BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100143-EI

EVALUATION OF STUDY BY FLORIDA POWER & LIGHT COMPANY ON PREPAYMENT BILLING OPTION FOR RETAIL CUSTOMERS.
/

PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 4

COMMISSIONERS PARTICIPATING: CHAIRMAN NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, August 17, 2010

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

P R O C E E D I N G S

COMMISSIONER SKOP: And that takes us to Item 4.

Commissioner Graham.

COMMISSIONER GRAHAM: If I may, I'd like to -- I would like to thank the staff for the name tags, the name plates. I hate to have done that to you, but until I learn your names, it helps me a lot. And it may feel like a burden to you, but with Commissioner Brisé and I, and he may be a lot better when it comes to retention of names than I am, but it helps me a lot. And I know we have another two more people coming at the end of the year, so I do appreciate it.

COMMISSIONER SKOP: Thank you, Commissioner.

MS. DRAPER: Good morning, Commissioners. This is Elizabeth Draper with staff.

Item 4 addresses FPL's study of a prepaid billing program whereby customers opt to pay their electric bill in advance and in return receive a discount on their bill. The Commission ordered FPL to evaluate a prepayment option in the recent FPL rate case. One was proposed by two customers during a service hearing.

Staff reviewed the option and recommends that FPL should not implement a prepayment offering as it does not appear to be feasible or in the best interest of the general body of ratepayers. Staff is here to answer any questions, and I believe we have parties here to address the Commission.

COMMISSIONER SKOP: Thank you, Ms. Draper. And it is my understanding, I think Public Counsel has a PowerPoint presentation, perhaps, on this item. All right. So I will let --

MR. BALOGH: Can you hear me?

COMMISSIONER SKOP: Yes, we can. You're recognized.

MR. BALOGH: First of all, for the benefit of the two new Commissioners, they weren't at the public hearing in Fort Myers, so we will just give a brief recap. And we appreciate letting two old retirees come here today to talk about this. Don Morgan is a CPA beside me. He had a successful CPA firm in Fort Myers. And I'm Frank Balogh, I spent 26 years with Florida Power and Light. I'm a Certified Energy Manager and Certified Energy Procurement. I sold a lot of natural gas outside FPL's service territory for FPL. Could I have the next slide, please.

Our involvement is that down where we are at in Southwest Florida, and I'm sure it is this way everywhere else, we have a very depressed economy. Every city that we met with, we met with seven customers in the Fort Myers area, the cities, the counties, the school boards, everyone's budgets are depressed and they are looking for money.

Don and I belong to the largest church in Southwest Florida, and we have done every energy conservation measure possible. As recently as two months ago, we did CO2 sensors to help our energy bill.

Energy bills are the second biggest cost to municipalities right after staffing. And we would brainstorm -- I remember an old program that FPL had we wanted to revisit, and so -- next slide, please. It was a prepay concept. I wish I was brilliant enough to think about this, but I wasn't. It was FPL that did this. And I was on staff. Three corporate staff members came to the field and they said, hey, we want to do this prepay concept.

And at that time the, reason we wanted to do the prepay concept is that Florida Power and Light was concerned about deregulation, and when you are concerned about deregulation, you want to make sure you protect your large customer base. By tying up a customer in a yearly contract or more, a year plus a day, then by contractual obligation he couldn't be cherry-picked by Georgia Power, or Duke, or whoever if deregulation occurred.

What happened, deregulation went away. Duke made a mess of it in California, and then FPL's staffing, the three fellows that I worked with, they are in three different states right now. So it went away, but it was a great program. Its time is now with the depressed economy.

We looked at the PSC staff's memorandum, and they sent -- great work, staff, but they didn't look at the whole program, what's happening. We are going to show you in a minute what Ohio schools have done. You also have Rockledge Energy that just opened up in Florida Power and Light's service territory wanting to do prepay contracts. I don't know if FPL is even aware of it. But what we would like to do is to have the staff reconsider this and do a full-fledged study of prepay and then we would like to conduct a small pilot program on the customer base that we have talked to that are almost unanimous in wanting to do this. As a matter of fact, we talked to the city manager of Fort Myers and he said, "Why can't I do that right now?"

So, essentially, the utility company goes out and has to borrow money. Instead of going out to a financing institution and paying that interest, let their customers supply that. Just the seven customers we talked to, we stood in front of $70 million. And so it is a very simple concept. It's not prepaid metering, or cards, or anything like that, it's just how I get my cash. Next slide, please.

We understand to get the long-term discount there is where FPL tries to build a disconnect. They used a short-term discount rate. We went the long-term discount rate, but what we are going to show you in a few minutes, we're going to hand it out to you. The yearly thing comes in you have to have a true-up on this thing for customer dynamics. They add schools, they add buildings, they subtract buildings, they add staff, and then the fuel cost adjustments that adjust during the year, so you just have a yearly true-up.

And, Don, do you want to touch about customer payment up front?

MR. MORGAN: Yes. To summarize the program is that the customer would pay his estimated next year utility bills up front, and for that -- and he would pay up front, and then it would be amortized over the 12 months or 13 months. And for that they would get a discount, and in our program we used FPL's weighted average cost of capital against the ability to borrow money or to fund it themselves.

So, basically, though, they take the payment, 100 percent of the payment, and give it to FPL through a contract and FPL then would amortize that over the term of the contract. Next.

MR. BALOGH: Next slide. Why you should use the long-term cost of capital? Where is that customer going to go? There is no alternative. There is no other electric provider. We understand the customer must prepay this up front. Staff mentions that there is equity risk. We don't understand that. If somebody pays you up front, the equity risk -- there is no risk. I mean, you have got the money up front before you even render the service. So we don't see the equity risk.

Right now, FPL pays 7 percent on deposits. Pennsylvania Utilities paid 7 percent on prepay dollars on their program up there where several utilities went together and allowed that to happen and for their rate base. And Ohio Utilities allow their school systems to prepay for 36 months and they give them a 10 percent discount on prepay. What they did, the utilities took that cash and they gave them a 10 percent discount. When the program was ended, they ended up getting 13.6 percent savings on their money. It's just a cash thing is all this is.

Next slide. Do you want to past that out, the Ohio program?

COMMISSIONER SKOP: Is this going to be an additional handout? I need a brief description.

MR. BALOGH: What we would like to do is pass out just a brief summary, a one-page thing of the Ohio program.

COMMISSIONER SKOP: We will have our staff member do that, so if you have some extra copies that you could pass to Commission staff and Commissioners.

MR. BALOGH: We have got ten copies we made, and he is passing out the Ohio program and the Rockledge Energy. They just opened up shop in Rockledge and they are trying to do prepay contracts with Florida Power and Light customers right now.

COMMISSIONER SKOP: And, Mr. Butler, do you have a copy of that?

MR. BALOGH: Yes, he has copies of both.

COMMISSIONER SKOP: Thank you.

MR. BALOGH: The next slide. Oh, yes, I'm sorry. No, go back one, I'm sorry. Also, the staff brings up and FPL brings up that there is a lot of cost involved in this. And in my experience with FPL, and we were going to do it back in the mid-90s, I don't know if you are aware of it, they have a very sophisticated IM system. Also, they brought up that their large customers, Collier County, for example, Naples, they have 1,400 accounts or something like that right now. They have had summary billing forever. I mean, we summary bill those, and then on top of that there is a SAMS system, which is a Strategic Account Management System. Within seconds I can know what the total kilowatt hours are, what they totally paid for all 14 accounts or whoever, whatever large customer there is out there.

And then lastly, they have an account management system which I was a part of where I was responsible for contracts for the large utility customers. The interest earned from these payments are available through FPL immediately. They also reduce the back office costs. They increased the working capital. They reduced credit and collection costs. And one of the biggest things they are finding out in these prepaid programs wherever they are at, the call center activity is drastically reduced. So you have got to put a number to that. You are not getting a lot of calls in. People are very happy when they prepay for something and they don't have to call in every month for some kind of complaint.

Next slide, please.

MR. MORGAN: Again, the staff includes some costs, their estimated cost to implement this, and we believe the interest earned on the prepay amount, in other words, when they pay the bill up front, they invest that, and whatever return they make, and then the back office reduced call center activity, and the cost of capital for FPL is up front. In other words, they would get the whole year's premium up front, and then the first six months, you know, they would just amortize one-month at a time down to zero.

But, you know, our program is not -- you know, technically there may be some holes in it, but the thing is that we have got all of our cities and counties and schools that can't meet their budgets, and then we have a company, FPL, which is a great managed company, you know, look at the financial statements, it's a great company, you know, and well run. And I think what we are seeing is, you know, through this program we would allow our cities and counties and other big users of electricity, or anybody to be able to save some money. And FPL, you know, I'm sure -- I'm sure it would be -- it would not be a burden on FPL to, you know, help some of these counties and cities that is struggling with their budget. And, again, we don't believe there would be a revenue shortfall. We believe it would pay for itself in savings.

MR. BALOGH: Next slide. What the staff did in the memorandum that we looked at or were supplied, they just looked at prepaid meters and cards and things like that, and a lot of that is happening in the country right now. They did mention Pennsylvania, which is a partial prepay program, but they never saw or mentioned what we really consider is like more what Ohio is doing, the long-term prepayment program that you have in front of you right now. And you can see the summary of savings. A school saved a ton of money by just prepaying their electric bill.

Utilities use prepay contracts on the wholesale side. There was 33 major contracts in the last 24 months, and they buy -- and the reason they do prepay on the wholesale side is there is a discount involved. AEP in Ohio just did one of the largest contracts. Memphis, Tennessee, they prepay for all of their electric because they save -- it's a big discount. They prepay. If you can do it on the wholesale side, you should be able to do it on the distribution side, residential side.

Also, as was mentioned, we mentioned that in January of '09, Florida utility customers started prepaying through Rule 25-6. I know what that rule says, I know what it is about, but talking to the larger customers that we have right now, that is still a claw in their foot. They are prepaying for something, giving FPL money for something that is not existing. They haven't built the facility yet, and they consider that a prepay. So I just mention that right now.

The last thing I wanted to mention is Rockledge Energy, Central Florida. It's an MTI Company, and they have just set up their advertising in Florida Power and Light's service territory right now to prepay contracts.

Next slide. Prepay advantages. All of the people that put out meters, and cards, and they taut there's energy conservation. And also the states that have this in prepay cards, they are seeing energy conservation. It happens as the customer is more cognizant of his utility bill. Also, a JD Power survey, a four-year study showed that all fixed billing customers were more satisfied.

We also contacted two senior VPs with Bank of America, and we have been in correspondence with them for like 16 months now. They are very interested in this program, and they feel right now they can even do better than this. Those customers that don't have the capital, they can obtain third-party financing for 250 basis points over LIBOR. There's no capital expenditure for the customer, he gets savings here. An option of payment method increases customer satisfaction. They don't have any options right now. Ultimately, this is going to be a customer choice program, and a customer can more accurately budget.

Also, when we talked to some of the customers -- we have been contacted by the

University of Florida. I think we talked to one of our customers in Southwest Florida, we talked to Florida Gulf Coast University, and Doctor Joe Shepherd (phonetic) said that he can't believe FPL can't keep track of some kind of a prepayment option when all the complexity of what they are billing is involved with. But he contacted the University Florida, the University of Florida representative contacted us, they are very interested. We have to give them an update every couple of weeks what is happening in this. The University of Florida pays $50 million on their campus in Gainesville every year in electricity.

We also contacted -- we don't know how they found out -- General Development out of Atlanta, Georgia. Incidentally, these two institutions are not even in Florida Power and Light's service territory, but, hey are the second largest mall owner in this country, and they are very interested in looking at a prepay option.

Can I have the next slide, please. FPL has advantages with prepay. They have a reduction in back office billing which has not been explored. They have increased working capital. Their call center activity is a big number and that has not been explored. It's a float for the utility. FPL even did a program back in the '90s where their profit margin was based on a float. They were going to read the water meters and bill out quicker. Elimination of time between delivery and receipt of revenue. It is a built in hedge against weather conditions and assists in the image of vertically integrated company, which it has got a bad image right now.

One of the biggest things I found, I spent 26 years with Florida Power and Light, and some of the large -- all I worked with was large customers the whole time, is large customers call me back to do some rate analysis or look at some contracts for them for methane generation and that type of thing. When I sat in a room as an FPL employee, great, there is a big love fest between account managers and the large customers. However, when I sat in that room as not an FPL employee, I was astounded. I mean, we are talking here a vertically integrated company. They make it, they transmit it, and they distribute it. They don't have any options. There is just no options to them.

Next slide. I just wanted to bring that out. It was a surprise to me anyhow.

Recommendation. Again, we say the PSC staff should further investigate prepay on metering, programs, and -- instead of just metering cards, they should look at the whole body, what's happening. The customers were asked -- all the customers we talked to they want some kind of option like this. We are getting contacted by people at UF and the big mall developers, they want to look at this. We need to look at it more closely. We'll work with staff to do something like that. We would also like to, if at all possible, do a limited pilot study with the customer we talked to, because they are unanimous, they want to go ahead with this.

Ironically, the study in Ohio -- a study was done by an attorney in Cleveland, Ohio. He put that together. Also, FPL hired him to just put the contracts together. They have just taken over like 140 something communities in Ohio, that same attorney. He would be a good starting point for the staff to work with, along with us.

Is there any questions so far, right now?

MR. MORGAN: One more instance that we are working with is that Florida Power and Light is, again, a great company, and their bottom line profit for the last 30 years -- in '06 it was $1.2 billion profit, in '07, it was 1.3, and in '08 it is $1.6 billion. And, you know, we just believe there is room in there for FPL to, you know, to further their own program and to implement it. And that's what we are asking for.

COMMISSIONER SKOP: Thank you. And just for the benefit of the court reporter, if each of you could please introduce yourself with your full name, and then I will go on to Mr. Butler.

MR. MORGAN: Don Morgan.

MR. BALOGH: Frank Balogh.

COMMISSIONER SKOP: All right. Thank you. Mr. Butler, you're recognized.

MR. BUTLER: Thank you, Mr. Chairman. John Butler on behalf of Florida Power and Light Company. Also here with me, seated behind me are Steve Romig (phonetic) and Renee Deaton (phonetic) of FPL.

We support staff's recommendation. I understand why a program as contemplated by Mr. Balogh and Mr. Morgan would appear desirable or beneficial to customers. But, unfortunately, the reason it appears beneficial is that it would be a result of FPL's general body of customers subsidizing those few large customers who took advantage of it.

The simple fact of the matter is that getting money for a year where you are basically repaying the balance of that principal evenly over the course of the year is a very short-term form of financing. It's even less attractive than having the money, you know, the full principal balance for one year. FPL's rates for acquiring short-term financing are in the range of a couple of percent. And this program, unfortunately, just doesn't work at a discount that is based on a 2 percent or thereabouts return on investment.

It would be attractive to customers, certainly, if FPL were to offer a discount that was based on a 6, 7, 8 percent cost of money, but that's not what it would substitute for FPL. The result would simply be an increase in FPL's overall cost of capital, an increase that would be borne by the general body of customers as a subsidy of the few large customers who were taking the program.

There are some significant implementation costs. Indeed, FPL's sophisticated computer systems that are very good and very efficient when they are running are also relatively cumbersome to program for new different programs such as this. So there would be some costs of that sort, and I think that the presentation unjustifiably minimized those. But the simply fact of the matter is, the single number one driver that we are talking about here is the fact that a program that is only committing customers for a year, you know, where they in it for a year then out of it or renew the next year, that's a short-term source of funds. The current rates for short-term sources of funds are very low. It wouldn't drive a program like this.

There is a mention of discussions with Bank of America offering financing for the program at 250 basis points over LIBOR. LIBOR is pretty low right now. It is, I think, in the order of half a percent. But just do the math. I mean, even at half a percent or one percent, that would be 3.5 or 4 percent. So, in other words, Bank of America would be offering people money at 3-1/2 or 4 percent so they could prepay for something that FPL, unless it has its general body of customers subsidizing the program, could only afford to be paying what amounts to about one percent. Because with the declining balance on the principal, you're really looking at the equivalent of a half year's interest, and that is in the range, as I say, of about one percent.

Simply too low to justify this sort of program on an economics basis.

Mr. Morgan had some comments about FPL's profits, about FPL being a large well-run company and having the funds to be able to afford this sort of thing. That sounds nice, but really that's just another way of saying that he would like to see FPL subsidize those large customers. You know, FPL and its general body of customers could afford to absorb the cost of offering an unwarranted discount to large customers. We just don't think that's the right direction to take this. We think there is a significant distinction between the wholesale programs for prepayment, which are reasonably common throughout the country, and are driven by an IRS tax ruling that offers tax exempt financing for that sort of wholesale prepayment program and does not offer the same treatment with respect to retail prepayment. And, unfortunately, it's a good idea that just founders on the shoals of economics. Thank you.

COMMISSIONER SKOP: Thank you, Mr. Butler.

At this point I will look to the bench for any comments or questions.

Commissioner Edgar.

COMMISSIONER EDGAR: Thank you, Commissioner Skop.

I would just like to give the opportunity to Mr. Morgan and Mr. Balogh if there are any comments that they would like to make in response to Mr. Butler.

MR. MORGAN: I think one thing is that he implied, you know, what I was saying. I'm not smart enough to do that. You know, what I'm talking about is giving the customer a break, you know, if he can prepay. And I'm not talking about these large clients, I'm talking about all of your customers, you know, do that. But I think, again, you know, they don't have to apologize for making a profit. God bless them. You know, there is room in there to give and take a little. And as far as the laws go on long-term and short-term, they can dictate that themselves. They can make it one year, 18 months, they can make it whatever they want to.

So, you know, I'm not -- that's all I'm trying to do. You know, times are rough. You know, this started when we was trying to work our church. The budget is down. You know, people don't have jobs, and that is what I'm talking about. Give them an opportunity to save some money.

MR. BALOGH: I'd like to also mention that FPL pays 7 percent on deposits and right in front of you you have a successful program that is conducted in Ohio where the utility gave 10 percent. And, thirdly, in '95 when we were going to roll this program out as an FPL employee, there was no -- back then the discount rate was around 9.1, and the money that was available was at 4.5. There is a five point spread. Every customer will jump at that.

This little short-term stuff was never entered, and all the back office cost, that was never mentioned, either. Because I'm telling you this program -- I'm familiar with all of them. They are sophisticated enough to have -- rider codes are more sophisticated than just taking a prepayment. I mean, they do a lot of sophistication. This could be held and handled by their account management staff, and they have got the programs in-house to do this. So it is just who you believe, you know what I mean? That's what it boils down to.

MR. BUTLER: Mr. Chairman.

COMMISSIONER SKOP: Mr. Butler.

MR. BUTLER: I'm sorry. One thing I neglected to say earlier, and Mr. Balogh's return to the subject reminded me. I just wanted to clarify, FPL explored a program, did not implement it. It didn't implement it because it found the economics just didn't work for the prepayment program at the time. But that prepayment program involved prepaying for seven years, not for one year. And only by doing something that would be such an extended period of prepayment was it even in the ballpark of something that could be considered on a basis of sort of a longer term source of capital. As I say, even that program, after exploring it carefully, FPL did not pursue it.

COMMISSIONER SKOP: Thank you. Commissioner Edgar. All right.

Commissioners, we have heard from the parties. Are there any other questions from the bench? Commissioner Graham, you're recognized.

COMMISSIONER GRAHAM: Thank you, through the Chair.

Mr. Butler, you have mentioned implementation costs. Do you have any idea what implementation cost is ballpark?

MR. BUTLER: I do. Bear with me for just a moment.

UNIDENTIFIED SPEAKER: I can help him, if you would like to.

MR. BUTLER: I was going to say, I was actually referring to the staff recommendation. We are looking at an implementation cost on the order of about $733,000.

COMMISSIONER GRAHAM: Do you agree to the staff number?

MR. BUTLER: We do.

COMMISSIONER GRAHAM: Okay. I didn't know if you had something different than the staff's number.

MR. BUTLER: No. I'm sorry, we concur with those figures.

COMMISSIONER GRAHAM: So what I hear you saying, and let me know if I'm reading you wrong, FPL is not opposed to this, they just think that the discount rate that is being mentioned is way off.

MR. BUTLER: I think that's right. I think that in our view it would be hard to imagine how the discount rate that we could justify using would make the program attractive. But, fundamentally, yes, that's right, it's a question of the discount rate being out of line with what we would see as the cost of capital that it would be replacing.

COMMISSIONER GRAHAM: Okay. Thank you, sir.

MR. BUTLER: Certainly.

COMMISSIONER SKOP: Thank you, Commissioner Graham.

Any other questions? Commissioner Graham.

COMMISSIONER GRAHAM: I move staff recommendation.

COMMISSIONER SKOP: Okay. We have a motion to move staff recommendation on Item 4. Is there a second?

COMMISSIONER BRISÉ: Second.

CHAIRMAN ARGENZIANO: Second.

COMMISSIONER SKOP: All right. We have a motion and properly seconded. Any discussion? Hearing none, all in favor of the motion signify by saying aye.

(Vote taken.)

COMMISSIONER SKOP: All opposed? The motion passes. Thank you to the parties.

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STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 20th day of August, 2010.

Jane Faurot

JANE FAUROT, RPR
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Energy for Education II Program

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

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

Summary of Energy for Education Program II:

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

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

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

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

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

Parties/Staff Handout
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PREPAY CONCEPTS

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Parties/Staff Handout
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INVOLVEMENT

- DEPRESSED ECONOMY
- INABILITY TO MEET BUDGETS
- MEGA-CHURCH FINANCE COMMITTEE

- PREPAY CONCEPT CONCEIVED BY FPL
- PSC STAFF SHOULD FURTHER INVESTIGATE PREPAY CONCEPT
- SMALL PILOT PROGRAM

CONTRACT

- ONE YEAR PLUS MINIMAL CONTRACT
- TRUE-UP TO ACCOMMODATE CUSTOMER DYNAMICS AND FUEL COST ADJUSTMENTS
- CUSTOMER PAYMENT UP FRONT AMORTIZED OVER LIFE OF CONTRACT

DISCOUNT RATE BASED ON LONG TERM COST OF CAPITAL

- CUSTOMER, NO OTHER ELECTRIC PROVIDER OPTIONS (MUST PREPAY).
- CUSTOMER ASSUMES EQUITY RISK BY PREPAYMENT

- FPL PAYS 7% ON DEPOSITS
- PENNSYLVANIA UTILITIES PAY 7% ON PREPAY DOLLARS
- OHIO UTILITIES ALLOWED 10% DISCOUNT ON PREPAY

DISCOUNT RATE BASED ON LONG TERM COST OF CAPITAL

- CUSTOMER, NO OTHER ELECTRIC PROVIDER OPTIONS
  (MUST PREPAY).

- CUSTOMER ASSUMES EQUITY RISK BY PREPAYMENT

- FPL PAYS 7% ON DEPOSITS

- PENNSYLVANIA UTILITIES PAY 7% ON PREPAY DOLLARS

- OHIO UTILITIES ALLOWED 10% DISCOUNT ON PREPAY

Tuesday, Aug 17, 2010 03:13 PM

UTILITY COST TO IMPLEMENT NEGLIGIBLE

- IM SYSTEM
- SUMMARY BILLING
- STRATEGIC ACCOUNT MANAGEMENT SYSTEM
- ACCOUNT MANAGEMENT DEPARTMENT
- INTEREST EARNED FROM PREPAYMENTS AVAILABLE TO FPL
- REDUCED BACK OFFICE COSTS
- INCREASED WORKING CAPITAL
- REDUCED CREDIT AND COLLECTION COSTS
- CALL CENTER ACTIVITY REDUCED

NO REVENUE SHORTFALL

- INTEREST EARNED ON PREPAY AMOUNT
- COSTS SAVINGS ON BACK OFFICE AND REDUCED CALL CENTER ACTIVITY
- COST OF CAPITAL DISCOUNTED TO CUSTOMER

PREPAY PROGRAMS

- PREPAID METERS (NATIONWIDE)
- PREPAID CARDS
- PARTIAL PREPAY (PENNSYLVANIA)
- LONG TERM PREPAYMENT PROGRAM (OHIO)
- UTILITIES USE PREPAY CONTRACTS ON THE WHOLESALE SIDE OF BUSINESS
- FLORIDA UTILITY CUSTOMERS PREPAYING THRU RULE 25-6.0423
- ROCKLEDGE ENERGY CENTRAL FLORIDA

PREPAY ADVANTAGES

- PROMOTES ENERGY CONSERVATION
- CUSTOMER PAY ON FIXED BILLING AMOUNTS MORE SATISFIED (4YR.JD POWER SURVEY 2008)
- THIRD PARTY FINANCING AVAILABLE APPROX. 250BASIS POINTS OVER LIBOR
- NO CAPITAL EXPENDITURE
- OPTION OF PAYMENT METHOD INCREASES CUSTOMER SATISFACTION
- ULTIMATELY CUSTOMER CHOICE PROGRAM
- CUSTOMER CAN MORE ACCURATELY BUDGET

FPL ADVANTAGES WITH PREPAY

- REDUCTION IN BACK OFFICE BILLING COST
- INCREASE WORKING CAPITAL
- CALL CENTER ACTIVITY REDUCED
- FLOAT FOR UTILITY
- UTILITY CAN BETTER MANAGE CREDIT RISK
- ELIMINATION OF TIME BETWEEN DELIVERY AND RECEIPT OF REVENUE
- BUILT IN HEDGE AGAINST WEATHER CONDITIONS
- ASSISTS IN IMAGE OF VERTICALLY INTEGRATED COMPANY

RECOMMENDATION

- PSC STAFF SHOULD FURTHER INVESTIGATE PREPAY ONLY METERING/CARD PROGRAMS REVIEWED

- LIMITED PILOT STUDY

Tuesday, Aug 17, 2010 03:14 PM

QUESTIONS