



Public Service Commission
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DATE: MARCH 20, 2003
TO: DIRECTOR, DIVISION OF THE COMMISSION ADMINISTRATIVE SERVICES (BAYO)
FROM: DIVISION OF ECONOMIC REGULATION (HUDSON) OFFICE OF THE GENERAL COUNSEL (STERN)
RE: DOCKET NO. 020761-WU - REQUEST FOR APPROVAL OF REVISIONS TO WATER TARIFF REGARDING INDIVIDUAL METERING OF MULTI-FAMILY AND MULTI-UNIT STRUCTURES BY FLORIDA WATER SERVICES CORPORATION.
AGENDA: 04/01/03 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: NONE
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\ECR\WP\020761.RCM

CASE BACKGROUND

Florida Water Services Corporation (Florida Water or utility) is a Class A utility which provides water and wastewater service in 21 of Florida's counties that are located in four of the five Water Management Districts. In 1996, Florida Water implemented a policy mandating individual meters for all new construction of multi-residential housing. The practice was adopted as a water conservation measure and was implemented throughout all of its service areas in Florida.

On July 16, 2002, Florida Water filed proposed revisions to its tariff to codify its longstanding individual metering policy. Florida Water requested that; with respect to new construction, the Commission approve the revisions to the tariffs to recognize the environmental and conservation benefits that come from individual metering of multi-family and multi-unit structures. By Order No.

DOCUMENT NUMBER-DATE

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PSC-02-1301-PCO-WU, issued September 23, 2002, in this docket, the Commission suspended the tariff filing pending further investigation.

The Commission has jurisdiction pursuant to Sections 367.091 and 367.101, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should Florida Water Services Corporation's proposed tariff revisions for the individual metering of newly constructed multi-family and multi-unit structures be approved?

RECOMMENDATION: No. Florida Water's proposed tariff revisions for the individual metering of newly constructed multi-family and multi-unit structures should not be approved.

STAFF ANALYSIS: As stated in the case background, on July 16, 2002, Florida Water filed proposed tariff sheets to codify, with respect to new construction, its longstanding policy for the individual metering of multi-family and multi-unit structures. Florida Water requested that the Commission approve the revisions to the tariffs to recognize the environmental and conservation benefits that come from individual metering of multi-family and multi-unit structures. Although staff believes that individual metering tends to promote customer awareness regarding water conservation, staff is concerned that approval of this tariff mandating individual metering in all multi-family structures throughout the service territory may be premature. In particular, staff is concerned that in some instances, the costs associated with individual metering of multi-family and multi-unit structures may exceed the anticipated benefits. An example of possible concerns is illustrated in an informal complaint filed with the Commission by WCI Communities (WCI), opposing Florida Water's policy of requiring individual metering in mid-rise multi-family and multi-unit structures.

Currently, the Commission does not have any policy or rule requiring individual metering of multi-family and multi-unit structures by water utilities. Pursuant to Rule 25-30.255, Florida Administrative Code, each utility shall measure water sold upon the basis of metered volume sales. Thus, master metering multi-family and multi-unit structures is in accordance with the Commission rule. However, staff recognizes that master metering may not promote conservation goals. Water consumers in multi-unit structures tend to have their water charge included as an unspecified portion of their rent or as an allocation of the property's total bill divided by the number of units in the multi-family or multi-unit structure. When the water charge is a portion of the consumers' rent, the consumer does not pay for actual usage. In turn, there is not a price signal sent to conserve water. Also,

it is not equitable for consumers who conserve water to be included in a water charge allocation with consumers who do not conserve. Staff believes that individual metering of multi-family and multi-unit structures can be beneficial to water conservation for residents of these type of housing structures. However, staff does not have enough information to ascertain whether those benefits outweigh the cost of individually metering multi-family and multi-unit structures in all instances.

Since the Commission currently does not have any policy or rules on individual metering of multi-family and multi-unit structures, the only way it can be implemented is through a developer agreement between a developer and the utility. When a developer requests service from a utility, the parties negotiate the metering requirements and any applicable service availability fees are in accordance with the utility's tariff. The only time the Commission becomes involved in this process is if the parties do not reach an agreement as is the case with WCI. Therefore, staff believes that denial of this tariff does not prohibit Florida Water from continuing its policy of negotiating for individual metering of multi-family and multi-unit structures.

Complaint

WCI made its informal complaint on November 19, 2002 objecting to Florida Water requiring individual metering for its development. WCI is constructing a development in Florida Water's Burnt Store service area and requested that the development be provided service through master metering. The development is the last planned mid-rise building in the community. WCI has stated it is unaware of any mid-rise buildings within the Burnt Store Marina Community that have individual rather than master meters. WCI has indicated that providing individual metering for each unit would create severe logistical problems, i.e., water pressure and design space for meter location. WCI indicated that to maintain sufficient water pressure at the top of a multi-unit structure, booster pumps would be required and the meters would have to be installed downstream of the pump. A large room would be required to house the meters. WCI stated that a meter room layout would be very complex. Because of the problems identified by WCI, staff believes that potentially problematic areas involved with individual metering of multi-family and multi-unit structures throughout the state should be explored more thoroughly. In addition, costs associated with alleviating

potential problems should be examined before it is recommended that a tariff of this nature be approved.

Staff believes that the cost effectiveness of individual metering and the amount of water actually saved may decrease significantly in buildings over three or four stories tall. Individual metering of multi-family and multi-unit structures would in essence be similar to going from a flat rate water charge to a metered rate water charge. It has been staff's experience that single family residential customers conserve water when going from a flat to metered charge. Usually, the single family residential customer has discretionary use of water that it can conserve. However, customers residing in high-rise structures may not have discretionary use of water. In a high-rise unit or structure, a customer would not have an outside spigot for car washing nor a lawn to water. Staff believes that individual metering of multi-family and multi-unit structures would cause increased cost to the builder and the utility for meter reading and billing which would ultimately be borne by the customer. However, at this time, staff is unable to determine whether any water savings would outweigh the cost.

Local Jurisdictions

There have been other governmental authorities that have looked at individual metering of multi-unit and multi-family structures. Also, Florida Water has asked for approval of this tariff in other non-jurisdictional counties. Some of the non-jurisdictional counties used the number of stories in the structure as a basis for whether to approve the tariff. Citrus County has approved Florida Water's tariff for the individual metering of multi-family and multi-unit structures. However, the county's Land Development Code limits the height of a structure to 50 feet at the peak roof line and limits the height of a coastal structure to 35 feet high. This limits the structure to three or four stories. Therefore, Citrus County approved FWS's request and does not believe that individually metering new multi-family and multi-unit structures will be a problem. Hernando County also approved Florida Water's tariff for individual metering of multi-family and multi-unit structures. Staff has been unable to determine whether Hernando County has any height restrictions on the multi-family and multi-unit structures.

Florida Water attempted to impose its individual metering policy on WCI in Collier County. WCI protested and Collier County Water and Wastewater Authority (CCWWA) granted the developer the right to master meter its development citing that Florida Water's policy was not in its tariff. This decision by CCWWA prompted Florida Water's effort to codify its policy in a tariff. CCWWA denied Florida Water's tariff request. Florida Water has appealed the denial.

Staff contacted CCWWA and was told that the county does not want to individually meter new or old construction. The county believes that there would be increased cost to individually meter the units and that there are special engineering issues when placing meters in high rise buildings. Some of the existing structures are 140 feet high. It is expected that developers will continue to build high rise buildings to maximize the land use. Collier County does not believe there would be any additional water savings achieved through the individual metering.

As for other governmental authorities, Pasco County does not want to individually meter new or old multi-family or multi-unit structures. Pasco County believes it is cost prohibitive. JEA tried individually metering multi-unit and multi-family structures about 10 years ago. They experienced maintenance problems and fire protection problems when the meters were installed. JEA has gone back to master meters, after a one year trial, and does not anticipate using individual meters in the future. OUC has started to individually meter multi-family and multi-unit new construction. OUC sells an electronic meter to the customer. The customer is then responsible for the meter. The meter is put in the utility closet and the meter is electronically read by the meter reader from the road. Florida Water did not indicate whether a meter with this type of remote meter reading would be used. Staff is unaware of its costs.

Conservation Initiative

The Commission participated jointly with the Department of Environmental Protection, the Water Management Districts, and the Department of Agriculture in the Florida Water Conservation Initiative (Initiative). The purpose of the Initiative was to find ways to improve efficiency in all categories of water use. In April 2002, a report on the work of the Initiative identified a variety of technological, behavioral, educational, regulatory, and

economic methods for improving water use efficiency by the participants of the Initiative. One area of focus in the report was the requirement for more accurate and widespread measurement of water use, including metering and sub-metering. However, the report did not address any of the problems staff has been made aware of with regard to water pressure and design for meter location. Staff is in agreement that there should be more accurate and widespread measurement of water. Staff believes additional information is necessary on the cost of mandating individual metering for multi-family and multi-unit structures.

Water Management Districts

St. John's River Water Management District issued a consumptive use permit to one of Florida Water's systems prohibiting the use of master meters to supply potable water to any new multi-family or multi-unit structure connected to the system after the issuance date of the permit. The Commission has a Memorandum of Understanding with all five Water Management Districts in which the parties recognize that it is in the public's interest to engage in a joint goal to ensure the efficient and conservative utilization of water in Florida. Staff does not believe that denying the tariff constitutes a signal from the Commission to stop working jointly with the Water Management Districts. However, staff believes that denying the tariff does not prevent the Commission from effectively carrying out its role in this joint effort. The Commission's role is to conduct a feasibility analysis of the financial and economic impact of requiring individual metering of multi-family and multi-unit structures to arrive at a cost-effective solution. At this time, staff does not believe we have enough information to carry out this analysis.

Summary

Although individual metering is required for electric utilities for newly constructed multi-family structures and is encouraged by Water Management Districts, this is the first time a water and wastewater utility has sought permission from the PSC to include a requirement for individual water metering of newly constructed multi-family structures in its tariff. Staff believes that if such a requirement is approved for FWS, the largest PSC regulated water utility in the State, other utilities will likely follow.

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Based on staff's review, we find that there is reason to question that individual metering is cost-effective and effective at conserving water in all situations under which the tariff would apply. For this reason, staff does not recommend approval of the tariff.

ISSUE 2: Should staff conduct a workshop to thoroughly explore the costs and benefits of mandating individual metering of multi-family and multi-unit structures?

RECOMMENDATION: Yes. Staff should conduct a workshop to thoroughly explore the costs and benefits of mandating individual metering of multi-family and multi-unit structures.

STAFF ANALYSIS: As discussed in Issue 1, staff agrees that there should be more accurate and widespread measurement of water usage. However, staff needs additional information on the cost of mandating individual metering for multi-family and multi-unit structures. Staff believes it would be appropriate to conduct a workshop to explore the potential costs and benefits of adopting individual metering of newly constructed multi-family structures. Staff anticipates that developers, Water Management Districts, and utilities will participate in the workshop. Also, the staff of the Department of Environmental Protection, who were lead on the Florida Water Conservation Initiative, have indicated that they are supportive of conducting a workshop.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: If the Commission accepts staff's recommendation in Issue 1, the proposed change to the tariff should not go into effect during the 21-day noticing period. Likewise, if a protest is filed, the proposed change should not go into effect during the time it takes to resolve the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.
(STERN)

STAFF ANALYSIS: If the Commission accepts staff's recommendation in Issue 1, the proposed change to the tariff should not go into effect during the 21-day noticing period. Likewise, if a protest is filed, the proposed change should not go into effect during the time it takes to resolve the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.