

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

September 26, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF APPEALS (BELLAK) *RCB*
DIVISION OF ELECTRIC AND GAS (WHEELER, WINDHAM) *WJW*
DIVISION OF CONSUMER AFFAIRS (PRUITT) *AP*
DIVISION OF RESEARCH & REGULATORY REVIEW (HEWITT) *CSH*

RE: DOCKET NO. 951485-EU -- PETITION TO INITIATE CHANGES
RELATING TO RULE 25-6.049, F.A.C., MEASURING CUSTOMER
SERVICE BY MICROMETER CORPORATION

DOCKET NO. 960020-EU - PETITION TO INITIATE
RULEMAKING TO AMEND RULE 25-6.049, F.A.C.,
MEASURING CUSTOMER SERVICE BY VISTANA
MANAGEMENT, LTD.

AGENDA: OCTOBER 8, 1996 - REGULAR AGENDA - RULE PROPOSAL -
INTERESTED PERSONS MAY PARTICIPATE

RULE STATUS: PROPOSAL MAY BE DEFERRED

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\951485.RCM

CASE BACKGROUND

These dockets were opened in response to two petitions 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 (Docket No. 951485-EU). 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.

On January 4, 1996, Vistana Management Ltd. (Vistana) filed a proposed amendment to the rule which would eliminate the requirement to individually meter time-share plans (Docket No. 960020-EU). This amendment would allow the utility to install master meters at such facilities. At its January 16, 1996 Agenda

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10350 SEP 26 96

FPSC-RECORDS/REPORTING

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Conference, the Commission voted to grant both petitions to initiate rulemaking without deciding whether to propose specific rule changes pending receipt of further information. (Order No. PSC-96-0157-FOF-EU) On March 27, 1996, a staff workshop was held at which both petitions were discussed.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant micromETER Corporation's proposed amendment to Rule 25-6.049, F.A.C., Measuring Customer Service? (Docket No. 951485-EU)

RECOMMENDATION: No. The staff does not believe that the proposed rule amendment is appropriate at this time.

STAFF ANALYSIS: 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, 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. Staff agrees that there are potential savings to be realized through a reduction in the number of customer charges paid. However, there are still

DOCKET NOS. 951485-EU AND 960020-EU
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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, Commission 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 staff's 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. Staff is concerned that if non-utility entities become responsible for the metering and billing of electricity, the Commission 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. The Commission's 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. Staff does 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. Staff does 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,

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

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. Staff believes that if the Commission allows 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

DOCKET NOS. 951485-EU AND 960020-EU
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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 the staff believes that the submetering of condominiums is perhaps less problematic than other situations due to their self-governing nature, they still believe that the Commission should retain authority over the provision of electricity to end users. Staff believes that the Commission has the requisite experience and expertise to insure that this essential service is fairly provided to all customers. Staff recognizes 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, staff believes that the potential benefits provided by the proposed rule change are outweighed by its potential costs. Thus, staff believes that the proposed amendment should be denied.

DOCKET NOS. 951485-EU AND 960020-EU
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ISSUE 2: Should the Commission grant Vistana Management Ltd.'s proposed amendment to Rule 25-6.049, F.A.C., Measuring Customer Service? (Docket No. 960020-EU)

RECOMMENDATION: Yes. Staff's attached proposed rule amendment reflects the changes requested by Vistana.

STAFF ANALYSIS: Vistana's proposed rule amendment has the effect of eliminating the requirement that the occupancy units in time-share plans be individually metered for their electricity usage. Under the existing rule occupancy units in time-share plans are required to be individually metered except for buildings for which construction began prior to December 23, 1982. The individual metering requirement was enacted by the Commission in the early 1980s and was intended to encourage energy conservation.

The petitioners argue that the conservation incentive which individual metering was intended to create is not operative in the case of time-share plans. Time-share plans are not intended for permanent occupancy. In a time-share plan, owners buy the right to use a unit for a specified period of time, typically one week. Thus each unit can have up to 52 different owners, each of whom stay for one week. In this respect, time-share plans operate in a manner similar to hotels and motels.

Each of the time-share owners is a member of an association which is incorporated to operate the time-share plan. Most time-share plans in Florida are condominiums, and are managed by condominium associations created pursuant to Chapter 718, Florida Statutes, (Condominium Act). The association is responsible for managing the operations of the time-share, and is run by a board of directors elected by the owners. Often, the association hires a management company to conduct the day to day management of the time-share plan.

Time-share plans obtain the funds needed to operate by assessing the unit owners. Each unit owner is responsible for a proportionate share of the expenses equal to their ownership percentage in the time-share plan. The time-share association prepares an annual budget, and bills each of the unit owners for their share of the expenses. These expenses include the cost of electricity used in both the individual units and the common areas. Thus, individual owners pay for the cost of electricity in proportion to their ownership in the time-share plan, not based on their actual usage of electricity for the one week during which they occupy the unit. The management receives and pays each of the individual electric bills, which are never seen by the unit owners. Under this regime, staff believes there is no conservation

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

incentive provided by requiring metering of each of the individual occupancy units, and thus believes it is appropriate to exempt time-share plans from the individual metering requirement.

The staff met with representatives from the Division of Florida Land Sales, Condominiums and Mobile Homes, which is the state agency charged with enforcing the Time-share Act, Chapter 721, Florida Statutes. They indicated that it was their position that under the Time-share Act, the cost of electricity must be considered a common expense, and thus must be recovered from the unit week owners in proportion to their ownership in the time-share plan.

Allowing time-share plans to be served by one master meter in lieu of individual meters on each unit will result in time-share plans being transferred from the residential rate to a commercial rate schedule. Although there are no available load data for time-share plans, the staff believes that due to their method of operation, time-share plan usage patterns are similar to those of hotels and motels, rather than those of typical residential customers. The staff consequently believes that a commercial rate schedule is appropriate for time-share plans.

Staff's proposed rule change includes a provision requiring the customer who requests conversion from existing individual metering to master metering to reimburse the utility for the costs of the conversion. This cost includes reimbursement for any remaining undepreciated distribution equipment which is removed or transferred to ownership of the customer. Staff recommends that this provision be included in order to insure that the utility's ratepayers are not required to absorb any of the costs of conversion.

In addition to the proposed changes to the provisions regarding the master metering of time-share plans, the staff is also proposing minor changes which clarify the existing rule. Staff is proposing to eliminate redundant language in Rule 25-6.049(1), F.A.C. and to clarify the provision for the metering of marinas in Rule 25-6.040(5)(a)(4), P.A.C.

Estimated Regulatory Cost: The Statement of Estimated Regulatory Costs identified revenue losses to the investor-owned utilities resulting from the proposed rule amendment. These revenue losses are due to a reduction in customer charge revenue and to the transfer of time-share plan customers from residential to commercial rates. If master meters are installed in time-share plans, the utility will no longer collect a customer charge from each of the individual units. This shortfall should be offset to

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some extent by a reduction in expenses for billing and meter reading. Since master metered time-share plans will become eligible for commercial rate schedules, the utilities will likely experience some revenue loss, because commercial rates are generally lower than residential rates. No other costs were identified.

ISSUE 3: If no requests for hearing or comments are filed, should the rule amendments as proposed be filed for adoption with the Secretary of State and the docket be closed?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Unless comments or requests for hearing are filed, the rules as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

Attachments

Recommended Rule Amendment
Statement of Estimated Regulatory Costs

1 25-6.049 Measuring Customer Service.

2 (1) All energy sold to customers, ~~except that sold under flat~~
3 ~~rate schedule,~~ shall be measured by commercially acceptable
4 measuring devices owned and maintained by the utility, except where
5 it is impractical to meter loads, such as street lighting,
6 temporary or special installations, in which case the consumption
7 may be calculated, or billed on demand or connected load rate or as
8 provided in the utility's filed tariff.

9 (2) When there is more than one meter at a location the
10 metering equipment shall be so tagged or plainly marked as to
11 indicate the circuit metered. Where similar types of meters record
12 different quantities, (kilowatt hours and relative power, for
13 example), metering equipment shall be tagged or plainly marked to
14 indicate what the meters are recording.

15 (3) Meters which are not direct reading shall have the
16 multiplier plainly marked on the meter. All charts taken from
17 recording meters shall be marked with the date of the record, the
18 meter number, customer, and chart multiplier. The register ratio
19 shall be marked on all meter registers. The watt-hour constant for
20 the meter itself shall be placed on all watt-hour meters.

21 (4) Metering equipment shall not be set "fast" or "slow" to
22 compensate for supply transformer or line losses.

23 (5) (a) Individual electric metering by the utility shall be
24 required for each separate occupancy unit of new commercial
25 establishments, residential buildings, condominiums, cooperatives,

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1 marinas, and trailer, mobile home and recreational vehicle parks
2 for which construction is commenced after January 1, 1981. ~~This~~
3 ~~requirement shall apply whether or not the facility is engaged in~~
4 ~~a time sharing plan.~~ Individual electric meters shall not,
5 however, be required:

- 6 1. In those portions of a commercial establishment
7 where the floor space dimensions or physical
8 configuration of the units are subject to
9 alteration, as evidenced by non-structural element
10 partition walls, unless the utility determines that
11 adequate provisions can be made to modify the
12 metering to accurately reflect such alterations;
- 13 2. For electricity used in central heating,
14 ventilating and air conditioning systems, or
15 electric back up service to storage heating and
16 cooling systems;
- 17 3. For electricity used in specialized-use housing
18 accommodations such as hospitals, nursing homes,
19 living facilities located on the same premises as,
20 and operated in conjunction with, a nursing home or
21 other health care facility providing at least the
22 same level and types of services as a nursing home,
23 convalescent homes, facilities certificated under
24 Chapter 651, Florida Statutes, college dormitories,
25 convents, sorority houses, fraternity houses,

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1 motels, hotels, and similar facilities.

2 4. For separate, specially-designated areas for
3 overnight occupancy at trailer, mobile home and
4 recreational vehicle parks and marinas where
5 permanent residency is not established, ~~and for~~
6 ~~marinas where living aboard is prohibited by~~
7 ~~ordinance, deed restriction, or other permanent~~
8 ~~means.~~

9 5. For new and existing time-share
10 plans, provided that all of the
11 occupancy units which are served by
12 the master meter or meters are
13 committed to a time-share plan as
14 defined in Section 721, Florida
15 Statutes, and none of the occupancy
16 units are used for permanent
17 occupancy. When a time-share plan is
18 converted from individual metering
19 to master metering, the customer
20 must reimburse the utility for the
21 costs incurred by the utility for
22 the conversion. These costs shall
23 include, but not be limited to, the
24 remaining undepreciated cost of any
25 existing distribution equipment .

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1 which is removed or transferred to
2 the ownership of the customer, plus
3 the cost of removal or relocation of
4 any distribution equipment, less the
5 salvage value of any removed
6 equipment.

7
8
9 (b) For purposes of this rule:

10 1. "Occupancy unit" means that portion of any
11 commercial establishment, single and multi-unit
12 residential building, or trailer, mobile home or
13 recreational vehicle park, or marina which is set
14 apart from the rest of such facility by clearly
15 determinable boundaries as described in the rental,
16 lease, or ownership agreement for such unit.

17 ~~2. "Time sharing plan" means any arrangement, plan,~~
18 ~~scheme, or similar device, whether by membership,~~
19 ~~agreement, tenancy in common, sale, lease, deed,~~
20 ~~rental agreement, license, or right to use~~
21 ~~agreement or by any other means, whereby a~~
22 ~~purchaser, in exchange for a consideration,~~
23 ~~receives a right to use accommodations or~~
24 ~~facilities, or both, for a specific period of time~~
25 ~~less than a full year during any given year, but~~

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1 ~~not necessarily for consecutive years, and which~~
2 ~~extends for a period of more than three years.~~

3 2.3 The construction of a new commercial establishment,
4 residential building, marina, or trailer, mobile
5 home or recreational vehicle park shall be deemed
6 to commence on the date when the building structure
7 permit is issued.

8 ~~3. The individual metering requirement is waived for~~
9 ~~any time sharing facility for which construction~~
10 ~~was commenced before December 23, 1982, in which~~
11 ~~separate occupancy units were not metered in~~
12 ~~accordance with subsection (5) (a).~~

13 3.5 "Overnight Occupancy" means use of an occupancy
14 unit for a short term such as per day or per week
15 where permanent residency is not established.

16 4.6 The term "cost" as used herein means only those
17 charges specifically authorized by the electric
18 utility's tariff, including but not limited to the
19 customer, energy, demand, fuel, and conservation
20 charges made by the electric utility plus
21 applicable taxes and fees to the customer of record
22 responsible for the master meter payments. The
23 term does not include late payment charges,
24 returned check charges, the cost of the
25 distribution system behind the master meter, the

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1 cost of billing, and other such costs.

2 (a) Where individual metering is not required
3 under Subsection (5) (a) and master metering is
4 used in lieu thereof, reasonable apportionment
5 methods, including sub-metering, may be used
6 by the customer of record or the owner of such
7 facility solely for the purpose of allocating
8 the cost of the electricity billed by the
9 utility.

10 (b) Any fees or charges collected by a customer of
11 record for electricity billed to the
12 customer's account by the utility, whether
13 based on the use of sub-metering or any other
14 allocation method, shall be determined in a
15 manner which reimburses the customer of record
16 for no more than the customer's actual cost of
17 electricity.

18 5.2 Each utility shall develop a standard policy
19 governing the provisions of sub-metering as
20 provided for herein. Such policy shall be filed by
21 each utility as part of its tariffs. The policy
22 shall have uniform application and shall be
23 nondiscriminatory.

24 Specific Authority: 366.05(1), F.S.

25 Law Implemented: 366.05(3), F.S.

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1 History: Amended 7/29/69, 11/26/80, 12/23/82, 12/28/83, formerly
2 25-6.49, Amended 7/14/87, 10/5/88,

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MEMORANDUM

September 23, 1996

TO: DIVISION OF APPEALS (BELLAK)
FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) *RBH 09/24*
SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR DOCKET NO. 951485-EU;
PROPOSED REVISIONS TO RULE 25-6.049, FAC, MEASURING CUSTOMER SERVICE

SUMMARY OF THE RULE

The current rule outlines the requirements for measuring customer consumption of electricity with meters. With certain exceptions such as specialized housing accommodations and transient facilities, individual meters are required for each customer.

The proposed rule amendments would add new and existing time-share facilities and marinas to the exception category.

ESTIMATED NUMBER AND DESCRIPTION OF INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

Electric Investor Owned Utilities (IOUs) would be required to allow master meter installations for time-share and marina operator customers. There are five IOUs regulated by the Commission in Florida.

DIRECT COSTS TO THE AGENCY AND OTHER STATE OR LOCAL GOVERNMENT ENTITIES

There should be no additional costs to the Commission except the ongoing regulatory costs of implementing and monitoring the rule amendments. Other state or local government entities should have no additional direct costs.

ESTIMATED TRANSACTIONAL COSTS TO INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

The IOUs should incur no additional costs to install master meters versus a series of individual meters for time-share units and marina boat slips, because IOUs would be compensated for the cost of conversion, including the undepreciated cost of existing distribution equipment. However, there may be some revenue loss if the master-metered customers are billed at a lower tariffed

rate than individually-metered customers are billed. The amount would depend on the difference in tariffed rates.

There could also be additional IOU paperwork costs to inform and prepare customer service personnel for offering the master meter option to qualifying customers. Ongoing, customer charge revenues would be less with a master meter. However, this would be offset by lower administrative costs for fewer billing and collecting accounts. Florida Power Corporation calculated in a November, 1993, Cost of Service Study that the average customer cost per bill was \$8.41 per month.

IMPACT ON SMALL BUSINESSES, SMALL COUNTIES, OR SMALL CITIES

No direct impact on small businesses is foreseen, as none of the affected utilities qualify as a small business as defined by s. 288.703 F.S. No direct impact is foreseen on small counties and cities as defined in s. 120.52, F.S. Therefore, there would be no need for tiered rule requirements. Small businesses which choose to install master meters would have reduced customer charges.

REASONABLE ALTERNATIVE METHODS

A broader expansion for the allowance of master meters was suggested in the petition for rule changes by MicroMeter. However, that expansion would be contrary to Commission policy that encourages conservation and would be a more costly alternative for the IOUs.

CBH:tf/e-meters

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

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One of staff's 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. Staff is concerned that if non-utility entities become responsible for the metering and billing of electricity, the Commission 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. The Commission's 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. Staff does 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. Staff does 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. Staff believes that if the Commission allows 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

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

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 the staff believes that the submetering of condominiums is perhaps less problematic than other situations due to their self-governing nature, they still believe that the Commission should retain authority over the provision of electricity to end users. Staff believes that the Commission has the requisite experience and expertise to insure that this essential service is fairly provided to all customers. Staff recognizes 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, staff believes that the potential benefits provided by the proposed rule change are outweighed by its potential costs. Thus, staff believes that the proposed amendment should be denied.

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

ISSUE 2: Should the Commission grant Vistana Management Ltd.'s proposed amendment to Rule 25-6.049, F.A.C., Measuring Customer Service? (Docket No. 960020-EU)

RECOMMENDATION: Yes. Staff's attached proposed rule amendment reflects the changes requested by Vistana.

STAFF ANALYSIS: Vistana's proposed rule amendment has the effect of eliminating the requirement that the occupancy units in time-share plans be individually metered for their electricity usage. Under the existing rule occupancy units in time-share plans are required to be individually metered except for buildings for which construction began prior to December 23, 1982. The individual metering requirement was enacted by the Commission in the early 1980s and was intended to encourage energy conservation.

The petitioners argue that the conservation incentive which individual metering was intended to create is not operative in the case of time-share plans. Time-share plans are not intended for permanent occupancy. In a time-share plan, owners buy the right to use a unit for a specified period of time, typically one week. Thus each unit can have up to 52 different owners, each of whom stay for one week. In this respect, time-share plans operate in a manner similar to hotels and motels.

Each of the time-share owners is a member of an association which is incorporated to operate the time-share plan. Most time-share plans in Florida are condominiums, and are managed by condominium associations created pursuant to Chapter 718, Florida Statutes, (Condominium Act). The association is responsible for managing the operations of the time-share, and is run by a board of directors elected by the owners. Often, the association hires a management company to conduct the day to day management of the time-share plan.

Time-share plans obtain the funds needed to operate by assessing the unit owners. Each unit owner is responsible for a proportionate share of the expenses equal to their ownership percentage in the time-share plan. The time-share association prepares an annual budget, and bills each of the unit owners for their share of the expenses. These expenses include the cost of electricity used in both the individual units and the common areas. Thus, individual owners pay for the cost of electricity in proportion to their ownership in the time-share plan, not based on their actual usage of electricity for the one week during which they occupy the unit. The management receives and pays each of the individual electric bills, which are never seen by the unit owners. Under this regime, staff believes there is no conservation

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

incentive provided by requiring metering of each of the individual occupancy units, and thus believes it is appropriate to exempt time-share plans from the individual metering requirement.

The staff met with representatives from the Division of Florida Land Sales, Condominiums and Mobile Homes, which is the state agency charged with enforcing the Time-share Act, Chapter 721, Florida Statutes. They indicated that it was their position that under the Time-share Act, the cost of electricity must be considered a common expense, and thus must be recovered from the unit week owners in proportion to their ownership in the time-share plan.

Allowing time-share plans to be served by one master meter in lieu of individual meters on each unit will result in time-share plans being transferred from the residential rate to a commercial rate schedule. Although there are no available load data for time-share plans, the staff believes that due to their method of operation, time-share plan usage patterns are similar to those of hotels and motels, rather than those of typical residential customers. The staff consequently believes that a commercial rate schedule is appropriate for time-share plans.

Staff's proposed rule change includes a provision requiring the customer who requests conversion from existing individual metering to master metering to reimburse the utility for the costs of the conversion. This cost includes reimbursement for any remaining undepreciated distribution equipment which is removed or transferred to ownership of the customer. Staff recommends that this provision be included in order to insure that the utility's ratepayers are not required to absorb any of the costs of conversion.

In addition to the proposed changes to the provisions regarding the master metering of time-share plans, the staff is also proposing minor changes which clarify the existing rule. Staff is proposing to eliminate redundant language in Rule 25-6.049(1), F.A.C. and to clarify the provision for the metering of marinas in Rule 25-6.040(5)(a)(4), F.A.C.

Estimated Regulatory Cost: The Statement of Estimated Regulatory Costs identified revenue losses to the investor-owned utilities resulting from the proposed rule amendment. These revenue losses are due to a reduction in customer charge revenue and to the transfer of time-share plan customers from residential to commercial rates. If master meters are installed in time-share plans, the utility will no longer collect a customer charge from each of the individual units. This shortfall should be offset to

DOCKET NOS. 951485-EU AND 960020-EU
DATE: September 26, 1996

some extent by a reduction in expenses for billing and meter reading. Since master metered time-share plans will become eligible for commercial rate schedules, the utilities will likely experience some revenue loss, because commercial rates are generally lower than residential rates. No other costs were identified.

ISSUE 3: If no requests for hearing or comments are filed, should the rule amendments as proposed be filed for adoption with the Secretary of State and the docket be closed?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Unless comments or requests for hearing are filed, the rules as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

Attachments

Recommended Rule Amendment
Statement of Estimated Regulatory Costs

1 25-6.049 Measuring Customer Service.

2 (1) All energy sold to customers, ~~except that sold under flat~~
3 ~~rate schedule,~~ shall be measured by commercially acceptable
4 measuring devices owned and maintained by the utility, except where
5 it is impractical to meter loads, such as street lighting,
6 temporary or special installations, in which case the consumption
7 may be calculated, or billed on demand or connected load rate or as
8 provided in the utility's filed tariff.

9 (2) When there is more than one meter at a location the
10 metering equipment shall be so tagged or plainly marked as to
11 indicate the circuit metered. Where similar types of meters record
12 different quantities, (kilowatt hours and relative power, for
13 example), metering equipment shall be tagged or plainly marked to
14 indicate what the meters are recording.

15 (3) Meters which are not direct reading shall have the
16 multiplier plainly marked on the meter. All charts taken from
17 recording meters shall be marked with the date of the record, the
18 meter number, customer, and chart multiplier. The register ratio
19 shall be marked on all meter registers. The watt-hour constant for
20 the meter itself shall be placed on all watt-hour meters.

21 (4) Metering equipment shall not be set "fast" or "slow" to
22 compensate for supply transformer or line losses.

23 (5) (a) Individual electric metering by the utility shall be
24 required for each separate occupancy unit of new commercial
25 establishments, residential buildings, condominiums, cooperatives,

CODING: Words underlined are additions; words in
~~struck through~~ type are deletions from existing law.

1 marinas, and trailer, mobile home and recreational vehicle parks
2 for which construction is commenced after January 1, 1981. ~~This~~
3 ~~requirement shall apply whether or not the facility is engaged in~~
4 ~~a time sharing plan.~~ Individual electric meters shall not,
5 however, be required:

- 6 1. In those portions of a commercial establishment
7 where the floor space dimensions or physical
8 configuration of the units are subject to
9 alteration, as evidenced by non-structural element
10 partition walls, unless the utility determines that
11 adequate provisions can be made to modify the
12 metering to accurately reflect such alterations;
- 13 2. For electricity used in central heating,
14 ventilating and air conditioning systems, or
15 electric back up service to storage heating and
16 cooling systems;
- 17 3. For electricity used in specialized-use housing
18 accommodations such as hospitals, nursing homes,
19 living facilities located on the same premises as,
20 and operated in conjunction with, a nursing home or
21 other health care facility providing at least the
22 same level and types of services as a nursing home,
23 convalescent homes, facilities certificated under
24 Chapter 651, Florida Statutes, college dormitories,
25 convents, sorority houses, fraternity houses,

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1 motels, hotels, and similar facilities.

2 4. For separate, specially-designated areas for
3 overnight occupancy at trailer, mobile home and
4 recreational vehicle parks and marinas where
5 permanent residency is not established, ~~and for~~
6 ~~marinas where living aboard is prohibited by~~
7 ~~ordinance, deed restriction, or other permanent~~
8 ~~means.~~

9 5. For new and existing time-share
10 plans, provided that all of the
11 occupancy units which are served by
12 the master meter or meters are
13 committed to a time-share plan as
14 defined in Section 721, Florida
15 Statutes, and none of the occupancy
16 units are used for permanent
17 occupancy. When a time-share plan is
18 converted from individual metering
19 to master metering, the customer
20 must reimburse the utility for the
21 costs incurred by the utility for
22 the conversion. These costs shall
23 include, but not be limited to, the
24 remaining undepreciated cost of any
25 existing distribution equipment

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1 which is removed or transferred to
2 the ownership of the customer, plus
3 the cost of removal or relocation of
4 any distribution equipment, less the
5 salvage value of any removed
6 equipment.

7
8
9 (b) For purposes of this rule:

10 1. "Occupancy unit" means that portion of any
11 commercial establishment, single and multi-unit
12 residential building, or trailer, mobile home or
13 recreational vehicle park, or marina which is set
14 apart from the rest of such facility by clearly
15 determinable boundaries as described in the rental,
16 lease, or ownership agreement for such unit.

17 ~~2. "Time sharing plan" means any arrangement, plan,~~
18 ~~scheme, or similar device, whether by membership,~~
19 ~~agreement, tenancy in common, sale, lease, deed,~~
20 ~~rental agreement, license, or right to use~~
21 ~~agreement or by any other means, whereby a~~
22 ~~purchaser, in exchange for a consideration,~~
23 ~~receives a right to use accommodations or~~
24 ~~facilities, or both, for a specific period of time~~
25 ~~less than a full year during any given year, but~~

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1 ~~not necessarily for consecutive years, and which~~
2 ~~extends for a period of more than three years.~~

3 2.3. The construction of a new commercial establishment,
4 residential building, marina, or trailer, mobile
5 home or recreational vehicle park shall be deemed
6 to commence on the date when the building structure
7 permit is issued.

8 ~~3. The individual metering requirement is waived for~~
9 ~~any time sharing facility for which construction~~
10 ~~was commenced before December 23, 1982, in which~~
11 ~~separate occupancy units were not metered in~~
12 ~~accordance with subsection (5) (a).~~

13 3.5. "Overnight Occupancy" means use of an occupancy
14 unit for a short term such as per day or per week
15 where permanent residency is not established.

16 4.6. The term "cost" as used herein means only those
17 charges specifically authorized by the electric
18 utility's tariff, including but not limited to the
19 customer, energy, demand, fuel, and conservation
20 charges made by the electric utility plus
21 applicable taxes and fees to the customer of record
22 responsible for the master meter payments. The
23 term does not include late payment charges,
24 returned check charges, the cost of the
25 distribution system behind the master meter, the

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1 cost of billing, and other such costs.

2 (a) Where individual metering is not required
3 under Subsection (5) (a) and master metering is
4 used in lieu thereof, reasonable apportionment
5 methods, including sub-metering, may be used
6 by the customer of record or the owner of such
7 facility solely for the purpose of allocating
8 the cost of the electricity billed by the
9 utility.

10 (b) Any fees or charges collected by a customer of
11 record for electricity billed to the
12 customer's account by the utility, whether
13 based on the use of sub-metering or any other
14 allocation method, shall be determined in a
15 manner which reimburses the customer of record
16 for no more than the customer's actual cost of
17 electricity.

18 5.7. Each utility shall develop a standard policy
19 governing the provisions of sub-metering as
20 provided for herein. Such policy shall be filed by
21 each utility as part of its tariffs. The policy
22 shall have uniform application and shall be
23 nondiscriminatory.

24 Specific Authority: 366.05(1), F.S.

25 Law Implemented: 366.05(3), F.S.

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1 History: Amended 7/29/69, 11/26/80, 12/23/82, 12/28/83, formerly
2 25-6.49, Amended 7/14/87, 10/5/88, _____
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M E M O R A N D U M

September 23, 1996

TO: DIVISION OF APPEALS (BELLAK)
FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) *RBA-01/14*
SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR DOCKET NO. 951485-EU;
PROPOSED REVISIONS TO RULE 25-6.049, FAC, MEASURING CUSTOMER SERVICE

SUMMARY OF THE RULE

The current rule outlines the requirements for measuring customer consumption of electricity with meters. With certain exceptions such as specialized housing accommodations and transient facilities, individual meters are required for each customer.

The proposed rule amendments would add new and existing time-share facilities and marinas to the exception category.

ESTIMATED NUMBER AND DESCRIPTION OF INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

Electric Investor Owned Utilities (IOUs) would be required to allow master meter installations for time-share and marina operator customers. There are five IOUs regulated by the Commission in Florida.

DIRECT COSTS TO THE AGENCY AND OTHER STATE OR LOCAL GOVERNMENT ENTITIES

There should be no additional costs to the Commission except the ongoing regulatory costs of implementing and monitoring the rule amendments. Other state or local government entities should have no additional direct costs.

ESTIMATED TRANSACTIONAL COSTS TO INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

The IOUs should incur no additional costs to install master meters versus a series of individual meters for time-share units and marina boat slips, because IOUs would be compensated for the cost of conversion, including the undepreciated cost of existing distribution equipment. However, there may be some revenue loss if the master-metered customers are billed at a lower tariffed

rate than individually-metered customers are billed. The amount would depend on the difference in tariffed rates.

There could also be additional IOU paperwork costs to inform and prepare customer service personnel for offering the master meter option to qualifying customers. Ongoing, customer charge revenues would be less with a master meter. However, this would be offset by lower administrative costs for fewer billing and collecting accounts. Florida Power Corporation calculated in a November, 1993, Cost of Service Study that the average customer cost per bill was \$8.41 per month.

IMPACT ON SMALL BUSINESSES, SMALL COUNTIES, OR SMALL CITIES

No direct impact on small businesses is foreseen, as none of the affected utilities qualify as a small business as defined by s. 288.703 F.S. No direct impact is foreseen on small counties and cities as defined in s. 120.52, F.S. Therefore, there would be no need for tiered rule requirements. Small businesses which choose to install master meters would have reduced customer charges.

REASONABLE ALTERNATIVE METHODS

A broader expansion for the allowance of master meters was suggested in the petition for rule changes by MicroMeter. However, that expansion would be contrary to Commission policy that encourages conservation and would be a more costly alternative for the IOUs.

CBH:tf/e-meters