

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 7, 2016
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Adria E. Harper, Senior Attorney, Office of the General Counsel *AEH*
RE: Docket No. 150222-EU

Please place the attached letter and enclosures in Docket No. 150222-EU.

Thank you.

RECEIVED-FPSC
2016 JAN -7 AM 8:40
COMMISSION
CLERK

COMMISSIONERS:
JULIE I. BROWN, CHAIRMAN
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

STATE OF FLORIDA



CAPITAL CIRCLE OFFICE CENTER
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL 32399-0850

Public Service Commission

January 7, 2016

Joint Administrative Procedures Committee
Room 680, Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1400

Re: Docket No. 150222-EU- Petition for variance and waiver of certain contractual requirements in Rule 25-6.049(5) and (6), F.A.C., by 4111 South Ocean Drive, LLC

Dear Ms.:

In accordance with Section 120.542(8) Florida Statutes, attached for your reference is a copy of the Notice of Proposed Agency Action Order in the above-referenced docket. The Order granted 4111 South Ocean Drive, LLC's request for a waiver of certain provisions of Rule 25-6.065, Florida Administrative Code. The waiver was granted on December 15, 2015.

Please contact me at 850-413-6082 if you have any questions or concerns. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Adria E. Harper".

Adria E. Harper
Attorney

AEH

Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for variance from or waiver of
Rule 25-6.049(5) and (6), F.A.C., by 4111
South Ocean Drive, LLC.

DOCKET NO. 150222-EU
ORDER NO. PSC-15-0565-PAA-EU
ISSUED: December 15, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RULE WAIVER

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. Background

4111 South Ocean Drive, LLC, (the "Developer"), the developer of the condominiums located at 4111 South Ocean Drive, Hollywood, Florida 33019 ("4111"), requests a waiver of the requirements of Rule 25-6.049(5) and (6), Florida Administrative Code (F.A.C.). The rule sets forth the conditions under which individual occupancy units in residential and commercial buildings must be metered for their electricity use. The rule requires that all occupancy units at 4111 must be individually metered by the utility unless 4111 meets one of the exemptions set forth in paragraphs (a) through (g) of the rule. The Developer seeks a waiver from this requirement for 4111. If granted, the rule waiver would allow the installation of a single master meter to measure usage for all of the residential units at 4111. The waiver is sought because the Developer contends that 4111 will operate in a manner similar to hotels and motels, which, under paragraph (d) of the rule, are not required to be individually metered. We designated Mr. Marc Mazo as a qualified representative to represent the interests of the Developer in this docket by Order No. PSC-15-0352-FOF-OT, issued September 1, 2015.

Notice of the petition was published in the Florida Administrative Register on October 14, 2015. The comment period expired on October 28, 2015, and no comments were received.

II. Request for Rule Waiver

The petitioner, the Developer, is the operator of 4111 South Ocean Drive, Hollywood, Florida, which is located in Florida Power & Light Company's (FPL) service area. The Developer states 4111 is under construction and that before or upon its completion, 4111 will be named Hyde Resort and Residences and will register and be licensed as a hotel and resort as defined in Section 509.242(a), F.S. Upon receiving its registration and license by the Florida Department of Business and Professional Regulation to engage in the business of transient lodging, 4111 will register with the Florida Department of Revenue to collect and remit sales taxes on revenue realized from providing such transient accommodations. 4111 will be in direct competition with hotels, motels, and resorts in the area.

The Developer states that 4111 will consist of 367 "resort" units, which are restricted by the City of Hollywood to stays of no more than 150 days in any consecutive 12 month period by the same occupant. No permanent residency will be allowed in the 367 resort units. Additionally, there will be 40 traditional condominium units, which will be sold with the intent to operate as a part of the hotel. There will also be 3 commercial units, which could potentially be a restaurant, café, or bakery. 4111 seeks waiver of Rule 25-6.049(5), F.A.C., because only 90 percent, not 95 percent, of the units will be used solely for overnight occupancy. 4111 meets the other criteria in Rule 25-6.049(5)(g), F.A.C.

4111 will be managed by Gemstone Hotel and Resorts (Gemstone), which is a full service hotel management company specializing in luxury, urban hotels and resorts. Gemstone will manage the rentals of 4111 units on a daily and weekly basis to the traveling public, similar to hotels, motels, and resorts throughout Florida. Gemstone will provide management personnel for the resort, including a General Manager, Assistant Manager, Front Desk Manager and Night Manager to oversee sales and marketing, guest services, accounting, security and the general safety and wellbeing of guests.

In addition, Gemstone will provide certain hotel-type services to all 4111 units which include but are not limited to: concierge services, day porter services, housekeeping, linen services, marketing and advertising, laundry and dry cleaning, transportation, and business service center. Gemstone will also maintain a lobby, front desk in the lobby area for guest registration and check-out, and a central telephone switchboard. Gemstone will assist with advertising and utilize a nationally known reservation software program to help keep the units at 4111 occupied.

Rule 25-6.049(5), F.A.C., requires utilities to individually meter each separate 4111 unit. The Developer seeks a waiver that would allow 4111 to be billed under a master meter that would serve all of 4111's units instead of an individual meter on each unit. This would allow the residential units to be billed under a single commercial account, instead of separate residential accounts. These consolidations will likely result in lower electricity costs to 4111 with projected annual savings of approximately \$111,129 per year.

III. Requirements of Section 120.542, F.S.

Section 120.542, F.S., provides a two-pronged test for determining when waivers and variances from agency rules shall be granted. Section 120.542(2), F.S., states:

Variances and waivers shall be granted when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate principles of fairness. For purposes of this section, "substantial hardship" means demonstrated economic, technological, legal or other type of hardship to the person requesting the variance or waiver. For purposes of this section, "principles of fairness" are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule.

(Emphasis added).

A. Purpose of the Underlying Statutes

Pursuant to Section 120.542, F.S., the petitioner must demonstrate that the purpose of the underlying statute will be or has been achieved by other means by the person. Rule 25-6.049, F.A.C., implements Section 366.05(1), F.S., and Sections 366.81 and 366.82, F.S. Section 366.05(1), F.S., gives us the authority to prescribe rate classifications and service rules and regulations to be observed by investor-owned electric utilities. Rule 25-6.049(5), F.A.C., implements this statute by setting forth the circumstances under which individual occupancy must be metered by the utility. Sections 366.81 and 366.82, F.S., are known collectively as the Florida Energy Efficiency and Conservation Act, or FEECA. This statute directs us to adopt goals and approve plans related to the conservation of electric energy. Rule 25-6.049(5), F.A.C., implements this statute by setting forth the conditions under which individual occupancy units must be metered by the utility.

The requirement that individual occupancy units be individually metered serves the conservation goals of FEECA because when unit owners are responsible for paying based on their actual electricity consumption, they are more likely to conserve to minimize their bills. Rule 25-6.049(5), F.A.C., provides certain exemptions from the individual metering requirement for facilities for which it is not practical to attribute usage to individual occupants due to their nature or mode of operation. For example, hotels and motels are commercial enterprises in which the occupants of the units are not billed for their use of electricity, but pay a bundled rate for the use of a room for a limited time. The rule also exempts timeshare plans from the individual metering requirement, because the owners purchase the right to use a unit for a specified period of time, typically one week. Timeshare owners do not directly pay for the electricity used during their stay. Instead, the cost of electricity is apportioned based on ownership interest. Similarly, residents of nursing homes and similar care facilities also typically are not billed for their individual use of electricity, but pay a bundled price. In each exemption, there is little or no conservation incentive gained by requiring individual metering because the occupants of the

units do not pay directly for the electricity they use. Thus, conservation efforts in such cases are more effectively carried out by the building manager, who can implement measures to reduce the overall electricity consumption of the facility.

Rule 25-6.049(5)(d), F.A.C., provides individual electric meters shall not be required for lodging establishments such as hotels, motels, and similar facilities which are rented, leased, or otherwise provided to guests by an operator providing overnight occupancy as defined in paragraph (8)(b) of the rule. Rule 25-6.049(8)(b), F.A.C., states overnight occupancy means use of an occupancy unit for a short term such as per day or per week where permanent residency is not established.

Based on the representations of the Developer, we find the exemption provided by Rule 25-6.049(5)(d), F.A.C., is applicable to 4111's units because 4111 will be operated in a manner similar to that of hotels, motels, and resorts, with no permanent residency. Moreover, 4111 meets the criteria in Rule 25-6.049(5)(g), F.A.C., which includes maintaining a registration desk, lobby and central telephone switchboard and recording the names of individual occupying the units between each check-in and check-out date. Additionally, we find that the purpose of FEECA will be fulfilled and, because of the nature of the operation of 4111, conservation efforts will be effectively carried out by the General Manager, Assistant Manager, Chief Engineer, and Director of Housekeeping.

Rule 25-6.049(9)(a), F.A.C., states that if master metering is used, the cost of electricity may be allocated to the individual occupancy units using "reasonable apportionment methods." Consistent with this rule, the Developer states that if the waiver is granted, the cost of electricity to 4111 will be recovered from the unit owners through a pro rata apportionment based on the square footage of the unit as compared to the total square footage of all units. We find that this apportionment method is reasonable and fulfills the purpose of Section 366.05(1), F.S.

B. Substantial Hardship and Principles of Fairness

Pursuant to Section 120.542, F.S., the petitioner must also demonstrate that application of the rule would create a substantial hardship or would violate principles of fairness. Substantial hardship is defined as a demonstrated economic, technologic, legal or other type of hardship to the person requesting the waiver. Principles of fairness are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule. As discussed below, we find that the Developer has demonstrated that application of the rule creates a substantial hardship and violates principles of fairness.

The Developer asserts that application of the rule will create a substantial hardship because it will place 4111 at a competitive disadvantage with respect to the motels and hotels with which it competes for guests. Because motels and hotels are exempt from the individual metering requirement under paragraph (5)(d) of the rule, they benefit from the lower electricity costs of master metering. 4111 estimates that without being allowed to master meter, 4111 will pay more for the same electric service to operate its transient rental business than other hotels,

motels, and similarly situated resorts that have been master metered. We find that the application of the rule in this instance will result in substantial economic hardship.

The Developer asserts that the application of the rule in this particular instance results in different treatment to similarly situated facilities. The Developer contends that 4111 will be operated in a manner similar to that of hotels and motels, which are exempt from the individual metering requirement under paragraph (5)(d) of the rule. Thus, we find that the disparate treatment of similar facilities that results from the application of the rule constitutes a violation of the principles of fairness as defined in Section 120.542(2), F.S.

IV. Conclusion

The request for waiver of Rule 25-6.049(5) and (6), F.A.C., is granted. We find that the petitioner has demonstrated that the purpose of the underlying statutes will be achieved by other means and that application of the rule would both create a substantial hardship and violate principles of fairness for 4111. Therefore, we find that the requested rule waiver be granted. The petitioner is hereby on notice that as a master meter customer:

1) 4111 must allocate the cost of electricity to the individual 4111 unit owners using a reasonable apportionment method, consistent with Rule 25-6.049(9)(a), F.A.C.;

2) 4111 is responsible for all of the costs associated with the conversion from individual metering to master metering, consistent with Rule 25-6.049(7), F.A.C.; and

3) The waiver is effective for only so long as all or substantially all of the units are operated on a transient basis and 4111 is operated and licensed as a transient occupancy facility. At such time that 4111 is no longer so operated and licensed, 4111 must inform FPL within 10 days and request FPL to install individual meters on all the occupancy units. In the event such a conversion to individual metering is required, 4111 will be solely responsible for the cost of such conversion, consistent with Rule 25-6.049(7), F.A.C.

Based on the foregoing, it is

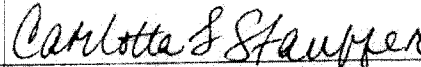
ORDERED by the Florida Public Service Commission that 4111 South Ocean Drive, LLC's request for waiver of Rule 25-6.049(5) and (6), Florida Administrative Code, is hereby granted. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

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ORDERED that if no timely protest is received to the proposed agency action, a Consummating Order shall be issued upon the expiration of the protest period, and this docket shall be closed.

By ORDER of the Florida Public Service Commission this 15th day of December, 2015.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

AEH

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 5, 2016.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.