

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of optional non-standard meter rider, by Florida Power & Light Company.

Docket No. 130223-EI

Dated: August 15, 2014

FLORIDA POWER & LIGHT COMPANY’S PREHEARING STATEMENT

Florida Power & Light Company (“FPL” or the “Company”), pursuant to Order No. PSC-14-0123-PCO-EI, hereby files with the Florida Public Service Commission (“FPSC” or the “Commission”) its Prehearing Statement in connection with its Petition for approval of optional non-standard meter rider (“NSMR Tariff”):

I. FPL Witnesses

A. Direct Testimony

| Witness | Subject Matter |
|--|---|
| Robert A. Onsgard Energy Smart Florida Project Manager, Smart Grid and Meter Services Department, Florida Power & Light Company | Describes the steps FPL has taken to respond to FPL’s customers’ concerns regarding smart meters, establish a “postpone list,” determine the activities necessary to serve opt-out customers, determine the incremental charges associated with those activities, and offer the optional non-standard meter service. Describes the detailed cost estimates and projected number of opt-out customers used to support the NSMR Tariff. Also describes how the NSMR Tariff is designed to charge the incremental costs incurred to administer this optional non-standard service to the opt-out customers and avoid subsidization by the general body of customers. |
| J. Terry Deason Radey Law Firm | Describes the Commission’s long history of setting rates based upon a regulated utility’s cost of providing service and setting rates to minimize subsidies among customers. Mr. Deason explains that, consistent with Chapter 366, the Commission recognizes that the cost-causer should pay the costs that they impose for the services they demand and the options they choose. Finally, Mr. Deason explains that FPL’s optional NSMR Tariff adheres to these policies and establishes an appropriate and fair manner to recover the costs from customers choosing non-standard meter service. |

B. Rebuttal Testimony

| Witness | Subject Matter |
|---|--|
| Robert A. Onsgard Energy Smart Florida Project Manager, Smart Grid and Meter Services Department, Florida Power & Light Company | Addresses witness Martin's criticism regarding the timing of NSMR Tariff implementation, FPL's assessment of opt-out costs, and the Company's process of enrolling of NSMR customers. Mr. Onsgard also describes the appropriate costs to be recovered through the NSMR Tariff and explains that there are no issues raised by witness Martin in testimony that justify a reduction to the approved NSMR tariff. |
| J. Terry Deason Radey Law Firm | Explains how FPL's approach to quantifying and implementing its NSMR Tariff is consistent with the manner in which the Commission has approved tariffs for optional non-standard services and is necessary to assess costs to the cost-causer and prevent cross-subsidies among customer groups. Mr. Deason describes the proper role of rate cases and refutes witness Martin's recommendation to wait until FPL's next rate case to implement its NSMR Tariff. Finally, Mr. Deason distinguishes witness Martin's references to other non-standard services. |

II. FPL's Exhibits

| Exhibit | Description | Sponsor |
|----------------|---|----------------|
| RAO-1 | FPL's original proposed tariff filed August 21, 2013 | Robert Onsgard |
| RAO-2 | FPL's revised tariff filed January 17, 2014 | Robert Onsgard |
| RAO-3 | Florida Public Service Commission Staff Briefing dated February 11, 2013 | Robert Onsgard |
| RAO-4 | Cost analysis (Exhibit B to Petition for Approval of Optional Non-Standard Meter Rider filed August 21, 2013) | Robert Onsgard |
| RAO-5 | FPL Energy News, May 2014, including NSMR Tariff communication to all customers | Robert Onsgard |
| JTD-1 | J. Terry Deason Curriculum Vitae | Terry Deason |

In addition to the pre-filed exhibits identified herein, FPL reserves the right to utilize any exhibit introduced by any other party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

III. STATEMENT OF BASIC POSITION

The Commission should affirm its determination that it is appropriate for FPL to recover the incremental costs associated with providing electric service to customers who choose optional, non-standard meter service reflected in Order No. PSC-14-0036-TRF-EI (“Tariff Order 14-0036”), dated January 14, 2014. More specifically, the Commission should affirm its decision that FPL customers who choose to receive electric service through the non-standard meter should pay the Enrollment Fee of \$95 and a Monthly Surcharge of \$13 for this optional service as more fully outlined in the body of the approved tariff.

Smart meters are now FPL’s standard service offering. However, a very small percentage of FPL’s customers have indicated their preference for receiving electric service through a non-standard meter. During deployment, some customers were placed on a postpone list and some prevented FPL access to install the smart meter. During that timeframe, these customers were temporarily allowed to retain their non-standard meters at no charge. Following the completion of the residential and small business smart meter deployment, FPL sought approval from the Commission for a cost-based NSMR Tariff to allow customers to make a choice to opt-out of the smart meter. That optional program requires FPL to incur additional incremental capital and O&M costs that FPL would not otherwise incur but for the NSMR offering. FPL should be allowed to recover the costs associated with this optional non-standard service from the customers electing this non-standard meter service rather than from the general body of FPL’s customers. FPL therefore filed its Petition for Approval of the NSMR in August

2013 (“Petition”) and obtained Commission approval to implement the NSMR Tariff in January 2014, under which FPL would recover the projected incremental costs associated with providing this optional service.

Upon substantial completion of smart meter activation and deployment, FPL undertook a comprehensive analysis of the additional costs it expected to incur to develop and maintain the processes and staffing required to serve NSMR customers. Additionally, FPL projected that 12,000 customers would participate in the NSMR Tariff based on data available at the time FPL filed its Petition. Consistent with long-standing Commission policy, FPL has ensured that the NSMR Tariff is cost based and is strictly limited to only those costs that FPL would not have incurred but for the activities associated with serving customers who choose optional non-standard meter service. This cost-based approach also ensures that the general body of customers – the more than 99% of FPL’s customers who accept standard meter service – does not subsidize the very small number of customers who choose non-standard service.

Based on the incremental costs to serve the projected 12,000 customers, FPL developed the NSMR Tariff comprised of two components: \$105 Enrollment Fee and \$16 Monthly Surcharge. The Enrollment Fee is designed to recover a significant portion of the up-front and one-time 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 up-front and one-time costs. The Commission modified some of the staffing levels and also extended the period of recovery from three years to five years for all up-front system and communication costs to better align the recovery period to the rate base depreciation period. This resulted in a reduction of the Enrollment Fee from \$105 to \$95 and the Monthly Surcharge from \$16 to \$13.

FPL agreed to these reductions because, although the originally submitted costs are supported by FPL's comprehensive analysis, the reduced charges still send customers the proper price signals.

For these reasons, and those set forth more fully in FPL's Petition and pre-filed testimony, the Commission should affirm Tariff Order 14-0036 requiring NSMR customers to pay the incremental cost incurred in providing optional, non-standard meter service through the payment of a \$95 Enrollment Fee and a \$13 Monthly Surcharge.

IV. ISSUES AND POSITIONS

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

Yes. FPL has chosen to offer an optional non-standard meter service to customers who do not wish to accept smart meter service. In order 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. (Onsgard, Deason)

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?

FPL projected incremental costs associated with customer care employees by multiplying the projected call volume for the enrollment process by the estimated cost per call (20,880 calls x \$6.21 per call). Similarly, FPL projected the incremental cost for meter reading leads based on cost per transaction, assuming six transactions could be completed per hour (\$5.99 per transaction x 2 work requests = \$11.98 per NSMR customer). FPL did not calculate the incremental costs for these functions based on fixed staffing levels. FPL's cost analysis supports these incremental costs. FPL nevertheless accepts the Commission's recommendation to lower the estimated costs for these functions based on their staffing level assumptions which were: one meter reading lead position for the first two years; and four customer care employees for the first two years and one customer care employee for the next three years. (Onsgard)

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?

Yes, each cost component included in developing the NSMR Tariff is appropriate. FPL has undertaken a comprehensive analysis of the net incremental costs it has incurred and expects to incur to develop and maintain the infrastructure necessary to serve customers who choose to receive service through a non-standard meter. The identified costs are incremental, meaning the costs would not have been incurred but for the customers' choice of a non-standard meter. (Onsgard, Deason)

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?

Yes, the requirement for manual monthly meter reads is reasonable and justified, and customers should not be offered self-read options. Requiring monthly meter reads is consistent with the Commission's meter reading and billing rules. Additionally, accurate and timely meter reading is a fundamental responsibility for all utilities to properly bill customers. From an operational perspective, estimated readings or customer self-reads cannot be relied upon for accurate meter reading. They require subsequent manual meter readings to true up the accounts which result in over or under billings that adversely impact either the customer or the Company. Also, many customers would not be willing or able to conduct self-reads. (Onsgard)

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?

Yes. The same per-meter Enrollment Fee should apply to customers with several non-standard meters at the same property location. The NSMR Enrollment Fee is based on an average cost per customer, with all customers treated consistently within the group. It would not be appropriate to apply different Enrollment Fee criteria for customers who might have multiple meters at the same location, just as it would not be appropriate to have higher rates for a geographically isolated opt-out customer. (Onsgard)

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?

FPL has 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. This cost avoidance was not reflected in FPL's incremental cost study. FPL also has identified additional costs resulting from multiple activities (primarily in the Customer Advocacy area) that were not included in the NSMR Tariff. The incremental costs associated with these activities far outweigh the \$0.07 per month associated with smart meter communication failures. Thus, the NSMR Tariff should not be changed from the amounts approved in Tariff Order 14-0036. (Onsgard)

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?

Though actual participation rates have been significantly lower, the appropriate projection of NSMR customers for purposes of deriving the current NSMR Tariff charges is 12,000. (Onsgard)

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

The NSMR charges should consist of two components: an Enrollment Fee and a Monthly Surcharge. The Enrollment Fee is designed to recover a portion of the up-front and one-time costs, with the balance of those costs being spread over time. The Enrollment Fee also should send the appropriate price signal to inform customers of the costs associated with their meter option choice. The Monthly Surcharge is designed to recover those costs which tend to recur on a monthly basis and any remaining unrecovered up-front and one-time costs. (Onsgard, Deason)

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

FPL will 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. (Onsgard)

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

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

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

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 monetary modifications resulting in the approved Enrollment Fee of \$95 and the approved Monthly Surcharge of \$13. (Onsgard, Deason)

V. STIPULATED ISSUES

There are no stipulated issues at this time.

VI. PENDING MOTIONS

There are no pending motions at this time.

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

None.

VIII. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

At this time, FPL has no objections to any witness qualifications.

IX. REQUIREMENTS THAT CANNOT BE COMPLIED WITH

At this time, FPL is unaware of any requirements in the Order Establishing Procedure with which it cannot comply.

Respectfully submitted this 15th day of August 2014.

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CERTIFICATE OF SERVICE
DOCKET NO. 130223-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing FPL's Prehearing Statement was served electronic delivery this 15th day of August 2014 to the following:

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