, a manual analysis of payment arrangements granted from complaints processed by the company indicates that, over the period 2007 through 2011, an average of 46 percent of payment arrangements were ultimately completed, while 54 percent went into a default status.

⁸ The 2007 Payment Arrangement Disposition for FPL is based on the 2007 number of payment arrangements granted using the Customer Compliance % Care Center Overall from December 2007 Payment Extension Monthly Summary Report to calculate the completed/defaulted amounts.

As shown in **Exhibit 5**, the four largest IOUs in Florida wrote-off over \$53.3 million of uncollectible billings in 2011. The trend over this period identifies a peak of \$77.5 million in write-offs in 2009.

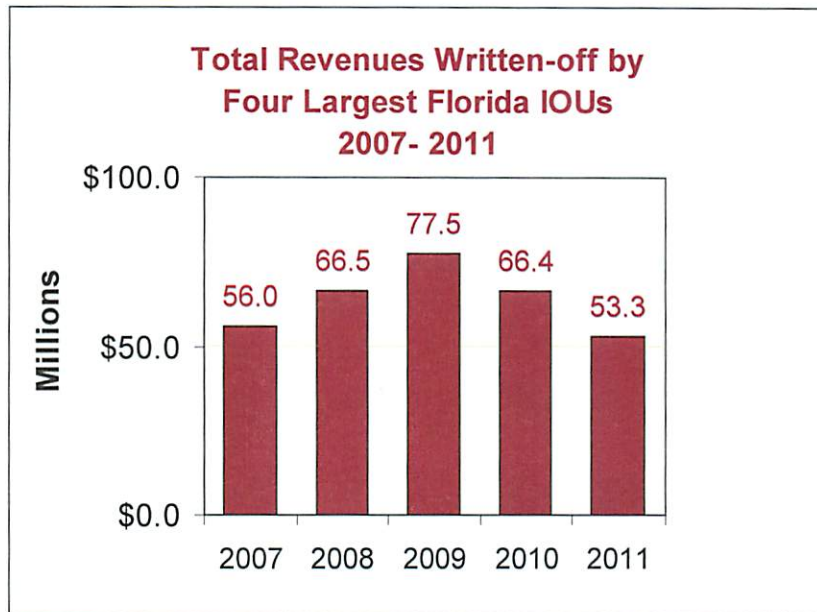


EXHIBIT 5

Source: Compilation of Exhibits 11, 17, 23 and 28.

THE IMPACT OF FEDERAL PROGRAMS ON FLORIDA RATEPAYERS

Two of the primary federal programs available to qualified low-income customers experiencing difficulty with paying their electric bills are:

- ◆ Low Income Home Energy Assistance Program (LIHEAP) – provides federal funds to non-profit agencies and local governments to assist low-income households;
- ◆ Emergency Home Energy Assistance Program (EHEAP) – provides federal funds to financially eligible people, 60 years of age and older, who are experiencing an energy-related crisis.

Customers may contact the locally-available LIHEAP program to obtain an application to apply for assistance.⁹ While LIHEAP and other assistance programs provide financial relief to some qualified customers, funding is limited. The amount of funds generated through LIHEAP and EHEAP is proportioned across Florida.¹⁰

During 2011, Florida's Low-Income Home Energy Assistance Program (LIHEAP) provided over 114,530 households with financial assistance out of the 2 million eligible households in the state. LIHEAP eligibility is based on families with incomes below 150 percent

⁹ Program details and local contact information at <http://www.floridajobs.org/job-seekers-community-services/community-services/low-income-home-energy-assistance-program/program-information> and <http://www.floridajobs.org/job-seekers-community-services/community-services/low-income-home-energy-assistance-program/local-agency-providers>.

¹⁰ Libby Perl, "The LIHEAP Formula: Legislative History and Current Law," *Congressional Research Service*, February 14, 2012, [http://www.neada.org/publications/RL33275\[1\].pdf](http://www.neada.org/publications/RL33275[1].pdf).

of the federal poverty level. The majority of those receiving LIHEAP in Florida involve the elderly, disabled, and children under five. The average Florida household assistance benefit was \$500 in 2010. Nationally, the average benefit covered only eight percent of household utility bills.¹¹ Florida's LIHEAP funds allocation for 2007 through 2011 is shown in **Exhibit 6**.

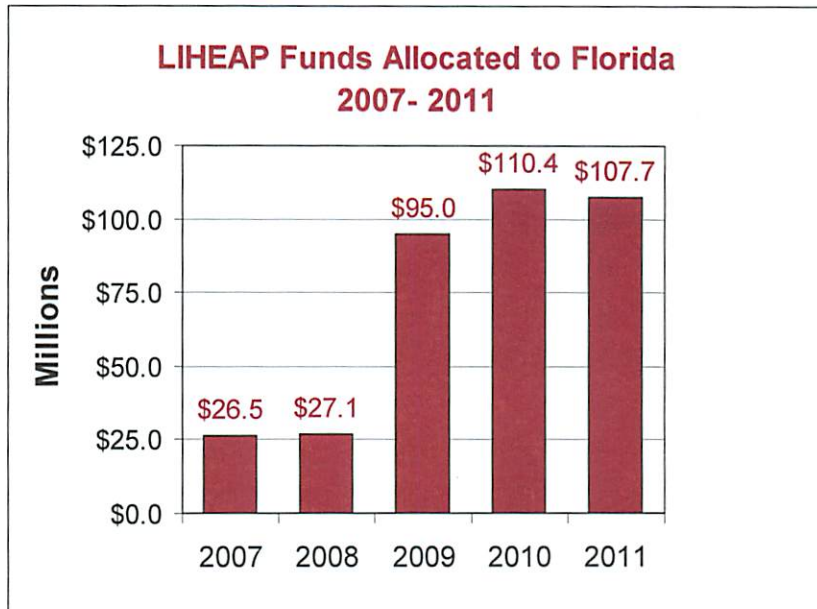


EXHIBIT 6 Source: "The LIHEAP Formula: Legislative History and Current Law", Congressional Research Service.

COMMISSION RULES REGARDING PAYMENT ARRANGEMENTS

Staff conducted a survey of state commissions to determine whether other states have rules in place pertaining to payment arrangements. The request was sent to state commissions, seven of which responded indicating that they have implemented rules relating to payment arrangements. Below is a brief summary of the responses:

- ◆ **Nevada** – Nevada Administrative Code 704.341 specifically defines a program for the deferred payment of a delinquent bill for any customer who requests the program and agrees in writing to pay arrearages in 90 days in four equal payments.
- ◆ **Colorado** – The Code of Colorado Regulation rule 3407 states that if a customer pays, on or before the expiration date of the notice of discontinuance, at least one-tenth of the amount shown on the notice and enters into an installment payment plan with the utility, the utility shall not discontinue service.
- ◆ **Iowa** – Iowa Administrative Code 199 20.4(11) specifically defines the availability of a first and second payment agreement, conditions of reasonableness, terms, and the Commission's authority to assist in working out an agreement between the utility and the customer.
- ◆ **Maryland** – The Maryland PSC has exercised jurisdiction over payment plans in limited cases and has more definitive jurisdiction for requiring low income consumer payment plans.

¹¹ Campaign for Home Energy Assistance, Florida Factsheet.

- ◆ **Oregon** – Oregon’s Rule 860-021-0415 defines the two types of payment plans that are required to be available to residential customers prior to disconnection. The two plans required are levelized payment plan and an equal pay arrearage plan. Alternate payment arrangements are acceptable so long as the customer has been informed of the two required plans first.
- ◆ **Wisconsin** – Chapter PSC 113.0404 of Wisconsin’s Administrative Code requires utilities to make payment arrangements with residential customers once a customer has been disconnected for non-payment. The rule states that customers have a right to appeal the payment arrangement offered by the utility and that the Commission may assist in resolving the dispute.
- ◆ **Pennsylvania** – Title 52, Chapter 56 of Pennsylvania Code includes several sections addressing payment arrangements, specifically pertaining to customer contact prior to termination, and after termination for non-payment. Additionally, Chapter 14, Section 1405(d) and (e) relates to how the Pennsylvania Public Utility Commission can issue payment arrangements within limits established by this chapter.
- ◆ **Alabama** – Alabama does not have rules regarding payment arrangements, but requests are received by the Alabama Public Service Commission and forwarded to the utility for a decision.

The Florida Public Service Commission does not have any rules which specifically reference payment arrangements. In Florida Administrative Code rule 25-22.032 titled *Customer Complaints, (3) Protection from Disconnection*, when a utility has a customer complaint that falls under FPSC jurisdiction, the utility is prevented from discontinuing service to a customer because of any unpaid disputed amount until the complaint is closed by Commission staff. Staff notes that, with the exception of Alabama, the states listed above are all “winter-peaking” states, where the winter bill amounts could cause extreme hardship for low income customers. In many of these states, utilities are not allowed to disconnect customers for non-payment during certain weather conditions, thus causing an increase in arrearages owed to the utility. With Florida’s considerably milder weather, rules pertaining to payment arrangements may not be deemed necessary.

1.3 OVERALL OPINION

Florida’s four largest IOUs have responded to changing economic circumstances by examining payment arrangement practices and where deemed appropriate, have made changes to aid customers. Audit staff reviewed the varying criteria used by these four IOUs for granting/denying requests and considers them reasonable. A majority of the payment arrangement requests handled by each of the four companies are handled via automated processes which employ algorithms to determine eligibility for payment arrangements. However, all four IOUs appropriately provide for reassessment by company personnel to consider possible extenuating circumstances. These employees are empowered to override automated processes.

The four largest investor owned electric utilities provide alternative payment arrangements when qualifying customers are unable to pay their electric bills. This policy has been beneficial to both the utilities and customers. The utilities are able to collect revenues owed albeit over a longer period of time. The customers are offered some relief during economically difficult times. The percentage of payment arrangements granted in 2011 by Florida's four largest IOUs, ranged from 35% to 96% of those requested.

Commission audit staff realize that a correlation may exist between a company's credit policy and the effect of that policy on operating costs including bad debt write-offs, and without negative impacts upon the entire customer base. Based upon recent trends in write-offs, it appears that Florida's IOUs have managed to successfully accommodate customers' needs for payment arrangements without a negative impact on write-off levels. All four utilities succeeded in reducing the annual percentages of operating revenues written-off as bad debt in both 2010 and 2011. Commission audit staff realizes that each unique IOU service territory experiences different economic circumstances which may heavily impact write-off levels.

The four IOUs should continue to monitor trends in requests, establishment, denial, completion, default of payment arrangements, and trends in bad debt write-offs. Policies, procedures, and utility credit scoring criteria should be adjusted as needed.

2.0 FLORIDA POWER & LIGHT COMPANY

2.1 COMPLAINTS AND INQUIRIES REGARDING PAYMENT ARRANGEMENTS

Billing-related calls received by the FPSC may be indicative of customers experiencing hardship in paying their electric utility bills. The numbers of contacts to the FPSC which were warm transferred or resulted in billing complaints over a five-year period for FPL are shown in **Exhibit 7**. During 2007, the FPSC received 3,689 billing inquiries for FPL. In 2008 and 2009, the number increased from 5,601 to a high of 6,022. Since 2009, the number of billing inquiries has steadily decreased from 4,619 in 2010 to 4,041 in 2011. This recent decrease in billing calls may be correlated to some recovery in the economy. The FPSC billing warm transfer and complaint contacts for FPL average approximately one call per one thousand FPL customers.

FLORIDA POWER & LIGHT COMPANY FPSC WARM TRANSFER / COMPLAINT ACTIVITY 2007 - 2011				
Year	Billing Warm Transfers ¹²	Billing Complaints	Total Billing Warm Transfers and Complaints	Payment Arrangement Warm Transfers ¹³
2007	3,249	440	3,689	2,311
2008	4,942	659	5,601	3,570
2009	5,358	664	6,022	3,955
2010	4,089	530	4,619	3,066
2011	3,571	470	4,041	2,854

EXHIBIT 7

Source: FPSC Complaint Database

Of customers who are warm transferred back to FPL, 74 percent have contacted the Commission regarding payment arrangements. Over the period 2007 through 2011, FPL received 21,209 billing-related inquiries which were warm transferred. Commission records show that 15,756 of these warm transfers were preliminarily classified as relating to payment arrangements. The trend in payment arrangement warm transfers follows that of the total billing transfers and complaints with a peak in 2009 of 3,955, followed by a downward trend to 3,066 in 2010 and to 2,854 in 2011.

2.2 PAYMENT ARRANGEMENT MONITORING AND INTERNAL CONTROLS

2.2.1 TRENDS IN PAYMENT ARRANGEMENTS

FPL offers payment arrangements to customers who are having difficulty paying their bills, if the customer meets certain criteria. The payment arrangement offered by FPL may

¹² The term "warm transferred" refers to a situation where a customer calls the FPSC Call Center and after discussing and documenting the billing complaint details, the FPSC analyst transfers (or "warm transfers") the call to FPL for further assistance.

¹³ A subset of the number of billing warm transfers which may include both payment arrangement complaints and inquiries.

extend a customer due date for up to [REDACTED] days. **Exhibit 8** contains the number of payment arrangements requested for the years 2007 to 2011. The number of payment arrangements established has steadily increased to a high of 1,422,375 in 2011. The number of payment arrangements denied peaked in 2009 at 1,006,236, and has since declined. FPL has relaxed its criteria for granting payment extension requests, including payment extensions related to deposits, providing a better opportunity for customers to continue service with the utility.

FLORIDA POWER & LIGHT COMPANY PAYMENT ARRANGEMENTS REQUESTED 2007 - 2011					
	2007	2008	2009	2010	2011
Established ¹⁴	897,809	1,035,277	1,260,573	1,271,002	1,422,375
Denied	844,656	881,473	1,006,236	907,905	876,604
Total Requested	1,742,465	1,916,750	2,266,809	2,178,907	2,298,979

EXHIBIT 8

Source: FPL Response Document Request 1.20, 1.21 and 3.1

The number of payment arrangements completed or defaulted for the years 2007 to 2011 is shown in **Exhibit 9**. The highest number of payment arrangements completed was in 2011 at 941,845. The number of payment arrangements that defaulted was highest in 2007 at 347,452; however, an increase in defaults occurred in 2011, as well.

FLORIDA POWER & LIGHT COMPANY PAYMENT ARRANGEMENT DISPOSITION 2007 - 2011					
	2007 ¹⁵	2008	2009	2010	2011
Completed	550,357	746,111	837,927	854,578	941,845
Defaulted	347,452	269,866	295,007	278,326	325,602
Total Disposition	897,809	1,015,977	1,132,934	1,132,904	1,267,447

EXHIBIT 9

Source: FPL Response Document Request 1.20 and 1.21

2.2.2 BENCHMARKING STUDIES

Staff found that FPL participated in a 2011 PA Consulting Group benchmarking study that provided an assessment of utility business operations, including an analysis of credit and collections strategy and development for a group of utilities. FPL states that this study showed that FPL granted more payment extensions per customer than nearly all other utilities in the study. The study also showed that FPL ranked among the lowest in broken or modified arrangements.

Additionally, FPL participated in an annual utility benchmarking program conducted by Edison Electric Institute (EEI) DataSource. Data collected from this program includes payment arrangement inquiry data for 2008-2010 related to:

¹⁴ Jan 2007 – Oct 2008 payment extensions granted or established contains only CCR (Customer Care), IVR (Interactive Voice Response) and Web contacts. Nov 2008 – Dec 2011 payment extensions granted or established contains contacts made through the following channels: CCR (Customer Care), IVR / VRU (Interactive Voice Response), Web, Revenue Recovery, Revenue Protection, Customer Advocacy, PSC, SCS, Assist, Customer Billing, Field Operations and Other.

¹⁵ 2007 Payment Arrangement Disposition based on the 2007 number of payment arrangements granted using the Customer Compliance % Care Center Overall from December 2007 Payment Extension Monthly Summary Report to calculate the completed/defaulted amounts.

- ◆ Number of deferred payment arrangements made
- ◆ Default rate (percentage) of the deferred payment arrangements
- ◆ Number of delinquent dollars that were in deferred payment arrangements on average

Audit staff was not allowed to review any information from this study due to its proprietary nature and EEI's non-disclosure requirements.

2.2.3 DISCONNECTS OF CUSTOMER SERVICE DUE TO NON-PAYMENT

Disconnections of electrical service due to non-payment are another indication that customers are having difficulty paying their utility bills. FPL disconnects service only after collection efforts have been exhausted. Collection efforts include a notice to disconnect and field collection, and may include a telephone call. FPL states that its progressive collection actions are limited to those accounts with the highest risk of loss.

During any given month for FPL, at least twenty percent of customers pay past the due date. The total numbers of accounts disconnected for non-payment by the utility during 2007 through 2011 are shown in **Exhibit 10**. Accounts may be disconnected multiple times for non-payment. Service disconnections peaked in 2009 at [REDACTED]. Disconnections declined in 2010 to [REDACTED] and trended slightly upward in 2011 to [REDACTED]. The percentage of accounts disconnected peaked in 2009 at [REDACTED] percent. Overall, this equates to less than one percent of accounts disconnected on a monthly basis.

FLORIDA POWER & LIGHT COMPANY TOTAL CUSTOMERS DISCONNECTED 2007 - 2011			
Year	Number of Customers Disconnected ¹⁶	Percent of Total Customers Disconnected	Average Number of Total Customers
2007	[REDACTED]	[REDACTED]	4,496,593
2008	[REDACTED]	[REDACTED]	4,509,739
2009	[REDACTED]	[REDACTED]	4,499,079
2010	[REDACTED]	[REDACTED]	4,520,327
2011	[REDACTED]	[REDACTED]	4,546,125

EXHIBIT 10 Source: FPL Response Document Requests 3.1 and 3.6

2.2.4 GROSS WRITE-OFFS

Write-offs are revenues that the company has lost due to customer inability or refusal to pay their bill. FPL will send a final bill to a customer in two instances: (1) if the customer requests that service be terminated or (2) if the customer is disconnected for non-payment and does not satisfy the debt within 10 days. Deposits and deposit interest, if applicable, are applied to the outstanding balance and a final bill or a refund check is remitted to the customer. If the customer does not make payment on the final bill after approximately 90 days, the customer's balance is systematically written-off. FPL states that it reviews reports of balances written-off on a monthly basis.

The total gross write-offs by FPL for 2007 through 2011 are shown in **Exhibit 11**.

¹⁶ Number of Accounts Disconnected includes accounts disconnected more than once. For example, an account disconnected twice would reflect as two disconnects in the exhibit.

FLORIDA POWER & LIGHT COMPANY GROSS WRITE-OFFS 2007 - 2011			
Year	Total Gross Write-offs	Percent of Total Annual Operating Revenues	Revenues Subject to Regulatory Assessment Fees ¹⁷
2007	\$ 31,985,902	0.28%	\$ 11,366,036,964
2008	\$ 40,913,818	0.36%	\$ 11,371,890,234
2009	\$ 44,025,251	0.39%	\$ 11,260,355,682
2010	\$ 34,090,866	0.33%	\$ 10,181,813,923
2011	\$ 30,814,553	0.30%	\$ 10,315,076,635

EXHIBIT 11

Source: FPL Response Document Request 3.8

Gross write-offs rose from 2007 to 2009 by 38 percent, and have trended downward since 2009 by 30 percent. This downward trend in write-offs may indicate that FPL's collections and credit policies have aided the company. This action may have prevented a proliferation of write-offs despite increased numbers of customers having difficulty making their payments over this period.

2.3 POLICIES AND PROCEDURES FOR PAYMENT ARRANGEMENTS AND COLLECTIONS

Audit staff reviewed policies and procedures for payment arrangements and collections in order to determine adequacy. Specifically, audit staff looked at whether the company provides adequate access to payment arrangement information, what sources of payment arrangement information are available to customers, and reviewed the company's procedures relating to customer payment extensions and collections.

2.3.1 PROVIDING INFORMATION TO CUSTOMERS

Information about FPL's payment options and arrangements for residential and commercial customers is available on FPL's website, through printed bill insert newsletters, electronic newsletters, emails, and on the printed bill. Payment arrangement information is also accessible by telephone via the interactive voice response unit. Audit staff reviewed these information pathways, including a live demonstration by the company of how a customer would access payment arrangement options through the Voice Response Unit. Audit staff believes that FPL facilitates adequate access to information on payment arrangements, via the Voice Response Unit, company website, bill inserts and newsletters.

2.3.2 UTILITY INTERACTION WITH CUSTOMERS

VRU, WEBSITE, AND CSRs

The three primary modes of receiving payment extension contacts are through FPL's website, interactive Voice Response Unit (VRU), and calls to the Customer Service Representatives (CSRs) at the Customer Care Center. An algorithm within the Customer Information System (CIS) is used for all three methods to automatically determine whether the customer is eligible for a payment extension. The majority of payment extension contacts (86

¹⁷ Regulatory Assessment Fee Reports filed with the FPSC.

percent) are processed by the website and VRU. About 11 percent of the incoming payment extension contacts are handled by calls to the CSRs, with the remaining percentage handled by other departments. Across all methods of contact, FPL has granted on average, approximately 57 percent of payment arrangement requests. The CSRs are equipped with specific procedural information to address the issues and exceptions, and ultimately make a decision regarding a customer's eligibility for payment extension. The company audio records all calls processed at the Customer Care Center which are randomly selected for quality assurance review purposes.

Payment extensions and related receivables are monitored by the Revenue Recovery Department. Monthly payment extension indicator reports are used as a control by FPL management to track indicators such as the total number of extensions:

- ◆ granted and denied during the period;
- ◆ granted and being outside guidelines;
- ◆ defaulted in the calendar year;
- ◆ paid as agreed in the calendar year.

Commercial customers with payment extensions greater than \$25,000 are tracked on a monthly indicator spreadsheet by the Credit Risk Analyst and reviewed by the supervisor. These types of arrangements are typically performed by CSRs.

Revenue Recovery Credit Risk Representatives are the only employees allowed to grant payment extension in excess of \$100,000. These requests, typically from commercial accounts, are submitted to the Revenue Recovery Credit Risk Representatives who determine credit worthiness using external sources including credit rating agencies such as Dun & Bradstreet and Moody's, company financials, and press releases.

2.3.3 PAYMENT ARRANGEMENT POLICIES AND PROCEDURES

FPL's guidelines document for payment arrangements is titled the *Customer Payment Extension Policy and Procedure*. This policy and procedure defines a customer's eligibility for a payment arrangement, how exceptions to the CIS II algorithm are handled, and the different types of payment arrangements.

The algorithm used to determine a customer's eligibility for a payment extension takes into consideration the following factors:

- ◆ Age of arrears
- ◆ Length of service
- ◆ Returned items
- ◆ Debit amount
- ◆ At risk balance
- ◆ Behavioral Model Score

The Behavioral Model Score is a proprietary statistical model developed by external consultants to associate customer behavior with risk. This model predicts the likelihood of an account becoming 90 days past due or being written off.

Exceptions that a representative may take into consideration for granting a payment extension are those items that are not identified in the CIS II algorithm. These situations include back-billing, public assistance and payment commitment, appliance malfunction, account

deposits, misapplied payments, bankruptcy protection, emergencies, defective meters, current diversion, Medically Essential Services and other specific situations.

Payment extension due dates are granted in one of two ways: "Off" and "On" Cycle Payment Extensions. An Off Cycle Payment Extension allows payment(s) to be made by a specified date or dates. Off Cycle due dates are typically granted by the Voice Response Unit or the company website for residential customers and by representatives for commercial customers. An On Cycle Payment Extension requires installment payments to be paid with the regular electric bills each month. On Cycle Payment Extensions are typically granted by representatives only. For those granted a payment arrangement, the late-payment fee may still apply unless certain conditions exist. FPL stated that it allows one late-payment charge waiver for twelve months of on-time bill payments, noting that if a customer had an extenuating circumstance, such as an appliance malfunction, the company may waive the late-payment fee.

2.3.4 COLLECTIONS POLICIES AND PROCEDURES

A bill is generated for each customer on a monthly basis. Customers are given 21 days to make their payments. If the payment is not made within 21 days, bill collection activity may be initiated. Customers with a past due balance may be sent a final notice or notice of intent to disconnect if the account meets the criteria maintained in the Customer Information System (CIS II). The criteria include all relevant risk factors including past due amount, age of arrears, length of service, returned items, debit amount, at risk balance, and Behavior Model Score. Final notices expire in approximately seven days. When the final notice expires, a customer may receive an Outbound Telephone Collections (OTC) call and/or the account may be sent to the field for collection, depending on specific criteria.

OUTBOUND TELEPHONE COLLECTIONS

In 2006, after analyzing the cost savings related to using automated outbound telephone collections, FPL made the decision to engage a third party provider of Outbound Telephone Collection (OTC) services for collections on active residential account receivables. FPL states that NCO Group, Inc. was chosen because of their expertise in delivering integrated voice response technology combined with high capacity automated outbound calling in a cost effective, efficient manner. NCO does not handle customer payment arrangements. However, once a customer is contacted via NCO's automated outbound call, they can select, through the VRU menu, to be transferred to FPL's automated system for payment arrangements. FPL states that NCO provides the following specialized services used to collect on active receivables:

- ◆ Call scheduling and scalability
- ◆ Large call capacity
- ◆ Scripts and multiple languages offered
- ◆ Right party authentication
- ◆ Voice recognition capability
- ◆ System integration to enable automated transfer to FPL's VRU

Once a customer has been transferred from the NCO system to FPL's VRU, the customer is able to:

- ◆ Request a payment arrangement
- ◆ Request billing information
- ◆ Request locations for payment
- ◆ Make a credit card payment

OTC calls serve two purposes: (1) attempt to collect payment, and (2) attempt to avoid the cost of sending field personnel to collect payment and/or disconnect. The outbound calls for residential customers are made using NCO's Voice Response Unit. Outbound calls for commercial accounts are made by a live NCO representative. During the outbound call, the commercial customer may elect to be transferred to FPL. The commercial customer has the same options as residential customers listed above. Accounts that cannot be reached due to incorrect phone numbers or where the customer does not answer may be worked by field collection personnel.

Management reviews a monthly report on the performance of the OTC process. This report reflects the effectiveness of the OTC calls made by both NCO and FPL, by displaying the number of OTC calls and the resulting number of payments made, along with the total attempted receivables for collection and the actual dollars collected. Audit staff notes that FPL's OTC report indicates that the percentage of effectiveness of outbound telephone collection calls is generally 35 percent to 45 percent on a monthly basis.

FIELD COLLECTIONS

Customer accounts which remain outstanding upon expiration of the final notice are loaded into the Collection Management System (CMS). Following the OTC process, field collection activity may occur.

Monthly *Field Collections Summary* reports rate productivity based on both the number of accounts worked successfully, and the dollars collected as a result of the field collection activity. During 2011, approximately 93 percent of visits made were within the 15-day target interval. Field Collection employees made visits to over 900,000 accounts whose total accounts receivable value was more than \$219 million. Payments on these accounts made during 2011 as a result of field collection efforts totaled more than \$61 million or 28 percent of the total dollars due on these accounts. For both 2009 and 2010, the effectiveness percentage was 27 percent. The *Field Collection Summary* cost per visit for 2011 was \$7.55.

Field Collection personnel visit the account holders' premises to attempt collection of the balance due. If the customer is not at home or is not able to make payment, the service is disconnected. Disconnected customers are left a disconnect notice that advises customers of options to pay, the steps to be reconnected, and an invoice indicating the collectible balance. The field representative then updates CIS II with the outcome of the visit on the handheld device. Processes for service reconnection and write-off of uncollectible accounts is included in the Collections Policy and Procedure.

2.4 ASSISTANCE PROGRAMS

2.4.1 FEDERAL GOVERNMENT ASSISTANCE PROGRAMS

During the five-year period, 316,243 unique FPL customers received some form of energy assistance. Some customers may have received assistance more than once and/or from more than one program.

For the 2007-2011 review period, **Exhibit 12** shows the amount of energy assistance funding from FEMA, LIHEAP, EHEAP, and other agency programs to FPL customers relative to the total amount of LIHEAP funds allocated to Florida.¹⁸

FLORIDA POWER & LIGHT COMPANY FINANCIAL ASSISTANCE STATISTICS 2007 – 2011				
Year	LIHEAP Funds to Florida	LIHEAP Funds to FPL Customers	Total Funds to FPL Customers ¹⁹	FPL Customers Served
2007	\$26,534,000	\$13,687,963	\$ 20,631,032	72,524
2008	\$27,075,000	\$9,409,446	\$ 15,623,114	64,104
2009	\$95,037,000	\$26,799,119	\$ 34,348,547	106,550
2010	\$110,354,000	\$33,601,474	\$ 41,753,997	118,801
2011	\$107,714,000	\$41,766,819	\$ 49,124,462	132,094

EXHIBIT 12

Source: FPL Response to DR 3.9

2.4.2 FPL's ASSISTANCE PROGRAMS

FPL's ASSIST Program facilitates customers in need of assistance by referring them to various state and community action agencies, and non-profit, social service and faith-based organizations. In 2010, FPL's ASSIST Program provided nearly \$42 million to more than 157,000 customers referred by FPL to its partner agencies.

FPL also sponsors the Care To Share program. This program is designed to provide emergency assistance funds to customers in a crisis situation who are unable to pay their electric bills. It is funded by FPL shareholder contributions, FPL employee donations and customer contributions, and is administered by local non-profit and/or government agencies. Highlights of this program are:

- ◆ The Care To Share program was founded in 1994, and by year-end 2010 had paid nearly \$14.3 million to assist more than 63,000 Florida families;
- ◆ Each year from 2006 to 2011, FPL reports that its shareholders donated \$1 million to the Care To Share program;
- ◆ Customers donated more than \$340,000 to the Care To Share program in 2010. Customer donations are solicited at least twice annually. In 2011, customers donated over \$300,000. Customers were advised of the Care To Share program via the Energy News residential newsletter in January and November of 2011;
- ◆ In 2011, employees pledged to donate nearly \$100,000 in 2012.

¹⁸ Libby Perl, "The LIHEAP Formula: Legislative History and Current Law," *Congressional Research Service, Table C-1, February 14, 2012*, [http://www.neada.org/publications/RL33275\[1\].pdf](http://www.neada.org/publications/RL33275[1].pdf).

¹⁹ Includes all assistance funding sources: LIHEAP, EHEAP, FEMA, FPL's Care To Share program and miscellaneous donations (including faith-based and non-profit).

FPL also has various energy efficiency programs to assist customers:

- ◆ Customers who receive LIHEAP or EHEAP first-time assistance automatically receive a follow-up phone call from FPL, offering a home energy survey to help customers understand how to control energy usage and hold down costs;
- ◆ Energy Smart Florida initiatives through the use of smart grid technologies, such as smart meters, provide the following benefits: enhance service reliability and help customers take more control over their energy use and monthly bills; enable FPL to more efficiently review detailed usage data to resolve customer billing concerns; and allow FPL to reconnect service more quickly upon bill payment.²⁰

In April 2011, FPL included in its Energy News residential newsletter a reference to “2-1-1”, the state-wide network customers contact for various social services, including energy payment assistance referrals. “2-1-1” is an ASSIST partner in many counties throughout FPL’s service territory. Often, the first contact customers make when seeking payment assistance is through the “2-1-1” network.

FPL has other proactive financial relief programs in place that involve:

- ◆ Analyzing customer data to reach out to those customers who may qualify for assistance such as senior citizens, military families, unemployed, and the disabled;
- ◆ Partnering with local social service and community-based nonprofit agencies and charitable organizations, such as United Way and Salvation Army, whereby FPL collects the funds and the partners distribute the monies to qualified persons;
- ◆ Offering “demand-side” programs that educate customers on how to increase energy efficiencies at the home such as by using FPL’s online energy dashboard features, e.g., the *Next Bill Estimator*, to view electrical usage characteristics and tailor usage to affordable levels within their budgets.

2.5 CONCLUSION

Overall, FPL has granted on average, approximately 57 percent of payment arrangements that were requested. Gross write-offs are generally 0.3 percent of revenues subject to regulatory assessment fees.

Since 2007, payment arrangements established have steadily increased, and denials have declined in recent years. FPL has relaxed its criteria for granting payment extension requests, providing a better opportunity for customers to continue service with the utility.

FPL has responded to changing economic circumstances by examining payment arrangement practices and where deemed appropriate, has made changes to aid customers. Commission audit staff realize that a correlation may exist between a company’s credit policy and the affect of that policy on operating costs including bad debt write-offs. Audit staff

²⁰ FPL plans remote connect and emergency disconnect functionalities to be phased in late 2012, with remote reconnection functionality for bill payment beginning in 2013.

reviewed the criteria used by FPL for granting/denying requests and considers them reasonable.

3.0 GULF POWER COMPANY

3.1 COMPLAINTS AND INQUIRIES REGARDING PAYMENT ARRANGEMENTS

Calls by Gulf customers to the FPSC related to billing issues have trended up through 2009, then dropped in 2010 and 2011. The numbers of contacts to the FPSC related to billing which were warm transfers or resulted in complaints over a five-year period of 2007 through 2011 for Gulf is shown in **Exhibit 13**. Specifically, in 2007, the FPSC received 146 billing inquiries or complaints for Gulf. In 2008 and 2009, the number increased from 287 to 489. Since 2009, the number of billing inquiries or complaints has decreased to 482 in 2010 and to 359 in 2011. This decrease in billing-related issues may be correlated to some recovery in the economy.

GULF POWER COMPANY FPSC WARM TRANSFER / COMPLAINT ACTIVITY 2007 - 2011				
Year	Billing Warm Transfers ²¹	Billing Complaints	Total Billing Transfers and Complaints	Payment Arrangement Warm Transfers ²²
2007	129	17	146	102
2008	270	17	287	229
2009	460	29	489	387
2010	435	47	482	379
2011	341	18	359	303

EXHIBIT 13

Source: FPSC Complaint Database

FPSC warm transfer records reflect that, on average, 86 percent of these billing-related contacts which are warm transferred back to Gulf have called specifically regarding payment arrangements. Over the five-year period 2007 through 2011, Gulf received 1,635 billing-related contacts which were warm transferred, 1,400 of those calls were preliminarily categorized as related to payment arrangements. The trend in payment arrangement warm transfers follows that of the total billing transfers and complaints with a peak in 2009 of 387, followed by a downward trend to 379 in 2010 and to 303 in 2011.

3.2 PAYMENT ARRANGEMENT MONITORING AND INTERNAL CONTROLS

3.2.1 TRENDS IN PAYMENT ARRANGEMENTS

Gulf offers two types of payment arrangements to customers who are having difficulty paying their bills, if the customer meets certain criteria. Collection Arrangements can be extended up to weeks from the date the arrangement is made. Special Agreements allow

²¹ The term "warm transferred" refers to a situation where a customer calls the FPSC Call Center and after discussing and documenting the billing complaint details, the FPSC analyst transfers (or "warm transfers") the call to Gulf for further assistance.

²² A subset of the number of billing warm transfers which may include both payment arrangement complaints and inquiries.

residential, commercial or industrial accounts a long-term payment arrangement up to a 12-month extension. Monthly *Collection Related Statistics Summary* reports are used to monitor payment arrangements. These reports include the number of requests granted or denied.

The numbers of payment arrangements granted or denied for 2007 through 2011 are shown in **Exhibit 14**. Gulf experienced its highest requests for payment arrangements in 2011, a peak of 168,466. The number of payment extensions established has trended upward over the past five years, while the number of those denied over the last three years has trended downward. In January, 2010, in response to the economic hardship experienced by many of its customers, Gulf relaxed its parameters and/or criteria for payment arrangements, field collections, billed deposits, non-payment reconnection, budget billing and special agreements. By closely monitoring collections activity, the company has been able to manage a successful balance between more lenient payment and billing options offered to customers and the integrity of the company's collection performance. As a result, customers are provided a better opportunity to continue service and the company is able to adjust its collections practices to respond to external factors such as the economy, extreme weather and other community impacts.

GULF POWER COMPANY PAYMENT ARRANGEMENTS REQUESTED 2007 - 2011					
	2007	2008	2009	2010	2011
Established	85,841	93,923	112,855	124,352	139,297
Denied	32,354	36,313	38,788	30,851	29,169
Total Requested	118,195	130,236	151,643	155,203	168,466

EXHIBIT 14

Source: Gulf Response Document Request 1.17, 1.20, 1.21 and 3.1

The numbers of payment arrangements completed or defaulted for the years 2007 to 2011 are shown in **Exhibit 15**. The highest numbers of payment arrangements completed and defaulted both occurred in 2011 at 85,375 and 38,895, respectively.

GULF POWER COMPANY PAYMENT ARRANGEMENT DISPOSITION 2007 - 2011					
	2007	2008	2009	2010	2011
Completed	53,080	59,098	69,896	77,131	85,375
Defaulted	28,628	29,342	32,809	34,828	38,895
Total Disposition	81,708	88,440	102,705	111,959	124,270

EXHIBIT 15

Source: Gulf Response Document Request 1.17, 1.20 and 1.21

3.2.2 BENCHMARKING STUDIES AND INTERNAL AUDITS

In February 2009, Southern Company (Gulf's parent company) conducted an internal audit of its four subsidiary utilities titled *CSS Analysis of Arrears and Collections*. This audit was a review of the reliability of Customer Service System (CSS) reports related to arrears and collection, and the calculation of the accumulated provision for uncollectible accounts. The summary of the audit states that based on the results of audit tests performed, the information technology application and general controls and the financial controls are operating effectively to provide reasonable assurance that the CSS data and reports have reliability and integrity. The audit noted that the operating companies use different methodologies for calculating the accumulated provision, and that each method was consistent with generally accepted

accounting principles. No errors were found in these calculations. Gulf Power Company had no specific findings as a result of the audit.

Gulf Power participated in an annual benchmarking program conducted by Edison Electric Institute (EEI) DataSource during 2008-2010. Audit staff was not allowed to review any information from this study due to its proprietary nature and EEI's non-disclosure requirements.

3.2.3 DISCONNECTS OF CUSTOMER SERVICE DUE TO NON-PAYMENT

Disconnections of electrical service due to non-payment are another indication that customers are having difficulty paying their utility bills. Gulf will disconnect service after all other collection efforts have been exhausted, including a final notice bill, telephone and field collection efforts. Gulf uses a report titled *Field Collections Summary Dashboard* to monitor field collection activities, including disconnections.

Audit staff reviewed service disconnections to determine trends and their relationship to the economy. The total number of accounts disconnected for non-payment by the utility during 2007 through 2011 is shown in **Exhibit 16**. Service disconnections peaked in 2009 at 46,489 and have continued to decline through 2011 to 37,267. Annually, Gulf disconnected service to a high of 10.9 percent of accounts in 2009, and a recent low of 8.6 percent of accounts in 2011. This equates to less than one percent of accounts disconnected on a monthly basis.

GULF POWER COMPANY TOTAL ACCOUNTS DISCONNECTED 2007 - 2011			
Year	Number of Accounts Disconnected	Percent of Total Accounts Disconnected	Average Number of Total Customers
2007	43,104	10.1%	425,791
2008	43,376	10.1%	429,300
2009	46,489	10.9%	428,204
2010	37,863	8.8%	430,028
2011	37,267	8.6%	432,400

EXHIBIT 16 Source: Gulf Response Document Request 3.3 and 3.1

3.2.4 REVENUE WRITE-OFFS DUE TO NON-PAYMENT

Write-offs are revenues lost due to customers inability or refusal to pay their bills. The monthly *Collection Related Statistics Summary* highlights specific drivers used in the evaluation of collections. Included on this summary are statistics associated with payment arrangements, special agreements, re-reads, meter tests, percentage of arrears to accounts receivable, and accounts cut for non-payment.

Weekly charge-off results and a comparison to historical and budget data are communicated to the management team responsible for this function in their respective areas. Schedules reflecting a five-year, twelve-month rolling average of uncollectible accounts, associated electric service accruals for uncollectible accounts, and a calculation of the percent of bad debt write-offs to revenue are prepared for monthly review.

The electric service accrual for uncollectible accounts is prepared monthly by corporate accounting to be reviewed for reasonableness by the Customer Accounting Operations Manager. **Exhibit 17** shows Gulf's write-off trend, and reveals a peak in 2009 and a trend downwards in 2010 and 2011.

GULF POWER COMPANY			
TOTAL NET REVENUES WRITTEN-OFF			
2007 - 2011			
Year	Total Net Revenues Written-off as Uncollectible	Percent of Total Annual Operating Revenues	Total Annual Operating Revenues²³
2007	\$ 2,846,247	0.27%	\$ 1,064,648,425
2008	\$ 3,373,491	0.28%	\$ 1,187,897,090
2009	\$ 4,028,761	0.34%	\$ 1,171,358,493
2010	\$ 3,806,102	0.28%	\$ 1,371,068,395
2011	\$ 3,384,331	0.27%	\$ 1,274,212,345

EXHIBIT 17 Source: Gulf Response Document Request 1.19 and 2.10

3.3 POLICIES AND PROCEDURES FOR PAYMENT ARRANGEMENTS AND COLLECTIONS

Audit staff reviewed policies and procedures for payment arrangements and collections to determine adequacy. Additionally, audit staff looked at whether the company provides adequate access to payment arrangement information, and what sources of payment arrangement information are available to customers.

3.3.1 PROVIDING INFORMATION TO CUSTOMERS

Payment options are communicated to customers through bill inserts, the company's website, and through contact with a Customer Service Representative (CSR). All of these sources provide information about the Medically Essential Service option, payment locations, methods for making payment, Budget Billing, and the Project Share program. Payment arrangement information is provided to customers on the company website and when contact is made with a Customer Service Representative. The Customer Service Center is available for customer inquiries 24 hours a day, 365 days per year. Audit staff believes that Gulf facilitates adequate access to information on payment arrangements, via the Voice Response Unit, company website, bill inserts and newsletters.

3.3.2 UTILITY INTERACTION WITH CUSTOMERS

IVRU, WEBSITE AND CSRS

Gulf receives payment arrangement contacts through three primary methods: Gulf's interactive voice response unit (IVRU), the company website, and to the CSRs at the call center. About one third (33 percent) of total calls Gulf receives from customers are through the IVRU and the remaining two thirds are handled by CSRs. For a situation where a payment arrangement is denied by the IVRU, the customer has an option to default to a representative for further assistance. The third option for customers in making a payment arrangement is through Gulf Power's website. Of the total number of website transactions, payment arrangements represent approximately seven percent.

²³ Regulatory Assessment Fee Reports filed with the FPSC.

The Customer Service Center audio records all incoming calls. Georgia Power Company (also a Southern Company subsidiary) monitoring group monitors the performance of Gulf CSRs under a cost-sharing program. This group conducts four audio-recorded monitoring sessions per month for each CSR. In addition, Gulf monitors the calls of newer employees to identify potential gaps in training, handling, and customer service. The CSC supervisors monitor the CSRs for quality assurance purposes at a frequency of at least one hour per CSR per month for performance management.

3.3.3 PAYMENT ARRANGEMENTS POLICIES AND PROCEDURES

Policies, procedures, and processes are documented in job aids and are maintained on the company intranet site to assist Customer Service Representatives with responding to customer inquiries. According to Gulf, its *Customer Service Standards* were developed to ensure consistency in delivering service to customers.

Gulf Power maintains a policy and procedure titled *Payment Arrangements/Special Agreements* within its *Customer Service Standards*. This policy and procedure identifies two types of payment arrangements: (1) short-term Collection Arrangements, and (2) long-term Special Agreements.

COLLECTION ARRANGEMENTS

A Collection Arrangement is the short-term rescheduling of payments into single or multiple installments. A Collection Arrangement can extend payment up to [REDACTED] weeks ([REDACTED] days) from the date the arrangement is made. These agreements are made for existing billed amounts; they do not cover future billings.

Customers may make Collection Arrangements with Gulf Power through the Interactive Voice Response Unit (IVRU) system, the company website, or they may work directly with a Customer Service Representative (CSR).

The accounts of Gulf Power customers who fail to pay according to their Collection Arrangements will be placed back in collections, negatively impacting their credit ratings with Gulf Power. A Collection Arrangement or payment automatically voids a Cut-Out (disconnect) Order, unless it has already been dispatched. If dispatched or completed, the Customer Service System (CSS) automatically issues a Cut-In (reconnect) Order, if the arrangement/payment is for the total amount due.

The *Payment Arrangements/Special Agreements* policy and procedure identifies bill extension guidelines. Collection Arrangements cannot be made by a representative prior to the bill due date. Doing this would cause system problems with printing the total amount due on the collection notice. Additionally, Gulf Power states that representatives should not allow a hold past the disconnect date if the account meets four out of the six criteria listed below:

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

Representatives will make the Collection Arrangement on the past due (overdue) amount only, even if the customer states they will make payment of the full outstanding amount.

If the customer does not keep the arrangement, the default disconnect notice will be for the full past due amount.

SPECIAL AGREEMENTS

A Special Agreement is a long-term payment option (up to ■ months) for customers and is reserved for the following special circumstances:

- ◆ Billing adjustment due to an error made by Gulf Power
- ◆ Meter constant error
- ◆ Malfunctioned meter
- ◆ Switched/crossed meters
- ◆ Rate correction
- ◆ Disputed amounts

Multiple Special Agreements may exist for one account. The amount of the Special Agreement is removed from accounts receivable and re-billed to the customer in monthly installments on their regular bill. If the customer fails to pay the agreement, only the agreed upon installment amount that is overdue, along with any other overdue amounts, will enter into collections. Special Agreements can only be made on "eligible" businesses. An eligible business includes receivables whose charges are generated from kWh usage, are previously transferred service and kWh based charges, or reinstated kWh based charges. If a customer does not make the payments for a Special Agreement, the balance of the agreement will appear on the next bill issued by Gulf Power.

3.3.4 COLLECTION POLICIES AND PROCEDURES

Gulf Power maintains a policy and procedure titled *Collection Parameters* within its *Customer Service Standards*. This procedure determines whether an account becomes eligible for collection, and contains a timeline starting from the meter being read, to a disconnect notice generated, to the account appearing on the collection list. This policy and procedure also outlines how a customer's credit rating is calculated by Gulf Power.

A bill is generated for each customer on a monthly basis. Customers are given 21 days to make their payments. If the payment is not made within 21 calendar days, bill collection activity is initiated. A disconnect notice is generated and mailed 10 work days after the due date, if the payment has not been received. Outbound telephone collection calls are made three workdays after the disconnect notices have been mailed.

OUTBOUND TELEPHONE COLLECTIONS

To help customers avoid disconnection for non-payment, the company began supplementing the disconnect notice with an outbound call to remind customers of the impending disconnect. Gulf believes that the expertise, technological capability and capacity of outside vendors were all necessary elements considered in the decision to use a third-party company for outbound telephone collections. The third-party company selected for performing outbound telephone collections calls on Gulf's behalf is Televox Software Inc. Gulf's perception is that there are economies of scale in using a third-party service with experience in delivering out-bound call solutions. Benefits include ease of implementation, responsiveness to call demand, and the ability to make modifications quickly. Gulf stated that reconciliation of customer collection activity files is performed daily to ensure the third-party company meets contractual obligations. Once the files are reconciled, the billing system is updated with the results. Gulf shares sensitive customer information with the contractor via an encrypted, secure

FTP server. There is a confidentiality clause in the agreement with the contractor that prohibits the unauthorized use of Gulf's confidential information.

DISCONNECTION FOR NON-PAYMENT

Gulf Power also maintains a procedure titled *Disconnection for Non-Payment* within its *Customer Service Standards* which expresses the company's intent to administer a fair and equitable collection program. It stresses that collection efforts must be administered impartially and applied consistently to all customers. Gulf Power personnel may disconnect customer service for non-payment of a billed deposit, non-payment of regulated service, and for default of a Collection Arrangement, provided that written notice, separate and apart from any bill for service, be given to the customer. Gulf Power's procedures state that it will not disconnect for non-payment of the following:

- ◆ Dishonored check service charge
- ◆ Delinquency in payment for service by a previous occupant of the premises²⁴
- ◆ Failure to pay for merchandise
- ◆ Service provided by the company which is non-regulated
- ◆ Failure to pay for a different class of service
- ◆ Failure to pay the bill of another customer as guarantor

NON-PAYMENT RECONNECTION

Gulf Power maintains a policy and procedure titled *Non-Payment Reconnection* within its *Customer Service Standards*. This procedure states that any customer disconnected for non-payment should be notified of the full past due amount to be paid in order to restore service. This amount includes both the past due amount and the current bill amount. Once the full past due amount is paid, the reconnect fee is added to the account once the Cut-In Order is completed in CSS and is due on the customer's next bill. The procedure also prescribes the after-hours reconnect fees.

3.4 ASSISTANCE PROGRAMS

3.4.1 FEDERAL GOVERNMENT ASSISTANCE PROGRAMS

For the five-year period, 2007 through 2011, **Exhibit 18** reflects the amount of financial assistance through LIHEAP, EHEAP, and other home energy assistance programs to Gulf customers relative to the total amount of LIHEAP funds allocated to Florida.²⁵

²⁴ Unless the current applicant or customer occupied the premises at the time the delinquency occurred and the previous customer continues to occupy the premises and such previous customer shall benefit from such service.

²⁵ Represented by the number of payments received from all payment assistance agencies that send a voucher to Gulf each time a payment is made to a customer. Note that there may be instances where certain customers receive assistance from multiple agencies in a given month.

GULF POWER COMPANY FINANCIAL ASSISTANCE STATISTICS 2007 – 2011			
Year	LIHEAP Funds to Florida	Total Assistance Funds to Gulf Customers (including LIHEAP)	Number of Payments Received from Assistance Agencies
2007	\$ 26,534,000	\$ 2,689,720	24,435
2008	\$ 27,075,000	\$ 2,513,627	18,123
2009	\$ 95,037,000	\$ 3,832,176	20,006
2010	\$ 110,354,000	\$ 4,924,165	22,590
2011	\$ 107,714,000	\$ 5,601,513	26,761

EXHIBIT 1B Source: Gulf Supplemental Response to DR 1.24/1.25

3.4.2 ASSISTANCE PROGRAMS AND REFERRALS

Gulf handles each customer inquiry for assistance on a case-by-case basis. In addition to payment arrangements, customer service representatives offer solutions which include energy efficiency measures. Awareness and education of low-cost or no-cost ways to reduce electricity consumption is a key way Gulf assists customers in reducing their electricity bill. As part of the company's Demand Side Management Plan, the following Gulf programs are directly accessible to low-income customers:

- ◆ Free energy audits;
- ◆ Educational programs designed for schools and community groups;
- ◆ Community Energy Saver program which is a door-to-door proactive program that targets qualifying low-income neighborhoods to provide installation of energy efficiency measures at no cost to the customer.

Gulf has other proactive financial relief programs in place that involve:

- ◆ Partnering with charitable organizations, such as the Salvation Army (twice a year through *Project Share*), whereby customers donate an amount each month and the monies are distributed through the local organizations and social service agencies to qualified persons;
- ◆ Offering "demand-side" programs through *Energy Select* where smart meters are used for load control and dynamic real-time pricing so that customers can better manage electricity usage each month to maintain affordable bills.

3.5 CONCLUSION

Overall, Gulf Power Company has granted on average, approximately 77 percent of payment arrangements that were requested. Revenues written-off as uncollectible are generally 0.29 percent of total annual operating revenues.

Gulf Power Company has responded to changing economic circumstances by examining payment arrangement practices and where deemed appropriate, has made changes to aid customers. Commission audit staff realize that a correlation may exist between a company's credit policy and the affect of that policy on operating costs including bad debt write-offs. Audit staff reviewed the varying criteria used by Gulf Power Company for granting/denying requests and considers them reasonable.

4.0 PROGRESS ENERGY FLORIDA

4.1 COMPLAINTS AND INQUIRIES REGARDING PAYMENT ARRANGEMENTS

Like other Florida IOUs, PEF ratepayers make billing-related calls to the FPSC, and may be indicative of customers who are experiencing hardship in paying their electric utility bills. The numbers of contacts to the FPSC which were warm transferred or resulted in billing complaints over a five-year period for PEF is shown in **Exhibit 19**. Specifically, in 2007, the FPSC received 1,048 billing inquiries for PEF. In 2008 and 2009, the number increased from 1,799 to 2,820. Since 2009, the number of billing inquiries has steadily decreased from 2,533 in 2010 to 1,494 in 2011. This recent decrease in billing inquiries indicate some recovery in the economy of the PEF service territory.

PROGRESS ENERGY FLORIDA FPSC WARM TRANSFER / COMPLAINT ACTIVITY 2007 – 2011				
Year	Billing Warm Transfers ²⁶	Billing Complaints	Total Billing Warm Transfers and Complaints	Payment Arrangement Warm Transfers ²⁷
2007	829	219	1,048	480
2008	1,545	254	1,799	1,152
2009	2,365	455	2,820	1,751
2010	2,127	406	2,533	1,639
2011	1,253	241	1,494	965

EXHIBIT 19

Source: FPSC Complaint Database

On average, 74 percent of customers who are warm transferred back to PEF have an inquiry regarding payment arrangements. Over the five year period of 2007 through 2011, the Commission received 8,119 billing-related contacts which were warm transferred. FPSC records show that 5,987 of these warm transfers were preliminarily classified as relating to payment arrangements. The trend in payment arrangement warm transfers follows that of the total billing transfers and complaints with a peak in 2009 of 1,751, followed by a downward trend to 1,639 in 2010 and to 965 in 2011.

4.2 PAYMENT ARRANGEMENT MONITORING AND INTERNAL CONTROLS

4.2.1 TRENDS IN PAYMENT ARRANGEMENTS

PEF offers payment arrangements to customers who are having difficulty paying their bills, if the customers meet certain criteria. The payment arrangement typically extends a customer's due date for ■ days from the date of the past due notice. Audit staff reviewed ad-

²⁶ The term "warm transferred" refers to a situation where a customer calls the FPSC Call Center and after discussing and documenting the billing complaint details, the FPSC analyst transfers (or "warm transfers") the call to PEF for further assistance.

²⁷ A subset of the number of billing warm transfers which may include both payment arrangement complaints and inquiries.

hoc and management reports used to monitor payment arrangements to determine the number of requests either established or denied.

The numbers of payment arrangements granted or denied for 2007 through 2011 is shown in **Exhibit 20**. The number of payment arrangements granted or denied has fluctuated over the past five years. Of the requested payment arrangements, the percentage of those granted for 2007 through 2011, was 88.4 percent, 88.0 percent, 90.8 percent, 92.1 percent and 95.2 percent. During the five-year period, the highest number of payment arrangements granted was 1,314,772 in 2011. During the five-year period, the lowest number of payment arrangements denied was 59,675, also in 2011.

PROGRESS ENERGY FLORIDA PAYMENT ARRANGEMENTS REQUESTED 2007 - 2011					
	2007	2008	2009	2010	2011
Granted	1,211,035	1,106,660	1,191,593	1,307,861	1,314,772
Denied	85,301	131,407	111,528	103,650	59,675
Cancelled*	73,493	18,826	8,656	7,559	5,293
Total Requested	1,369,829	1,256,893	1,311,777	1,419,070	1,379,740

EXHIBIT 20

Source: PEF Response Document Requests 1.21, 2.9 and 2.10(b)

* Note: Cancelled payment arrangements indicate that the arrangement was modified.

Audit staff also reviewed PEF's payment arrangements completed and defaulted for the years 2007 to 2011, as shown in **Exhibit 21**. The highest number of payment arrangements completed was 1,001,159 in 2010. The highest number of payment arrangements defaulted rose to 331,309 in 2011.

PROGRESS ENERGY FLORIDA PAYMENT ARRANGEMENT DISPOSITION 2007 - 2011					
	2007	2008	2009	2010	2011
Completed	981,718	866,515	910,769	1,001,159	983,463
Defaulted	229,317	240,145	280,824	306,702	331,309
Total Disposition	1,211,035	1,106,660	1,191,593	1,307,861	1,314,772

EXHIBIT 21

Source: PEF Response Document Requests 1.21, 2.9 and 2.10(b)

4.3.3 BENCHMARKING STUDIES AND INTERNAL AUDITS

Deloitte & Touche, LLP has performed an ongoing audit of PEF's compliance with the Sarbanes-Oxley Act since June 2009. Part of this review are quarterly self-assessments of work flow management and attest to the fact that charge offs (arrears) are monitored. Monthly reports generated affirm that payment arrangements and past due balances are consistently monitored. Audit staff reviewed correspondence and workpapers documenting this review.

PEF has participated in payment arrangements benchmarking of electric utilities conducted by Edison Electric Institute (EEl) DataSource during 2008-2010. Audit staff was not allowed to review any information from this study due to its proprietary nature and EEl's non-disclosure requirements.

4.2.3 DISCONNECTS OF CUSTOMER SERVICE DUE TO NON-PAYMENT

Disconnections of electrical service due to non-payment are another indication that customers are having difficulty paying their utility bills. PEF will disconnect service after all other collection efforts have been exhausted, including a final notice bill and telephone contacts in some cases. Audit staff reviewed service disconnections to determine trends and their relationship to the economy. The total numbers of accounts disconnected for non-payment by the utility during 2007 through 2011 are shown in **Exhibit 22**. Service disconnections peaked in 2008 at 279,038, and have declined in recent years. In recent years, PEF has disconnected approximately 1.25 percent of accounts on a monthly basis, which equates to 15 percent annually.

PROGRESS ENERGY FLORIDA TOTAL ACCOUNTS DISCONNECTED 2007 - 2011			
Year	Number of Accounts Disconnected	Percent of Total Accounts Disconnected	Average Number of Total Customers
2007	253,772	15.8%	1,608,358
2008	279,038	17.3%	1,614,197
2009	278,361	17.3%	1,605,502
2010	256,902	15.7%	1,640,833
2011	236,730	15.7%	1,503,561

EXHIBIT 22 Source: PEF Response to Staff Document Requests 1.9, 2.3 and 3.3

4.2.4 REVENUE WRITE-OFFS DUE TO NON-PAYMENT

Write-offs are an indication of the amount of revenue that the company has lost due to customer inability or refusal to pay their bill. Monthly, to forecast future charge off's, PEF (1) compares the 30+ day dollar balances (arrears) and the number of accounts associated with the arrearages to historical and projected arrearages; and, (2) reviews defaulted arrangement percentages to determine if the percentage is within a normal range. Abnormal deviations are vetted to determine effectiveness of bill collection and steps required to remedy, if applicable.

The decrease in 2010 and 2011 write-offs may indicate that PEF's collections and credit policies have aided the company. These policies may have prevented a proliferation of write-offs despite increased numbers of customers having difficulty making their payments over this period.

The total gross revenues written-off as uncollectible by PEF for 2007 through 2011 are shown in **Exhibit 23**.

PROGRESS ENERGY FLORIDA TOTAL GROSS REVENUES WRITTEN-OFF 2007 - 2011			
Year	Total Gross Revenues Written-off as Uncollectible	Percent of Total Annual Operating Revenues	Total Annual Operating Revenues ²⁸
2007	\$15,605,574	0.37%	\$ 4,181,016,876
2008	\$15,472,684	0.38%	\$ 4,096,025,702
2009	\$ 21,540,652	0.45%	\$ 4,748,629,555
2010	\$ 20,996,371	0.44%	\$ 4,783,907,156
2011	\$ 14,617,259	0.34%	\$ 4,309,564,487

EXHIBIT 23

Source: PEF Response to Staff Document Request 1.19 and 2.8

4.3 POLICIES AND PROCEDURES FOR PAYMENT ARRANGEMENTS AND COLLECTIONS

To assist Customer Service Center (CSC) representatives with responding to customer inquiries, PEF's policies and procedures are documented in job aids and maintained on the company intranet. These job aids are found on the company's intranet home page as *CSC Online Manuals*. Audit staff reviewed policies and procedures for payment arrangements and collections in order to determine adequacy. Specifically, audit staff looked at whether the company provides adequate access to payment arrangement information, what sources of payment arrangement information are available to customers, and reviewed the company's *Collection Arrangement Guidelines*.

4.3.1 PROVIDING INFORMATION TO CUSTOMERS

Frontline customer service employees are trained and regularly monitored for effectiveness in offering payment options to customers during customer calls. PEF audio records certain calls received by the CSC employees, as needed for training needs. A monitoring group randomly monitors an average of three calls per month. The number of monitoring instances is adjusted based on the monitor's scoring. With each customer's situation being unique, the employees are trained to ask specific questions to identify potential payment options and other programs and services tailored to a customer's needs. Based on conversation with each customer, front line customer service employees offer payment arrangements depending on customer eligibility. Employees and Team Leads/Supervisors may also offer payment arrangements and special agreements due to extenuating circumstances to those customers who did not pass the automated eligibility screening.

Payment options and a comprehensive listing and details of available programs and services are also available on the Progress Energy website. Audit staff reviewed these information pathways, including a demonstration of how customers access payment arrangement options through the Voice Response Unit.

²⁸ Regulatory Assessment Fee Reports filed with the FPSC. Note that Total Revenues Written-off is a gross figure and Total Annual Operating Revenues is a net figure.

4.3.2 UTILITY INTERACTION WITH CUSTOMERS

IVRS, WEBSITE, AND CSRs

The three primary modes of receiving payment arrangement contacts are through PEF's website, interactive voice response system (IVRS), and those to the Customer Service Representatives (CSRs) at the call center. The algorithm within the CSS system is linked to all three methods, and it automatically determines payment arrangement eligibility. PEF has security level access limitations associated with the specific algorithm matrix and customer data within the CSS to safeguard against unauthorized use and disclosure. Staff notes that there is no limit as to how many payment arrangements can be granted to a particular customer (not a factor in the CSS algorithm).

PEF's IT Support Employee Call Services group performed a demonstration of the IVRS credit extension call flow. Audit staff believes that the IVRS is user friendly for customers. The company states that 50 percent of incoming calls go through the IVRS. When the IVRS notes to the customer the decision concerning the approval or denial of the payment arrangement, the system further states the particulars about the payment arrangement being offered and asks the customer to select whether they accept or deny. If the customer accepts, the IVRS notes that the customer is responsible for completing the payment arrangement as outlined which includes paying the late-payment fee unless the situation involves a company error. Upon acceptance, a confirmation number is given to close the deal.

The call center CSRs play a critical role in interacting with customers and satisfying their needs. They follow various process documents that outline the correct ways of handling calls, as well as reminders to offer payment options, i.e., payment by mail, online, or credit card. PEF also uses customer satisfaction measures to ensure its CSRs are offering payment arrangement options the correct way. Though there are not specific goals as to how many payment arrangements CSRs should offer, CSRs are skilled at using the collections calendar window to give the customers more time to pay or offer partial payment arrangements versus cutting off service.

If a payment arrangement is granted, the CSR would click on the "Calendar for Collection Arrangement" in the task list to confirm a new payment date. There is also a partial payments option. For example, if a customer is able to make a partial payment, the CSR may allow up to 17 days to pay the entire bill to avoid impacting the next month's bill. Also, if a customer knows they will not be able to pay their bill by the due date and calls to negotiate a payment arrangement prior to their bill becoming past due, the CSR will also use the calendar window and work with the customer.

4.3.3 PAYMENT ARRANGEMENT POLICIES AND PROCEDURES

PEF maintains a policy and procedure titled *Collection Arrangement Guidelines* within its *CSC Online Manuals*. Customers may make Collection Arrangements with PEF through the company's website, Voice Response Unit (VRU) system, or they may work with a company representative utilizing the Customer Service System (CSS). Each of these communication avenues uses the same established guidelines for granting collection arrangements.

Company representatives are authorized to override a system-generated denial, granting the collection agreement. About one percent of the 1.3 million calls are overrides and over 95 percent of those are granted payment arrangements. Company representatives are

strongly encouraged to follow the system guidelines, and are held responsible for the credit decisions that they make. Once a collection arrangement is offered and accepted by the customer, a confirmation number is provided.

The *Collection Arrangement Guidelines* policy and procedure includes negotiating tips and Building Customer Loyalty phrasing. Representatives are reminded to tell customers granted a collection arrangement, that the agreed amounts must be paid in full on or before the due date. If not, the payment agreement will be noted as non-satisfied and service will be eligible for interruption.

4.3.4 COLLECTION POLICIES AND PROCEDURES

PEF maintains a policy and procedure titled *Collection Process* within its *CSC Online Manuals*. This procedure contains a timeline starting from the meter being read, to disconnect notice generation, to the Collection Inspection Order, to mailing the Final Bill. This procedure also contains information on the following subjects:

- ◆ Cut-In (After Hours)
- ◆ Cut-In (Normal Hours)
- ◆ Cut-Out, Final Bill Request

4.4 ASSISTANCE PROGRAMS

4.4.1 FEDERAL GOVERNMENT ASSISTANCE PROGRAMS

For the 2007 through 2011 period, PEF reported that it retains only one year of data concerning financial assistance its customers received from LIHEAP, EHEAP, or other home energy assistance programs.

PROGRESS ENERGY FLORIDA FINANCIAL ASSISTANCE STATISTICS 2007 - 2011			
Year	LIHEAP Funds to Florida	LIHEAP Funds to PEF Customers	PEF Customers Served
2007	\$ 26,534,000	Data not retained by PEF.	
2008	\$ 27,075,000		
2009	\$ 95,037,000		
2010	\$ 110,354,000		
2011	\$ 107,714,000	\$ 15,175,618	39,609

EXHIBIT 24 Source: PEF Supplemental Response to DR 2.11(b)

4.4.2 PEF'S ASSISTANCE PROGRAMS AND REFERRALS

In addition to Credit Extensions and Special Agreements, PEF offers assistance programs through its Energy Neighbor Fund which generated \$463,108 and \$440,624 in 2009 and 2010, respectively. The programs and associated funds are available for customers who are occasionally unable to pay or who could benefit from payment options tailored to their needs and other programs designed to reduce their monthly electric bills:

- ◆ Special Medical Needs (agencies guarantee payments for customers who have suffered from a recent catastrophic injury and are unable to work). PEF provided

\$88,000 in Special Medical Needs funds to approved agencies in 2009 and \$110,000 in 2010;

- ◆ Bill Extender (extends the bill due date by 9 days);
- ◆ Gatekeeper (PEF provides referrals to approved social service agencies for customers over 60 who may have special needs and may require social services);
- ◆ PEF's Energy Neighbor Fund (PEF provides a corporate match to donations made by customers and employees and the funds are distributed through local social service agencies to help customers pay their utility bills).

PEF also provides a free Home Energy Check and several energy efficiency programs many of which offer incentives and rebates to help customers reduce their monthly electric bills. Its Energy Wise program, for example, applies credits on monthly bills for allowing temporary interruptions of certain appliances during high usage periods.

PEF has other proactive financial relief programs in place that involve:

- ◆ Analyzing customer data (i.e., via PEF's Energy Efficiency group) to reach out to customers who may qualify for assistance such as senior citizens, military families, unemployed, and the disabled;²⁹
- ◆ Partnering with social service agencies and charitable organizations, such as United Way and Salvation Army, whereby PEF secures the funds and the partner administers and distributes the monies to qualified persons;
- ◆ Offering "demand-side" programs to customers to educate them on how to increase energy efficiencies to lower energy costs.

4.5 CONCLUSION

For the period studied, PEF has granted on average, over 90 percent of payment arrangements that were requested. Gross revenues written-off as uncollectible are generally 0.40 percent of total annual operating revenues.

PEF has responded to changing economic circumstances by examining payment arrangement practices and where deemed appropriate, has made changes to aid customers. Audit staff reviewed the varying criteria used by PEF for granting/denying requests and consider them reasonable.

Commission audit staff realize that a correlation may exist between a company's credit policy and the affect of that policy on operating costs including bad debt write-offs. Audit staff notes, that of the four largest Florida IOUs, PEF grants the highest percentage of requests for payment arrangements.

²⁹PEF has security protocols in place that restrict access to customer data to prevent unauthorized use and disclosure.

5.0 TAMPA ELECTRIC COMPANY

5.1 COMPLAINTS AND INQUIRIES REGARDING PAYMENT ARRANGEMENTS

Over the 2007-2011 period, the number of TECO customer contacts to the FPSC related to billing, which were warm transfers³⁰ or resulted in complaints, is shown in **Exhibit 25**. Specifically, in 2007, the FPSC handled 490 billing warm transfers and complaints from TECO customers. In 2008 and 2009, the number increased from 649 to 751. Since 2009, the number of billing warm transfers and complaints has decreased from 676 in 2010 to 575 in 2011. This decrease in billing-related issues may correlate to some improvement in economic conditions.

TAMPA ELECTRIC COMPANY FPSC WARM TRANSFER / COMPLAINT ACTIVITY 2007 - 2011				
Year	Billing Warm Transfers	Billing Complaints	Total Billing Warm Transfers and Complaints	Payment Arrangement Warm Transfers ³¹
2007	416	74	490	252
2008	542	107	649	335
2009	630	121	751	398
2010	550	126	676	409
2011	482	93	575	372

EXHIBIT 25

Source: FPSC Complaint Database

On average, 67 percent of billing-related calls warm transferred back to TECO involved payment arrangements. For the five-year period 2007 through 2011, the company received 2,620 billing warm transfers of which 1,766 had a preliminary close type of payment arrangements. The billing and payment arrangement warm transfer records show similar downward trends with the number of payment arrangements peaking at 409 in 2010 and declining to 372 in 2011.

5.2 PAYMENT ARRANGEMENT MONITORING AND INTERNAL CONTROLS

5.2.1 TRENDS IN PAYMENT ARRANGEMENTS

TECO offers payment arrangements to customers who are having difficulty paying their bills, if the customers meet certain criteria. The payment arrangement typically extends a customer due date for [REDACTED] days from the delinquent date. Audit staff reviewed *Bad Debt Arrears Studies* used by management to monitor the effectiveness of the bill collection process. TECO replaced its Interactive Voice Response (IVR) unit on April 17, 2009. Prior to that time TECO tracked arrangements that were granted by the IVR, but not arrangements

³⁰ The term "warm transferred" refers to a situation where a customer calls the FPSC Call Center and after discussing and documenting the billing complaint details, the FPSC analyst transfers (or "warm transfers") the call to TECO for further assistance.

³¹ A subset of the number of billing warm transfers which may include both payment arrangement complaints and inquiries.

denied by the IVR. With the new IVR, more sophisticated reporting tools were developed that allowed arrangements denied by the IVR to be reported.

Audit staff reviewed TECO's number of payment arrangement requests which were either granted or denied. TECO experienced the highest requests for payment arrangements in 2009. For the five year period of 2007 to 2011, TECO received an average of 477,480 requests for payment extension each year. Of the extensions requested, an average of 61 percent were granted and 39 percent were denied. The number of payment extensions granted has trended downward over the past 5 years.

TAMPA ELECTRIC COMPANY PAYMENT ARRANGEMENTS REQUESTED 2007 - 2011					
	2007	2008	2009	2010	2011
Granted	398,271	329,981	326,082	235,318	163,332
Denied	23,206*	50,476*	262,041*	299,885	298,809
Total Requested	421,477	380,457	588,123	535,203	462,141

EXHIBIT 26

Source: TECO Response to Staff Document Requests 1.15, 1.16, 2.8 and 4.4

* Note: Denials shown for 2007, 2008 and January 1, 2009 through April 17, 2009, do not include denials via the IVR. On April 17, 2009, TECO replaced their IVR, which now captures this data.

TECO does not have automated systems that track the ultimate disposition of payment arrangements granted. Therefore, the percent of payment arrangements granted by the company that were ultimately completed or defaulted is unknown. However, a manual analysis of payment arrangements granted from complaints processed by the company indicates that, over the period 2007 through 2011, an average of 46 percent of payment arrangements were ultimately completed, while 54 percent went into a default status.

5.2.2 BENCHMARKING STUDIES

TECO has participated in benchmarking conducted by Edison Electric Institute (EEl) DataSource during 2008-2010. Audit staff was not allowed to review the results of this study due to its proprietary nature and EEl's non-disclosure requirements. TECO did not perform any internal audits of payment arrangements or the collection process within this time period.

5.2.3 DISCONNECTS OF CUSTOMER SERVICE DUE TO NON-PAYMENT

Disconnections of electrical service due to non-payment are another indication that customers are having difficulty paying their utility bills. TECO will disconnect service after all other collection efforts have been exhausted, including a final notice bill and field collection efforts. Audit staff reviewed service disconnections to determine trends and their relationship to the economy. The monthly number of customers disconnected for non-payment by the utility during 2007 through 2011 are shown in **Exhibit 27**. It appears that service disconnections have fluctuated, declining to their lowest in 2010 to 78,035 (11.6 percent) and trended upward in 2011 to a peak of 98,615 (14.6 percent).

TAMPA ELECTRIC COMPANY TOTAL CUSTOMERS DISCONNECTED 2007 - 2011			
Year	Number of Customers Disconnected	Percent of Total Customers Disconnected	Average Number of Total Customers
2007	84,683	12.7%	666,511
2008	96,723	14.5%	667,473
2009	89,038	13.4%	666,096
2010	78,035	11.6%	671,097
2011	98,615	14.6%	675,799

EXHIBIT 27 Source: TECO Response to Staff Document Requests 3.1 and 3.3

5.2.4 REVENUE WRITE-OFFS DUE TO NON-PAYMENT

Write-offs are revenues that the company has lost due to customers inability or refusal to pay their bills. TECO will send a final bill 22 calendar days after the initial bill is generated. The final notice due date is 10 calendar days after the final bill is generated. If the final notice is not paid, the account is eligible for disconnection. If the account is 60 days in arrears, it may be written off as uncollectible. The total revenues written-off as uncollectible by TECO for 2007 through 2011 are shown in **Exhibit 28**.

TAMPA ELECTRIC COMPANY TOTAL REVENUES WRITTEN-OFF 2007 - 2011			
Year	Total Revenues Written-off as Uncollectible	Percent of Total Annual Operating Revenues	Total Annual Operating Revenues ³²
2007	\$ 5,583,029	0.26%	\$ 2,116,065,931
2008	\$ 6,711,705	0.33%	\$ 2,021,141,025
2009	\$ 7,937,981	0.37%	\$ 2,152,322,754
2010	\$ 7,478,622	0.35%	\$ 2,121,496,326
2011	\$ 4,468,429	0.23%	\$ 1,972,751,228

EXHIBIT 28 Source: TECO Response to Staff Document Request 2.9 and 3.2

Total revenues written off peaked in 2009 at \$7,937,981, a 42 percent increase over 2007 write-offs. Total revenues written off declined to its lowest amount, \$4,468,429 in 2011, a decrease of 44 percent from 2009. The trend in write-offs for 2007 through 2011, appears to follow the changes in the economy. Actions taken by TECO during this period may have prevented a proliferation of write-offs despite increased numbers of customers having difficulty making their payments over this period. The 2011 write-offs as a percentage of total annual operating revenues of 0.23 percent was the lowest attained by the four IOUs studied over the five-year period.

³² Regulatory Assessment Fee Reports filed with the FPSC.

5.3 POLICIES AND PROCEDURES FOR PAYMENT ARRANGEMENTS AND COLLECTIONS

Audit staff reviewed policies and procedures for payment arrangements and collections to determine adequacy. Additionally, audit staff looked at whether the company provides adequate access to payment arrangement information, and what sources of payment arrangement information are available to customers.

5.3.1 PROVIDING INFORMATION TO CUSTOMERS

TECO communicates payment options in the form of a stand-alone insert and on the back of company's Open Lines customer newsletter. More detailed information about payment options are available on the company's website. Audit staff reviewed these information pathways, including a demonstration by the company of how a customer would access payment arrangement options through the Voice Response Unit.

During interviews of company personnel, audit staff discussed website navigation issues that were observed during the preliminary review of data request responses. The company plans a re-design of the company's website in late 2012 that may resolve these issues.

5.3.2 UTILITY INTERACTION WITH CUSTOMERS

IVRU, WEBSITE, CSRs AND CSCR SPECIALISTS

The three primary modes of receiving payment arrangement contacts are through TECO's interactive voice response unit (IVRU), Customer Service Representatives (CSRs) at the Customer Service Call Center (CSCC), and website. The algorithm within the Customer Information System (CIS) is used for all three methods and automatically determines payment arrangement eligibility. The algorithm also serves as a predictive control, i.e., it predicts how likely a particular customer would be able to complete a payment arrangement. TECO has security level access limitations associated with the specific algorithm and customer data within the CIS to safeguard against unauthorized use and disclosure. The Credit and Collections Manager is the only employee with authorized access to update the CIS algorithm and associated credit scoring tables. The company's CSCC Manager and Customer Service Complaint Resolution (CSCR) Supervisor have access to the total score, whereas TECO's Dispatchers have read-only access.

The CSCR Specialists and CSRs play key roles in resolving customer complaint issues. TECO has Customer Service Call Centers in Tampa and Plant City. These centers are interconnected and employ optimized routing to better serve customers in their respective areas. CSRs field the incoming calls and focus on the customer's concerns and work toward resolving various issues. Specific to payment arrangement issues, the representatives employ a similar process review which involves using the CIS to determine if the customer is eligible for a payment arrangement. The representatives use work aides to facilitate handling of payment arrangements. TECO audio records all of the calls processed at the CSCCs. The CSCC Supervisor randomly monitors ten to fifteen calls per CSR and conducts one to two performance evaluations per month.

Quality Assurance Specialists handle customer complaints sent to TECO from the FPSC and those directly from customers. TECO states that the CSCR Supervisor receives the escalation from CSCC and assigns it to one of the specialists. The specialist works with the customer to resolve the complaint. The specialist also reviews the credit scoring for payment

arrangement eligibility. If a payment arrangement is granted to a customer, the customer is still responsible for paying the late fee.

The specialist then discusses the review results with the customer and attempts to negotiate some form of arrangement to assist the customer (e.g., partial payment with payment extension on balance). The focus of the specialists is on fully addressing the issues of customers to assist them with bill payment such as providing the following energy conservation or special needs programs:

- ◆ TECO's Energy Planner;
- ◆ TECO's Medical Watch.

Unfortunately, in some instances the CIS results may indicate a recommendation to deny the payment arrangement.³³ The specialist, however, continues to assist the customer by providing locally-available governmental social services or community relief organizations, as well as referrals to federal programs that may be of assistance such as:

- ◆ State-wide 211 Social Services Network;
- ◆ Federal LIHEAP/EHEAP Programs.³⁴

5.3.3 PAYMENT ARRANGEMENT POLICIES AND PROCEDURES

TECO maintains job aids in its Customer Information System (CIS) for use by company representatives as guidelines when dealing with payment arrangement requests. If a customer's account qualifies for a credit arrangement, the representative advises the customer of the terms of the arrangement placed on the account. A transaction and/or a remark is placed on the account. If the account does not qualify for an arrangement, the customer is advised that, according to the guidelines established by Tampa Electric, the account does not qualify.

TECO uses an internal algorithm to assign a customer a score. This score is the key factor for whether a credit arrangement is approved. If approved, the credit arrangement may be granted for ■ days from the delinquent date. Company representatives are authorized to grant an arrangement despite the score, if there are mitigating circumstances. Company representatives may also extend credit arrangements longer than the standard ■ days from the delinquent date. The TECO internal score is based on these specific items:

- ◆ Amount in arrears
- ◆ Payment history
- ◆ Age of account
- ◆ Exposure (balance due versus deposit amount)
- ◆ Miscellaneous factors (broken arrangements, returned checks, billing of late fees)

5.3.4 COLLECTION POLICIES AND PROCEDURES

TECO's customers receive a monthly bill describing the usage and billing for the previous month. If payment is submitted on or prior to the specified due date, customers will not receive a final notice or incur late charges. If payment is not received and the customer does

³³ Note that in an approval situation, it is TECO's policy that the customer is still responsible for paying the late fee.

³⁴ According to the FPSC's Bureau of Consumer Assistance, there were a limited number of formal payment arrangement complaints filed against the IOUs during the three-year review period and they almost exclusively involved disputed back-billing issues.

not meet the company criteria for final bill suppression, a final notice will produce. The final notice specifies the date by which payment must be submitted to avoid interruption of service.

If a customer's payment is not received by the final notice date, a disconnection transaction is generated. Payment of the past due amount is required prior to service being restored. Once the customer has made the payment and contacted Customer Service prior to 6:00 P.M., a reconnection transaction is generated. The customer is advised service will be restored that day, but no specific time is given. If the customer does not contact Customer Service after making a payment, an automatic reconnection will be generated once the payment is received by the company.

5.4 ASSISTANCE PROGRAMS

5.4.1 FEDERAL GOVERNMENT ASSISTANCE PROGRAMS

TECO reported the amount of assistance its customers received from the LIHEAP and EHEAP programs for 2009 through 2011. The company, however, stated that it was unable to secure reliable data for 2007 and 2008.

TAMPA ELECTRIC COMPANY FINANCIAL ASSISTANCE STATISTICS 2007 - 2011			
Year	LIHEAP Funds to Florida	LIHEAP Funds to TECO Customers	TECO Customers Served
2007	\$ 26,534,000	Data not retained by TECO.	
2008	\$ 27,075,000		
2009	\$ 95,037,000	\$ 5,990,941	26,215
2010	\$ 110,354,000	\$ 8,122,737	28,321
2011	\$ 107,714,000	\$ 6,137,127	22,405

EXHIBIT 29

Source: TECO Response to Staff Document Request 1.24, 2.3 and 3.4

5.4.2 ASSISTANCE PROGRAMS AND REFERRALS

TECO offers several company-specific assistance programs. The 62+ Plan is a program designed for customers that are 62 years of age or older, on a fixed income, and whose social security, retirement or disability checks are received on a date that does not necessarily coincide with the due date of their current electric bill. Customers enrolled in the 62+ Plan may carry the previous month's bill for 30 days, without impact to their credit standing. TECO offers several other social service programs such as:

- ◆ *Weather Care* - provides free home improvements to senior citizens 60 years and older on low, fixed incomes whose homes are in need of energy-related improvements. This program is a joint service offered by TECO and The Centre for Women;
- ◆ *Share* - helps customers in need pay their energy-related bills. TECO customers may make a voluntary, tax deductible contribution with their monthly electric bill payment;

- ◆ *Hospicare* - delays electric bill payments until the customer leaves the hospital. Upon leaving the hospital after an extended period, a payment schedule is arranged with the customer.

TECO has other proactive financial relief programs in place that involve the following:

- ◆ Providing assistance to qualifying customers such as senior citizens, military families, unemployed, and the disabled based on limited historical data in CIS;³⁵
- ◆ Partnering with charitable organizations, such as the Salvation Army, whereby customers donate an amount each month and the monies are distributed through the local organizations as well as social service agencies to qualified persons;
- ◆ Offering “demand-side” programs through the *Energy Planner* which is a no cost program that allows customers the opportunity to lower the cost of their electric bills by using an advanced programmable thermostat to control one or more appliances in response to real-time pricing.

5.5 CONCLUSION

Overall, TECO has granted on average, over 61 percent of payment arrangements that were requested. Revenues written-off as uncollectible average 0.3 percent of total annual operating revenues.

The number of payment extensions granted has trended downward for the five year period of 2007 to 2011. Commission audit staff realize that a correlation may exist between a company’s credit policy and the affect of that policy on operating costs including bad debt write-offs. Of the four IOUs studied, TECO attained the lowest annual percentage of total operating revenues written-off during 2011 at 0.23 percent. Audit staff reviewed the varying criteria used by TECO for granting/denying requests and consider them reasonable.

³⁵ TECO has security protocols in place that restrict access to customer data to prevent unauthorized use and disclosure.