

State of Florida



## Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** October 2, 2008

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Kummer)  
Office of the General Counsel (Brown)

**RE:** Docket No. 080547-GU – Petition for permanent waiver of requirements of Rules 25-7.084(2) and 25-7.085(4), F.A.C., to fully recognize the accuracy and efficiency benefits of automatic meter readings, by Florida Division of Chesapeake Utilities Corporation.

**AGENDA:** 10/14/08 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 11/13/08 – Statutory deadline to take action on waiver petition

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\080547.RCM.DOC

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### Case Background

On August 15, 2008, the Florida Division of Chesapeake Utilities Corporation (Chesapeake) filed a petition for a permanent waiver of the requirements of Rules 25-7.084(2) and 25-2.085(4) and (5), Florida Administrative Code (F.A.C.), to the extent that they require an actual reading of the mechanical counter of a customer's meter. Chesapeake is installing automatic meter reading (AMR) equipment throughout its system, and it is asking for this rule waiver so that it will be able to take full advantage of the benefits of the new equipment.

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A FAW notice was issued September 12, 2008, advising that the Commission had received the petition and providing for a 14 day comment period. The comment period expired on September 26, 2008. No comments were received.

The Commission has jurisdiction over this matter pursuant to Sections 120.542, 366.05, and 366.06, Florida Statutes (F.S.).

### **Discussion of Issues**

**Issue 1:** Should the Commission grant Chesapeake's petition for a waiver of Rules 25-7.084(2) and 25-7.085(4) and (5), F.A.C.?

**Recommendation:** Yes. The Commission should grant Chesapeake's petition for a waiver of Rules 25-7.084(2) and 25-7.085(4) and (5), F.A.C., to the extent that the rules require an actual reading of the mechanical counter of a customer's meter. (Brown, Kummer)

**Staff Analysis:** Rule 25-7.084(2), F.A.C. provides as follows:

(2) When an electronic meter is used to determine volumes consumed, the customer's bill may be rendered from data received electronically, however, the mechanical counter of the metering device shall be read monthly. When available, both corrected and uncorrected total volumetric readings shall be recorded. (Emphasis supplied)

Similarly, in connection with estimated billing, Rule 25-7.085(4), F. A. C. provides:

(4) When there is sufficient cause, estimated billings may be used by a utility provided that with the customer's third consecutive estimated billing the customer is informed of the reason for the estimation and whom to contact to obtain an actual meter reading if one is desired. An actual meter reading must be taken at least once every six (6) months. If an estimated bill appears to be abnormal once an actual meter reading is obtained, the bill for the entire estimation period shall be computed at a rate based on use of service during the entire period and the estimated bill shall be deducted. If there is substantial evidence that such use occurred during only one (1) billing period, the bill shall be computed. (Emphasis supplied)

Finally, Rule 25-7.085(5), F.A.C., provides that: "[r]egular meter reading dates may be advanced or postponed not more than five (5) days without a proration of the billing for the period." (Emphasis supplied)

The rule language in Rule 25-7.084, concerning the use of electronic meters to measure volume, was adopted in 1995 in response to a Federal Energy Regulatory provision requiring local distribution companies to determine their transportation customers' volumes as of 3 p.m. on the first day of each month to avoid scheduling penalties. The staff recommendation in Docket No. 950815-GU stated:

Because it is neither practical nor efficient to station a meter reader at each transportation customer's location to get an exact 3 p.m. reading, some of the LDC's have installed electronic metering devices at each location. The electronic metering devices transmit customer consumption data to the central office facility on a continuous basis. The technology allows the utility to capture, from a remote location at exactly the same time of day, the volume of gas consumed by all transportation customers.

The recommendation went on to note that physical reading of the meters would still be required to ensure the accuracy of customer usage records and resolve customer complaints.

Chesapeake is presently installing AMR equipment throughout its system. After an eighteen-month investigation and a three-month pilot program to test the accuracy and reliability of the equipment, Chesapeake chose the STAR AMR program, which uses a pulse sensor installed on each meter that registers measurement of gas consumption and transmits that information to data collection units throughout Chesapeake's system. The data collection units then send the information to a central processing computer on a daily basis. Chesapeake states that AMR technology has substantially improved in the thirteen years since the Commission last addressed this issue and is now widely used throughout the gas industry for all purposes. The AMR technology allows Chesapeake to read customers' meters electronically and use the information obtained for billing purposes without physically visiting the meter site. In its petition, Chesapeake identifies several benefits to the new system, including reduced personnel costs for meter readers, the ability to monitor usage more closely to detect leaks, and the ability to reduce or eliminate the need to estimate customers' bills. It also eliminates the need for customers to secure animals or unlock gates to allow meter readings. Upon full roll out of new meters, gas marketers will also have real time access to daily consumer usage to better gauge daily gas usage and reduce monthly supply imbalance resolution costs, reducing overall transactions costs to all customers.

Chesapeake asserts that if its waiver petition is approved, it does not intend to continue unnecessary monthly meter readings at the customers' premises. Chesapeake states that it will continue to comply with all safety rules regarding meter installation and inspection. Chesapeake also states that it will maintain adequate records to review meter accuracy and resolve customer complaints, and with the new technology it will not need to estimate customers' bills.

Section 120.542, F.S., authorizes the Commission to grant variances or waivers to the requirements of its rules where the person subject to the rules has demonstrated that the underlying purpose of the statute has been or will be achieved by other means, and strict application of the rules would cause the person substantial hardship or would violate principles of fairness. "Substantial hardship" as defined in this section means demonstrated economic, technological, legal, or other hardship.

The underlying statutory provisions pertaining to the above-mentioned rules are Section 366.05(1), F.S., and Section 366.06(1), F.S. Section 366.05(1) provides, in pertinent part, that in the exercise of its jurisdiction:

[T]he commission shall have the power to prescribe fair and reasonable rates and charges, classifications, standards of quality and measurements . . . for purposes of ensuring the reliable provision of service, and service rules and regulations to be observed by each public utility; to require repairs, improvements, additions, replacements, and extensions to the plant and equipment of any public utility when reasonably necessary to promote the convenience and welfare of the public and secure adequate service or facilities for those reasonably entitled thereto. . . .

Section 366.06(1) provides the standards and procedures for setting the rates that a public utility may charge for its service.

Chesapeake states that its new AMR equipment will fulfill the underlying purpose of these statutes by providing accurate and reliable measurement of consumption, increasing efficiency, and providing cost savings benefits to the company and its customers. Chesapeake asserts that electronic meter reading technologies have improved in recent years, and are widely used throughout the natural gas industry and other utility industries. Chesapeake believes that since the new AMR system will collect customer usage data on a daily basis, it will have more information to address customer complaints than it currently can collect. Chesapeake states that if it is required to physically read its customers' meters regularly, it and its customers will not recognize the full benefits of the new AMR system and will therefore suffer substantial economic and technological hardship.

Staff recommends that Chesapeake has adequately demonstrated that it is entitled to a rule waiver under the criteria of Section 120.542, F.S. The Commission should grant the waiver of Rules 25-7.084(2) and 25-7.085(4) and (5), F.A.C., to the extent that the rules require an actual reading of the mechanical counter of a customer's meter.

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**Issue 2**: Should this docket be closed?

**Recommendation**: Yes. If no person whose interests are substantially affected files a protest within 21 days of the issuance of this Proposed Agency Action Order, this docket should be closed upon the issuance of a consummating order. (Brown)

**Staff Analysis**: If no person whose interests are substantially affected files a protest within 21 days of the issuance of this Proposed Agency Action Order, this docket should be closed upon the issuance of a consummating order.