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FPSC - COMMISSION CLERK

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: October 27, 2014

FLORIDA POWER & LIGHT COMPANY'S POST-HEARING BRIEF

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order No. PSC-14-0504-PHO-EI, hereby files with the Florida Public Service Commission ("FPSC" or "Commission") its post-hearing statement of issues, positions, and brief ("Post-Hearing Brief") in the above-referenced docket, and states:

I. INTRODUCTION

On January 14, 2014, the Commission approved a Non-Standard Meter Rider Tariff ("NSMR Tariff" or the "Tariff") for FPL customers who elect non-standard meter service. In so doing, the Commission determined that customers who choose this option will pay a $95 Enrollment Fee and $13 Monthly Surcharge, which reflects FPL's cost to provide that optional service. Order No. PSC-14-0036-TRF-EI ("Order 14-0036" or the "Tariff Order"). In the Tariff Order, the Commission found that "the option to opt-out from the standard smart meter will require FPL to incur incremental costs, which would appropriately be borne by the cost causer and not the general body of ratepayers." *Id*. at p. 5. The Commission further concluded that, while FPL provided substantial cost support, actual participation rates and costs will likely vary. Thus, both the initial and recurring costs are set points for purposes of establishing the NSMR charges. *Id*. The Commission also ordered that FPL report annually actual costs, revenues and participation rates, thereby allowing for regular monitoring and, when appropriate, adjustment of the tariff rates. *Id*.

Two intervenor groups protested the Commission's decision. Each group attempted to raise a range of challenges well beyond the scope of the NSMR Tariff. By Orders No. PSC-14-0145-FOF-EI and PSC-14-0146-FOF-EI dated April 1, 2014, the Commission dismissed the irrelevant and inappropriate matters and ruled that the instant protest concerns only the proper costs of the NSMR Tariff and whether "the cost causers [should] bear the cost of opting out of the smart meter program rather than having those costs borne by the general ratepayers." *See* Order No. PSC-14-0146-FOF-EI at page 9.

The evidence adduced through seven months of discovery, the testimony of three witnesses, and a technical hearing provides clear answers to both questions. The incremental costs associated with the NSMR Tariff are appropriately recovered through the Commission-approved $95 Enrollment Fee and $13 Monthly Surcharge. And these charges should be borne by customers who enroll in the NSMR Tariff because they reflect the incremental costs that FPL incurs to provide non-standard service.

By Order No. PSC-10-0153-FOF-EI, dated March 17, 2010, the Commission found FPL's smart meter project prudent and specifically indicated that the project should not be delayed (at page 141). FPL commenced deployment in accordance with the Commission's directive and was well underway before it received notice of any customer concern regarding smart meters. Tr. 26, 96 (Onsgard). Through September 2010, after FPL had installed more than one million of these devices in Miami-Dade and Broward counties, only two customers had declined installation of a smart meter. Tr. 96 (Onsgard); Exhibit 13 (FPL's Answer to Staff's First Data Request No. 31). FPL voluntarily permitted deferral of smart meter installation upon customer request. Tr. 29 (Onsgard). By December 2010, FPL had voluntarily created a postponement list process, even though only thirteen customers had declined smart meter installation. Tr. 29 (Onsgard); Exhibit 13 (FPL's Answer to Staff's First Data Request No. 31).

For approximately three years thereafter, FPL gathered information regarding system impacts and incremental costs involved in offering optional, non-standard meter service. Tr. 121 (Onsgard). FPL first analyzed data outside its own organization. Tr. 32 (Onsgard). The Company studied opt-out programs from other jurisdictions, both within and outside Florida. *Id*. FPL also participated in the Commission's September 2012 smart meter workshop which was convened to obtain information regarding all aspects of smart meters and the smart grid, and to address concerns raised by members of the public. Tr. 30 (Onsgard); Exhibit 4. Staff recommended that the Commission "should allow utilities to *voluntarily* provide their customers with new services under an appropriate, approved tariff." Exhibit 4 (emphasis added). Staff also noted the Commission's long history of ensuring that the cost-causer for a non-standard service pays the associated costs. *Id*. Finally, Staff emphasized that "all charges should be cost-based to ensure any subsidization is kept to a minimum." *Id*.

FPL also undertook a detailed internal evaluation, identifying the activities and functions needed to provide non-standard service and the attendant incremental costs. These efforts intensified after Staff issued its smart meter workshop recommendation. Tr. 113 (Onsgard). The Company's careful analysis ensured that the NSMR charges exclude costs reflected in base rates. Tr. 155 (Onsgard). On August 21, 2013, FPL proposed and thereafter received Commission approval for an optional tariff based on the costs to serve the 12,000 customers that FPL projected would choose this non-standard service. Order 14-0036.

FPL's NSMR Tariff is supported by the comprehensive and thorough cost study resulting from the Company's multi-year deliberative process. As the Commission's Tariff Order indicates, the $95 Enrollment Fee and $13 Monthly Surcharge, as well as the 12,000 customer participation rate, constitute a "set point" that may change as the NSMR program develops and FPL gains additional information through the administration of the NSMR Tariff. Order 14-0036 at p. 5. Actual costs, revenues and participation rates will be reported annually in FPL's smart meter progress reports. Tr. 48 (Onsgard). While future changes might be required, the charges and allocation approved in the Commission's Tariff Order are factually supported, based on a reasonable analytical approach, and are entirely consistent with the Commission's practice of establishing cost-based rates and assigning costs to the cost causer. Intervenors, by contrast, present no support for any modification or elimination of the NSMR Tariff charges. Accordingly, the Commission should reaffirm its Tariff Order.

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

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.*

Cost Causers Should Pay the Costs of the Services They Receive

The Commission has a long and consistent history of setting rates based upon a regulated utility's cost of providing service and setting rates to minimize subsidies among customers. Tr. 220 (Deason). 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. *Id.*; *see also In re: Petition for rate increase by Tampa Electric Company*, Docket 080317-EI, Order No. PSC-09-0283-FOF-EI, dated April 30, 2009; *In re: Complaint of Wood Partners against Florida Power & Light Company concerning contributions-in-aid-of construction charges for underground distribution facilities*, Docket No. 040789-EI, Order No. PSC-05-1033-PAA-EI, dated October 21, 2005 at p. 227 ("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."); *In re: Initiation of formal proceedings of Complaint No. 1115382E of Brian J. Ricca against Florida Power & Light, for failing to provide reasonable service*, Docket No. 130290-EI, Order No. PSC-14-0191-FOF-EI, dated April 23, 2014 at pp. 7-8 (observing that "Rule 25-6.064, F.A.C., reflects [the Commission's] 'long-standing policy that, where practical, the person who 'causes' costs to be incurred should bear the burden of those costs.'").

The Commission's policy is consistent with sound regulatory principles. Chapter 366, which governs the Commission's authority to set rates, establishes Florida as a cost-based jurisdiction. Tr. 221 (Deason). Section 366.041(1), Florida Statutes, authorizes the Commission to consider a number of factors to fix just, reasonable, and compensatory rates. Prominent among these is "the cost of providing such service and the value of such service to the public." Section 366.06(1), Florida Statutes, sets out with more specificity the manner in which the Commission is to set rates. This section establishes that rates are to be set on the actual cost of property (less depreciation) which is used and useful in providing services to customers. *Id*.

Additionally, Section 366.03, Florida Statutes, provides that rates cannot be discriminatory: "No public utility shall make or give any undue or unreasonable preference or advantage to any person or locality, or subject the same to any undue or unreasonable prejudice or disadvantage in any respect." Tr. 222 (Deason). For purposes of the NSMR Tariff, the Commission can determine what it considers to be a homogeneous class of customers so that rates are fair and there are no cross-subsidies. Tr. 253 (Deason).

A good measure of non-discrimination is whether the rates cover the costs which either individual customers or customer groups or classes cause. Tr. 228 (Deason). For optional services in particular, an appropriate way to set rates is to do so on an incremental cost basis. *Id*. If the rate for an optional service covers its incremental cost, it can be judged to be compensatory and non-discriminatory. *Id*.

Together, these statutes and policies provide the foundation for the Commission's history of requiring that cost causers bear the financial responsibility for the services they choose, and the practice of addressing cost recovery on an incremental basis to avoid cross-subsidization among cost causers and the general body of customers. The Commission has consistently applied these policies when setting rates, both within rate cases and within non-rate case proceedings. Tr. 234 (Deason).

In the case of FPL's optional non-standard meter rider, if the rate covers the incremental costs of providing the optional service, the rates can be judged to be compensatory without an undue burden being shifted to other customers. Tr. 224 (Deason). If the rates do not cover incremental costs, the general body of customers would pay increased rates to make up for the shortfall. *Id*. The resulting inherent cross-subsidy would be unfair and would be unduly discriminatory. *Id*.

NSMR Customers Cause the Incremental Costs Reflected in the Tariff

FPL developed the NSMR Tariff in a manner consistent with Commission policy. The Tariff constitutes an appropriate and fair way to recover the costs from customers choosing to avail themselves of non-standard meter service. Tr. 220 (Deason).

Continuing to provide service with non-communicating meters requires FPL to implement new processes and maintain certain other old processes that otherwise would not be needed. Tr. 55 (Onsgard). The incremental costs included in the NSMR Tariff would not exist but for those customers' choice of a non-standard meter.[1] Tr. 55, 61, 73, 144 (Onsgard); 311, 317 (Deason). FPL examined specifically the activities that the Company must undertake to provide this optional service and quantified the costs necessitated by these activities. Tr. 153 (Onsgard); Exhibit 5.

Because an incremental cost study focuses only on the cost to provide the particular service, base rates are not relevant to this analysis. Tr. 153 (Onsgard); 316 (Deason). FPL nevertheless definitively demonstrated that the costs included in the NSMR Tariff are not included in base rates. Tr. 155 (Onsgard). Indeed, FPL's last rate case did not contemplate the NSMR Tariff. Tr. 152-53 (Onsgard). Therefore, by definition, the services and functions included in the NSMR Tariff are not included in FPL's base rates. Tr. 152 (Onsgard); 309, 316 (Deason).

FPL's Current Rate Settlement does not Require a Different Outcome

OPC represented in its opening statement that its participation was "the advocacy of certain principles." Tr. 12. Namely, that the NSMR Tariff "should be reasonably cost based and not impose any unwarranted costs on FPL customers." *Id*. Indeed, OPC expressed that "at this time . . . we are not advocating a particular rate level or rate structure." Tr. 13.

These representations notwithstanding, OPC's cross-examination of FPL's witnesses suggests that OPC may take the position that FPL should forego collection of the NSMR charges (or at least the Enrollment Fee component) during the period of FPL's current settlement. OPC's

[1] The costs are explored in greater detail under Issue No. 3.

questions imply that Public Counsel may argue that because FPL's rates are established[2] through 2016, no cross-subsidization will occur. That position ignores regulatory principles.

That FPL's rates are set under the current settlement agreement is not relevant to the determination of the appropriate NSMR charges. Tr. 258 (Deason). The policies that govern the pricing of a non-standard optional service apply regardless of whether the utility finds itself in a stipulated settlement or whether the utility is under earning. Tr. 260-64 (Deason). It is unsound to excuse customers who choose an optional service from paying their fair share of the costs to serve them simply because the utility is not under earning. Tr. 263-64 (Deason). Continually denying cost recovery in this situation will drive down the utility's earnings and ultimately will deny the utility the opportunity to earn a fair return. *Id*. That is not the purpose of regulation. Additionally, as a matter of policy, it is unfair, even during the term of a rate settlement, to recover costs from one group of customers while excusing another group of customers from paying the cost that they caused on the system. Tr. 260 (Deason).

FPL's Rate Cases are Irrelevant to Incremental NSMR Costs

Counsel for the Larsons ignores this Commission's orders regarding the scope of the hearing and insists on introducing arguments definitively irrelevant to this proceeding. The Larsons inappropriately argue that FPL should not recover its costs until it delivers smart meter savings projected in the 2009 FPL rate case. The Commission's Orders entered in this case unambiguously state that "The costs associated with the deployment of FPL's AMI meters were approved in Order No. PSC-10-0153-FOF-EI. Concerns regarding the deployment should have been raised in that proceeding. As a result, the doctrine of administrative finality bars the

[2] FPL's rates remain established through the term of the Settlement Agreement approved by Order No. PSC-13-0023-S-EI (dated January 13, 2014), subject to the terms and conditions contained therein. Paragraph 14 of the Commission-approved Settlement Agreement expressly permits FPL to seek approval of, and the Commission to approve, new optional rates.

Protestors from relitigating the prudence of the Advanced Metering Infrastructure project." Order No. PSC-14-0145-FOF-EI and Order No. PSC-14-0146-FOF-EI, both at page 11.,

The Larsons' argument also lacks any factual relevance. Simply put, there is no relationship between the incremental costs incurred to serve this small segment of FPL's customers with a non-standard service and the prudence of the smart meter deployment or the savings realized through the use of this technology. Savings gained through smart meter efficiencies are not relevant to the costs FPL incurs to provide customers with the non-standard meter option. FPL has established that it has either already incurred costs[3] or is projected to incur incremental costs as it provides this non-standard service.

The Larson Intervenors' Request for a "Nominal Fee" Lacks any Legal Basis

The Larson Intervenors abandon Florida law altogether and unabashedly insist that NSMR customers should pay a "nominal" monthly fee. The Larsons fail to cite any legal authority that permits a nominal charge.

The dictionary defines nominal as "named as a mere matter of form, being trifling in comparison with the actual value; minimal." A nominal charge, as suggested by the Larsons, is by definition antithetical to the concept of a cost-based fee and would thus directly contravene well-established Florida law requiring that rates reflect the cost to serve. *See , e.g.*, Sections 366.04(1) and 366.06(1), F.S. The Larsons' position simply lacks any basis in logic or law. Further, the Larsons failed to present any evidence to support a nominal charge, or to suggest what that charge would be and how it would relate to the costs of providing the non-standard service they have selected.

[3] *See* FPL's discussion under Issue No. 3.

Rule Making is Not Necessary To Establish the NSMR Tariff

The Commission has various tools to utilize to determine rates, both within a rate case and outside of a rate case. Tr. 325-26 (Deason). Intervenor Martin argues that the NSMR Tariff is "arbitrary and capricious" compared to tariffs established through a "more rigorous" rule making process. The examinations and evaluations that have taken place in this proceeding cannot reasonably be classified as anything short of rigorous. *See* Tr. 272 (Deason).

Moreover, this is the first tariff of its kind to be filed by an investor-owned electric utility in Florida. Tr. 271 (Deason). Therefore, it is premature at this stage to push towards a rule making. Tr. 272 (Deason). No other Florida investor-owned utilities are offering non-standard meter tariffs, and neither the utility nor the Commission has had the benefit of gaining information through implementation of a smart meter opt-out program over time. In short, the current proceeding – which has been actively litigated – is both formal and rigorous, and there are no efficiencies to be gained by opening up a rule making to examine FPL's NSMR tariff.

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: *****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.*

FPL did not calculate the incremental costs for customer care employees and the meter reading lead position based on fixed staffing levels. Rather, 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. FPL projected that customer care employees would handle 10,440 calls at a cost of $6.21 per call. Thus, the total incremental cost for customer care employees was projected to be $64,832.40. Exhibit 5. Of note, FPL's customer care group already has handled far more calls than the Company projected for 12,000 participants. Tr. 204 (Onsgard).

Similarly, FPL projected the incremental cost for meter reading leads[4] on a cost-per-transaction basis. FPL assumed six transactions could be completed per hour. The Company projected that each transaction would cost $5.99, and that NSMR customers would require an average of two transactions. Thus, FPL projected a cost of $11.98 per NSMR customer.

FPL's cost analysis supports these incremental costs projected for both the customer care and meter reading lead functions. The Company nevertheless accepted the Commission's adjustment that lowered the estimated costs for these functions based on full time equivalent staffing level assumptions. The Commission's adjustment reduced the cost for FPL's Care Center to handle NSMR enrollment by reducing staffing after year two from four employees to one employee. Tr. 41 (Onsgard). As a result, FPL reduced the Enrollment Fee by $3.24. *Id*. The Commission's adjustment also reduced the cost to route NSMR meter reading by directing that the meter reading lead position be absorbed into existing staffing levels after year two. *Id*. This resulted in an additional reduction of $7.19 in the Enrollment Fee. *Id*. Witness Martin presented no evidence to support her suggestion that these one-time costs could now be further reduced by assuming a three to four month enrollment period. *See* Tr. 56-57 (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?**

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. *

[4] The meter reading lead function is not the same as the meter reading function. Meter reading leads create routes for meter readers.

FPL Performed a Thorough Cost Study at the Appropriate Time

The NSMR Tariff is the result of thoughtful deliberation and examination of the costs to allow FPL to voluntarily provide customers this optional service. While FPL gathered information to understand the incremental costs associated with providing optional non-standard meter service, the Company provided a temporary postponement option to its customers during deployment at no cost to the individual customers. Tr. 29, 121 (Onsgard). By September 2012, FPL was evaluating opt-out programs in other jurisdictions to better understand the impacts of offering this optional service. Tr. 108 (Onsgard).

Following the Commission's smart meter workshop in September of 2012, and particularly after Staff issued its briefing in February of 2013, FPL began to focus in more specifically on identification of the functional areas that would be directly impacted by the implementation and administration of a non-standard meter program. Tr. 31-33, 113 (Onsgard). Once the impacted functional areas were identified, the Company undertook a thorough analysis to identify, project and validate the incremental cost components that would be incurred in each area solely as a result of providing non-standard meter service. *Id*. FPL took great care to ensure that no duplicative costs were included in the cost analysis or, ultimately, the Tariff. Tr. 158 (Onsgard).

Witness Martin suggests that FPL could have avoided certain costs by offering the NSMR Tariff during a "big bang" deployment. Her suggestion ignores the realities of deploying new technology and new devices throughout all of FPL's service areas. It would not have been physically possible for FPL to install and activate 4.5 million smart meters all at once. Tr. 50 (Onsgard). It also would have resulted in an opt-out rate based on significantly less accurate data because FPL could not have reasonably determined projected enrollment or costs during deployment. Tr. 51 (Onsgard). Waiting until deployment was essentially complete allowed the

Company to identify costs that are truly incremental while at the same time ensuring an efficient smart meter deployment for the benefit of all FPL customers. Tr. 53-54, 108 (Onsgard). Martin's suggestion also ignores the fact that initially offering a postponement list allowed customers to avoid opt-out fees for up to four years. Tr. 53-54 (Onsgard).

Each Cost Component is Appropriate and Supported

A customer's request for non-standard meter service causes a ripple effect throughout FPL, prompting work that is not required for the provision of standard service. Tr. 149 (Onsgard). It is appropriate to include the cost for each of these incremental functions in the NSMR Tariff. Each NSMR activity or function and its associated cost is set forth in Exhibit 5 of the record. *See also* Tr. 33 (Onsgard) (affirming data in Exhibit 5 (RAO-4)).

<u>Customer Information System</u>. The NSMR Tariff includes $728,500 in up-front costs for customer information system ("CIS") enhancements. Exhibit 5 at p. 4. CIS is the official system of record forecast data, which maintains the history of FPL customers' account and energy data. The continued use of non-standard meters required system enhancements to ensure that new NSMR attributes could be assigned to the opt-out customer, premise and meter change order transactions. Tr. 34 (Onsgard). FPL also enhanced the work management systems to properly notify meter reading and field meter maintenance employees of NSMR customer attributes and to interface with other systems in the organization. *Id*. (Onsgard).

<u>Billing System</u>. The NSMR Tariff includes $808,500 in up-front costs for billing system modifications. Exhibit 5 at p. 4. Modifications were required in order to properly bill NSMR customers. These modifications include, among other things, the capability to record NSMR transactions to the financial systems. Tr. 34 (Onsgard). Additionally, these modifications allow FPL to generate required reports that track changes in account attributes for customers on the

postponed and unable to complete ("UTC") lists. *Id*. FPL also projected $42,054 of upfront costs for the purchase of additional handheld meter reading devices needed for these customers. Finally, FPL projected the incremental costs of $0.40 per month per NSMR customer, Exhibit 5 at p. 11, associated with back office billing work that required manual effort and is performed only for the NSMR customers. Tr. 34, 147-48 (Onsgard).

<u>Meter Reading</u>. The NSMR Tariff includes $6.81 per month per NSMR customer for meter reading. Exhibit 5 at p. 9. Costs were projected for the required effort to manually read meters monthly for customers who enroll in the opt-out program. Tr. 35 (Onsgard). The efforts involve the establishment of routes for NSMR customers and included salary, vehicle cost for miles driven, supervision and employee related expenses. Tr. 35, 62 (Onsgard). FPL also included projected costs for revision of routes of $11.98 one-time costs per NSMR customer, Exhibit 5 at p. 8, as additional NSMR customers are added to and removed from the program. Tr. 35, 62, 150-51 (Onsgard).

<u>Collection</u>. The NSMR Tariff includes $0.45 per month per NSMR customer for collection costs. Exhibit 5 at p. 12. FPL witness Onsgard explained that NSMR customers will continue to require field visits for collecting delinquent payments/disconnections for non-payment and field visits for reconnects. Tr. 36 (Onsgard). Smart metered premises with enabled Remote Connect Service no longer require these additional site visits. Thus, FPL will make these visits solely to service NSMR customers. Tr. 35 (Onsgard).

<u>Care Center</u>. The NSMR Tariff includes an $8.06 one-time cost per NSMR customer for Care Center costs. Order 14-0036 at p.8. FPL's Care Center is made up of employees and systems that respond to customer calls. Tr. 36 (Onsgard). Costs were projected for the creation of scripts and for training customer care representatives on the details of the NSMR program. *Id*.

Costs were estimated for these representatives to handle projected call volumes for customer inquiries related to the NSMR program. Id. FPL projected costs associated with Care Center assistance with customer enrollment. *Id*.

Power Delivery Truck Rolls. The NSMR Tariff includes $0.10 per month per NSMR customer for power delivery truck roll costs. Exhibit 5 at p. 13. FPL projected costs for truck rolls related to non-standard meter outage calls that could have been resolved without a field visit if the customer had a smart meter. Tr. 38 (Onsgard). For example, truck rolls are avoided when a smart meter customer inquires about an outage and the 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. *Id*.

Marketing and Communication. The NSMR Tariff includes $368,000 for marketing and communication costs. Exhibit 5 at p. 5. FPL projected costs for the design and implementation of the communication plan for the opt-out program. Tr. 38 (Onsgard). This included, among other things, costs for work associated with three waves of communications over the initial enrollment period to postponed and UTC customers. Tr. 38 (Onsgard). FPL's communication efforts generated active responses to the enrollment, which resulted in very few customers defaulting into the NSMR program. Tr. 119 (Onsgard).[5]

Safety. The NSMR Tariff projects $0.05 per month per NSMR customer for safety-related costs. Exhibit 5 at p. 10. Providing non-standard service requires continued field visits by meter readers and other field meter personnel. Tr. 39 (Onsgard). Field visits expose employees to danger and risk. *Id*. FPL's safety costs are attributable to the need to continue to

[5] Beyond the marketing activities included in the NSMR charges, FPL provided notification of the NSMR tariff to all FPL customers on two separate occasions. The associated costs are not included in the NSMR Tariff charges. Tr. 47 (Onsgard).

have employees in the field. *Id*. The projection is based on historic Occupational Safety and Health Administration (OSHA) and vehicle accident claims. *Id*.

Enrollment Systems. The NSMR tariff projects $415,000 up-front cost for enrollment systems. Exhibit 5 at p. 4. FPL designed and implemented a web system for NSMR enrollment. Tr. 39 (Onsgard). The online enrollment system determines a customer's eligibility for the opt-out program and validates the customer's existing meter type. *Id*. Customers can use the online system to obtain information regarding choice of meter and complete the enrollment application. *Id*. A mirror application was created for the Care Center to enroll customers by telephone. *Id*. Both applications were interfaced into the customer information system. *Id*. Similarly, FPL's voice response system was enhanced to provide callers with information about the NSMR program and assist them with enrollment. *Id*. The enrollment systems also facilitated, where necessary, meter changes and appointments. *Id*.

Field Meter Organization. The NSMR tariff projects $77.06 one-time cost per NSMR customer for field meter organization costs. Exhibit 5 at p. 7. The cost projection for the field visit includes labor and vehicle expenses. Tr. 142-43 (Onsgard). FPL projected that the field meter organization will make on average at least one site visit per NSMR customer during the originally requested three-year cost recovery period. Tr. 36-37 (Onsgard). Nevertheless, the Company has agreed to include charges for only one site visit every five years. Tr. 36-37 (Onsgard). FPL projected the need to make visits for the installation of the non-standard meter for those customers with smart meters already installed, site visits for retrieval of non-standard meters for meter testing, site visits for potential theft monitoring, and other site visits that relate directly to the non-standard meter. Tr. 36-37, 142-43 (Onsgard). Further, FPL will need to make additional site visits to NSMR customers due to the inability to "ping" NSMR meters before leaving outage restored areas to ensure they are connected. Tr. 60 (Onsgard).

As noted above, FPL's estimate includes the site visits necessary to comply with the Commission-approved meter test plan for accuracy of these meters. Tr. 197 (Onsgard). That plan requires FPL to sample subsets of the non-standard meter types remaining on customers' premises, which will consist of a very diverse group. *Id.* While on the stand at the technical hearing, witness Onsgard was not able to explain an apparent mathematical inconsistency between two documents addressing the number of required non-standard meters that would need to be removed to comply with FPL's Meter Test Plan. Tr. 199-201 (Onsgard). However, using the lower number of meters to be tested, if warranted,[6] does not impact the inclusion of costs for an average of one site visit per customer over five years because the site visit projection is actually conservative. Tr. 37, 209 (Onsgard). While site visits for the non-standard meter installation and meter testing alone necessitated the projected one average visit, the NSMR charges must still account for restoration-related visits. Tr. 197-98 (Onsgard); Exhibit 11 (FPL's answer to Staff's First Set of Interrogatories No. 6). Moreover, FPL's cost study supports one average site visit over three years, while the current tariff reflects only one visit over five years. Tr. 37 (Onsgard).

[6] Even if only the sample number from the approved test plan were used, the total number of site visits over the next five years for meter sampling would be 5,093. *See* Exhibit 12 (FPL's answer to Staff's Second Set of Interrogatories No. 24, attachment 1; and Exhibit 11 (FPL's answer to Staff's First Set of Interrogatories No. 6, attachment 1 at page 25)). When combined with the 1,650 site visits that had already taken place as of July 1, 2014 for installation of non-standard meters (*See* Exhibit 11 (FPL's answer to Staff's First Set of Interrogatories No. 6)) the total already exceeds the average of one site visit per NSMR customer for the current enrollment of approximately 6,700.

Intervenors Misunderstand FPL's One Site Visit Cost

The Intervenors' position statements and cross-examination during the technical hearing suggests a misunderstanding regarding the cost that FPL includes in the NSMR Tariff for the one site visit by the field meter organization.

First, FPL's cost analysis does not assume that there will be a site visit for every NSMR customer. Tr. 140 (Onsgard). The $77 projection reflects an *average* of one site visit per opt-out customer during the next five years. Tr. 137, 140 (Onsgard). Some customers might not have a site visit; other customers might have multiple site visits. Tr. 137, 140 (Onsgard). Rates are based on average costs. Tr. 37 (Onsgard). It would not be efficient or practical to charge customers each time there was a non-standard meter site visit. *Id*. Indeed, such a practice would increase system costs and result in an additional $77 charge on a customer's bill for each visit, rather than having that cost spread over five years. Tr. 58 (Onsgard).

Second, the site visit cost does not constitute the majority of the Enrollment Fee. Tr. 57, 182 (Onsgard). The site visit cost is just one component of the over $310 in up-front and one-time costs per NSMR customer that FPL will incur. *Id*.

Third, data already collected for the customers currently enrolled supports the projected one average site visit per NSMR customer during the first five years of the program. For the approximately 6,700 customers who had enrolled as of July 1, 2014, FPL has already made 1,650 field meter site visits to these premises to install non-standard meters. Tr. 59 (Onsgard); Exhibit 11 ((FPL's Answer to Staff's First Set of Interrogatories No. 6)). Looking ahead, having resolved the postponement and UTC lists, future enrollments over the initial five years of the program will almost certainly require a site visit to install a non-standard meter. Tr. 59 (Onsgard).

FPL Does not Seek "Advanced" Cost recovery

The Intervenors' assertion that the charges included in the NSMR Tariff are "speculative" and constitute "advanced" cost recovery reflects a fundamental misconception of regulatory rate making. The NSMR Tariff charges are based on projections developed after multi-year impact evaluations and a thorough cost study. Setting rates based on projections not only is consistent with the Commission's practice, but also has been approved by the Florida Supreme Court:

> Nothing in the decisions of this Court or any legislative act prohibits the use of a projected test year by the Commission in setting a utility's rates. We agree with the Commission that it may allow the use of a projected test year as an accounting mechanism to minimize regulatory lag. The projected test period established by the Commission is a ratemaking tool which allows the Commission to determine, as accurately as possible, rates which would be just and reasonable to the customer and properly compensatory to the utility. We also agree with the Commission that the utility met its burden of establishing the accuracy of the test period used and that the decision to use the projected test period was supported by competent, substantial evidence.

Southern Bell Tel. and Tel. Co. v. Florida Public Service Commission, 443 So. 2d 92, 97 (Fla. 1983). The very purpose of this proceeding is to establish just and reasonable rates based on FPL's projections of the incremental costs of providing the optional non-standard meter service.

Even beyond the law, allegations of "advanced" or "speculative" recovery fall flat under the weight of the evidence. It is uncontroverted that FPL *already has incurred* the majority of its upfront capital costs, and customers who have chosen this option are already receiving the non-standard service. FPL projected $2,093,064 in upfront capital cost for the implementation of the NSMR Tariff. Exhibit 5 at page 3, line 29. FPL has demonstrated that as of June 2014 its actual expenditures for upfront capital programming costs alone amount to $2,025,742. Exhibit 11 (FPL's Answer to Staff's First Set of Interrogatories No. 4). Costs already incurred cannot, as a matter of fact and logic, ever be speculative. And recovery of costs already incurred certainly cannot be deemed "advanced."

Customized Charges Do Not Produce Savings

Intervenors Martin and the Larsons advocate that the NSMR charge should be structured "a la carte," with customized costs being charged at the time an individual customer receives a specified service component. Neither intervenor presents a practical plan to execute their recommendation from an operational perspective, nor could they.

As FPL has described, such tedious individualization is neither workable nor efficient. Establishing a separate fee would require FPL to make even more changes to its CIS that would result in additional costs to be borne by the NSMR population, or a subset of that population. Tr. 58 (Onsgard). Moreover, a separate fee for each field meter-site visit – or for other aspects of the program – would not ultimately reduce the cost incurred by NSMR customers. Tr. 58, 64 (Onsgard). Customers would still be required to pay the site visit charge when it occurs, but under the Intervenors' recommendation, the customer would be charged all at once and would lose the benefit of spreading that cost over the five years as approved by the Commission. Tr. 58 (Onsgard). Moreover, for the field visit cost component, customers who need more than one field meter visit would face costs significantly higher than the charges associated with the single site visit reflected in the Tariff. *Id.*

By establishing rates based on average costs over the population, the NSMR Tariff helps to stabilize costs. Tr. 58-59 (Onsgard).

Non-Standard Meters Do Not Produce Savings

The Intervenors object to the cost components of the NSMR Tariff on the additional ground that certain purported "savings" should offset the charges. Non-standard meter service does not produce cost savings that would justify modification of the NSMR Tariff rate, as explained in detail under Issue No. 6.

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?**

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.*

The monthly meter reading requirement is reasonable and justified. Accurate and timely meter reading is a fundamental responsibility for all utilities to properly bill customers. Tr. 61 (Onsgard). Self-reads or estimated bills are not appropriate primary controls over reading meters and billing customers. *Id*. Operationally these methods cannot be relied upon to provide accurate meter reading. Exhibit 11 (FPL's Responses to Staff's First Set of Interrogatories No. 19). A Company meter reading is still required to true up the accounts, which result in over/under billings that adversely impact either the customer or the Company. *Id*. As a result, customers dislike estimate bills. Tr. 146. Also many customers would not be willing or able to conduct self-reads. Exhibit 11 (FPL's Responses to Staff's First Set of Interrogatories No. 19).

Monthly meter reads are also consistent with the Commission's rules. Rule 25- 6.099, Florida Administrative Code, provides that "meters *shall* be read at monthly intervals on the approximate corresponding day of each meter-reading period" unless special circumstances warrant. Tr. 61 (Onsgard). Also, Rule 25-6.100(1) directs that "bills shall be rendered monthly and as promptly as possible following the reading of meters," which expresses the Commission's preference that bills be based on actual meter readings. *Id*. More to the point, Rule 25-6.100(3) states that "estimated bills may be submitted" only "when there is sufficient cause." *Id*.

Intervenors presented no good cause for waiving the Commission's rule requirements designed to ensure accurate and timely electric bills.

Witness Martin's recommendation to permit estimated bills or self-reads is misguided. FPL resorts to estimated bills only as a result of a meter reader's inability to access the customer's premise to read the meter. Tr. 146 (Onsgard); Exhibit 17 (FPL's Answers to Martin's Second Set of Interrogatories No. 53). Thus, the fact that bills are estimated does not eliminate the cost of the meter reader who attempted, but was not able, to collect a reading. Exhibit 17 at id. Additionally, the costs related to the fact that there was an inability to read the meter are even more with an estimated bill because FPL must make successive visits and engage the customer. Tr. 146 (Onsgard).

Witness Martin ironically suggests that FPL could avoid the need for monthly manual meter reads by utilizing "state of the art best practices and technology."[7] FPL agrees: smart meters eliminate the need for manual reads.

The Larson Intervenors incorrectly argue that it is discriminatory for FPL not to collect NSMR charges from commercial and industrial ("C&I") customers who require manual meter reads because their smart meters are not yet activated. The Larsons miss the point. Non-communicating meters are not optional for C&I customers who do not yet have activated smart meters. Tr. 189 (Onsgard). Until smart meter deployment and activation is complete for all C&I customers – which is expected to occur by mid-2015 – those customers have no option to make the choice which has been made by NSMR customers. Tr. 189 (Onsgard); Tr. 338 (Deason).

In short, the requirement for a manual monthly meter reading by FPL is reasonable and justified, and Intervenors have presented no evidence to support a reasonable alternative.

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[7] *See* Martin Position on Issue 4, Prehearing Order, Order No. 14-0504-PHO-EI.

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

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.*

The NSMR Tariff, like many of FPL's other tariff charges, are based on average costs. Tr. 42 (Onsgard). This is the best way to treat all customers fairly. *Id*. FPL developed the NSMR Tariff based on average costs to serve the complete group of opt-out customers rather than costs based on individual customers. *Id*. It would not be appropriate or practical to attempt to assign different rates based on a customer's circumstances at any given time, including the distance between non-standard meters in the field. *Id*. Likewise, more to the point, it would not be appropriate for there to be different, lower rates for customers who might, at any given time, 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. Tr. 65 (Onsgard).

Intervenors presented no evidence about how individualized enrollment fees or other charges could or would be accomplished operationally. Nor did they present evidence that customized charges would result in lower costs for customers. Conversely, evidence presented by FPL indicates that separate charges would require system changes that will increase costs for NSMR customers. Tr. 64 (Onsgard).

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

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.*

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. 71, 192-93 (Onsgard). Witness Martin and the Larsons incorrectly contend that each customer who chooses to keep anon-standard meter produces savings (or avoids costs) because FPL does not have to install a smart meter for those customers. As a regulated utility, however, FPL must be ready to provide standard service to all of its customers. Tr. 65 (Onsgard). Thus, following the Commission's Order directing FPL to proceed with AMI deployment without delay, FPL purchased smart meters to serve its customers and is prepared to serve NSMR customers who change their mind and elect standard service. Tr. 65, 192-93 (Onsgard). It bears repeating that as late as September 2010, after deploying approximately 1 million smart meters, FPL had only two customers who had voiced an objection to this new technology and who were therefore allowed to keep their non-communicating meter.

Evidence presented by FPL also demonstrates that the following categories of potential savings identified by witness Martin do not actually produce any savings:

- <u>Manual smart meter activation and enrollment in smart meter services</u>. There are no such manual activations of smart meters, nor are there any such smart meter services that require customer enrollment. Tr. 62, 69 (Onsgard).
- <u>Data storage and software licensing</u>. Like the purchase of smart meter devices, the fact that NSMR customers have elected to take non-standard service today does not relieve FPL from the obligation to be ready to provide standard service if and when NSMR customers make a different choice. Moreover, FPL incurs costs for data storage and software licensing on an enterprise-wide basis and is unable to adjust costs for the size of its storage capacity or the nature of its software

licensing on an ad-hoc basis for the small population of non-standard customers. Tr. 68-69 (Onsgard).

- Energy dashboard savings from reduced calls to the care center from non-standard service customers because they do not have access to the dashboard. FPL determined that a customer's meter choice has no impact on the care center call rate. The number of calls received asking general questions about the energy dashboard or calls inquiring about high bills from both populations were nearly identical. Tr. 69 (Onsgard).
- Depreciation savings from longer useful lives of non-communicating meters. There are no depreciation savings from the NSMR program. To the contrary, NSMR customers actually require FPL to maintain inventories of non-standard meters for repairs, as well as smart meters in case the non-standard service customer moves or requests standard smart meter service. Tr. 69-70 (Onsgard).

FPL did identify costs associated with smart meter communication failures that were not reflected in its incremental cost study. FPL determined that the Company spends approximately $0.07 more per month per meter for smart meter communication repairs. Tr. 70 (Onsgard). However, the additional costs that have been incurred by FPL (although not included in NSMR tariff) far outweigh the $0.07 meter communication savings. For the period from January through June 2014, FPL incurred incremental costs of more than $300,000 for these Customer Advocacy activities, which if included in the Tariff would equate to an additional $0.75 per month for NSMR customers based on the approximately 6,700 customers currently enrolled. Exhibit 11 (FPL's Response to Staff's First Set of Interrogatories Nos. 7 and 9).

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?**

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.***

FPL used a reasonable, fact-based approach to project the opt-out population. FPL carefully analyzed its own system data, as well as data from other utilities with opt-out populations. Tr. 43 (Onsgard). Based upon the most current information available as of summer 2013, FPL projected 12,000 customers would take service under this optional tariff. Tr. 43-44 (Onsgard). With enrollment now underway, FPL will report actual participation rates annually to the Commission and will gain better insight to project future participation based on its own experience with the administration of this program.

To inform its projections, FPL studied other utilities and jurisdictions to understand what others were experiencing as they developed smart meter opt-out programs. Tr. 107 (Onsgard). FPL first identified utilities throughout the United States that transitioned from postponement lists to opt-out programs. Tr. 43 (Onsgard). Contrary to the Martin Intervenors' assertions, FPL's analysis included only similarly situated large utilities. Non-comparable utilities such as the Sumter and Lakeland municipal utilities were excluded from the study. Tr. 53 (Onsgard). Data from comparable utilities indicated that between 17% and 72% of the customers who originally chose to postpone smart meter installation ultimately decided to opt out. *Id*. Applied to FPL's postponement list, this range translated to 4,080 to 17,280, with a midpoint of 10,680. Tr. 44 (Onsgard).

Next, FPL examined programs around the country to identify the percentage of smart meter eligible customers that had agreed to pay an opt-out fee, regardless of whether the utility initially offered postponement. Tr. 44 (Onsgard). The results of that analysis showed that a range of 0.02% to 0.5% of all smart meter eligible customers in these programs chose to pay an opt-out fee. *Id*. The midpoint of this participation range is 0.26%, which translated to 11,700 customers from FPL's eligible customer base. *Id*.

Based upon the intelligence gained through these analyses, FPL reasonably projected an anticipated opt-out population of between 0.2% and 0.3% of FPL's smart meter eligible customers. Tr. 45 (Onsgard). This equates to a range of 9,000 to 13,500 potential opt-out customers, with a midpoint of 11,250. *Id*. FPL also assumed that a small number of customers on the UTC list might ultimately subscribe to the NSMR Tariff, along with a small number of additional customers who were not on the postpone list. *Id*. Altogether, FPL projected an opt-out population of 12,000 customers.

There is no logic in Intervenor Martin's argument that FPL should have developed the NSMR charges based on the assumption that all customers who requested postponement would be willing to pay the cost of service. As explained above, the data from all other jurisdictions – not to mention logic and elementary economic principles – showed that not all postponed customers would be willing to pay the costs for non-standard service. Tr. 52 (Onsgard). Simply put, a customer's inclination to request free service is quite different from the customer's disposition to pay for it. To the contrary, Intervenor Martin's suggested assumption has no basis in fact or reason and would serve only to artificially lower the NSMR charges for those who participate, and misinform customers about the cost impact of their decisions. Tr. 52 (Onsgard).

The Martin Intervenors' cross-examination of FPL witness Onsgard suggests a belief that participation rates would be higher if FPL had informed customers that "they could affect that up-front cost by having more people enrolled." Tr. 126. This approach is unsound. As explained by FPL witness Onsgard, it would be inappropriate to notify customers of any terms, conditions or charges before obtaining Commission approval. Tr. 116 (Onsgard).

The Larson Intervenors argue that the NSMR population should include C&I customers whose smart meters are not yet activated. As explained above, non-communicating meters are not yet optional for C&I customers who do not yet have activated smart meters. Tr. 189 (Onsgard). Therefore, they should not be charged for a service that is not yet optional for them.

In sum, FPL's 12,000 participant projection is an appropriate set point for the NSMR Tariff. Tr. 127 (Onsgard); *see also* Order 14-0036 at p. 5. Extrapolation of the participation rates from then-existing opt-out programs in other jurisdictions, as applied to FPL's postponed, UTC and other customers, was a reasonable, fact-based approach. Having now opened NSMR enrollment, FPL will be in a position to report actual participation rates and gain more information about potential future enrollment. This information will be filed with the Commission on an annual basis in FPL's Smart Meter Progress Report.

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

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.*

FPL's NSMR Tariff is appropriately designed and sends the proper price signal

FPL's NSMR Tariff consists of two components: an Enrollment Fee and a Monthly Surcharge. The Tariff is designed to provide all customers appropriate price signals, which is an integral regulatory principle. Tr. 54 (Onsgard); 229 (Deason). In essence, tariff charges are perceived as prices by customers. Tr. 229 (Deason). Just as prices in non-regulated industries send signals to consumers to prompt either a decrease or increase in consumption (or demand), regulated tariff charges, too, should serve this purpose. Tr. 229 (Deason).

When rates are appropriately set based on costs, customers receive the correct price signals to adjust their demand for services accordingly. *Id.* When rates are set below costs, the signal sent to customers prompts an inappropriate increase in their consumption and results in an inappropriate increase in the overall costs of providing service. *Id.* Likewise, when rates are set above costs, there is an inappropriate signal sent to customers to reduce demand. *Id*. This can cause a decrease in revenues and contributions to fixed costs, and may create the need for an increase in overall rates. *Id*. Neither scenario benefits customers.

FPL developed the NSMR Tariff's charges with these principles in mind. Tr. 54 (Onsgard). Absent an appropriate price signal, customers' decision to choose or decline non-standard meter service will be based on misinformation. Tr. 229 (Deason). This could result in an inefficient subscription level of non-standard meters with the true cost being borne by the general body of customers. Tr. 229 (Deason). The NSMR Tariff's Enrollment Fee and Monthly Surcharge components are designed to send appropriate price signals. Tr. 54 (Onsgard).

The Enrollment Fee is designed to recover a significant portion of the upfront and one-time costs which are more fixed in nature. Tr. 230 (Deason). It is important that the Enrollment Fee be designed to recover a significant portion of the fixed costs with a reasonable degree of certainty and that an appropriate price signal be sent. *Id*. Including too much or not enough of the up-front costs in the Enrollment Fee would send a distorted price signal and could jeopardize ultimate recovery of the upfront costs. *Id*. The end result would be either an unintended impediment to enrollment or an improper shift of cost responsibility to the general body of customers. *Id*.

To that end, FPL grouped together all of the upfront and one-time costs it projected to incur in order to provide non-standard meter service. Tr. 184 (Onsgard). The total upfront and one-time costs were estimated to be more than $3 Million, or $310 per NSMR customer based on 12,000 participants. Tr. 54, 56 and 78 (Onsgard); Exhibit 12 (FPL's Answer to Staff's Second Set of Interrogatories No. 21). FPL determined that it was not practical to seek recovery of the entire $310 in one lump sum up front payment. However, it is appropriate that the Enrollment Fee be substantial enough to both inform customers of the costs associated with their meter choice and to provide FPL with the opportunity to recover a sufficient portion of the one-time costs. Tr. 54 (Onsgard). FPL therefore allocated about one third – or $105 – of the total upfront and one-time fees to the Enrollment Fee. Tr. 54, 184 (Onsgard). FPL agreed to Staff's recommended reduction of the Enrollment Fee to $95, primarily because it still served both the price signal and recovery purposes. Tr. 54 (Onsgard). The remainder of FPL's upfront and one-time costs is spread over 60 months. Tr. 80, 132, 137 (Onsgard).

Thus, the Monthly Surcharge consists of the portion of the upfront and one-time costs not recovered in the Enrollment Fee, together with the monthly recurring costs. Tr. 230 (Deason); Exhibit 5, page 3. The Monthly Surcharge based on FPL's comprehensive cost study was $16. Exhibit 5, page 3. However, FPL agreed to extend the recovery period to five years and make certain adjustments to labor costs which yield a $13 Monthly Surcharge.

It bears emphasizing that the $95 Enrollment Fee does not represent FPL's one-time cost per customer. Tr. 54 (Onsgard). Rather, the Enrollment Fee reflects a reasonable approach to recovering a portion of the one-time costs and spreading the balance over time. *Id*.

The NSMR Tariff is not Similar to Dual Language Service or Budget Billing

Witness Martin opposes the tariff structure proposed by FPL based on a flawed comparison between the NSMR Tariff and FPL's dual language and budget billing programs. She argues that no charges should be assessed for non-standard meter service because it cannot be distinguished from these two programs that impose no surcharge. Neither dual language service nor budget billing is comparable.

Dual language. Witness Martin incorrectly classifies the provision of services to customers in Spanish as a non-standard service. It is not. Tr. 332 (Deason). Based on the evolution of utility services in the state of Florida, making information available to customers in dual languages (English and Spanish) constitutes standard service. *Id*. It is the most efficient way to provide a high level of service to all customers. *Id*. It would therefore be inconsistent with Commission practice to impose a separate tariff on the most efficient method of providing service. *Id*.

Budget Billing. Budget billing is an optional service that allows customers to pay a levelized payment for service and better budget their expenses. Tr. 243 (Deason). Aside from being optional, however, budget billing is not similar to the NSMR Tariff. By Order No. 100047 dated June 5, 1981, the Commission determined that budget billing was the correct way to offer a billing option to customers who choose to avail themselves of it. Tr. 334 (Deason). Essentially, the Commission found that budget billing provides benefits to the general body of customers in excess of any administrative costs associated with the program. Tr. 243-44, 334 (Deason). This is unlike the non-standard meter option, which does not benefit the general body of customers and imposes costs that should be paid by those choosing the option. No intervenor presented evidence that non-standard meter service creates either efficiencies or net benefits for the general body of customers. To the contrary, FPL presented substantial evidence that providing non-standard meter service imposes incremental net costs. *See* discussion in Issue No. 3.

Underground Service. By contrast, the provisioning of underground service is a perfect example of an optional service that imposes costs greater than the standard service and charges the customers choosing the non-standard service for the incremental costs incurred by the utility. Tr. 244 (Deason). Intervenor Martin's attempt to distinguish NSMR service from underground service is futile. She argues that the burial of lines is for a new service while non-standard meters are an existing service. *Id*. Not so. Undergrounding can be either for new service or the undergrounding of existing service. *Id*. Likewise, it would also be permissible for a new customer to request a non-standard meter. *Id*. Second, witness Martin states that "efforts to initiate improvements to the transmission lines are measured and quantifiable." The same is true here. FPL, through witness Onsgard, has provided extensive cost information to support the NSMR Tariff. *See* discussion under Issue 3; also Exhibit 5.

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

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.*

Consistent with the Tariff Order, FPL intends to include in its annual smart meter progress reports 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. Tr. 48, 154 (Onsgard); Order No. PSC-14-0036-TRF-EI at page 5. But that list is not definitive or exhaustive. FPL can provide updated cost information in the format reflected in Exhibit 5, which formed the basis for the current tariff charges. Tr. 207-08 (Onsgard). Moreover, FPL will work with the Commission's Staff to determine what additional information the Commission would like the Company to include in the annual smart meter progress reports. *Id*.

The data that FPL will include in its progress reports will inform the Commission as to the Company's costs and whether FPL has under- or over-recovered.[8] Tr. 154-55 (Onsgard). It will be in the Commission's discretion to decide whether modifications to the tariff will be needed. Tr. 208 (Onsgard). FPL has the appropriate accounting mechanisms in place to accurately track NSMR costs and revenues, and to implement any changes ordered by the Commission. *Id*. Contrary to Intervenor Martin's assertion, this annual process ensures proper Commission oversight.

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

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

The terms and conditions contained in the NSMR Tariff are appropriate. As demonstrated throughout this brief and supported by evidence adduced in this proceeding, the NSMR Tariff is cost-based and sends the appropriate price signals to inform customers of the cost to provide the optional service.

Additionally, the NSMR Tariff includes a grace period during which eligible customers were able to decline participation in the program within 45-days of receiving their initial NSMR charge. Tr. 47-48 (Onsgard). The NSMR charges for these customers will be waived once the smart meter is installed. Tr. 48 (Onsgard). Since FPL opened enrollment in the NSMR Tariff, a number of FPL customers already have chosen to take advantage of the grace period by choosing to accept a smart meter. Tr. 82 (Onsgard). This term is particularly helpful for customers who

[8] At the time of the hearing in this docket, FPL's NSMR Tariff enrollment stood at approximately 6,700 customers. At this level there is no real doubt that FPL will be significantly under-recovered in the first year of this program. That said, FPL agrees that the rates included in the revised tariff approved by the Commission in its January 14, 2014 Order (Order No. PSC-14-0036-TRF-EI) remain the appropriate set point for the NSMR Tariff.

were defaulted in the program due to lack of an affirmative response notwithstanding FPL's repeated efforts to solicit a decision from them.

The Martin Intervenors argue that the NSMR Tariff should include terms and conditions to address circumstances such as when FPL replaces the non-communicating meter with a smart meter on a temporary basis. This criticism is misguided. As early as November 2, 2013, 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. Exhibit 13, FPL's Response to Staff's First Data Request No. 7.

Aside from Intervenors' opposition to the tariff charges, which FPL addresses herein, Intervenors presented no testimony or evidence that a particular term or condition of the NSMR Tariff was unreasonable. Accordingly, no changes to the terms and conditions are warranted.

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

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.

After seven additional months of discovery and a technical hearing that included three witnesses, the facts remain unchanged. The Commission correctly determined on January 7, 2014 that it is appropriate to offer a cost-based tariff to customers who choose optional, non-standard meter service, and the Commission appropriately concluded that the NSMR Tariff should consist of a $95 Enrollment Fee and $13 Monthly Surcharge. The NSMR rates included in the Commission's January 14, 2014 Order (Order No. PSC-14-0036-TRF-EI) and FPL's Revised Tariff filed January 17, 2014 are the appropriate NSMR charges, and the Commission should reaffirm that decision.

To be sure, FPL's evidence supports the original $105 Enrollment Fee and $16 Monthly Surcharge included in its initial filing. FPL's detailed cost study supports the costs outlined for each component of NSMR Tariff (Exhibit 5), and, since January 2014, FPL has experienced even more costs than it anticipated when it filed its petition in August 2013. Tr. 42 (Onsgard); Exhibit 15 (FPL's Answer to Staff's First Set of Interrogatories No. 7). Moreover, as described above, the 12,000 participant projection was based on a reasoned, factual analysis premised on the best information available at the time FPL performed the analysis.

Staff's February 11, 2013 briefing indicated that any opt-out tariff proposed "should be cost-based to ensure subsidization is kept to a minimum." Exhibit 7 at p. 7. Consistent with that principle, and as demonstrated herein and detailed in the record, the $95 Enrollment Fee and $13 Monthly Surcharge achieves that end. The NSMR Tariff approved by the Commission in Order No. 14-0036 reflects the cost to serve customers who choose non-standard meter service, and ensures that the cost causers do not unduly burden the general body of customers by minimizing cross-subsidization.

Intervenors object to the NSMR Tariff charges proposed by FPL and approved by the Commission, but they present no evidence of what the charges should be under their various theories. OPC represented in its opening statement that its participation was "the advocacy of certain principles." Tr. 12. Namely, that the NSMR Tariff "should be reasonably cost based and not impose any unwarranted costs on FPL customers." *Id*. That is precisely what the Commission has accomplished by approving the NSMR Tariff which has been challenged by intervenors. Indeed, OPC expressed that "at this time . . . we are not advocating a particular rate level or rate structure." Tr. 13. And, notwithstanding the arguments advanced by the Martin and Larson Intervenors, no evidence was presented to reasonably support the theory that deferral or elimination of the Enrollment Fee or Monthly Surcharge is consistent with Florida law or Commission practice. To the contrary, the record clearly establishes that the intervenor positions are "contrary to Commission policy and unfair to the general body of customers." Tr. 250 (Deason).

Accordingly, the Commission should reaffirm the $95 Enrollment Fee and $13 Monthly Surcharge approved by the Commission in Order No. 14-0036.

Issue 12: Should this docket be closed?

FPL: No position.

II. CONCLUSION

The Commission should reaffirm its Tariff Order. FPL's detailed and deliberate cost study supports approval of an NSMR Tariff with a $95 Enrollment Fee and $13 Monthly Surcharge. FPL will report, and the Commission will continue to monitor, the Company's actual costs, revenue and participation rates in its annual smart meter progress report. As detailed above:

- The NSMR Tariff charges reflect only the incremental costs to provide service to customers who choose optional non-standard meter service. Accordingly, consistent with Florida law and the Commission's long-standing precedent, FPL should be permitted to recover these incremental costs from NSMR customers.

- FPL's study supports the costs included in the original tariff filing, but FPL agrees to reduce the staffing levels for the customer care and the meter reading functions in accordance with the Commission's January 14, 2014 Tariff Order.

- Each component of the NSMR Tariff is appropriate and is supported by uncontroverted evidence.

- FPL's manual monthly meter reading requirement is consistent with the Commission's rules. Eliminating this requirement would likely lead to more customer complaints.

- It would be inappropriate to impose different, lower rates for customers who 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.

- The non-standard meter option does not produce any savings that warrant an adjustment to the approved NSMR tariff.

- FPL used a reasonable, fact-based approach to project the 12,000 participation rate upon which the NSMR charges are based; and

- The $95 Enrollment Fee and $13 Monthly Surcharge send customers appropriate price signals and provide FPL a reasonable opportunity to recover its costs over time.

Additionally, the intervenors' objections to the NSMR Tariff lack any factual or legal foundation.

- The Larsons' suggested "nominal charge" is diametrically opposed to Florida's requirement that rates reflect the cost to serve. The Larsons did not, and under the Commission's guiding principles, could not, offer any evidence whatsoever to support the implementation of a "nominal charge".

- The intervenors' request for customized charges for individual customers would prompt additional costs and eliminate the stability inherent in levelizing costs over time.

- FPL's use of projected costs to develop the NSMR Tariff does not constitute "advanced" cost recovery; rather, the use of reasonable, supported projections is consistent with the Commission's practice and has been approved by the Florida Supreme Court. Moreover, the unrebutted evidence shows that FPL already has incurred the upfront costs reflected in its cost study and that customers are already receiving the non-standard service they have selected.

- FPL's costs for one site visit do not assume that there will be a site visit for every NSMR customer. Rather, it reflects an *average* of one site visit per opt-out customer.

- Savings gained through smart meter efficiencies are not relevant to the costs that FPL incurs to provide customers with non-standard meter service; and

- Regulatory principles of fixing cost-based rates and minimizing cross-subsidies apply even if a utility is under a rate settlement.

For all of the reasons set forth herein and detailed more fully in record, the Commission should reaffirm the Tariff Order.

Respectfully submitted this 27th day of October 2014.

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CERTIFICATE OF SERVICE
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I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 27th day of October 2014 to the following:

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