State of Florida

Public Service Commission

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

DATE: December 4, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Draper, Ollila, Rome)
Office of the General Counsel (Brownless)
Office of Industry Development and Market Analysis (Clemence, Marr)

RE: Docket No. 130223-EI – Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

AGENDA: 12/18/14 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 12/31/14 – FPL waived final tariff implementation until this date.

SPECIAL INSTRUCTIONS: None

Case Background

On August 21, 2013, Florida Power & Light Company (FPL) filed a petition for approval of an optional Non-Standard Meter Rider (NSMR) tariff. The tariff would be available to customers who elect to keep their non-communicating meters (meter) in lieu of the standard communicating smart meters. The tariff included a one-time enrollment fee of $105 and a monthly charge of $16. Order No. PSC-13-0469-TRF-EI, issued on October 14, 2013, suspended the proposed tariff pending further investigation.

Order No. PSC-14-0036-TRF-EI, issued on January 14, 2014, denied the tariff but gave FPL the option of filing for administrative approval a revised tariff on or before January 17, 2014, containing three adjustments: 1) extended recovery period for up-front system and communication costs from three to five years; 2) reduction in the number of customer care employees from four to one after year two; and 3) elimination of meter reading lead position after year two. This tariff contains an one-time enrollment fee of $95 and a monthly fee of $13. FPL filed a revised tariff meeting these conditions on January 17, 2014. The tariff became effective June 2, 2014.

On February 4, 2014, Marilynne Martin (Martin), on behalf of herself and 19 other FPL customers, timely requested a formal evidentiary hearing on the tariff as did Lucy Ahn (Ahn) and another group of approximately 100 FPL customers. OPC's notice of intervention in the docket had been previously acknowledged on September 24, 2013, by Order No. PSC-13-0437-PCO-EI. Daniel R. and Alexandria Larson (Larsons) filed to intervene on March 31, 2014, and were granted intervention by Order No. PSC-14-0177-PCO-EI, issued on April 18, 2014.

Order No. PSC-14-0104-PCO-EI establishing procedure was issued on February 18, 2014, and has been subsequently modified by Order No. PSC-14-0123-PCO-EI, issued on March 7, 2014, and Order No. PSC-14-0270-PCO-EI, issued on May 29, 2014. On February 21, 2014, FPL filed motions to dismiss those portions of the Ahn and Martin petitions raising health and safety issues associated with smart meters. On February 28, 2014, both the Ahn and Martin petitioners filed responses in opposition to FPL's motions to dismiss. Orders Nos. PSC-14-0145-FOF-EI and PSC-14-0146-FOF-EI, issued on April 1, 2014, granted in part and denied in part FPL's motions to dismiss. Motions for reconsideration of these orders were filed by both the Ahn and Martin petitioners on April 11, 2014, and subsequently denied by Order No. PSC-14-0261-FOF-EI, issued on May 23, 2014. Prehearing statements were filed by FPL, Larsons, OPC, Martin and Commission staff on August 15, 2014. On August 27, 2014, counsel for the Ahn petitioners filed a Notice of Withdrawal.

On September 10, 2014, an Order to Show Cause was issued requiring any member of the Ahn petitioners to file a prehearing statement in compliance with Order No. PSC-14-0104-PCO-EI, issued on February 18, 2014, or show cause why they should not be dismissed as parties from this proceeding. On September 15, 2014, Rachel Garibay-Wynnberry (GW) filed a compliant prehearing statement and Motion to Accept Prehearing Statement Out of Time and To Excuse Attendance at the Prehearing Conference. No objections to the motion were filed.

The final hearing was held on September 30, 2014 at which FPL, OPC, Larsons, and Martin petitioners participated. Each of these parties filed post-hearing briefs on October 27, 2014. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.041, 366.05, 366.06, and 366.07, Florida Statutes (F.S.) and Rules 25-6, 25-22, and 28-106, Florida Administrative Code (F.A.C.).

Discussion of Issues

Issue 1: Is it appropriate for customers who receive service through a non-standard meter to bear the cost of that service?

Recommendation: Yes. Consistent with Commission policy and the record in this case, it is appropriate for customers who choose to receive service through a non-standard meter to bear the incremental cost of providing that service. (Brownless, Clemence)

Position of the Parties:

FPL: Yes. FPL has voluntarily offered an optional non-standard meter service. To serve this small number of customers, FPL incurs incremental capital and O&M costs that it would not otherwise incur. It is long-standing Commission policy that the cost-causer should bear responsibility for those costs associated with an optional non-standard service.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." (Prehearing Order)

LARSONS: No. FPL customers who receive service through a non-standard meter should not bear the cost of that service until FPL delivers the cost savings it promised to FPL customers when seeking approval of FPL's AMI program. FPL should not be allowed to profit when FPL has failed to deliver the promised cost savings to FPL customers now subject to the proposed NSMR.

MARTIN: No. NSMS services are no different than other non-standard options that FPL routinely offers at no charge to its customers. Also, NSMS services existed at the time of the 2012 rate case settlement and it would be inappropriate to raise rates for such services at this time.

Staff Analysis:

PARTIES' ARGUMENTS

FPL asserts that the Commission has a long history of setting rates based upon the costs of providing service. (FPL BR 4) FPL argues that "inherent in the Commission's policy is the concept that the cost causer should pay the costs that they impose for the services they demand and the options they choose." (FPL BR 4) FPL contends that the company developed the tariff with Commission policy in mind and that this tariff is the appropriate way to recover costs from those choosing the tariff. (FPL BR 6)

FPL argues that the rates under the current settlement agreement are irrelevant to the determination of the appropriate NSMR charges. (FPL BR 8) While it is true that under the settlement agreement base rates cannot be affected by the failure of FPL to recover incremental costs imposed by the NSMR customers at this time, FPL asserts that the Commission should not sanction the subsidization of one class of customers. (FPL BR 8) FPL further contends that the doctrine of administrative finality bars the Commission from readdressing the prudence of the Advanced Metering Infrastructure (AMI) project. (FPL BR 8-9) FPL argues that the Larsons' request for a nominal fee lacks a legal basis. (FPL BR 9)

OPC limited its brief to Issue 11. However, OPC argues that the Commission should be mindful of the diversity of FPL's 4.5 million customers and that "[e]ach customer is entitled to take service from FPL in a manner that is least intrusive to his or her life . . . ." (OPC BR 1)

The Larsons argue that the tariff cannot be viewed in isolation because FPL has failed to deliver to customers the cost savings projected from the deployment of AMI. (Larsons BR 1) The Larsons contend that the costs FPL seeks to recover from FPL's NSMR tariff are unjust, unreasonable, and duplicative. (Larsons BR 1) However, the Larsons agree that NSMR customers should pay a nominal fee to participate in the tariff. (Larsons BR 3)

Martin argues two main points. First, FPL offers many non-standard options at no charge to customers, and to offer these non-standard services FPL incurred " . . . upfront costs and on-going incremental costs that were paid for by the general body of ratepayers." (Martin BR 17) Second, the costs recovered by the NSMR tariff were known when the utility filed a rate case in 2012 and cost recovery through base rates should have been requested at that time. (Martin BR 18)

ANALYSIS

FPL's smart meter project was originally approved by the Commission as part of the 2009 rate case. (TR 26) FPL had essentially completed its deployment of smart meters to residential customers by March of 2013. (TR 26) FPL witness Onsgard testified that during the deployment, the company voluntarily created a postpone list. (TR 26) Customers who objected to smart meters were able to request and receive a non-standard meter. This accommodation was temporarily provided at no charge to the individual customer. (TR 29) The witness testified that following the conclusion of the smart meter deployment, the company asked for Commission approval of a NSMR tariff. (TR 27) Fewer than one half of one percent of customers requested to take service under a non-standard meter. (TR 29)

FPL made the decision to file the NSMR tariff based on its conclusion that since significant incremental costs would be incurred in providing non-standard meter service, it would be discriminatory to require standard meter customers to subsidize that service. (TR 32) FPL witness Deason testified that the Commission has a long and consistent history of setting rates based upon a regulated utility's costs. (TR 220). Staff agrees. The Commission has consistently set rates based on the cost of the service and has allocated those costs to the customer or class of customers who have caused those costs to be incurred. Order No. PSC-05-1033-PAA-EI, issued October 21, 2005, in Docket No. 040789-EI, In re: Complaint of Wood Partners against Florida Power & Light Company concerning contributions-in-aid-of-construction charges for underground distribution facilities, at page 3 ("The rule and tariff provisions discussed above reflect this Commission's long-standing policy that, where practical, persons who 'cause' costs to be incurred should bear the burden of those costs."); Order No. PSC-14-0191-FOF-EI, issued April 23, 2014, in Docket No. 130290-EI, In re: Initiation of formal proceedings of Complaint No. 1115382E of Brian J. Ricca against Florida Power & Light for failing to provide reasonable service; Order No. 13427, issued June 15, 1984, in Docket No. 810100-EU, In re: Investigation of the appropriate accounting and ratemaking treatment of

Nuclear Powered generators, pages 3-4 ("Establishing a funded reserve and revising the accrual created a proper recovery of decommissioning expense on the utilities' books, but it didn't match cost-causers with the costs they cause. Fairness dictates that those receiving services and imposing costs be obligated to pay those costs, instead of placing the risk of recovery on other ratepayers who may not get service from the nuclear units. Changing the rates paid for service is necessary to place the cost on the cost-causer."); Order No. PSC-00-1237-TRF-WU, issued July 10, 2000, in Docket No. 000552-WU, In re: Tariff filing by Palm Cay Utilities, Inc. in Marion County to establish a late payment charge, at pages 2-3 ("We believe that the cost causer should pay the additional cost incurred to the utility by late payments, rather than the general body of the utility's ratepayers.").

Notwithstanding the Commission's policy, Martin argues that applying it in this case is inappropriate for several reasons. First, since customers have been receiving service from non-smart meters in the absence of a tariff since the time of the 2012 FPL settlement, continuing this service is not an optional service, since the continuation of a previous offering is not a "new optional service." (TR 363-364) Second, customers who opt out of the AMI program impose little, if any, incremental costs on FPL's cost of service. (TR 364-365) Third, FPL should be required to wait until its next full rate case because a complete cost of service study is necessary to accurately identify both the costs and savings associated with the NSMR. (TR 381) Fourth, application of the "cost-causer principle" "appears to be discretionary, not mandatory." (TR 367) In support of this conclusion, Martin points to the fact that FPL does not charge for Spanish language service, telephone service for the deaf (TDDY), and budget billing. (TR 366)

With regard to Martin's first argument, the smart meter became the standard meter as a result of the Commission's decision in FPL's 2009 rate case. That decision is final and not at issue here. This contention was thoroughly discussed and rejected in Order Nos. PSC-14-0145-PCO-EI and PSC-14-0146-PCO-EI, issued April 1, 2014, in this case. In short, the smart meter is not "new service," it is standard service. Witness Martin testified that she disagrees with FPL that the optional NSMR tariff is similar to undergrounding distribution service. (TR 367) She contended that "for burial of overhead wires, it is clearly a new service, and the company's efforts to initiate improvements to the transmission lines are measured and quantifiable." (TR 368) Witness Martin claimed that the NSMR tariff "clearly falls outside of normal, customer support and service delivery guidelines for on-going operations." (TR 368) Staff agrees with Witness Deason that the only distinction between the analogy of undergrounding distribution and non-standard meter service is that one is subject to a rule and the other is not. Staff also agrees that this is a distinction which makes no difference. Both are optional services and should have tariffed charges. (TR 245)

With regard to Martin's second contention that there is little incremental cost associated with providing the NSMR service, FPL has provided, with the exception of the staff adjustments recommended in Issues 2 and 8, competent and substantial record support for upfront and one-time costs per NSMR customer of $310[1] based on 12,000 program participants, and monthly costs per meter of $8.76. (TR 54, 185; Exhibit 12 BSP 65; Exhibit 5)

[1] Excludes revenue requirements.

Regarding Martin's third argument, staff believes that a full rate case cost of service study is not necessary prior to the imposition of a charge for non-standard meter service. Staff agrees with FPL Witness Deason that the Commission can and does approve tariffs for optional services outside of a rate case. (TR 234) Staff also agrees with Witness Deason that waiting until the next rate case to introduce a new service would cause an unnecessary delay in implementing the NSMR tariff, and would result in cross-subsidies. (TR 236)

As to Martin's fourth argument, FPL witness Deason testified that providing Spanish speaking customer service representatives is now a standard business practice since the availability of dual language service provides for greater efficiency of operations resulting in lower administrative costs. (TR 242-3) With respect to budget billing, witness Deason testified that the Commission found in Order No. 10047 that budget billing provides benefits in excess of the administrative costs of providing the program.[2] (TR 243) Staff believes this testimony is persuasive.

The Larsons argue that the NSMR tariff should not be approved until the previously projected AMI cost savings are achieved by FPL. (Larsons BR 1) As previously discussed, the purpose of this proceeding is not to relitigate whether AMI deployment is prudent and should be undertaken. The Commission has already made that decision.[3] Accordingly, staff concludes that this argument is not relevant to the issue in dispute here. Staff would note, however, that the Larsons agree that persons who choose the NSMR tariff should pay a nominal fee. (Larsons BR 3)

While OPC did not take a specific position on Issue 1, on pages 5-6 of its post-hearing brief it states:

> Although the OPC is not advocating for a change in the NSMR tariff rates, it is important to re-emphasize that our basic position is that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers including those who are being served through the "Smart Meter."

For the reasons stated above, staff believes no persuasive evidence was presented for departing from the Commission's long standing policy that cost causers should bear their own costs.

CONCLUSION

Staff believes that consistent with Commission policy and the record in this case, it is appropriate for customers who choose to receive service through a non-standard meter to bear the incremental cost incurred by FPL in providing that service.

[2] Order No. 10047, issued June 5, 1981, in Docket No. 800110-EU, In re: Consideration of lifeline rates as requested by Public Utilities Regulatory Policies Act of 1978.

[3] Order No. PSC-14-0145-PCO-EI, issued April 1, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company; Order No. PSC-14-0146-EI, issued April 1, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

Issue 2: What are the appropriate staffing levels for the customer care employees and the meter reading lead position functions to enroll and serve customers on the NSMR tariff?

Recommendation: The appropriate FPL staffing levels for customer care employees are four employees for the initial three-month enrollment period and one employee for the remainder of the five-year recovery period for the NSMR Tariff. The appropriate staffing levels for the meter reading routing function are one employee for the initial six months of the NSMR program. (Draper, Rome)

Position of the Parties

FPL: FPL accepts the Commission's decision to adjust staffing to one meter reading lead position for two years and thereafter eliminate the position. FPL accepts the Commission's decision to adjust the customer care staffing level from two during the first two years to one employee for the following three years.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." Costs recovered through the opt-out tariff should be limited to necessary costs, reasonable in amount, that are separate from and incremental to those associated with the standard tariff. Underlying assumptions regarding staff levels should – at a minimum – adhere to this principle.

LARSONS: No additional staffing required. The staffing levels proposed by FPL in support of the NSMR tariff are excessive, inflate the cost associated with providing service under the NSMR, duplicate the cost of service already recovered under existing rates and should be denied. The NSMR tariff can be implemented using existing resources.

MARTIN: Staffing levels are irrelevant. FPL computed the enrollment costs for each of these functions on a per unit basis. Commission Staff misinterpreted FPL's cost calculations and proposed an adjustment based on an erroneous assumption of an initial "enrollment period" of two years, indicating a thorough review did not occur.

Staff Analysis:

PARTIES' ARGUMENTS

FPL did not calculate the incremental costs for customer care employees and the meter reading lead position based on fixed staffing levels. The incremental costs were calculated on a transactional basis. To project the incremental costs associated with customer care employees, FPL multiplied the projected call volume for the enrollment process by the estimated cost per call. Similarly, FPL projected the incremental cost for meter reading leads on a cost per transaction basis. FPL assumed 6 transactions could be completed per hour and that NSMR customers would require an average of two transactions. (FPL BR 10-11) FPL nevertheless accepted the Commission's adjustment that lowered the estimated costs for these functions based on full time equivalent staffing level assumptions. (FPL BR 11)

In its brief, OPC emphasized its basic position that any tariff the Commission finally approves for customers to take service through a meter other than a standard meter should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the standard meter. (OPC BR 5-6) OPC further stated that the Commission has wide latitude in setting rates for a discretionary tariff like the NSMR and urged the Commission to consider all its options and weigh them in the interest of all FPL customers. (Id., pages 6, 9)

The Larsons' basic position is that the NSMR Tariff can be implemented using existing resources and no additional staffing is required, that the staffing levels proposed by FPL in support of the NSMR Tariff are excessive, inflate the cost associated with providing service under the NSMR, duplicate the cost of service already recovered under existing rates, and should be denied. (Larsons BR 4)

Martin stated that FPL, in computing both customer care and meter reading work flow costs, computed a per-unit cost and indicated that the initial enrollment period was 90 days. (Martin BR 21) Martin disagreed with Commission staff adjustments incorporated into Order No. PSC-14-0036-TRF-EI because these were based on the faulty assumptions that FPL was proposing staffing levels rather than per-unit costs and that the initial enrollment period would be two years. (Id.)

ANALYSIS

During staff's review of FPL's original petition filed on August 21, 2013, staff recommended two adjustments to FPL's proposed staffing levels for the NSMR program: (a) reduction in the number of customer care employees from four to one employee after year two; and (b) elimination of the meter reading lead position after year two. Based on the removal of these costs, staff recommended an Enrollment Fee of $95 in lieu of FPL's Enrollment Fee of $105. This Enrollment Fee was reflected in the revised tariff filed by FPL on January 17, 2014.[4]

Staff was aware that the methodology used to develop its recommended adjustments was not identical to the methodology used by FPL on pages 6 and 8 of Exhibit 5 to present projected one-time costs associated with customer care enrollment and meter reading work flow to establish and remove routes. Staff acknowledges and does not take exception to the testimony presented by FPL in Exhibit 5, pages 6 and 8. However, staff believes that the costs of performing the customer care enrollment and meter routing functions are: (a) primarily attributable to the incremental number of full time equivalent positions (FTEs) assigned to perform the work; and (b) are heavily weighted in terms of timing to the initial enrollment of NSMR customers at the beginning of the program.

To obtain a better understanding of the number of incremental FTEs that FPL projected to implement the NSMR program, staff issued a data request in response to which FPL indicated an incremental increase of four FTEs for Customer Care and one FTE for Meter Reading Routing. (Exhibit 13 BSP 98-99) Staff notes that materials provided by FPL did not indicate that

[4] Order No. PSC-14-0036-TRF-EI, issued January 14, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

these incremental FTEs were intended to be temporary in nature or limited to a subset of the five-year recovery period. (Id.) Staff also notes that the duties described for these five incremental FTEs reflect the concept that much of the workload was envisioned to occur at the beginning of the initial implementation of the NSMR program. (Id.)

Discussion of Appropriate Staffing Levels for Customer Care

FPL projected an incremental need for four customer care employees. (Exhibit 13 BSP 98-99) FPL stated that the four customer care employees would be responsible for handling customer enrollment mailings and calls related to enrollment in the NSMR program, general program inquiries and follow-up calls. (Id.) Witness Onsgard testified that the Care Center had already experienced 15,000 calls to date in comparison with FPL's projection of 10,000 calls. (TR 204) FPL's response to a staff interrogatory further illustrated the elevated level of calls to the Care Center during the 90-day enrollment period. (Exhibit 11 BSP 6) However, FPL also stated that the Care Center workload decreased following the 90-day enrollment period that ended May 31, 2014, and it is expected that going forward, the customer care workload would continue at a level lower than what occurred in July 2014. (Id.) For purposes of comparison, staff notes that the Care Center received 6,253 calls in April 2014 during the middle of the enrollment period versus 452 calls for the period July 1-25, 2014. (Id.)

Based on the record, staff believes the four incremental FTEs for customer care were fully utilized during the initial 90-day enrollment period. After the initial enrollment period, the level of effort necessary to support the program decreased significantly. Therefore, staff suggests that appropriate incremental staffing levels for customer care are four employees for the three-month enrollment period and one employee for the remainder of the five-year recovery period for the NSMR Tariff. Staff notes that this adjustment would result in a reduction of FPL's one-time costs per meter of $5.13.

Discussion of Appropriate Staffing Levels for Meter Reading Routing

FPL projected an incremental need for one meter reading lead position. (Exhibit 13 BSP 98-99) FPL stated that the meter reading lead position would be responsible for creating manual meter reading routes for customers who enroll in the NSMR program and the maintenance of routes as additional customers are added and removed to ensure efficient routing. (Id.) In response to a staff interrogatory, FPL stated that the meter reading routing workload following the 90-day enrollment period peaked in July 2014 as customers continued to make choices during the 45-day grace period window.[5] (Exhibit 11 BSP 7) For purposes of comparison, the number of reroute transactions averaged 259 per month during the enrollment period that ended May 31, 2014. The number of transactions dropped to 178 in June 2014 and then increased to 307 during the period July 1-15, 2014. (Id.) Now that the grace period has expired for the body of initial NSMR program participants who enrolled during the 90-day enrollment period, staff believes that the level of effort necessary to support the program will decrease.

[5] In the "Special Provisions" section of the NSMR Tariff, there is a provision that allows NSMR customers a grace period of 45 days following the initial billing of NSMR charges to contact FPL requesting cancellation of service under NSMR and accept installation of a standard communicating meter. NSMR charges that have been billed (Enrollment Fee and Monthly Surcharge) will be waived after installation of the standard communicating meter.

Based on the record, staff believes the one incremental FTE for the meter reading lead position was fully utilized during the first six months of the NSMR program. For the remaining 4.5 years of the five-year recovery period for the NSMR Tariff, staff believes the routing work can be absorbed by other staff. Staff notes that this adjustment would result in a reduction of FPL's one-time costs per meter of $10.78.

CONCLUSION

Based on the record, staff believes that the appropriate FPL staffing levels for customer care employees are four employees for the initial three-month enrollment period and one employee for the remainder of the five-year recovery period for the NSMR Tariff. The appropriate staffing levels for the meter reading routing function are one employee for the initial six months of the NSMR program. Staff notes that the cumulative effect of these two adjustments, which reduce FPL's one-time costs per meter, results in a recommended Enrollment Fee of $89 (rounded). Staff's recommended Enrollment Fee and Monthly Surcharge are presented in Issue 11.

Issue 3: Are the various cost components and their amounts FPL included in developing the charges for the NSMR tariff appropriate? If not, what cost components and their associated amounts, if any, should be excluded from the calculations?

Recommendation: With the exception of the adjustments identified in Issues 2 and 8, the NSMR Tariff charges are appropriate. Staff's recommended Enrollment Fee and Monthly Surcharge reflecting the adjustments are presented in Issue 11. (Rome)

Position of the Parties

FPL: Yes, each cost component included in developing the NSMR Tariff is appropriate. FPL undertook a comprehensive analysis of the incremental costs it expects to incur to serve customers who choose to receive service through a non-standard meter, which otherwise would not have been incurred.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." Costs recovered through the opt-out tariff should be limited to necessary costs, reasonable in amount, that are separate from and incremental to those associated with the standard tariff. Underlying assumptions regarding cost components and their dollar values should – at a minimum – adhere to this principle.

LARSONS: No. Advanced cost recovery for "assumed" site visits should be denied as this speculative charge is not specifically authorized under Florida law and represents the majority of the Enrollment Fee. Granting FPL advanced cost recovery represents a "multi-million dollar giveaway" to FPL who has failed to deliver the promised $30 million of annual AMI cost savings to FPL customers. Additionally, the avoided cost of not having to install a smart meter, related ROE & depreciation, and duplicative costs imbedded in base rates should be offset from the NSMR charges for customers who keep their existing analog meters under the NSMR tariff.

MARTIN: No. Until a proper cost study is performed the appropriate cost components cannot be determined. Upfront capital costs should be excluded as avoided project capital costs are sufficient to offset. Upfront communication & enrollment costs should be excluded as FPL is cost causer. Speculative and duplicative costs should be removed.

Staff Analysis:

PARTIES' ARGUMENTS

FPL Witness Onsgard testified that the costs included in the NSMR tariff were incremental in nature and would not exist but for those customers' choice of a non-standard meter. (TR 55, 61, 73, 144) FPL Witnesses Onsgard and Deason also testified that the costs included in the NSMR Tariff are not included in base rates. (TR 155, Onsgard; TR 316, Deason)

Witness Deason highlighted the difference between standard and non-standard services. For example, dual language service is not a separate service that is capable of being billed separately; dual language service is the standard service. (TR 242) Witness Deason also testified that budget billing is an optional service reviewed and approved in 1981 by the Commission in Order No. 10047 and that it provides benefits to all customers. (TR 243)

Witness Onsgard testified regarding the specific charges contained in the NSMR Tariff. (TR 33, affirming data in Exhibit 5) Witness Onsgard provided cost support for all cost elements, which are grouped into several major categories as follows: Upfront System and Communication Costs, (Exhibit 5, pages 4-5) One-Time Costs per Meter, (Id., pages 6-8) and Monthly Costs per Meter. (Id., pages 9-14)

In its post-hearing brief, OPC emphasized its basic position that any tariff the Commission finally approves for customers to take service through a meter other than a standard meter should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the standard meter. (OPC BR 5-6)

The Larsons stated their basic position that the NSMR charges should reflect a nominal monthly fee that is fair, just, and reasonable. (Larsons BR 6-7) The Larsons also reiterated their position that the avoided cost of not having to install a smart meter, and related return on equity and depreciation, should be offset from the NSMR charges for customers who keep their existing meter, and that the NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR Tariff. (Id., page 6) In a summary argument, the Larsons disagreed with FPL regarding whether some charges should be collected, the general levels of charges, and the timing of when collection of charges should be allowed. (Id., pages 1-3)

In conjunction with Martin's discussion of specific costs associated with the NSMR Tariff, Martin testified regarding several concepts related to the tariff. Staff notes that the concepts that are most directly relevant to the specific "cost components" and "charges" are discussed here. Other concepts are discussed elsewhere in this recommendation.

Witness Martin testified that FPL deployed smart meters on a service area by service area schedule and each service area became activated with the new operations on different dates. (TR 356) Witness Martin also testified that costs to customers who select non-standard service will vary significantly as to the timing of when this optional service is elected. (TR 357)

Martin disagreed with the NSMR Tariff charges as presented by FPL Witness Onsgard in Exhibit 5. Witness Martin's disagreement with each of the charges is summarized as follows. Witness Martin disagrees that Upfront System Costs should be allowed because avoided capital costs associated with installing smart meters provide the necessary cost savings to cover these Upfront Costs (TR 372-373; Exhibit 9) and argues that Upfront Communication Costs to inform customers should not be recovered. (TR 371-372) Furthermore, the Witness argued that one-time customer care costs and rerouting costs could be absorbed within existing resources (TR 376 - 377) and that one time site visits costs should not be allowed because NSMR customers would not require an initial site visit (TR 377-378). Finally, Witness Martin testified that the one-time cost for meter testing should not be allowed because these costs are included in base rates. (TR 378)

Regarding the Monthly Costs per Meter, Witness Martin testified that the costs associated with monthly meter reading and safety should not be assessed at this time for the following reasons: (a) the issue should be deferred until the next general rate review to determine what base rate savings might be credited to customers; and (b) customer self-reads or estimated billing options should be explored to potentially lower the costs for non-standard meter customers. (TR 379) (The concepts of self-reads and estimated billing options are also discussed in Issue 4.) Witness Martin testified that the monthly billing and support costs should not be allowed because these costs should be considered project costs for which FPL bears some responsibility. (Id.) Witness Martin testified that costs for field collections and manual disconnects/reconnects should not be assessed because it would be unfair to penalize good paying non-standard meter customers. (TR 380) (Separate charges for field collections and disconnects/reconnects are discussed in Issue 8.) Witness Martin testified that costs associated with truck rolls to investigate power outages should not be applied to all NSMR customers and that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage. (Id.) (This recommendation by Martin is discussed in Issue 8.) Witness Martin testified that the costs associated with having a project manager for the non-standard meter program should not be allowed because this function can likely be absorbed through an existing position. (TR 381)

ANALYSIS

Staff believes that NSMR service while once standard service is now a non standard service that imposes measurable, identifiable, incremental costs on customers. Therefore staff rejects the intervenor arguments that it should be treated as standard service and its costs be borne by all customers. It is appropriate that charges be established to collect these costs from those customers who choose NSMR service and the development of these costs was appropriate only after deployment of the smart meters. Staff rejects the assertion that dual language and budget billing are examples of non standard services that do not have separate tariff provisions. Dual language capabilities through call centers and budget billing are essential for providing adequate customer service and furthermore minimize service interruptions and late payments which provides benefits to all customers.

Discussion of Upfront and One-Time Costs

In Exhibit 5, page 4, FPL identified $2,093,054 of Upfront System Costs. These costs are associated with the following: (a) changes to FPL's Customer Information System, Billing System, and Enrollment System; (b) handheld devices for meter reading based on an assumed program participation rate of 12,000 customers; and (c) changes to systems to identify and handle collection issues. FPL provided additional support for its Upfront System Costs. (Exhibit 11 BSP 52-53; Exhibit 12 BSP 67-68; Exhibit 14 BSP 126-130; Exhibit 15 BSP 163; Exhibit 16 BSP 194, 211) Based on the record, staff believes FPL's Upfront System Costs are reasonable.

In Exhibit 5, page 5, FPL identified $368,000 of Upfront Communication Costs. These costs are associated with the customer brochures, research, and mailings that comprised FPL's marketing and communication plan to implement the opt-out program. The Company provided additional support for its Upfront Communication Costs. (Exhibit 13 BSP 105-106) Based on the record, staff believes FPL's Upfront Communication Costs are reasonable.

In Exhibit 5, page 6, FPL identified one-time costs of $11.30 per customer, based on a projected number of 12,000 NSMR customers, for care center enrollment, customer inquiries, and follow-up costs. FPL provided additional support for its one-time costs associated with customer care enrollment. (Exhibit 13 BSP 98-99, 107; Exhibit 14 BSP 132; Exhibit 11 BSP 6-7). Based on the record, staff recommends an adjustment (related to customer care employees) to the NSMR Tariff Enrollment Fee. This adjustment is discussed in Issue 2.

In Exhibit 5, page 8, FPL identified one-time costs of $11.98 per customer, based on a projected number of 12,000 NSMR customers, for routing changes associated with the meter reading workflow for non-standard meters. Costs associated with the revision of meter reading routes as identified by FPL are shown separately from the costs FPL identified as being associated with ongoing monthly manual meter readings of non-standard meters. FPL provided additional support for its one-time costs associated with meter routing. (Exhibit 13 BSP 98-99, 109; Exhibit 14 BSP 132; Exhibit 11 BSP 6-7). Based on the record, staff recommends an adjustment (related to meter reading routing) to the NSMR Tariff Enrollment Fee. This adjustment is discussed in Issue 2.

In Exhibit 5, page 7, FPL identified one-time costs of $5.00 per NSMR customer associated with costs performed by FPL's Meter Test Center to do one meter test based on an assumption that one-third of the NSMR meters would be tested over three years. FPL provided additional information in support of the assertion that based on the meter types of the currently enrolled NSMR meters, a significantly larger number of NSMR meters will be required to be tested over the next five years. (Exhibit 12 BSP 69-70, 75-76) Staff's discussion of this item will be handled in two parts: (a) a discussion of the $5.00 cost identified by FPL; and (b) a discussion of the points raised by Intervenors regarding the nature of the meter testing process.

On page 7 of Exhibit 5, FPL estimates that the Meter Test Center's cost to do one meter test is $15.00; the $5.00 cost identified by FPL assumed that one-third of the NSMR meters would be tested over three years. Witness Martin testified that the one-time cost for meter testing should not be allowed because these costs are included in base rates. (TR 378) Witness Onsgard stated that the costs for testing of non-standard meters installed for NSMR customers are incremental costs that FPL would not incur but for the customers electing to receive non-standard service. (Exhibit 12 BSP 76; TR 55) FPL provided additional support for its One-Time Costs associated with meter testing which asserted that FPL projects an under-recovery of its costs attributable to non-standard meter testing over the next five years. (Exhibit 12 BSP 70, 75) Based on the record, staff believes that the costs identified by FPL for the testing of non-standard meters are reasonable.

Commission Rules 25-6.052, F.A.C., Accuracy Requirements and Test Plans for Metering Devices, and 25-6.056, F.A.C., Metering Device Test Plans, set forth the requirements that FPL and other investor-owned utilities in Florida must follow in the development and submission of meter test plans for Commission approval. The current Commission-approved meter test plan under which FPL operates is entitled "Test Procedures and Test Plans for Metering Devices", dated June 17, 2008 (Meter Test Plan). (Exhibit 11 BSP 10-45) Witness

Onsgard stated that the NSMR meters were stratified by manufacturer and meter model into homogenous populations (*i.e.*, lots). (Exhibit 12 BSP 69) In accordance with Rule 25-6.056, F.A.C., these populations of in-service meters are required to be sample tested, or if not tested as otherwise required, must be replaced. (Id.) The sample sizes of these populations were determined from FPL's Meter Test Plan, Table 3. (Id.) Witness Onsgard also stated that FPL would not test NSMR meter types if the statistically required sample size as shown in Table 3 of the Meter Test Plan (Exhibit 11 BSP 35) is equal to or greater than the remaining population of a given meter type. (Exhibit 12 BSP 75) FPL will still be required to make the site visits to remove the meters and replace them with another non-standard meter, but accuracy testing will not be needed as there will be no more of that meter type in the field. (Id.)

FPL provided a schedule for the testing and replacement of non-standard meters pursuant to the Commission-approved Meter Test Plan for the next five years. (Exhibit 12 BSP 70: "FPL NSMR Meter Test Analysis – July 2014"). This test schedule indicates that the current population of non-standard meters for NSMR customers is comprised of approximately 70 different meter types. Pursuant to the Meter Test Plan, more than 5,000 meters will need to be tested or replaced during the next five years.

During cross-examination by staff, Witness Onsgard was unable to explain differences in the required sample sizes shown in the FPL NSMR Meter Test Analysis and Table 3 of the Meter Test Plan. (TR 199-201) In its post-hearing brief, FPL asserted that using the lower number of meters to be tested in the Meter Test Plan rather than the FPL NSMR Meter Test Analysis still indicates that more than 5,000 non-standard meters will need to be sampled over the next five years. (FPL BR 17, footnote 6). This conclusion is consistent with Witness Onsgard's testimony. (TR 209-210) Staff performed an independent analysis and arrived at the same numerical result as FPL.

Some of the diversity in non-standard meter types may have been an inadvertent result of FPL's attempts to accommodate NSMR customers' requests to keep their existing non-standard meters whenever possible. (TR 137-138, 194) FPL provided a schedule of the 3,250 meters that had been left in place (through July 31, 2014) for customers who were on the postpone list and are now enrolled in the NSMR program. (Exhibit 16, BSP 205-206: "FPL NSMR Meter Types Left in Field") This schedule is comprised of approximately 60 different meter types. For 14 meter types, the average age of the meters in each different meter type is greater than 40 years.

FPL provided documentation in support of its meter testing process. (Exhibit 11 BSP 8-45; Exhibit 12 BSP 69-70, 72-73, 75-76; Exhibit 16 BSP 204-206). Based on the record, staff believes that FPL's assertion that more than 5,000 meters will need to be tested or replaced during the next five years pursuant to the Meter Test Plan is reasonable. The testing and replacement of non-standard meters will require a site visit as discussed below.

In Exhibit 5, page 7, FPL identified one-time costs of $77.06 per NSMR customer associated with costs to perform a site visit for field meter services based on an assumption of an average of one site visit per NSMR customer during the next five years. The one-time costs identified for the field visit include labor and vehicle expenses. (TR 142-143) FPL provided additional support for its site visit projections and the associated one-time costs. (Exhibit 11 BSP 8-45; Exhibit 12 BSP 69-71, 75-76; Exhibit 16 BSP 193, 205-206) Based on the record, staff believes that FPL's assumption that an average of one site visit per NSMR customer will be required during the next five years and the associated costs identified by FPL (Exhibit 5, page 7) are reasonable.

Discussion of Monthly Cost Per Meter

In Exhibit 5, pages 9 and 10, FPL identified monthly costs per meter of $6.81 and $0.05, respectively, for monthly manual meter reading and monthly safety costs. Witness Onsgard testified that costs were projected for the required effort to manually read meters monthly for customers who enroll in the NSMR program. These costs include salary, vehicle cost for miles driven, supervision, and employee-related expenses. (TR 35) With regard to safety-related costs, this witness testified that because additional meter readers and field meter personnel will continue to make field visits, they will continue to be exposed to danger and risk in the field. The projection of safety costs in this area is attributable to the need to continue to have employees in the field and is based on historic OSHA (Occupational Safety and Health Administration) and vehicle accident claims. (TR 39) FPL provided additional support for its monthly meter reading and safety-related costs. (Exhibit 11 BSP 50, 57; Exhibit 13 BSP 110-115; Exhibit 14 BSP 133-134) Based on the record, staff believes that the costs identified by FPL associated with monthly meter reading and safety are reasonable.

In Exhibit 5, page 11, FPL identified monthly costs per meter of $0.40 for billing and project support operational costs. Witness Martin testified that the monthly billing and support costs should not be allowed because these costs should be considered project costs for which FPL bears some responsibility. (TR 379) FPL provided additional support for its monthly billing and project support operational costs. (Exhibit 13 BSP 107) Based on the record, staff believes that the costs identified by FPL are reasonable.

In Exhibit 5, page 12, FPL identified monthly costs per meter of $0.45 associated with field visits for collections ($0.08) and manual disconnects/reconnects ($0.37). Witness Martin testified that these monthly costs for field collections and manual disconnects/reconnects should not be assessed to all NSMR customers because it would be unfair to penalize good paying non-standard meter customers with additional costs. (TR 380) FPL provided additional support for its inclusion of these costs in the Monthly Surcharge. (Exhibit 11 BSP 49)

Staff believes Witness Martin's testimony, that good paying non-standard meter customers should not be penalized with these additional costs, to be persuasive. As discussed in Issue 8, staff therefore recommends an adjustment to the Monthly Surcharge.

In Exhibit 5, page 13, FPL identified monthly costs per meter of $0.10 associated with truck rolls related to non-standard meter calls that could have been resolved without a field visit if the customer had a smart meter. Witness Onsgard testified that truck rolls are avoided when a smart meter customer inquiries about an outage and an FPL representative is able to remotely determine that the customer's smart meter is receiving power, and that the outage is caused by customer-owned equipment. (TR 38) Witness Martin testified that costs associated with truck rolls to investigate power outages should not be applied to all NSMR customers and that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage. (TR 380)

Based on the record, staff believes that the costs identified by FPL associated with truck rolls to physically investigate outages are reasonable. The recommendation by Martin that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage is discussed in Issue 8.

In Exhibit 5, page 14, FPL identified monthly costs per meter of $0.95 associated with project management costs. Witness Martin testified that the costs associated with having a project manager for the non-standard meter program should not be allowed because this function can likely be absorbed through an existing position. (TR 380-381) FPL provided additional support for its project management costs. (Exhibit 11 BSP 58-59; Exhibit 13 BSP 98-99, 118-119; Exhibit 16 BSP 196-197) Based on the record, staff believes that the costs identified by FPL are reasonable.

CONCLUSION

Based on the record, staff believes that with the exception of the adjustments identified in Issues 2 and 8, the NSMR Tariff charges are appropriate. Staff's recommended Enrollment Fee and Monthly Surcharge reflecting the adjustments are presented in Issue 11.

Issue 4: Is the requirement for a manual monthly meter reading by FPL reasonable and justified or should customers be offered alternatives (e.g., self-read or estimated billing options) to ensure fair and reasonable rates are established and costs to FPL are minimized?

Recommendation: Yes. The requirement for a manual monthly meter reading by FPL is reasonable and justified. (Ollila)

Position of the Parties

FPL: Yes, the requirement for manual monthly meter reads is reasonable. Requiring monthly meter reads is consistent with the Commission's meter reading and billing rules. Accurate and timely meter reading is a fundamental responsibility of utilities. From an operational perspective, estimated readings adversely impact either the customer or the Company.

OPC: No position.

LARSONS: No. The proposed NSMR tariff is discriminatory to the extent that it does not treat all FPL customers equally because it fails to recover the same NSMR costs from business customers that do not have a smart meter installed. Such costs of reading meters are already included in base rates. Accordingly, NSMR tariff customers should be offered alternatives (e.g., self-read) to ensure fair and reasonable rates are established and costs to FPL customers are minimized.

MARTIN: No. FPL has a duty to offer efficient and low cost options. Costs associated with manual monthly meter reading could easily be mitigated through other options such as customer self-reads or estimated billing.

Staff Analysis:

PARTIES' ARGUMENTS

Witness Onsgard testified that accurate and timely meter reading is a fundamental responsibility for all utilities to properly bill customers. (TR 76) Even if self-read options were available, meter reading is required to true-up self-read accounts. (EXH 11 BSP 60) According to FPL witness Onsgard, the only time an estimated bill is generated occurs when the FPL meter reader is unable to access the customer's premise. (TR 146-147) FPL also pointed out in a discovery response that not all customers may want to or be able to read their own meters. (EXH 11 BSP 60) FPL uses Rule 25-6.099, F.A.C., in support of its position because the rule provides that meters shall be read at monthly intervals. (FPL BR 21)

The Larsons maintained in their brief that FPL should offer NSMR customers alternatives to company meter reads, such as self-reads. (Larson BR 5) The Larsons further stated in their brief that it is both FPL's and the Commission's duty to review alternatives that will mitigate incremental costs. (Larson BR 28)

Witness Martin argued that self-read meters would significantly lower the costs of providing this service and provide an affordable rate structure for the NSMR customers. (TR

382) She stated that the consumer correspondence file in this proceeding includes many customers who expressed a preference for this solution and that current rules permit estimated billing not to exceed six months. (TR 382)

ANALYSIS

Witness Onsgard testified that FPL projected costs to manually read meters monthly for NSMR customers. (TR 35) FPL shows the monthly manual meter reading cost to be $6.81 which includes 11 meter reader positions (EXH 5).

The Larsons and Martin argued that FPL's requirement for a manual monthly meter reading should be modified by alternatives such as self-read options or the use of estimated billing in order to reduce the costs of subscribing to the NSMR tariff.

In response to staff discovery, FPL stated that it considers customer self-reads to be estimated readings and there are operational disadvantages with using estimated readings. (Exhibit 12 BSP 66) Operationally, these methods cannot be used in and of themselves for accurate meter reading as they would require FPL meter readings to true up the accounts which would result in over/under billings that adversely impact either the customer or FPL. (Id.) Operational impacts from estimated billings include increased work in customer accounting due to required billing validations and reviews, the need for manual rereads and rebilling, and increased calls to customer care. (Id.) FPL also stated that it does not currently have a program for customers to send or call in meter readings. (Id.) If FPL was required to have a customer read program, there are significant costs and operational processes that would need to be understood prior to implementation. In addition to the cost and operational changes required to implement a customer read program, there are potential issues including misreads, not reading on the scheduled read date by customers, and customers who may be unable or unwilling to read their meter. (Id.)

Staff believes that there are problems inherent in alternatives to FPL reading each NSMR meter every month. Also, Rule 25-6.099, F.A.C., infers a meter reading by a utility rather than customers. After a thorough analysis of the evidence staff believes that a manual monthly reading requirement by FPL is reasonable and justified.

CONCLUSION

Staff believes that requirement for a manual month meter reading by FPL is reasonable and justified.

Issue 5: Should customers with several non-standard meters at the same property location pay multiple enrollment fees? If not, what is the appropriate enrollment fee?

Recommendation: Yes. Customers with several non-standard meters at the same property location should pay multiple enrollment fees. (Ollila)

Position of the Parties

FPL: Yes. The NSMR Enrollment Fee is based on an average cost per customer, with all customers treated consistently within the group. Applying different enrollment fee criteria for customers who might have multiple meters at the same location is not appropriate and would likely would not reduce costs.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." Costs to be recovered through the opt-out tariff should be limited to necessary costs, reasonable in amount, that are separate from and incremental to those associated with the standard tariff. Tariff provisions relating to multiple meters at the same location should – at a minimum – adhere to this principle.

LARSONS: No. The Enrollment Fee is the fundamental problem with the NSMR tariff. Granting FPL advanced cost recovery of speculative costs within the enrollment fee is contrary to Florida law and represents a "multi-million dollar giveaway" to FPL who has failed to deliver the promised $30 million of annual AMI cost savings to FPL customers. Accordingly, customers with several non-standard meters at the same property should not be required to pay multiple enrollment fees.

MARTIN: No. Customers with multiple non-standard meters at the same address should not have to pay multiple enrollment fees. A proper cost study should be performed to determine the costs, if any, to assess.

Staff Analysis:

PARTIES' ARGUMENTS

According to FPL witness Onsgard, rates are based on average costs, thus keeping rates the same for each customer. FPL witness Onsgard argued that it would be inappropriate or impractical to attempt to assign rates based on a customer's particular circumstances, including the distance between non-standard meters. (TR 42) Witness Martin argued that requiring customers with multiple meters at the same property location to pay multiple enrollment fees "unjustly penalize[s]" those customers. (TR 381) Additionally, Witness Martin argued those charges are not cost-based and that the costs are inflated because the costs assume multiple truck rolls that will not occur. Martin urged a different tariff structure be considered so that actual costs of multiple meters at the same property location may be considered. (TR 381) FPL witness Onsgard argued that it would be inappropriate for some customers to have special or lower rates because of multiple meters in the same location just as it would be inappropriate to have higher rates for an NSMR customer who is geographically isolated. (TR 65)

In its brief, OPC argued that costs recovered through the opt-out tariff should be limited to "necessary costs" that are "reasonable in amount," and that are separated and incremental to the standard tariff. OPC argued that tariff provisions concerning multiple meters at the same location should "at a minimum" adhere to its previously stated principle. (OPC BR 1)

The Larsons argued in their brief that permitting FPL to recover multiple enrollment fees for meters at the same property would represent a "multi-million dollar giveaway" for FPL. The Larsons argued that FPL should not be allowed to profit when promised cost savings have not occurred. (Larsons BR 6)

ANALYSIS

The Larsons provided no evidence to support their allegation that imposing multiple enrollment fees at properties with more than one standard meter constitutes a "multi-million dollar giveaway." The remainder of the Larsons' arguments in the brief are not relevant to this issue. Witness Martin argued that the charge is not cost-based because the costs assume multiple truck rolls, which "will not occur." Witness Martin's argument appears to assume a simultaneous move to non-standard meters at a single location. Staff believes whether this occurs, and how often, is speculative at best. There is no evidence to support witness Martin's apparent assumption.

FPL's rates are based on the use of average costs, so that customers pay the same charge whether they live in higher density areas (e.g., multi-unit buildings) or lower density areas (e.g., a rural customer or a single NSMR customer on a street or in a subdivision). Without the use of average costs, an NSMR customer in a low density area would likely pay a higher enrollment fee than a condominium customer, for example.

Staff believes that the use of average costs is reasonable because the result does not favor one customer over another based on where the customer lives and how many other neighbors (customers) may elect to participate in the NSMR. Staff also believes that requiring multiple enrollment fees of customers with several non-standard meters at the same location is consistent with OPC's position.

CONCLUSION

Staff recommends that customers with several non-standard meters at the same property locations pay multiple enrollments fees, i.e., one enrollment fee per meter regardless of the location of the meter.

Issue 6: Are there any cost savings associated with the NSMR program that have not been used in accounting for the NSMR charges? If so, what are the sources of such savings, and what and how should the amounts be reflected in the NSMR calculations?

Recommendation: Staff recommends no adjustments to the NSMR Tariff with regard to the cost savings items discussed in the Staff Analysis section below. (Rome)

Position of the Parties

FPL: FPL determined that non-standard meters avoid costs associated with smart meter communication failures in the amount of approximately $0.07 per month per smart meter, but also identified additional costs that far outweigh the $0.07. Thus, the NSMR Tariff should not be changed from the amounts approved in Tariff Order 14-0036.

OPC: No position.

LARSONS: Yes. The avoided cost of not having to install a smart meter, and related ROE & depreciation, should be offset from the NSMR charges for customers who keep their existing meter. Additionally, the NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR tariff.

MARTIN: Yes. The avoided costs of not having to discard the existing meters and buy and install a smart meter and associated ROE and depreciation, as well as the incremental variable maintenance costs associated with smart meters. Amounts should be determined with a proper rate review.

Staff Analysis:

PARTIES' ARGUMENTS

FPL Witness Onsgard testified that there have been no actual cost savings associated with customers who enroll in the NSMR Tariff that justify a modification of the tariff rate. (TR 192-193) Witness Onsgard also testified that the following categories of potential savings identified by Martin do not produce any savings:

- Manual smart meter activation and enrollment in smart meter services (TR 62, 69)
- Data storage and software licensing (TR 68-69)
- Energy dashboard savings from reduced calls to the care center from non-standard service customers because they do not have access to the dashboard (TR 69)
- Depreciation savings from longer useful lives of non-communicating meters (TR 69-70)

FPL identified costs associated with smart meter communication failures that were not reflected in its incremental cost study. Witness Onsgard testified that while both smart meters and non-standard meters require costs to maintain, FPL spends approximately $0.07 more per month per meter for smart meter communication repairs. (TR 70) FPL stated that these potential savings to NSMR customers were outweighed by $0.75 per month per NSMR customer for Customer Advocacy activities that represented incremental costs not included in the NSMR Tariff. (Exhibit 11 BSP 46, 48)

OPC did not take a specific position on this issue. However, in its post-hearing brief, OPC emphasized its basic position that any tariff the Commission finally approves for customers to take service through a meter other than a standard meter should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the standard meter. (OPC BR 5-6) OPC further stated that the Commission has wide latitude in setting rates for a discretionary tariff like the NSMR and urged the Commission to consider all its options and weigh them in the interest of all FPL customers. (Id., pages 6, 9)

In their post-hearing brief, the Larsons reiterated their position that the avoided cost of not having to install a smart meter, and related ROE and depreciation, should be offset from the NSMR charges for customers who keep their existing meter. Additionally, the Larsons propounded that the NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR Tariff. (Larsons BR 6) (See Issue 3 discussion.)

Martin disagreed with FPL regarding whether there are cost savings associated with the NSMR program that have not been used in developing the NSMR charges. Witness Martin testified that FPL's tariff filing should have considered the possibility of cost offsets in the following areas:

- Manual smart meter activation and enrollment in smart meter services (TR 376)
- Data storage and software licensing (TR 375)
- Energy dashboard savings from reduced calls to the care center from non-standard service customers because they do not have access to the dashboard (Id.)
- Depreciation savings from longer useful lives of non-communicating meters (Id.)

Martin stated in her post-hearing brief that the additional variable costs identified by FPL for smart meter communication repairs (TR 70) should be further reviewed by the Commission. (Martin BR 30)

ANALYSIS

Staff concludes that the evidence in this case did not show that service under the NSMR tariff produced material savings that could be used to offset the NSMR charges. Witness Martin identified areas of possible savings that FPL should have considered. (TR 375-376) Other potential savings identified by the intervenors such as by-passing the activation process, reduction in licensing costs, data processing, avoiding the use of technology features like the energy dashboard and depreciation reductions simply were too speculative to be relied upon to adjust costs. FPL Witness Onsgard testified that FPL completed a comprehensive analysis of non-standard meter costs and savings and determined that there were no cost savings related to providing non-standard service. (TR 68) Witness Onsgard also testified that: (a) NSMR customers actually are a cost driver in the activation process, (b) data storage and software licensing costs are incurred on an enterprise-wide basis, (c) having a smart meter versus not having a smart meter did not change the care center call rate between the two populations, and (d) NSMR customers require FPL to maintain inventories of non-standard meters for repairs, as well as smart meters in case the non-standard customer moves or requests standard meter service. (TR 68-70)

CONCLUSION

Based on the record, staff recommends that no adjustments should be made to the NSMR Tariff with regard to reduced workload for enrollment in smart meter services, data storage and software licensing, energy dashboard savings, and depreciation savings.

Issue 7: What is the appropriate projection of the number of FPL customers who may subscribe to the NSMR tariff for purposes of deriving the NSMR charges?

Recommendation: The appropriate projection of the number of FPL customers who may subscribe to the NSMR tariff for purposes of deriving the NSMR charges is 12,000. (Ollila)

Position of the Parties

FPL: Though actual participation rates have been significantly lower, the appropriate projection of NSMR customer for purposes of establishing a set point for the NSMR Tariff charges is 12,000.

OPC: No position.

LARSONS: The appropriate projection should be the number of customers that FPL projected in its original NSMR tariff filing plus the total number of existing business customers that do not currently have a smart meter installed. This number is approximately 200,000 customers.

MARTIN: The appropriate number of customers was the 36,000 who had initially refused the smart meter. Utilizing a smaller number, as FPL did, resulted in an entry fee two-thirds greater and thus became more of a self-fulfilling prophesy than a cost calculation.

Staff Analysis:

PARTIES' ARGUMENTS

FPL stated in its brief that it used a reasonable, fact-based approach to project the opt-out population by analyzing its own data, as well as data from other utilities with opt-out populations. (FPL BR 26) Based on its analyses, FPL asserted that its 12,000 participation projection is an appropriate starting point for the NSMR tariff, and FPL will report actual participation rates on an annual basis in its smart meter progress reports. (FPL BR 28)

The Larsons stated in their brief that the appropriate number to use is 200,000, which includes the number of business customers who do not yet have a smart meter installed. (Larsons BR 6)

Martin stated in her brief that FPL's utilization of an industry average as opposed to utilizing the number of customers who expressed their desire not to have a smart meter (36,000) artificially increases the cost of entry into this program. (Martin BR 31) Martin claimed that utilizing 36,000 customers would reduce the upfront cost to approximately $30, versus the $95 fee. (Martin BR 31)

ANALYSIS

Witness Onsgard explained in his direct testimony that the first part of FPL's analysis to project the number of customers who would ultimately choose to take service under the NSMR tariff was to identify utilities throughout the United States that transitioned from postpone lists to specific opt-out programs. (TR 43) FPL found that between 17 percent and 72 percent of these customers made the choice to move from a postpone list to an opt-out program. (TR 44) FPL applied these percentages to its postpone list, which resulted in a range of 4,080 to 17,280 (midpoint of 10,680) customers out of the 24,000 customers FPL had on the postpone list at that time. (TR 44) Witness Onsgard further explained that FPL then analyzed additional data from other programs to identify the number of smart meter eligible customers who had chosen to pay a fee to opt-out, regardless of whether there had been an initial postpone list. The results of that analysis were a range of 0.02 percent to 0.5 percent, with a midpoint of 0.26 percent or approximately 11,700 FPL customers. FPL assumed a small number of customers that FPL was unable to contact might choose to become NSMR customers, therefore FPL projected 12,000 customers. (TR 44-45)

In his rebuttal testimony and upon cross examination Witness Onsgard testified that currently there are approximately 6,700 customers enrolled in the NSMR tariff, substantially less than the projected population of 12,000 that was used to calculate the NSMR charges. (TR 53, 127) However, Witness Onsgard maintained that 12,000 is an appropriate set point for the NSMR tariff as the fees, the costs, and the participation rate would be reviewed annually. (TR 126-127)

Witness Martin testified that there is evidence that 24,000 to 36,000 customers have substantial reservations about the program since they signed up for the initial postpone list prior to any suggestion of an opt out charge. (TR 370) According to Witness Martin, FPL's use of a lower number artificially increases the cost per customer which serves to exclude the fixed and lower income customers. (TR 370) Staff believes that using the 24,000 to 36,000 number of customers might be reasonable if the NSMR were free; however, once a cost or price is involved, then it is reasonable to expect some customers will prefer to use a smart meter rather than pay additional charges.

The Larsons stated in their brief that the projected number of customers should include the business customers who do not have a smart meter installed, even though deployment of smart meters to commercial and industrial customers is not complete. (BR 6) This argument is not persuasive to staff since there is no way to gauge business customer interest in retaining a non-standard meter.

The NSMR tariff includes the following language in the application provision: "This is an optional Rider available to customers served under a standard or optional rate schedule for which a communicating smart meter is the standard meter service." (EXH 3) Witness Onsgard stated that FPL deployed and activated smart meters for residential and small business customers. (TR 72) Since Witness Onsgard testified that deployment for small business customers is complete, small business customers who choose to opt out are required to take service under the NSMR tariff. Of the approximately 6,700 customers enrolled in the NSMR tariff, about 300 are small business customers. (EXH 16, BSP 169).

Witness Onsgard explained during cross examination that FPL is currently completing their commercial/industrial deployment. (TR 188) Staff believes that it is reasonable to expect that some commercial/industrial customers will elect to retain their meter and therefore will be required to take service under the NSMR tariff once the deployment of commercial/industrial customers is complete and smart meters will be considered standard service for commercial/industrial customers. Therefore, staff concludes that the use of the 12,000 customers is appropriate. Staff notes that using 7,000 customers as opposed to 12,000 customers raises the monthly surcharge by $5-$6 if the enrollment fee is held constant.

CONCLUSION

The appropriate projection of the number of FPL customers who may subscribe to the NSMR tariff for purposes of deriving the NSMR charges is 12,000.

Issue 8: How should the NSMR charges, if any, be designed?

Recommendation: The design of the NSMR Tariff should consist of two basic components: an Enrollment Fee and a Monthly Surcharge. This basic design should be modified as follows: (1) Extend the recovery period from three years to five years so that the recovery period matches the period over which the rate base is being depreciated, and (2) Remove the $0.08 for field collections and $0.37 for manual disconnects/reconnects from the Monthly Surcharge. (Rome)

Position of the Parties

FPL: NSMR charges should consist of an Enrollment Fee and a Monthly Surcharge. The Enrollment Fee is designed to recover a portion of the up-front and one-time costs and send the appropriate price signal. The Monthly Surcharge is designed to recover recurring costs and any remaining unrecovered up-front and one-time costs.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." The opt-out tariff should be a true alternative, in the sense that it should not artificially discourage customers from selecting the non-standard tariff. Tariff rate design should – at a minimum – adhere to this principle.

LARSONS: The NSMR charges should reflect a nominal monthly fee that is fair, just, and reasonable. The avoided cost of not having to install a smart meter, and related ROE & depreciation, should be offset from the NSMR charges for customers who keep their existing meter under the NSMR tariff. Additionally, the NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR tariff.

MARTIN: The design should reflect true net incremental costs and should distinguish between initial enrollment during project phase and ongoing enrollments. Services already covered under miscellaneous tariffs should be removed and any incremental costs for such services should be reflected in the existing miscellaneous tariff charges.

Staff Analysis:

PARTIES' ARGUMENTS

FPL Witness Deason testified that the NSMR Tariff has two basic components: an Enrollment Fee and a Monthly Surcharge. (TR 230) The Enrollment Fee is designed to recover a significant portion of the upfront costs which are more fixed in nature. The Monthly Surcharge is designed to recover those costs which tend to recur on a monthly basis and any remaining unrecovered upfront costs. (Id.) Witness Onsgard testified regarding the development of the $105 Enrollment Fee proposed for the NSMR Tariff. (TR 54, 78, 184; Exhibit 12, BSP 65) Witnesses Onsgard and Deason both testified regarding the importance of setting an Enrollment Fee that would send an appropriate price signal. (TR 54, Onsgard; TR 230, Deason) Witness Onsgard presented documentation to illustrate that the $16 Monthly Surcharge is comprised of monthly recurring costs and remaining unrecovered upfront costs. (Exhibit 5)

In its post-hearing brief, OPC emphasized its basic position that any tariff the Commission finally approves for customers to take service through a meter other than a standard meter should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the standard meter. (OPC BR 5-6) OPC further stated that the Commission has wide latitude in setting rates for a discretionary tariff like the NSMR and urged the Commission to consider all its options and weigh them in the interest of all FPL customers. (Id., pages 6, 9)

The Larsons reiterated their basic position that the NSMR charges should reflect a nominal monthly fee that is fair, just, and reasonable. (Larsons BR 6-7) However, the Larsons disagreed with FPL regarding whether some charges should be collected, the general levels of charges, and the timing of when collection of charges should be allowed. (Id., pages 1-3) These concepts are discussed in Issue 3.

Martin disagreed with FPL regarding three different aspects specifically pertaining to NSMR Tariff design. First, Martin recommended that a separate fee be established, if deemed warranted, to recover the costs of field meter visits to NSMR customer premises at the time they are incurred. (TR 377-378) Second, Martin recommended that any potential cost recovery for field collections and manual disconnects/reconnects should not be assessed to all NSMR customers as part of the Monthly Surcharge. (TR 380) Third, Martin recommended that any potential cost recovery for truck rolls to investigate power outages should not be assessed to all NSMR customers as part of the Monthly Surcharge. (TR 380) In her post-hearing brief, Martin opined that customers who choose to enroll in the NSMR program in the future will generate different costs than the initial participants in the program. (Martin BR 32)

ANALYSIS

Staff believes that conceptually, the use of an Enrollment Fee to recover a significant portion of the upfront costs that are more fixed in nature and the use of a Monthly Surcharge to recover recurring costs and any remaining unrecovered upfront costs is a reasonable approach to a basic NSMR Tariff design. Staff also evaluated several potential modifications within the framework of this basic design as discussed below.

Exhibit 5 submitted in the record shows the cost analysis that FPL used in its initial petition for the NSMR Tariff on August 21, 2013. Page 2 of Exhibit 5 indicates that although FPL used a 5-year period to calculate depreciation expense and return on rate base, FPL proposed to recover those costs over a 3-year period. Staff recommends extending the recovery period from three years to five years so that the recovery period matches the period over which the rate base is being depreciated.[6] This adjustment results in a reduction in the Monthly Surcharge from $16 (rounded) to $13 (rounded).

Staff evaluated the recommendation by Martin that a separate fee be established, if deemed warranted, to recover the costs of field meter visits to NSMR customer premises at the time they are incurred. Witness Martin testified that the initial enrollees in the NSMR program

[6] See Order No. PSC-14-0036-TRF-EI, issued January 14, 2014, in Docket No. 130223-EI, In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

would elect to keep their existing meters and would not require a field meter visit at that time. (TR 377) FPL witness Onsgard acknowledged that every effort was made to leave non-standard meters in place for customers enrolling in the NSMR program and that for these customers, a site visit would not be necessary to install a non-standard meter at the time of the customer's enrollment. (TR 138) Witness Martin also testified that subsequent to the initial NSMR enrollment period, there may be a justification for a charge for a field meter visit that would be incurred to install a non-standard meter when a prospective NSMR customer begins receiving service. (TR 377)

Staff believes that the establishment of a separate charge for field meter visits potentially could be more harmful than beneficial to customers and, therefore, recommends that the $77.06 cost associated with the average of one field meter site visit per customer should remain an element to be recovered through FPL's Enrollment Fee and Monthly Surcharge. Staff's primary concern regarding the concept of a separate charge for field meter visits is discussed below.

Staff's analysis of the reasonableness of FPL's assumption that there will be an average of one field meter visit per customer over the five-year recovery period is discussed in Issue 3. One of the most important elements that contributed to staff's decision to recommend that assumption is FPL's demonstration that over the next five years, more than 5,000 non-standard meters will have to be sampled to comply with FPL's Commission-approved Meter Test Plan. (Exhibit 11 BSP 8-9, 35; Exhibit 12 BSP 69-70) FPL Witness Onsgard stated that the sampling plan used for meter testing "is a statistically random sample, so a meter may never be chosen or it could be chosen more than once." (Exhibit 16 BSP 204)

Inequities could arise among NSMR customers if there were a separate fee for field meter visits. Staff does not believe it would be fair for NSMR customers to pay multiple charges simply because the outcome of a random sampling program happened to cause their meters to be chosen for testing more than once. Therefore, consistent with the discussion presented in Issue 3, staff recommends that all NSMR customers should be charged for a single field meter site visit based on an average of one visit per customer over the five-year recovery period. Staff recommends that this charge should remain an element of the upfront and one-time costs to be recovered through FPL's Enrollment Fee and Monthly Surcharge.

Staff evaluated the recommendation by Martin that any potential cost recovery for field collections and manual disconnects/reconnects should not be assessed to all NSMR customers as part of the Monthly Surcharge. FPL has existing tariffs for field collections and disconnects/reconnects in the amounts of $5.11 and $17.66, respectively. (Exhibit 5, page 12) Witness Martin testified that it would be unfair to penalize good paying NSMR customers with additional costs. (TR 380) FPL stated that its current full costs for field collections and manual disconnects/reconnects are $25.80 and $59.27, respectively. (Exhibit 5, page 12)

Staff believes Witness Martin's testimony to be persuasive. Accordingly, staff recommends that $0.08 for collections and $0.37 for disconnects/reconnects (Exhibit 5, page 12) be removed from the Monthly Surcharge.[7] NSMR customers needing collection or

[7] If $0.45 is removed from the Monthly Surcharge as modified above in this issue ($13 rounded – see preceding footnote), the revised Monthly Surcharge would be $13 (rounded).

disconnect/reconnect services would continue to be subject to the existing tariffs ($5.11 and $17.66, respectively) applicable to all FPL customers.

Staff evaluated the recommendation by Martin that any potential cost recovery for truck rolls to investigate power outages should not be assessed to all NSMR customers as part of the Monthly Surcharge. Witness Martin testified that costs associated with truck rolls to investigate power outages should not be applied to all NSMR customers and that a separate service visit charge should be assessed to customers when FPL's facilities are not the cause of the outage. (TR 380) Witness Onsgard testified that concerns with the approach proposed by Martin included additional costs to make customer information system modifications and the possibility that individual NSMR customers might have to pay a potentially significant fee that would be charged all at once or perhaps more than once. (TR 64)

Staff believes that the payment of what could be a significant fee all at once or more than once would cause a hardship for customers. FPL stated that the average cost of an outage investigation is $182. (Exhibit 5, page 13) Therefore, staff recommends that the $0.10 for truck rolls to investigate power outages remain in the Monthly Surcharge. (Id.)

In her post-hearing brief, Martin stated that customers who choose to enroll in the NSMR program in the future will generate different costs than the initial participants in the program. (Martin BR 32) The annual progress reports to be filed by FPL (see Issue 9) are an important tool to monitor this process on an ongoing basis.

CONCLUSION

Based on the record, staff recommends that the design of the NSMR Tariff consist of two basic components: an Enrollment Fee and a Monthly Surcharge. Staff recommends that this basic design be modified as follows: (1) Extension of the recovery period from three years to five years so that the recovery period matches the period over which the rate base is being depreciated; and (2) Removal of the $0.08 for field collections and $0.37 for manual disconnects/reconnects from the Monthly Surcharge.

Issue 9: What additional information, if any, should FPL be required to file in its annual smart meter progress reports?

Recommendation: Through March 2019 or until FPL's next rate case, whichever occurs first, FPL should file the following information regarding NSMR: actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of customer Enrollment Fees and Monthly Surcharge payments. (Ollila)

Position of the Parties

FPL: FPL intends to include in its annual smart meter progress reports the following information regarding NSMR: actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of customer Enrollment Fees and Monthly Surcharge payments.

OPC: The Commission should require FPL to disclose the number of customers subscribing to the tariff as finally approved and should require FPL to report all costs associated with maintaining such tariff on a basis sufficient to determine if any price adjustments are warranted.

LARSONS: The total number of FPL customers, the total number of FPL customers enrolled under the NSMR tariff, the total number of NSMR tariff customers who have retained their original meter, the total number of smart meters deployed within FPL's service territory, the total number of FPL customers that do not have a smart meter installed, the number of annual smart meter failures, total smart meter failures to date, and any other information that the Commission deems appropriate.

MARTIN: The Commission needs to totally revamp this monitoring control as it does not appear to be working properly.

Staff Analysis:

PARTIES' ARGUMENTS

FPL stated that it will include in its annual smart meter progress report actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of enrollment fees and monthly surcharge payments. (FPL BR 32)

OPC recommended that FPL disclose the number of NSMR customers and to report all costs associated with maintaining the tariff on a basis such that it is possible to determine if any price adjustments are warranted. (OPC BR 1)

The Larsons recommended that the additional information include the number of smart meters deployed, the total number of FPL customers that do not have a smart meter installed, NSMR customers who have retained their analog meter, the number of annual smart meter failures, total smart meter failures to date, and any other information that the Commission deems appropriate. (Larsons BR 7)

Martin did not make specific recommendations, but rather recommended that the reporting be totally revamped. (Martin BR 33) Martin argued that the Commission should develop "more stringent requirements" because, for example, the 2011 and 2012 reports provided no updated project costs and savings projections and did not report that customers objected to smart meters. (Martin BR 33)

ANALYSIS

Presently, Order No. PSC-10-0153-FOF-EI[8] requires FPL to file annual smart meter progress reports on its implementation of smart meters in the Energy Conservation Cost Recovery docket. This issue asks what additional information, if any, should FPL be required to file in future smart meter progress reports.

The current actual number of NSMR subscribers is 6,700; however, staff recommends that 12,000 is the appropriate number of FPL customers who may subscribe to the NSMR tariff for purposes of deriving the NSMR tariff.

Five years from the effective date of the NSMR tariff is an important milestone. The upfront system and communications costs and one-time costs recovered through the Monthly Surcharge should be fully recovered at the end of this five-year period; thus, it is possible adjustments to the Monthly Surcharge may be warranted at that time.

Staff believes until the five-year milestone is reached or its next rate case, whichever occurs first, FPL should file actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of enrollment fees and monthly surcharge payments in its smart meter progress reports. This will allow the Commission to monitor the participation rate for the NSMR tariff.

CONCLUSION

Staff recommends that through March 2019 or FPL's next rate case, whichever occurs first, FPL should file the following information regarding NSMR: actual participation rates, actual costs associated with the operation and administration of the program, and actual revenues received in the form of customer Enrollment Fees and Monthly Surcharge payments.

[8] Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by FPL and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by FPL.

Issue 10: Are FPL's proposed terms and conditions of the NSMR tariff appropriate? If not, what changes should be made?

Recommendation: No. Staff recommends that the following language be added to the tariff: "Under normal operating conditions the use of a temporary standard meter should not exceed one full billing period. If the customer who is taking service pursuant to the NSMR tariff is required to have the standard meter for more than one full billing cycle, FPL will suspend the Monthly Surcharge until a non-standard meter is installed." (Ollila)

Position of the Parties

FPL: Yes, the terms and conditions contained in FPL's NSMR Tariff are appropriate.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, who are being served through the "Smart Meter." Tariff terms and conditions should – at a minimum – be established consistent with this principle.

LARSONS: No. Customers should not be forced to accept FPL's proposed terms and conditions for the NSMR tariff until FPL delivers the $30 million of annual cost savings to FPL customers it promised when seeking approval of FPL's AMI program. Any terms and conditions should be fair, just, and reasonable.

MARTIN: No. Non-standard meters should be offered at no-charge. Current terms have no provisions for providing credits for estimated bills or pro-rated credits for customers when installing smart meters in repair situations under 30 days and no consideration for customers with multiple meters or multi-family dwellings. Product contracted for not well-defined.

Staff Analysis:

PARTIES' ARGUMENTS

FPL argued that the terms and conditions currently contained in the NSMR tariff are appropriate. (FPL BR 33) The Larsons contend that customers should not be "forced to accept" an NSMR tariff until FPL's promised cost savings are delivered. (Larsons BR 7)

Martin states that there should be no charge for non-standard meters nor separate charges for multiple meters or multifamily family dwellings (Issue 5). Martin argued that the terms and conditions of the tariff need to include credits where services are not performed, referring specifically to estimated bills and the temporary replacement (less than 30 days) of a non-standard meter with a standard meter. (Martin BR 35)

According to FPL, estimated bills are issued only if the FPL meter reader is unable to access the meter for reading. (TR 146) Temporary replacements of non-standard meters with standard meters typically last 5 to 10 weekdays, assuming normal operations. (EXH 13 BSP 92). FPL acknowledged in its response to Staff's First Data Request, that if an NSMR customer is required to have a standard meter for more than one full billing cycle, FPL will suspend the monthly NSMR charge until a non-standard meter is installed. (FPL BR 34).

ANALYSIS

Estimated bills are only generated when the meter is inaccessible to FPL and cannot be read; therefore, a credit is unnecessary. (TR 146) There is no evidence to support a credit for less than one full billing period when a temporary replacement of a non-standard meter with a standard meter occurs. Staff believes one full billing period is a reasonable amount of time to use to determine whether a credit should be issued when a temporary meter replacement occurs. FPL acknowledged that if an NSMR customer is required to have the standard meter for more than one full billing cycle. FPL will suspend the monthly surcharge until a non-standard meter is installed. (EXH 13 BSP 92) In FPL's response to Staff's Second Data Request, No. 6 (EXH 14 BSP 131), FPL provided sample language specifying when a temporary meter replacement calls for a suspension of the monthly surcharge:

> Under normal operating conditions the use of a temporary standard meter should not exceed one full billing period. If the customer who is taking service pursuant to the NSMR tariff is required to have the standard meter for more than one full billing cycle, FPL will suspend the Monthly Surcharge until a non-standard meter is installed.

Staff believes this language is reasonable and should be added to the tariff.

CONCLUSION

For the reasons stated above, staff recommends that the proposed language should be added to the tariff.

Issue 11: Based on the resolution of the previous issues, what are the appropriate NSMR charges?

Recommendation: Based on the record and the resolution of the previous issues, staff recommends an Enrollment Fee of $89 and a Monthly Surcharge of $13. Per Order No. PSC-14-0036-TRF-EI the current NSMR tariff is in effect subject to refund and contains a $95 Enrollment Fee and $13 Monthly Surcharge. If the Commission approves lower NSMR charges, FPL should provide refunds to NSMR customers that paid the current charges within 45 days of the date of the order. FPL should file a revised NSMR tariff within 10 days of the Commission's vote for administrative approval by staff. (Draper, Rome)

Position of the Parties

FPL: The data analyzed by FPL supports NSMR charges of $105 for the Enrollment Fee and $16 for the Monthly Surcharge. Notwithstanding these facts, FPL accepts the Commission's adjustments resulting in the approved Enrollment Fee of $95 and the approved Monthly Surcharge of $13.

OPC: The Public Counsel submits that any tariff the Commission finally approves for customers to take service through a meter other than a "Smart Meter" should be reasonably cost-based and not impose unwarranted costs on any FPL customers, including those who are being served through the "Smart Meter." Tariff charges should - at a minimum - be established consistent with this principle.

LARSONS: The NSMR charges should be fair, just, and reasonable. Assumed site visits are speculative costs and should be removed from the Enrollment Fee. The avoided cost of not having to install a smart meter, and related ROE & depreciation, should be offset from the NSMR charges for customers who keep their existing meter. The NSMR tariff charges that are duplicative to costs already recovered in base rates should be removed from the NSMR tariff.

MARTIN: There should be no charges for a NSMS as it is consistent with other FPL optional services. Additionally, the calculation of fair and reasonable charges for the NSMR requires a complete and thorough analysis, which hasn't been performed, as well as accurate baseline costs which aren't yet known.

Staff Analysis:

PARTIES' ARGUMENTS

In its brief, FPL stated that it provided evidence in support of a $105 Enrollment Fee and $16 Monthly Surcharge. (FPL BR 35) FPL referred to Exhibit 4, page 7, which states that any opt-out tariff proposed "should be cost-based to ensure subsidization is kept to a minimum" and asserted that the revised NSMR tariff filed on January 17, 2014 including a $95 Enrollment Fee and $13 Monthly Surcharge is consistent with that principle and achieves that end. (FPL BR 34-35). FPL stated that the Commission should reaffirm the revised NSMR tariff included in Order No. PSC-14-0036-TRF-EI. (FPL BR 34, 36)

In its brief, OPC stated that FPL has acknowledged that customers who do not want smart meters are sincere in their beliefs and need for the non-smart meters. (OPC BR 2) Given the genuine nature of the need, the Commission should be sensitive to the pricing of the service that - regardless of the sincerely held beliefs of the subscribers about smart meters - is essential to taking service from FPL. (Id.) Since the customers do not have a choice of electricity providers, the Commission's obligation is to ensure that the subscribers of the NSMR do not pay more than their fair share of the essential service while also not imposing extra costs on the customers who have accepted the standard meters. (Id.) OPC also stated that while it is not taking a position supporting a specific rate structure, the Commission has latitude under the circumstances of this case to adopt a wide range of solutions. (OPC BR 9) OPC urged the Commission to be deliberative and to consider all its options and weigh them in the interest of all FPL customers. (Id.)

The Larsons stated that the Commission should deny the NSMR Tariff as filed by FPL. (Larsons BR 8) Alternatively, the Commission should assist in reducing any incremental costs by delaying implementation of the NSMR Tariff until FPL fully deploys AMI to the remaining 100,000+ business customers (representing redundant costs already included in base rates), substantially reducing the enrollment fee to eliminate advanced cost recovery for "assumed" site visits that FPL may not actually perform, and by waiving the requirements of Rule 25-6.052, F.A.C. (Id.)

Martin stated that it is not appropriate to charge customers with non-standard meters a fee for incremental costs while providing other non-standard services for no charge. (Martin BR 36) Martin also stated that it is unprecedented to allow FPL to charge for incremental costs for basic services which are covered under existing tariffs based on savings which are not reflected in current rates, without appropriate detailed cost of service studies for both standard and non-standard services being prepared. (Id.) Martin contends that many of the services included in the NSMR Tariff are services covered under general rate tariffs and have historically been cross-subsidized. (Id.) Computing incremental costs outside a general rate case review, with current rates not yet reflective of the new cost of service, becomes problematic as a proper baseline amount has not been established and purported savings not reflective in rates for all customers. (Id.) Martin further stated that the Commission should deny the request and defer any decision regarding the cost of NSMR service until a new cost of service study is prepared. (Id.)

ANALYSIS

In Exhibit 5, FPL presents support for an Enrollment Fee of $105 and a Monthly Surcharge of $16. In Issues 2 and 8, staff discusses the rationale for several adjustments to the charges. In accordance with these adjustments, staff recommends an Enrollment Fee of $89 and a Monthly Surcharge of $13. Staff notes that it will continue to monitor the NSMR tariff on an ongoing basis.

Staff also notes that five years from the effective date of the NSMR tariff is an important milestone. As discussed in Issue 8, FPL recovers upfront system and communication costs and one-time costs not recovered through the Enrollment Fee and through the Monthly Surcharge. As a hypothetical illustration, at a program participation level of 12,000 NSMR customers, these unrecovered upfront and one-time costs should be fully recovered at the end of the five-year recovery period. Thus, in this hypothetical case, the Monthly Surcharge would be reduced by $4.65 after 60 months.

CONCLUSION

Based on the record, the resolution of the previous issues, and the adjustments discussed in Issues 2 and 8, staff recommends an Enrollment Fee of $89 and a Monthly Surcharge of $13. The current NSMR tariff is in effect subject to refund and contains a $95 Enrollment Fee and $13 Monthly Surcharge. If the Commission approves lower NSMR charges, FPL should provide refunds to NSMR customers that paid the current charges within 45 days of the date of the order. FPL should file a revised NSMR tariff within 10 days of the Commission's vote for administrative approval by staff. Staff will continue to monitor the NSMR tariff on an ongoing basis.

Issue 12: Should this docket be closed?

Recommendation: This docket should be closed administratively after any motions for reconsideration are disposed of and the time for filing an appeal of the final order issued in this docket has run, FPL has made refunds to its existing NSMR customers who have paid the current charges, and FPL has received staff approval of a revised NSMR tariff reflecting the Commission's vote. (Brownless)

Position of the Parties

FPL: No position.

OPC: No position.

LARSONS: No position.

MARTIN: No position.

Staff Analysis: This docket should be closed administratively after any motions for reconsideration are disposed of and the time for filing an appeal of the final order issued in this docket has run, FPL has made refunds to its existing NSMR customers who have paid the current charges, and FPL has received staff approval of a revised NSMR tariff reflecting the Commission's vote.