BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.	DOCKET NO. 130223-EI ORDER NO. PSC-15-0026-FOF-EI ISSUED: January 7, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

APPEARANCES:

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On behalf of Florida Power & Light Company (FPL).

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On behalf of Daniel and Alexandria Larson (Larsons).

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On behalf of Marilynne Martin, et al. (Martin).

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On behalf of the Citizens of the State of Florida (OPC).

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On behalf of the Florida Public Service Commission (Staff).

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FINAL ORDER APPROVING NON-STANDARD METER RIDER

BY THE COMMISSION:

BACKGROUND

On August 21, 2013, Florida Power & Light Company (FPL) filed a petition for approval of an optional Non-Standard Meter Rider (NSMR) tariff. The tariff would be available to customers who elect to keep their non-communicating meters (meter) in lieu of the standard communicating smart meters. The tariff included a one-time enrollment fee of $105 and a monthly charge of $16. Order No. PSC-13-0469-TRF-EI, issued on October 14, 2013, suspended the proposed tariff pending further investigation.

By Order No. PSC-14-0036-TRF-EI, issued on January 14, 2014, we denied the tariff but gave FPL the option of filing for administrative approval a revised tariff on or before January 17, 2014, containing three adjustments: 1) extension of the recovery period for up-front system and communication costs from three to five years; 2) reduction in the number of customer care employees from four to one after year two; and 3) elimination of meter reading lead position after year two. The application of these adjustments results in a tariff with an one-time enrollment fee of $95 and a monthly fee of $13. FPL filed a revised tariff meeting these conditions on January 17, 2014. The tariff became effective June 2, 2014.

On February 4, 2014, Marilynne Martin (Martin), on behalf of herself and 19 other FPL customers, timely requested a formal evidentiary hearing on the tariff, as did Lucy Ahn (Ahn) and another group of approximately 100 FPL customers. Office of the Public Counsel's (OPC) notice of intervention in the docket had been previously acknowledged on September 24, 2013, by Order No. PSC-13-0437-PCO-EI. Daniel R. and Alexandria Larson (Larsons) filed to intervene on March 31, 2014, and were granted intervention by Order No. PSC-14-0177-PCO-EI, issued on April 18, 2014.

Order No. PSC-14-0104-PCO-EI establishing procedure was issued on February 18, 2014, and has been subsequently modified by Order No. PSC-14-0123-PCO-EI, issued on March 7, 2014, and Order No. PSC-14-0270-PCO-EI, issued on May 29, 2014. On February 21, 2014, FPL filed motions to dismiss those portions of the Ahn and Martin petitions raising health and safety issues associated with smart meters. On February 28, 2014, both the Ahn and Martin petitioners filed responses in opposition to FPL's motions to dismiss. Orders Nos. PSC-14-0145-FOF-EI and PSC-14-0146-FOF-EI, issued on April 1, 2014, granted in part and denied in part FPL's motions to dismiss. Motions for reconsideration of these orders were filed by both the Ahn and Martin petitioners on April 11, 2014, and subsequently denied by Order No. PSC-14-0261-FOF-EI, issued on May 23, 2014. Prehearing statements were filed by FPL, Larsons, OPC, Martin and Commission staff on August 15, 2014. On August 27, 2014, counsel for the Ahn petitioners filed a Notice of Withdrawal.

On September 10, 2014, an Order to Show Cause was issued requiring any member of the Ahn petitioners to file a prehearing statement in compliance with Order No. PSC-14-0104-PCO-EI, issued on February 18, 2014, or show cause why they should not be dismissed as parties from this proceeding. On September 15, 2014, Rachel Garibay-Wynnberry (GW) filed a compliant prehearing statement and Motion to Accept Prehearing Statement Out of Time and To Excuse Attendance at the Prehearing Conference. No objections to the motion were filed.

The final hearing was held on September 30, 2014 at which FPL, OPC, Larsons, and Martin petitioners participated. Each of these parties filed post-hearing briefs on October 27, 2014. We have jurisdiction over this matter pursuant to Sections 366.03, 366.041, 366.05, 366.06, and 366.07, Florida Statutes (F.S.), and Rules 25-6, 25-22, and 28-106, Florida Administrative Code (F.A.C.).

DECISION

Assessment of Costs

FPL's smart meter project was originally approved by this Commission as part of FPL's 2009 rate case.[1] Deployment of smart meters to residential customers was essentially completed by March of 2013. During the deployment, the company voluntarily created a postpone list and customers who objected to smart meters were able to request and receive a non-standard meter. This accommodation was temporarily provided at no charge to the individual customer. Witness Onsgard testified that following the conclusion of the smart meter deployment, the company asked for our approval of a NSMR tariff. Less than one half of one percent of FPL's customers requested to take service under a non-standard meter.

FPL made the decision to file the NSMR tariff based on its conclusion that since significant incremental costs would be incurred in providing non-standard meter service, it would be discriminatory to require standard meter customers to subsidize that service. FPL witness Deason testified that we have a long and consistent history of setting rates based upon a regulated utility's costs. We agree. We have consistently set rates based on the cost of the service and have allocated those costs to the customer or class of customers who have caused those costs to be incurred. Order No. PSC-05-1033-PAA-EI, issued October 21, 2005, in Docket No. 040789-EI, In re: Complaint of Wood Partners against Florida Power & Light Company concerning contributions-in-aid-of-construction charges for underground distribution facilities, at page 3 ("The rule and tariff provisions discussed above reflect this Commission's long-standing policy that, where practical, persons who 'cause' costs to be incurred should bear the burden of those costs."); Order No. PSC-14-0191-FOF-EI, issued April 23, 2014, in Docket No. 130290-EI, In re: Initiation of formal proceedings of Complaint No. 1115382E of Brian J. Ricca against Florida Power & Light for failing to provide reasonable service; Order No. 13427, issued June 15, 1984, in Docket No. 810100-EU, In re: Investigation of the appropriate accounting and ratemaking treatment of Nuclear Powered generators, pages 3-4 ("Establishing a funded reserve and revising the accrual created a proper recovery of decommissioning expense on the utilities' books, but it didn't match cost-causers with the costs they cause. Fairness dictates that those receiving services and imposing costs be obligated to pay those costs, instead of placing the risk of recovery on other ratepayers who may not get service from the nuclear units. Changing the

[1] Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company, and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by Florida Power & light Company.

rates paid for service is necessary to place the cost on the cost-causer."); Order No. PSC-00-1237-TRF-WU, issued July 10, 2000, in Docket No. 000552-WU, In re: Tariff filing by Palm Cay Utilities, Inc. in Marion County to establish a late payment charge, at pages 2-3 ("We believe that the cost causer should pay the additional cost incurred to the utility by late payments, rather than the general body of the utility's ratepayers.").

Notwithstanding our policy, Martin argues that applying it in this case is inappropriate for several reasons. First, since customers have been receiving service from non-smart meters in the absence of a tariff since the time of the 2012 FPL settlement, continuing this service is not an optional service, since the continuation of a previous offering is not a "new optional service." Second, customers who opt out of the AMI program impose little, if any, incremental costs on FPL's cost of service. Third, FPL should be required to wait until its next full rate case because a complete cost of service study is necessary to accurately identify both the costs and savings associated with the NSMR. Fourth, application of the "cost-causer principle" "appears to be discretionary, not mandatory." In support of this conclusion, Martin points to the fact that FPL does not charge for Spanish language service, telephone service for the deaf (TDDY), or budget billing.

With regard to Martin's first argument, the smart meter became the standard meter as a result of our decision in FPL's 2009 rate case. That decision is final and not at issue here. This contention was thoroughly discussed and rejected in Order Nos. PSC-14-0145-PCO-EI and PSC-14-0146-PCO-EI, issued April 1, 2014, in this case. In short, the smart meter is not "new service," it is standard service. Witness Martin testified that she disagrees with FPL that the optional NSMR tariff is similar to undergrounding distribution service contending that "for burial of overhead wires, it is clearly a new service, and the company's efforts to initiate improvements to the transmission lines are measured and quantifiable." Witness Martin further stated that the NSMR tariff "clearly falls outside of normal, customer support and service delivery guidelines for on-going operations." We agree with FPL Witness Deason that the only distinction in categorization between undergrounding distribution service and non-standard meter service is that one is subject to a rule and the other is not. We also agree that this is a distinction without a difference. Both are optional services and should have tariffed charges.

With regard to Martin's second contention that there is little incremental cost associated with providing the NSMR service, FPL has provided, with the exception of the adjustments discussed below, competent and substantial record support for upfront and one-time costs per NSMR customer of $310[2] based on 12,000 program participants, and monthly costs per meter of $8.76.

Regarding Martin's third argument, we find that a full rate case cost of service study is not necessary prior to the imposition of a charge for non-standard meter service. We agree with FPL witness Deason that the Commission can and does approve tariffs for optional services outside of a rate case. We are also persuaded that waiting until the next rate case to introduce a

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[2] Excludes revenue requirements.

new service would cause an unnecessary delay in implementing the NSMR tariff resulting in cross-subsidies.

As to Martin's fourth argument, FPL witness Deason testified that providing Spanish speaking customer service representatives is now a standard business practice since the availability of dual language service provides for greater efficiency of operations resulting in lower administrative costs. With respect to budget billing, in Order No. 10047 we held that budget billing provides benefits in excess of the administrative costs of providing the program.[3] We find this testimony and our previous decision to be persuasive on this issue.

Although the Larsons agree that persons who choose the NSMR tariff should pay a nominal fee, they argue that the NSMR tariff should not be approved until the previously projected AMI cost savings are achieved by FPL. As previously discussed, the purpose of this proceeding is not to relitigate whether AMI deployment is prudent and should be undertaken. We have already made that decision.[4] Accordingly, we find this argument irrelevant to the issue in dispute here.

OPC did not take a specific position on whether there should or should not be a tariff. However, on pages 5-6 of its post-hearing brief OPC states:

> Although the OPC is not advocating for a change in the NSMR tariff rates, it is important to re-emphasize that our basic position is that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers including those who are being served through the "Smart Meter."

Therefore, consistent with our policy and the record in this case, we find that it is appropriate for customers who choose to receive service through a non-standard meter to bear the incremental cost incurred by FPL in providing that service.

Staffing levels

During our staff's review of FPL's original petition filed on August 21, 2013, two adjustments to FPL's proposed staffing levels for the NSMR program were recommended: (a) reduction in the number of customer care employees from four to one employee after year two; and (b) elimination of the meter reading lead position after year two. Based on the removal of these costs, we approved an Enrollment Fee of $95 in lieu of FPL's proposed Enrollment Fee of $105. The revised tariff filed by FPL on January 17, 2014 reflects this amount.[5]

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[3] Order No. 10047, issued June 5, 1981, in Docket No. 800110-EU, In re: Consideration of lifeline rates as requested by Public Utilities Regulatory Policies Act of 1978.
[4] Order No. PSC-14-0145-PCO-EI, issued April 1, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company; Order No. PSC-14-0146-EI, issued April 1, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.
[5] Order No. PSC-14-0036-TRF-EI, issued January 14, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

The record supports that the costs of performing the customer care enrollment and meter routing functions are: (a) primarily attributable to the incremental number of full time equivalent positions (FTEs) assigned to perform the work; and (b) are heavily weighted in terms of timing to the initial enrollment of NSMR customers at the beginning of the program. FPL projected the need for four FTEs for Customer Care and one FTE for Meter Reading Routing. The duties described for these five incremental FTEs reflect the concept that much of the workload was envisioned to occur at the beginning of the initial implementation of the NSMR program.

FPL stated that the four customer care employees would be responsible for handling customer enrollment mailings and calls related to enrollment in the NSMR program, general program inquiries and follow-up calls. Witness Onsgard testified that the Care Center had already experienced 15,000 calls to date in comparison with FPL's projection of 10,000 calls. However, the Care Center workload decreased following the 90-day enrollment period that ended May 31, 2014, and it is expected that going forward, the customer care workload would continue at a level lower than what occurred in July 2014. This is borne out by the fact that the Care Center received 6,253 calls in April 2014 during the middle of the enrollment period versus 452 calls for the period July 1-25, 2014.

Based on the record, we find that the four incremental FTEs for customer care were fully utilized during the initial 90-day enrollment period. However, after the initial enrollment period, the level of effort necessary to support the program decreased significantly. Therefore, we find that the appropriate incremental staffing levels for customer care are four employees for the three-month enrollment period and one employee for the remainder of the five-year recovery period for the NSMR Tariff. This adjustment results in a reduction of FPL's one-time costs per meter of $5.13.

FPL projected an incremental need for one meter reading lead position who would be responsible for creating efficient manual meter reading routes for customers enrolling in the NSMR program and for the maintenance of routes as additional customers are added and removed. The meter reading routing workload following the 90-day enrollment period peaked in July 2014 as customers continued to make choices during the 45-day grace period window.[6] For purposes of comparison, the number of reroute transactions averaged 259 per month during the enrollment period that ended May 31, 2014. The number of transactions dropped to 178 in June 2014 and then increased to 307 during the period July 1-15, 2014. Now that the grace period has expired for all of the initial NSMR program participants who enrolled during the 90-day enrollment period, we find that the level of effort necessary to support the program will decrease.

We find that the one incremental FTE for the meter reading lead position was fully utilized during the first six months of the NSMR program. For the remaining 4.5 years of the five-year recovery period for the NSMR Tariff, we are persuaded that the routing work can be

[6] In the "Special Provisions" section of the NSMR Tariff, there is a provision that allows NSMR customers a grace period of 45 days following the initial billing of NSMR charges to contact FPL requesting cancellation of service under NSMR and accept installation of a standard communicating meter. NSMR charges that have been billed (Enrollment Fee and Monthly Surcharge) are waived after installation of the standard communicating meter.

absorbed by other staff. This adjustment results in a reduction of FPL's one-time costs per meter of $10.78.

Therefore, we find that the appropriate FPL staffing levels for customer care employees are four employees for the initial three-month enrollment period and one employee for the remainder of the five-year recovery period for the NSMR Tariff. Further, we find that the appropriate staffing levels for the meter reading routing function are one employee for the initial six months of the NSMR program. The cumulative effect of these two adjustments, which reduce FPL's one-time costs per meter, results in a recommended Enrollment Fee of $89 (rounded).

Cost components and rate design

The NSMR tariff has two basic components: an Enrollment Fee and Monthly Surcharge. Conceptually, the use of an Enrollment Fee to recover a significant portion of the upfront costs that are more fixed in nature and the use of a Monthly Surcharge to recover recurring costs and any remaining unrecovered upfront costs is a reasonable approach to a basic NSMR Tariff design and we approve it.

Exhibit 5 submitted in the record shows the cost analysis that FPL used in its initial petition for the NSMR Tariff on August 21, 2013. Although FPL used a 5-year period to calculate depreciation expense and return on rate base, FPL proposed to recover those costs over a 3-year period. We find it appropriate to extend the recovery period from three years to five years so that the recovery period matches the period over which the rate base is being depreciated.[7] This decision results in an adjustment of $2.48 ($7.14 to $4.66) to the Monthly Surcharge.

We have considered Martin's argument that a separate fee be established to recover the costs of field meter visits to NSMR customer premises at the time they are incurred. Witness Martin testified that the initial enrollees in the NSMR program would elect to keep their existing meters and would not require a field meter visit at that time. FPL witness Onsgard acknowledged that every effort was made to leave non-standard meters in place for customers enrolling in the NSMR program and that for these customers, a site visit would not be necessary to install a non-standard meter at the time of the customer's enrollment. Witness Martin also testified that subsequent to the initial NSMR enrollment period, there may be a justification for a charge for a field meter visit that would be incurred to install a non-standard meter when a prospective NSMR customer begins receiving service.

We find that the establishment of a separate charge for field meter visits potentially could be more harmful than beneficial to customers since as stated by witness Onsgard the requirement for random meter sampling could result in a customer being chosen for meter testing more than once or not at all in the five year recovery period. Recovering this cost through the Enrollment Fee and Monthly Surcharge reflects an average cost approach to rate design traditionally used by this Commission.

Upfront and one-time costs

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[7] See Order No. PSC-14-0036-TRF-EI, issued January 14, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

Upfront costs consist of system costs and communication costs of $2,093,054 and $368,000, respectively. The upfront system costs are associated with the following: (a) changes to FPL's customer information system, billing system, and enrollment system; (b) handheld devices for meter reading based on an assumed program participation rate of 12,000 customers; and (c) changes to systems to identify and handle collection issues. The upfront communications costs are associated with the customer brochures, research, and the mailings that comprised FPL's marketing and communication plan to implement the opt-out program.

Based on a projected number of 12,000 NSMR customers, FPL identified one-time costs of $11.30 per customer for care center enrollment, customer inquiries, and follow-up costs. Consistent with our adjustment to customer care employee staffing levels discussed above, we find that an adjustment of $5.13 to this expense is also warranted reducing the total charge for this component to $6.17.

FPL identified one-time costs of $11.98 per customer for routing changes associated with the meter reading workflow for non-standard meters. Costs associated with the revision of meter reading routes as identified by FPL are shown separately from the costs FPL identified as being associated with ongoing monthly manual meter readings of non-standard meters. Consistent with our adjustment to meter reading routing staffing levels discussed above, we find that an adjustment of $10.78 to this expense is warranted for a total charge of $1.20 for this component.

FPL identified one-time costs of $5.00 per NSMR customer associated with costs performed by FPL's Meter Test Center to do one meter test based on an assumption that one-third of the NSMR meters would be tested over three years. FPL provided additional information in support of the assertion that based on the meter types of the currently enrolled NSMR meters, a significantly larger number of NSMR meters will be required to be tested over the next five years. Our discussion of this item will be handled in two parts: (a) a discussion of the $5.00 cost identified by FPL; and (b) a discussion of the points raised by the parties regarding the nature of the meter testing process.

FPL estimates that the Meter Test Center's cost to do one meter test is $15.00; the $5.00 cost identified by FPL assumed that one-third of the NSMR meters would be tested over three years. Witness Martin testified that the one-time cost for meter testing should not be allowed because these costs are already included in base rates. Witness Onsgard stated that the costs for testing of non-standard meters installed for NSMR customers are incremental costs that FPL would not incur but for the customers electing to receive non-standard service. FPL provided additional support for its one-time costs associated with meter testing which demonstrated that FPL projects an under-recovery of its costs attributable to non-standard meter testing over the next five years. Based on the record, we find that the costs identified by FPL for the testing of non-standard meters are reasonable.

Commission Rules 25-6.052, F.A.C., Accuracy Requirements and Test Plans for Metering Devices, and 25-6.056, F.A.C., Metering Device Test Plans, set forth the requirements that FPL and other investor-owned utilities in Florida must follow in the development and submission of meter test plans for our approval. The current Commission-approved meter test plan under which FPL operates is entitled "Test Procedures and Test Plans for Metering Devices," dated June 17, 2008 (Meter Test Plan). Witness Onsgard stated that the NSMR meters were stratified by manufacturer and meter model into homogenous populations (*i.e.*, lots). In accordance with Rule 25-6.056, F.A.C., these populations of in-service meters are required to be sample tested, or if not tested as otherwise required, must be replaced. The sample sizes of these populations were determined from FPL's Meter Test Plan, Table 3. Witness Onsgard also stated that FPL would not test NSMR meter types if the statistically required sample size as shown in Table 3 of the Meter Test Plan is equal to or greater than the remaining population of a given meter type. In that instance, FPL would still be required to make site visits to remove the meters and replace them with another non-standard meter, but accuracy testing would not be needed as there would be no more of that meter type in the field.

FPL provided a schedule for the testing and replacement of non-standard meters pursuant to the Commission-approved Meter Test Plan for the next five years ("FPL NSMR Meter Test Analysis – July 2014"). This test schedule indicates that the current population of non-standard meters for NSMR customers is comprised of approximately 70 different meter types. Pursuant to the Meter Test Plan, more than 5,000 meters will need to be tested or replaced during the next five years.

During cross-examination Witness Onsgard was unable to explain why the required sample sizes shown in the FPL NSMR Meter Test Analysis were often higher than those required by Table 3 of the Meter Test Plan. In its post-hearing brief, FPL noted that using the lower number of meters to be tested found in the Meter Test Plan rather than the FPL NSMR Meter Test Analysis still indicated that more than 5,000 non-standard meters would need to be sampled over the next five years. This conclusion is consistent with Witness Onsgard's testimony and an independent analysis performed by our staff.

Some of the diversity in non-standard meter types may have been an inadvertent result of FPL's attempts to accommodate NSMR customers' requests to keep their existing non-standard meters whenever possible. FPL provided a schedule of the 3,250 meters that had been left in place through July 31, 2014 for customers who were on the postpone list and are now enrolled in the NSMR program. This schedule is comprised of approximately 60 different meter types. For 14 meter types, the average age of the meters in each different meter type is greater than 40 years.

We find FPL's assertion that more than 5,000 meters will need to be tested or replaced during the next five years pursuant to the Meter Test Plan to be credible. We also find FPL's assumption that an average of one site visit per NSMR customer during the next five years would be required to be supported by the record. The one-time costs identified for the field visit include labor and vehicle expenses and total $77.06 per NSMR customer which we find to be reasonable.

Taking into account the adjustments to one-time costs and staffing levels discussed above, the Enrollment Fee totals $89 (rounded) which we hereby approve.

<u>Monthly costs per meter</u>

FPL identified monthly costs per meter of $6.81 and $0.05, respectively, for monthly manual meter reading and monthly safety costs. Witness Onsgard testified that costs were projected for the required effort to manually read meters monthly for customers who enroll in the NSMR program. These costs include salary, vehicle cost for miles driven, supervision, and employee-related expenses. With regard to safety-related costs, witness Onsgard testified that because additional meter readers and field meter personnel will continue to make field visits, they will continue to be exposed to danger and risk in the field. The projection of safety costs in this area is attributable to the need to continue to have employees in the field and is based on historic OSHA (Occupational Safety and Health Administration) and vehicle accident claims. We find this evidence to be credible and therefore find that the costs identified by FPL associated with monthly meter reading and safety to be reasonable.

The Larsons and Martin argue that FPL's requirement for a manual monthly meter reading should be modified by alternatives such as self-read options or the use of estimated billing in order to reduce the costs of subscribing to the NSMR tariff.

FPL considers customer self-reads to be estimated readings and argued that there are operational disadvantages with using estimated readings. Operationally, these methods cannot be used in and of themselves for accurate meter reading as they would require FPL meter readings to true up the accounts which would result in over/under billings that adversely impact either the customer or FPL. Operational impacts from estimated billings include increased work in customer accounting due to required billing validations and reviews, the need for manual rereads and rebilling, and increased calls to customer care. FPL also stated that it does not currently have a program for customers to send or call in meter readings. If FPL was required to have a customer read program, there are significant costs and operational processes that would need to be understood prior to implementation. In addition to the cost and operational changes required to implement a customer read program, there are potential issues including misreads, failure of customers to read the meter on the scheduled read date, and customers who may be unable or unwilling to read their meter.

We are convinced that there are problems inherent in alternatives to FPL reading each NSMR meter every month. Further, Rule 25-6.099, F.A.C., infers a meter reading will be conducted by a utility rather than its customers. After a thorough analysis of the evidence we find that a manual monthly reading requirement by FPL is reasonable and justified.

FPL identified monthly costs per meter of $0.40 for billing and project support operational costs. Witness Martin testified that the monthly billing and support costs should not be allowed because these costs should be considered project costs for which FPL bears some responsibility. FPL provided additional support for its monthly billing and project support operational costs. Based on the record, we find that the costs identified by FPL are reasonable.

FPL identified monthly costs per meter of $0.45 associated with field visits for collections ($0.08) and manual disconnects/reconnects ($0.37). Witness Martin testified that these monthly costs for field collections and manual disconnects/reconnects should not be assessed to all NSMR customers because it would be unfair to penalize good paying non-standard meter customers with additional costs. We find Witness Martin's testimony that good paying non-standard meter customers should not be penalized with these additional costs to be persuasive and remove these charges from the monthly costs.

FPL identified monthly costs per meter of $0.10 associated with truck rolls related to non-standard meter calls that could have been resolved without a field visit if the customer had a smart meter. Witness Onsgard testified that truck rolls are avoided when a smart meter customer inquires about an outage and an FPL representative is able to remotely determine that the customer's smart meter is receiving power, and that the outage is caused by customer-owned equipment. Witness Martin testified that costs associated with truck rolls to investigate power outages should not be applied to all NSMR customers and that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage.

We find that the costs identified by FPL associated with truck rolls to physically investigate outages are reasonable. We do not find that the recommendation by Martin that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage to be persuasive. Witness Onsgard testified that concerns with the approach proposed by Martin included additional costs to make customer information system modifications and the possibility that individual NSMR customers might have to pay a potentially significant fee that would be charged all at once or perhaps more than once. Evidence was presented by FPL that the average cost of an outage investigation is $182. Therefore, we agree that the payment of a separate service visit fee under these circumstances has the ability to create a hardship for customers and reject it on that basis.

FPL identified monthly costs per meter of $0.95 associated with project management. Witness Martin testified that the costs associated with having a project manager for the non-standard meter program should not be allowed because this function can likely be absorbed through an existing position. FPL provided additional support for its project management costs and we find that these costs are reasonable.

Based on our adjustments to extend the recovery period, remove field collection costs and remove disconnect/reconnect costs, the total Monthly Surcharge is $13 (rounded).

<u>Multiple meters</u>

Martin argues that customers with multiple non-standard meters at the same address should not have to pay multiple Enrollment Fees. The Larsons agreed with Martin, arguing that permitting FPL to recover multiple enrollment fees for meters at the same property would represent a "multi-million dollar giveaway" for FPL.

The Larsons provided no evidence at all to support their allegation that imposing multiple enrollment fees at properties with more than one standard meter constitutes a "multi-million dollar giveaway." Witness Martin argued that the charge is not cost-based because the costs assume multiple truck rolls, which "will not occur." Witness Martin's argument appears to assume a simultaneous move to non-standard meters at a single location. We believe whether this occurs, and how often, is speculative at best. There is no evidence to support witness Martin's apparent assumption.

FPL's rates are based on the use of average costs, so that customers pay the same charge whether they live in higher density areas (e.g., multi-unit buildings) or lower density areas (e.g., a rural customer or a single NSMR customer on a street or in a subdivision). Without the use of average costs, an NSMR customer in a low density area would likely pay a higher enrollment fee than a condominium customer, for example.

The use of average costs is reasonable because the result does not favor one customer over another based on where the customer lives and how many other neighbors (customers) may elect to participate in the NSMR. We find that requiring multiple enrollment fees of customers with several non-standard meters at the same location is also consistent with OPC's position. Therefore, customers with several non-standard meters at the same property locations shall pay multiple enrollments fees, i.e., one enrollment fee per meter regardless of the location of the meter.

Cost savings

Witness Martin testified that FPL's tariff filing should have considered the possibility of cost offsets in the following areas:

- Manual smart meter activation and enrollment in smart meter services;
- Data storage and software licensing;
- Energy dashboard savings from reduced calls to the care center from non-standard service customers because they do not have access to the dashboard; and
- Depreciation savings from longer useful lives of non-communicating meters.

Martin also argued that the additional variable costs identified by FPL for smart meter communication repairs should be further reviewed by the Commission.

FPL Witness Onsgard testified that there have been no actual cost savings associated with customers who enroll in the NSMR Tariff that justify a modification of the tariff rate. FPL also identified costs associated with smart meter communication failures that were not reflected in its incremental cost study. Witness Onsgard testified that while both smart meters and non-standard meters require costs to maintain, FPL spends approximately $0.07 more per month per meter for smart meter communication repairs. However, FPL stated that these potential savings to NSMR customers were outweighed by $0.75 per month per NSMR customer for customer advocacy activities that represented incremental costs not included in the NSMR tariff.

OPC did not take a specific position on this issue. However, in its post-hearing brief, OPC emphasized its basic position that any tariff we finally approve for customers to take service through a meter other than a standard meter should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the standard meter. OPC further argued that we have wide latitude in setting rates for a discretionary tariff like the NSMR and urged us to consider all our options and weigh them in the interest of all FPL customers.

The Larsons agreed with Martin that the avoided cost of not having to install a smart meter, and related ROE and depreciation, should be offset from the NSMR charges for customers who keep their existing meter. Additionally, the Larsons propounded that the NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR Tariff.

We conclude that the evidence in this case did not show that service under the NSMR tariff produced material savings that could be used to offset the NSMR charges. FPL completed a comprehensive analysis of non-standard meter costs and savings and determined that there were no cost savings related to providing non-standard service. Witness Onsgard testified that: (a) NSMR customers actually are a cost driver in the activation process; (b) data storage and software licensing costs are incurred on an enterprise-wide basis; (c) having a smart meter versus not having a smart meter did not change the care center call rate between the two populations; and (d) NSMR customers require FPL to maintain inventories of non-standard meters for repairs, as well as smart meters in case the non-standard customer moves or requests standard meter service. Other potential savings identified by the parties such as by-passing the activation process, reduction in licensing costs, data processing, avoiding the use of technology features like the energy dashboard and depreciation reductions, are simply too speculative to be relied upon to adjust costs. Given these facts, we find that no adjustments shall be made to the NSMR Tariff with regard to reduced workload for enrollment in smart meter services, data storage and software licensing, energy dashboard savings, and depreciation savings.

Number of customers

In developing its NMSR Enrollment Fee and Monthly Surcharges, FPL projected the initial opt-out population to be 12,000 customers. The first part of FPL's analysis to project the number of customers who would ultimately choose to take service under the NSMR tariff was to identify utilities throughout the United States that transitioned from postpone lists to specific opt-out programs. FPL found that between 17 percent and 72 percent of these customers made the choice to move from a postpone list to an opt-out program. FPL applied these percentages to its postpone list, which resulted in a range of 4,080 to 17,280 (midpoint of 10,680) customers out of the 24,000 customers FPL had on the postpone list at that time. FPL then analyzed additional data from other programs to identify the number of smart meter eligible customers who had chosen to pay a fee to opt-out, regardless of whether there had been an initial postpone list. The results of that analysis were a range of 0.02 percent to 0.5 percent, with a midpoint of 0.26 percent or approximately 11,700 FPL customers. FPL assumed a small number of customers that FPL was unable to contact might choose to become NSMR customers and thereby reached the 12,000 number used in its projections.

Currently there are approximately 6,700 customers enrolled in the NSMR tariff, substantially less than the projected population of 12,000 that was used to calculate the NSMR charges. However, Witness Onsgard maintained that 12,000 is an appropriate set point for the NSMR tariff since the fees, costs and the participation rate will be reviewed annually.

Witness Martin testified that there is evidence that 24,000 to 36,000 customers have substantial reservations about the program since they signed up for the initial postpone list prior to any suggestion of an opt-out charge. According to Witness Martin, FPL's use of a lower number artificially increases the cost per customer which serves to exclude the fixed and lower income customers. We reject this argument because it is reasonable to expect that some customers on the postpone list would be willing to use a smart meter rather than pay additional charges. The Larsons stated in their brief that the projected number of customers should include the business customers who do not have a smart meter installed, even though deployment of smart meters to commercial and industrial customers is incomplete. We do not find this argument persuasive since the record provides no way to gauge business customer interest in retaining a non-standard meter.

The NSMR tariff includes the following language in the application provision: "This is an optional Rider [sic] available to customers served under a standard or optional rate schedule for which a communicating smart meter is the standard meter service." FPL has completely deployed and activated smart meters for residential and small business customers. That being the case, small business customers who choose to opt out are currently required to take service under the NSMR tariff. Of the approximately 6,700 customers enrolled in the NSMR tariff, about 300 are small business customers.

FPL is currently completing their commercial/industrial deployment. We find it reasonable to expect that some commercial/industrial customers will elect to retain their meter and therefore will be required to take service under the NSMR tariff once the deployment of commercial/industrial customers is complete and smart meters will be considered standard service for commercial/industrial customers. Therefore, we conclude that the use of the 12,000 customers is appropriate. We also note that using 7,000 customers as opposed to 12,000 customers raises the Monthly Surcharge by $5-$6 if the Enrollment Fee is held constant.

Annual report

Presently, Order No. PSC-10-0153-FOF-EI[8] requires FPL to file annual smart meter progress reports on its implementation of smart meters in the Energy Conservation Cost Recovery (ECCR) docket. FPL stated that it intends to include in its annual smart meter progress report actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of Enrollment Fees and Monthly Surcharge payments.

OPC recommended that FPL disclose the number of NSMR customers and to report all costs associated with maintaining the tariff on a basis such that it is possible to determine if any price adjustments are warranted. The Larsons recommended that the additional information include the number of smart meters deployed, the total number of FPL customers that do not have a smart meter installed, NSMR customers who have retained their analog meter, the number of annual smart meter failures, total smart meter failures to date, and any other information that the Commission deems appropriate. Martin did not make specific recommendations, but rather recommended that the reporting be totally revamped. Martin argued that we should develop "more stringent requirements" because, for example, the 2011 and 2012 reports provided no updated project costs and savings projections and did not report that customers objected to smart meters.

Five years from the effective date of the NSMR tariff is an important milestone. The upfront system and communications costs and one-time costs recovered through the Monthly Surcharge should be fully recovered at the end of this five-year period; thus, it is possible adjustments to the Monthly Surcharge may be warranted at that time. For that reason, we find that through March 2019 or until its next rate case, whichever occurs first, FPL shall file actual participation rates, actual costs associated with the operation and administration of the program,

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[8] Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by FPL and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by FPL.

and actual revenues received in the form of Enrollment Fees and Monthly Surcharge payments in its smart meter progress reports. This will allow us to monitor the participation rate for the NSMR tariff.

Terms and conditions

FPL argues that the terms and conditions currently contained in the NSMR tariff are appropriate. The Larsons contend that customers should not be "forced to accept" an NSMR tariff until FPL's promised cost savings are delivered. Martin argues that the terms and conditions of the tariff need to include credits where services are not performed, referring specifically to estimated bills and the temporary replacement (less than 30 days) of a non-standard meter with a standard meter. According to FPL, estimated bills are issued only if the FPL meter reader is unable to access the meter for reading. Temporary replacements of non-standard meters with standard meters typically last 5 to 10 weekdays, assuming normal operations. However, if an NSMR customer is required to have a standard meter for more than one full billing cycle, FPL has stated that it will suspend the monthly NSMR charge until a non-standard meter is installed and has proposed the following tariff language to address this instance:

> Under normal operating conditions the use of a temporary standard meter should not exceed one full billing period. If the customer who is taking service pursuant to the NSMR tariff is required to have the standard meter for more than one full billing cycle, FPL will suspend the Monthly Surcharge until a non-standard meter is installed.

We find that estimated bills are only generated when the meter is inaccessible to FPL and cannot be read; therefore, we agree that a credit is unnecessary. The record before us contains no evidence to support a credit for less than one full billing period when a temporary replacement of a non-standard meter with a standard meter occurs. We further find that one full billing period is a reasonable amount of time to use to determine whether a credit shall be issued when a temporary meter replacement occurs and approve FPL's proposed tariff language as stated above.

NSMR charges

Based on our decisions on the issues discussed above, we find that an Enrollment Fee of $89 and Monthly Surcharge of $13 are appropriate NSMR tariff charges. Per Order No. PSC-14-0036-TRF-EI, the current NSMR tariffs impose a $95 Enrollment Fee and $13 Monthly Surcharge subject to refund. Having approved a reduction in these charges, FPL shall provide refunds to NSMR customers that paid the current charges within 45 days of the date of this order. FPL shall also file a revised NSMR tariff within 10 days of the Commission's vote for administrative approval by our staff.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's proposed non-standard meter rider tariff is hereby approved as set forth herein in the amount of an $89 Enrollment Fee and $13 Monthly Surcharge. It is further

ORDERED that pursuant to Order No. PSC-14-0036-TRF-EI, Florida Power & Light Company shall provide refunds to NSMR customers who paid the current charges of a $95 Enrollment Fee and $13 Monthly Surcharge within 45 days of the date of this order and file a revised NSMR tariff within 10 days of our vote for administrative approval by our staff. It is further

ORDERED that through March 2019 or until Florida Power & Light Company's next rate case, whichever occurs first, the company shall annually file the following information regarding the non-standard meter rider tariff: actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of customer Enrollment Fees and Monthly Surcharge payments. It is further

ORDERED that the effective date of Florida Power & Light Company's non-standard meter rider tariff shall be January 2, 2015, the start of the first full billing cycle after our vote. It is further

ORDERED that this docket shall be administratively closed after any motions for reconsideration are disposed of and the time for filing an appeal of the final order issued in this docket has run, Florida Power & Light Company has made refunds to its existing non-standard meter rider customers who have paid the current charges, and Florida Power & Light Company has received our staff's approval of a revised NSMR tariff reflecting our vote.

By ORDER of the Florida Public Service Commission this 7th day of January, 2015.

Carlotta S Stauffer

CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.