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TO : DIRECTOR OF RECORD AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (JENKINS, DRAPER)  
DIVISION OF LEGAL SERVICES (PAUGH) *and by RVE* *EJD* *JDJ*

RE : DOCKET NO. **970684-EI** - PETITION FOR APPROVAL OF  
RESIDENTIAL CUSTOMER SERVICE GUARANTEE CREDITS BY TAMPA  
ELECTRIC COMPANY

AGENDA: AUGUST 5, 1997 - REGULAR AGENDA - TARIFF FILING -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: AUGUST 5, 1997

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970684EI.RCM

CASE BACKGROUND

Tampa Electric Company (TECO) filed a tariff seeking approval to implement Residential Customer Service Guarantee Credits (service credits). This tariff will be available to customers taking service under the Residential (RS) and the Residential Time-of-Use (RST) rate. Under this program TECO will provide billing credits to the customer for missed installation or repair commitments. TECO proposes to record the credits associated with this tariff as above-the-line operating expenses.

Specifically, a customer will receive a credit when one of the following service standards are not met by the company:

If new electric service has not been connected by the mutually agreed upon connection date, the customer will be eligible for a \$100 billing credit for each day the company is late initiating service.

If the customer receives an incorrect bill, the customer will be eligible for a billing credit equal to 20 percent of the corrected bill.

If TECO does not arrive within 15 minutes of a mutually agreed upon scheduled service appointment, the customer will be eligible for a \$25 billing credit.

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If TECO does not install a residential outdoor area light by the agreed upon date, the customer will be eligible for a credit equal to the monthly light fee.

If TECO does not repair an outdoor area light within three days of the service request, the customer will be eligible for a credit equal to the monthly light fee.

TECO projects to spend \$60,000 on implementation costs to start the program and \$80,000 on annual service credits. The implementation costs include printing costs of a brochure, employee training, and advertising. TECO intends to promote the program through customer newsletters, advertising in local newspapers, during a press release to all local media and bill inserts. The customer must initiate contact with the company to receive a credit. TECO will not automatically provide a refund if it misses a service appointment.

TECO believes this program will result in fewer customer complaints to the Commission and higher customer satisfaction. Tracking and managing this program will allow TECO to highlight problem areas in the provision of customer service. TECO also indicates that this program will be a management tool and incentive for the company to improve its customer service level.

#### DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Tampa Electric Company's tariff sheets Nos. 3.050, 3.060, and 3.070 containing Residential Customer Service Guarantee Credits?

PRIMARY RECOMMENDATION: Yes. TECO's proposed Residential Customer Service Guarantee Credits is an example of what electric utilities ought to be doing. (JENKINS)

ALTERNATIVE RECOMMENDATION: No. While this program may raise customer satisfaction, it is image building in nature and ratepayers should not be required to pay when TECO fails to meet a commitment. (DRAPER)

PRIMARY STAFF ANALYSIS: Primary staff believes this program is designed to foster customer loyalty in the event of retail competition. Although TECO claims its proposed program will provide an incentive to improve its customer service quality, primary staff believes the real motivation for this proposal is preparing for retail competition.

TECO's proposal presents nothing new in an unregulated price environment and has been approved by this Commission for certain telephone companies. Airlines, for example, give a customer a free ticket if they are unable to provide a seat due to overbooking or a missed connection due to a late flight. This is done to retain customer loyalty. In the same manner, TECO wishes to retain customer loyalty.

The difference between TECO and price unregulated companies is that there is no above- or-below-the line accounting for unregulated companies. All expenses are borne by stockholders of unregulated companies. However, the customers of both regulated and non-regulated companies should receive the best possible customer service. TECO's intent to record the expenses of the program above-the-line is not a sufficient basis for denial.

The alternative recommendation to deny is based on TECO's proposal to record the service credits as an above-the-line expense. The costs for the credits is estimated by TECO to be \$80,000 per year. Implementation costs are projected to be \$60,000. Normally, between rate cases, any increase in operating expenses would be borne by the stockholders and a determination made in the next rate case on whether the general body of ratepayers should bear the cost of this program. However, because of TECO's refund obligation under the stipulation in Docket No. 950379-EI, Order No. PSC-96-0670-S-EI, alternative staff argues that an increase in operating expenses would reduce the amount of the potential refund and have a direct impact on customers prior to the next rate case. Primary staff believes, however, that any potential refund reduction would be minimal.

Since TECO's proposed Residential Customer Service Guarantee program is a tariff filing, the Commission can only approve or deny this filing. The Commission can not modify the tariff unless TECO agrees to the modification. Primary staff would also prefer the costs be recorded below-the-line. However, if TECO does not agree to this accounting treatment, the Commission is left with the choice of this program and above-the-line recording of the expenses or no program. If these are the two choices, the primary recommendation is to approve.

**ALTERNATIVE STAFF ANALYSIS:** While alternative staff agrees that this program may improve customer relations, staff has two concerns, as discussed below, with TECO's proposal to recover the service credits as above-the-line operating expenses.

First, based on the documents submitted by TECO with its

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Petition, it appears that the purpose of this program in conjunction with its advertising is essentially customer relations or image enhancing. Exhibit "A" of the Petition indicates the image enhancing nature of the program.

As employees of Tampa Electric Company, we value your business. Tampa Electric Company has proudly served West Central Florida for nearly a century. Today, more than ever, we are committed to providing you with reliable power, affordable energy prices and exceptional Customer service. Because we believe Tampa Electric provides you with the best total energy value, we offer you these price, reliability and service guarantees.

**We are committed to providing you with world-class Customer service.** You will receive friendly, caring and courteous Customer service from Tampa Electric. If we ever disappoint you, please let us know. Our goal is to reach a mutually agreeable resolution of any concern you have. Your satisfaction is always our top priority. (Emphasis in the original.)

Staff's second concern with TECO's proposal to recover the credits above-the-line relates to TECO's refund obligation under the Stipulation in Docket No. 950379-EI, Order No. PSC-96-0670-S-EI. Allowing the credits to be recovered as an above-the-line expense would reduce TECO's return on equity and, therefore, reduce the amount of the potential refund.

The primary staff recommendation cites the minimal cost impact of the proposed service credits. However, it should be noted that TECO states in its Petition that it intends to propose a similar program for non-residential customers after becoming efficient in managing the program for RS customers. Extending the program to non-residential customers would increase the amount of service credits and further reduce the amount of the refund. In addition, if this treatment proposed by TECO is approved, other utilities can seek similar treatment for a variety of image-building proposals.

TECO's Petition states: "Such credits serve to benefit the general body of ratepayers in reducing complaint proceedings before this Commission and by providing management tools and incentives for the company to continually improve its overall customer service levels thus benefitting all customers." (Pet. pg. 5) Staff

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believes that TECO already has an obligation to continually improve customer service levels and should not require ratepayer supported incentives to do so. In addition, it appears that the Company is presently meeting its obligation. According to the Division of Consumer Affairs, there have been just two consumer complaint dockets involving TECO since 1982. In the preceding 12 months, there have been only 6 undocketed, justified complaints against the company. None of the complaints involved a matter that is the subject of the instant credit proposal.

The service guarantee programs TECO cites in its Petition as authority for the Commission to grant the instant program are inapposite. The Petition states: "...BellSouth and GTE have tariffs that provide for credits such as are requested by Tampa Electric." (Pet. pg. 3) In fact, three such tariffs have been granted. The third was for Quincy Telephone Company. All three service tariff credits are distinguishable from the instant Petition and therefore are not precedent for TECO's request.

First, the Commission approved a similar program for Quincy Telephone. In Re: Request for Approval of Tariff Filing to Provide Local Service Guarantee Credit Program by Quincy Telephone Company, Docket No. 950130-TL, Order No. PSC-95-0292-FOF-TL, March 2, 1995. However, the expenses related to the Quincy Telephone program are recorded below-the-line. Second, the GTE service credits, which were recorded above-the-line, were initially granted for a period of only 12 months to determine its effectiveness. The Commission subsequently approved a permanent service credit program upon a showing that it was successful. In Re: Request for Approval of tariff filing to make the Service Performance Guarantee a permanent offering and to clarify that the service is not applicable to Public Telephone Service and Semi-Public Telephone Service by GTE Florida Incorporated, Docket No. 940574-TL, Order No. PSC-94-0887-FOF-TL, July 20, 1994. Finally, Southern Bell implemented a Service Guarantee Program as part of a stipulation. One of the issues in that docket was the quality of Southern Bell's service to its customers. To resolve the quality of service issue Southern Bell implemented the Service Guarantee Program. There do not appear to be any similar quality of service issues for TECO. The accounting treatment of recovering the expenses as above-the-line was considered to be consistent with the requirements of the Stipulation. In Re: Comprehensive Review of Revenue Requirements and Rate Stabilization Plan of Southern Bell, Docket No. 920260-TL, Order No. PSC-94-0172-FOF-TL, February 11, 1994. At a later date

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Southern Bell also implemented a Service Installation Guarantee program, with the credits being recovered as above-the-line. Again, the treatment of the credits was considered to be consistent with the Stipulation. In Re: Request for Approval of Tariff Filing to Provide a Service Installation Guarantee Program on Switched and Special Access Services by EalSouth Tel communications, Docket No. 950275-TL, Order No. PSC-95-0525-FOF-TL, April 26, 1995.

In summary, while such a program may raise customer satisfaction, staff also maintains that TECO already has an obligation to maximize customer satisfaction. TECO should not need a monetary incentive to avoid making a mistake and to provide good customer service, especially one paid for by the customers it is trying to influence. If TECO wishes to provide customer service guarantee credits, the service credits should be paid for by the stockholders as a below-the-line operating expense. Therefore, alternative staff recommends denial.

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ISSUE 2: If the Commission adopts the Primary Staff position, what should be the effective date of the tariff?

RECOMMENDATION: If approved, the tariff should be effective October 30, 1997.

STAFF ANALYSIS: The tariff should be effective October 30, 1997 as requested by the company.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: If the Commission approves the primary recommendation in Issue 1, this tariff should become effective on October 30, 1997. If a protest is filed within 21 days from the issuance date of the Order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed. If the Commission approves the alternative recommendation to deny the tariff the docket should be closed if no protest is filed within 21 days from the issuance date of the Order.