

State of Florida



Public Service Commission

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DATE: January 22, 1997

FPSC-RECORDS/REPORTING

TO: BLANCA BAYO, DIVISION OF RECORDS AND REPORTING 2:50

FROM: RICHARD C. BELLAK, DIVISION OF APPEALS RCB

RE: DOCKET NO. 951485-EU

0074-FDF

6 pgs

FILE NAME: OR951485.MRD

Attached is an order to be issued as soon as possible.

RCB
Attachments

see 1, 4, 5

boxed 5/2
overhead.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to Initiate) DOCKET NO. 951485-EU
Changes Relating to Rule 25-) ORDER NO. PSC-97-0074-FOF-EU
6.049, F.A.C., Measuring) ISSUED: January 24, 1997
Customer Service, by micrometer)
Corporation.)
_____)

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

ORDER DENYING PETITION TO INITIATE CHANGES RELATING TO
RULE 25-6.049, F.A.C., MEASURING CUSTOMER SERVICE, OF
MICROMETER CORPORATION

BACKGROUND

By the Commission:

This docket was opened in response to a petition for rulemaking filed with regard to Rule 25-6.049, Measuring Customer Service. On November 20, 1995, micrometer Corporation (Micrometer) filed a proposed amendment the effect of which was to eliminate the requirement that public utilities meter individual occupancy units in multi-unit buildings. The requested change would not eliminate the requirement for individual metering, but would allow this metering to be done by a non-utility entity. Micrometer manufactures a computerized electronic telemetering device

At the January 16, 1996 Agenda Conference, we voted to grant the petition to initiate rulemaking without deciding whether to propose specific rule changes pending receipt of further information. (Order No. PSC-96-0107-FOF-EU) On March 27, 1996, a staff workshop was held at which the petition was discussed, along with a different petition to amend the same rule (Docket No. 960020-EU).

DISCUSSION

The amendment proposed by Micrometer would modify the requirements with regard to individual metering of occupancy units. Under the existing rule, occupancy units are required to be individually metered by the utility, except for those buildings for which construction commenced prior to January 1, 1981. The rule also exempts certain types of facilities, such as nursing homes,

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dormitories, hotels, and motels. Facilities in which separate occupancy units are not individually metered by the utility and are served by one utility-owned meter are said to be master metered. These situations involve only one utility customer, who must then apportion the cost of electricity among the individual unit occupants.

The proposed amendment would still require individual metering; however, it would allow non-utility entities to meter individual occupancy units. Under this scenario, the utility would install a master meter, behind which the customer would submeter and bill the individual occupancy units.

Micrometer cites as an advantage of its proposal the ability of master metered customers to pay only one customer charge, in lieu of the multiple customer charges required when individual meters are installed. The customer charge paid to the utility covers the cost of the meter, meter reading, billing, and the service drop which runs from the utility transformer to the customer's meter. Micrometer believes that other entities, through the use of inexpensive, accurate submeters such as those they manufacture, can provide these services at a cost lower than that charged by the utility through its customer charge. We agree that there are potential savings to be realized through a reduction in the number of customer charges paid. However, there are still costs associated with installing the system and billing the individual units each month. These costs would become unregulated and at the discretion of the master metered customer utilizing the submetering equipment.

The petition indicated that the master metering customer could recover these metering and billing costs from its submetered customers. However, our rules specifically prohibit recovery of these types of costs by the submetering entity. The rule prohibits the collection of any monies for electric service which exceed the actual cost billed by the utility. Such practices would constitute resale of electricity.

One of our major concerns with the proposed rule change results from the severing of the direct relationship between the utility and the end user of the electricity, and the loss of consumer protections that this relationship currently provides. We are concerned that if non-utility entities become responsible for the metering and billing of electricity, we will no longer have the statutory authority to insure that the protections currently afforded by Commission statutes and rules are provided to submetered customers. These protections include standards for meter accuracy, meter testing, billing, disconnections for non-

payment and other reasons, reconnections, voltage standards, provision for life-sustaining medical equipment, adjustments for metering errors, over and underbillings, and customer deposits. Our statutory authority is limited to utilities, and does not extend to non-utility entities such as apartment owners or condominium associations. In addition, there is some question whether customers will still be able to participate in conservation programs such as load management.

In its petition, Micrometer cited as an advantage to its proposal the ability of apartments, condominiums, and other multi-occupancy residential buildings to take service under a commercial rate through a master meter, in lieu of the residential rate billed through individual meters. We do not believe that this would be appropriate. The rates charged to the various classes of customers are based on the unique usage characteristics of each class. We do not believe it would be appropriate to allow customers whose usage is residential in nature to take service under a commercial rate.

A large proportion of the production costs of electricity are allocated to the rate classes based on their contribution to the system's peak demand. Since residential customers tend to be more peak intensive, they are allocated relatively more costs than the less peak intensive commercial and industrial customers. Thus, residential rates tend to be higher than commercial rates. Allowing master metered customers whose usage is residential in nature to take service under existing commercial rates will not result in the recovery of the entire cost to serve them. We believe that if we allow residential customers to be master metered, the utilities should be required to develop a rate which fully recovers the cost to serve these customers.

In addition to the mismatch between costs and revenues, moving residential customers to a demand rate may increase the per KWH cost of electricity instead of reducing it. Base rates for non-demand metered customers consist of two charges - a customer charge and a KWH energy charge. All the production, transmission and distribution costs are recovered through the energy charge. Demand metered rates have three components - a customer charge, a KW charge and a KWH charge. Such rates have a lower KWH energy charge than non-demand rates because much of the production and transmission costs are recovered through a separate demand charge.

The load factor for the average demand metered customer is such that the lower energy charge offsets the costs of the separate demand charge. However, low load factor customers do not reach this balance. Classic examples of low load factor customers are

churches whose primary usage occurs one day a week. For these customers, peak demand usage is very high compared to average KWH usage and they pay more in demand charges than they save in the lower energy charges. The same pattern could appear in master-metered residential locations billed under a demand rate since residential customers tend to have low load factors.

In addition, a large number of customers could lose the option to participate in Commission approved conservation programs. It is not clear whether master-metered residential units would still qualify for residential programs. During the workshop, utilities expressed concern over whether existing load management equipment would operate properly with submetering equipment. Participation in any conservation programs might be limited to those available to commercial customers - and then only if the billing/metering agent chose to participate. This could decrease the potential for conservation and have an impact on the cost effectiveness of many programs.

Subsequent to the staff workshop, Micrometer sent a letter to the staff indicating that they wanted the staff to consider an alternative to their original petition which would limit its proposed change to apply only to condominiums. Micrometer indicated that such associations are self-governing, and should be allowed to do their own submetering. Micrometer maintains that the Department of Business and Professional Regulation, which regulates the creation and operation of condominiums, can provide the necessary regulation to address the problems which may arise with the submetering of electricity.

Although we believe that the submetering of condominiums is perhaps less problematic than other situations due to their self-governing nature, we still believe that we should retain authority over the provision of electricity to end users. We believe that we have the requisite experience and expertise to insure that this essential service is fairly provided to all customers. We recognize that there may be substantial changes in the electric utility industry in the near future, and the manner in which service is delivered may change. However, under the current regulatory framework, we believe that the potential benefits provided by the proposed rule change are outweighed by its potential costs. Thus, we believe that the proposed amendment should be denied.

In view of the above, it is

ORDERED by the Florida Public Service Commission that the Petition to Initiate Changes Relating to Rule 25-6.049, F.A.C.,

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Measuring Customer Service, of microMeter Corporation is denied.
It is further,

ORDERED that this docket is closed.

BY ORDER of the Florida Public Service Commission this 24th
day of January, 1997.



BLANCA BAYO, Director
Division of Records and Reporting

(S E A L)

RCB

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 Director, Division of Records and Reporting 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 or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting 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 Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

FLORIDA PUBLIC SERVICE COMMISSION - RECORDS AND REPORTING

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