

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

MEMORANDUM

November 6, 1997

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FPSC-Records/Reporting

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

FROM: DIVISION OF ELECTRIC AND GAS (LOWERY, BUDECZA-BANKS, MAKIN)
DIVISION OF LEGAL SERVICES (JAYE) *RUE* *JDJ*

RE: DOCKET NO. ~~971074~~-GU - CITY GAS COMPANY OF FLORIDA
PETITION FOR AUTHORITY TO IMPLEMENT A BI-MONTHLY METER
READING PROGRAM AND EXEMPTION FROM CERTAIN RULES

AGENDA: 11/18/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION;
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 90 DAY PERIOD WAIVED BY COMPANY TO PERMIT
DECISION AT 11-18-97 AGENDA CONFERENCE

SPECIAL INSTRUCTIONS: S:\PSC\LEG\WP\971074.RCM

CASE BACKGROUND

On August 19, 1997, City Gas Company of Florida (City Gas) petitioned the Commission for an exemption from the monthly meter reading provisions of Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code. The Commission approved a similar bi-monthly meter reading program for Peoples' Gas System, Inc. (Peoples) in Order No. PSC-96-0583-FOF-GU. In that Order, the Commission allowed Peoples to use scheduled estimate meter reading every other month for the purpose of billing. The Commission's Order granted an exemption from the monthly meter reading provisions of Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code, in order to permit Peoples' implementation of its program. City Gas seeks the same exemption for purposes of improving overall customer service and reducing meter reading expenses by implementing bi-monthly meter reading.

DOCUMENT NUMBER-DATE

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As required by Section 120.542(6), Florida Statutes, notice of City Gas' request for exemption from two rule requirements was published in the Florida Administrative Weekly on October 10, 1997. The required amount of time for comments on the petition expired October 24, 1997.

DISCUSSION OF THE ISSUES

ISSUE 1: Should the Commission approve City Gas' petition for authority to implement a bi-monthly meter reading program and grant City Gas a waiver of the monthly meter reading requirements of Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code?

RECOMMENDATION: Yes, the Commission should approve City Gas' petition for a bi-monthly meter reading program in all Florida Divisions and grant waivers of the monthly meter reading requirements of Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code.

STAFF ANALYSIS: City Gas filed its petition for approval of a bi-monthly meter reading program for all of its Florida Divisions. Approximately 94,000 residential customers will be involved in this program. City Gas anticipates saving approximately \$143,000 in meter reading expenses annually.

To comply with Section 365.05, Florida Statutes and Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code, City Gas has developed an estimation methodology to determine each scheduled estimate. This methodology uses factors tailored to each individual customer. These factors are based on historical usage patterns and current weather data. By using these factors in a formula, an estimated reading is determined. City Gas will implement the program in the following manner:

1. Actual meter readings will be taken every other month.
2. An estimated bill will be generated for which no actual meter reading was taken.
3. City Gas will continue to bill each residential customer monthly.
4. Any errors in estimates will be automatically corrected in the following month when an actual meter reading is taken.
5. Bills issued during the estimation month will be identified as "scheduled estimate" and so marked on the bill.

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6. Unscheduled estimates could result from an inaccessible meter. Therefore, bills which were estimated for any reason during any month that an actual meter reading was required will be identified as "estimated" and so marked on the bill.
7. Customer Service Representatives will automatically make adjustments to bills, as necessary, because of disputes over the scheduled estimate bill. They will do this by requesting customers take a current reading themselves or an actual reading will be scheduled.
8. Each of City Gas' residential customers will be notified by direct mail of the program prior to its implementation. City Gas will notify them with billing inserts and messages, as well as a press release 10 days prior to implementation.
9. Customers who do not want to participate in the program will be given the options of providing City Gas with an actual reading by prepaid postcard, calling a Customer Service Representative to report actual readings, or, beginning in January 1998, reporting actual reading to an automated telephone system.

City Gas Company has requested exemptions from Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code which require gas companies to read meters on a monthly basis. City Gas believes that reading residential customers' meters bi-monthly rather than monthly will improve its quality of service to customers at a lower cost. This will ultimately benefit its customers through reduced operating expenses embedded in base rates.

Staff has treated City Gas' request as a request for a waiver pursuant to Section 120.542, Florida Statutes. This section mandates threshold proofs and notice provisions for variances and waivers from agency rules. Section (2) of the statutes reads:

Variances and waivers shall be granted when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate principles of fairness. For purposes of this section, "substantial

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hardship" means a demonstrated economic, technological, legal or other type of hardship to the person requesting the variance or waiver. For purposes of this section, "principles of fairness" are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule.

Section 120.542(2), Florida Statutes

PURPOSE OF THE STATUTE

City Gas Company has demonstrated how the underlying purposes of Section 366.05, Florida Statutes, will be met if an exemption is granted in this case. Section 366.05(1) provides in part that:

In the exercise of such jurisdiction, the commission shall have power to prescribe fair and reasonable rates and charges, classifications, standards of quality and measurements, and service rules and regulations to be observed by each public utility

Section 366.05(1), Florida Statutes

City Gas has demonstrated that instituting bi-monthly meter reading will likely reduce costs, that no additional cost will be incurred by the general body of ratepayers for this service, and that each customer's interest in receiving an accurate bill is adequately protected. The proposed bi-monthly meter reading program as outlined above is consistent with the underlying Statutes, Rules and Commission authority.

PRINCIPLES OF FAIRNESS

Staff believes that it would violate principles of fairness not to approve bi-monthly meter reading for City Gas because this Commission has already approved bi-monthly meter reading for another natural gas utility. Order No. PSC-96-0583-FOF-GU issued May 6, 1996, in Docket No. 960308-GU, approved bi-monthly meter reading for Peoples Gas System, Inc. To deny City Gas' petition for exemption in this case would treat City Gas differently from the similarly situated Peoples Gas System to the disadvantage of City Gas. "'Principles of fairness' are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly

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situated persons who are subject to the rule." Section 120.542(2), Florida Statutes.

It is unnecessary to reach the question of substantial hardship here. The statute requires only that City Gas show either substantial hardship or violation of principles of fairness.

Accordingly, staff recommends that the Commission approve the bi-monthly meter reading program proposed by City Gas for all of its Florida Divisions and grant City Gas a waiver of the monthly meter reading requirement of Rules 25-7.084(1) and 25-7.085(5), Florida Administrative Code.

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ISSUE 2: Should City Gas be required to file new tariff sheets followed by filing monitoring data for the bi-monthly meter reading program on a quarterly basis for a period of one year from the first scheduled estimated meter reading date?

RECOMMENDATION: Yes. City Gas should be required to file new tariff sheets within 30 days of the issuance of the Order in this docket. City Gas should also file monitoring data with the Division of Records and Reporting on a quarterly basis for a duration of one year from the first scheduled estimated meter reading.

STAFF ANALYSIS: In order to comply with Rule 25-7.033, Florida Administrative Code, City Gas must provide the Commission with copies of its revised tariff sheets before the bi-monthly meter reading program can go into effect: "No rules and regulations, or schedules of rates or charges, or modifications or revisions of the same, shall be effective until filed with and approved by the Commission as provided by law." Rule 25-7.033(3), Florida Administrative Code. To enable the Commission to evaluate the program's success, City Gas should file the following information on a quarterly basis:

1. Number of customers in the program
2. Number of customer complaints, and the reasons for the complaints.
3. Number of customers using postage-paid postcards.
4. Number of customers using phoned-in meter readings
5. Savings in meter reading expense.
6. Narrative of any problems in implementation.

City Gas should also file a final report within 90 days after the conclusion of the first year of implementation of the bi-monthly meter reading program.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person, whose substantial interests are affected by the action proposed by this recommendation, files a protest within 21 days of the order, this docket should be closed.

STAFF ANALYSIS: If no person, whose substantial interests are affected by the action proposed by this recommendation, files a petition for formal proceeding within the 21 day protest period, this docket should be closed.