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Public Service Commission of Wisconsin
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PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation into the Health and Safety and Other Aspects of Advanced
Meter Infrastructure Systems for Water Utilities

5-WI-101

FINAL DECISION

This is the Final Decision in the application of Madison Water Utility (applicant) for approval of a tariff for its customers who elect to install non-standard metering equipment. This application is APPROVED subject to conditions.

Introduction

On July 5, 2012, 33 customers of Madison Water Utility (MWU) filed a petition under Wis. Stat. §§ 196.26 and 196.37(2), and Wis. Admin. Code §§ PSC 2.07 and PSC 2.08, requesting that the Commission open an investigation into issues relating to advanced metering infrastructure (AMI). Among the issues, MWU customers asked that the Commission order a moratorium on the installation of an AMI system in MWU's service area pending resolution of these issues and/or adoption of an "opt-out" policy for customers.

At its open meeting of August 28, 2012, the Commission denied the petition. (PSC REF#:171888.) The Commission stated that utilities such as MWU should work with their customers to determine whether an opt-out policy is necessary. The Commission further stated that if a utility decides to allow customers to opt-out of advanced metering systems, any costs associated with installing, maintaining, and reading non-standard meters should be fully allocated to those customers. These include the actual costs to the utility of owning, maintaining, reading, and processing bills associated with non-standard meters. In

addition, the Commission directed that any utility requesting approval of an opt-out policy demonstrate that allowing customers to opt-out of having an advanced meter will not be detrimental to the goals of the program.

At the time of the Commission's August 28, 2012, Final Decision, MWU had already been working with the Madison Water Utility Board and its customers to develop an opt-out policy. MWU held informational open houses on its advanced meter program on September 6, 2012, September 12, 2012, and September 27, 2012. On September 18, 2012, MWU and Commission staff met with the petitioner's representatives to discuss MWU's draft opt-out policy and charges for non-standard meters. On September 24, 2012, MWU held a public hearing on the opt-out policy and charges and filed comments received with the Commission. (PSC REF#:174296.) In a special meeting on September 27, 2012, the MWU Board reviewed MWU's draft opt-out policy, recommended some changes, and submitted the policy to the Madison Common Council. The Common Council approved MWU's opt-out policy at its October 2, 2012, meeting. MWU submitted a letter to the Commission seeking approval of its opt-out policy on October 9, 2012.

Findings of Fact

1. The applicant's policy provides non-standard metering options for those customers who do not wish to have advanced meters installed on their property.
2. The charges for customers who request a non-standard metering option are reasonable, just and consistent with the cost of service and rate design.
3. The number of customers expected to opt-out of the automated metering system will not be detrimental to achieving the goals of MWU's program.

Conclusions of Law

1. The applicant is a municipal public utility as defined in Wis. Stat. §§ 66.0801(1)(a) and 196.01(5)(a).
2. The Commission has authority under Wis. Stat. §§ 196.19, 196.20, 196.21, 196.37 and 196.60, to approve non-standard meter charges upon utility request.
3. The charges for non-standard metering constitute a new class of service and do not represent a rate increase to existing customers.

Opinion

MWU Opt-Out Policy

MWU is offering two options for customers who do not wish to have the standard advanced meter installation at their property. Option 1 allows a customer to request that the Electronic Reading Transmitter (ERT) portion of the meter be mounted on the outside of a residence or building instead of the standard inside-mount installation. MWU's standard location for an ERT is on a basement ceiling joist directly above the water meter. In all other aspects, the meter is identical to the utility's standard AMI meters. Customers choosing Option 1 will be billed in the same fashion as customers who have a standard meter installation.

Option 2 allows customers to opt-out of having an ERT installed anywhere on the property. During the initial implementation phase of the AMI project, no change to the customer's equipment is required because MWU will leave the existing meter in place. At the time when the meter needs to be replaced, according to MWU's meter replacement schedule, it will be replaced with an equivalent non-standard meter. Customers selecting this option will

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have their meters read manually by utility personnel on a quarterly basis but will be billed monthly based on estimated reads in the intervening months.

These options are described in a new tariff schedule, Non-Standard Meter Service (Schedule NSM-1), which is included as Appendix A in this Final Decision. The Commission approves the use of this schedule for both residential and nonresidential customers. Customers who select either option will constitute a new class of general service customers subject to all of MWU's applicable charges and tariff provisions on file with the Commission. Upon completion of the initial installation phase of the AMI project, MWU's standard practice will be to bill all customers on a monthly basis, as described in the utility's existing Schedule Mg-1.

Non-Standard Meter Service Charges

The proposed charges for customers selecting either non-standard metering option are shown in Appendix A of this Final Decision. MWU customers who request Option 1 will pay a one-time charge of \$50.69 during the initial AMI project installation phase. MWU expects this phase to last through the summer of 2013. The \$50.69 charge represents the costs associated with a change order to the existing contracted amount of \$69.50 for an outside ERT mount, less the contracted amount of \$18.81 for a standard inside mount. After the installation phase of the AMI project is complete, customers choosing Option 1 would be charged actual costs, based on time and materials, for an outside ERT installation.

Similarly, customers choosing Option 2 after the installation phase of the AMI project is complete will pay a one-time charge equal to the actual cost of removing the advanced meter or meter head and replacing it with a non-standard meter or meter head that requires manual

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reading. During the initial installation phase of the AMI project, customers who select Option 2 will not be subject to a one-time charge because there will be no additional cost to the utility to leave the existing meters in place. In addition to the one-time charge, customers who select Option 2 will be subject to a charge of \$7.78 per month in addition to the applicable general service charges under Schedule Mg-1.

The monthly charges for Option 2 are based on the cost of collecting a quarterly manual read from a meter without an ERT and processing that information for monthly billing. MWU staff estimates that the cost to read a non-standard meter and manually process the information is \$15.42 each time the meter is read. However, in order to mitigate the cost to customers, MWU has elected to read these meters quarterly and estimate usage in the intervening months or have the customer provide the meter reading, as allowed under Wis. Admin. Code § PSC 185.33(13)(b).

Based on obtaining quarterly meter readings, the estimated additional annual cost to read and bill Option 2 customers is \$93.36 per year. This is calculated from: ($\$15.42 \times 4$ actual reads) + ($\$3.96 \times 8$ estimated reads). Dividing the annual cost by 12, the resulting monthly charge is \$7.78.

The Commission believes that these charges will not result in standard general service customers subsidizing the costs of the opt-out program, and, as a result, these costs are reasonable and just. However, the Commission recognizes these costs are estimates and that the actual costs may differ depending on the number of customers participating, the difficulty obtaining manual meter reads, and other factors. As a result, MWU shall track the actual costs of

its opt-out program, including administrative and overhead costs, for evaluation in a future rate case.

AMI Program Goals

MWU asserts that its AMI program will provide a number of benefits to its system and customers, including: 1) enabling customers to track their own consumption and be alerted to costly leaks; 2) eliminating the need for a water meter reader to visit customers' premises; 3) providing an energy efficient, accurate, and cost effective way for MWU to read water meters; and 4) helping the utility to operate its entire system more efficiently with accurate consumption data. The Commission agrees that AMI systems can help improve system efficiency and customer service, but the benefits of such a system are diminished as the number of customers opting out of the system increases. In its September 12, 2012, Final Decision, the Commission directed that any utility requesting approval of an opt-out policy provide a statement or justification to the Commission that the opt-out policy will not be detrimental to the overall goals of the program.

MWU provided the required statement in its October 9, 2012, letter requesting approval of its opt-out policy. This letter states:

The Madison Water Utility believes that the implementation of an Opt-out Policy is in the best interest of both the Utility and its customers. As long as the total number of opt-outs [customers] choosing Option 2 does not exceed 1.5% of our customer base, providing an opt-out would not be detrimental to the goals of Project H2O and the Madison Water Utility.

The Commission believes that MWU's proposed threshold of 1.5 percent of customers is a reasonable estimate of the number of customers who may opt-out of the AMI program without a detrimental effect on the program's goals. Nonetheless, the Commission wishes to monitor the

effects of customer opt-outs to ensure that the benefits of the AMI program are being realized. As a result, MWU shall notify the Commission if more than one percent of MWU's customers elect Option 2.

Order

1. This Final Decision takes effect one day after the mailing date.
2. The authorized rates and tariff provisions shall take effect no sooner than one day after the utility notifies the Commission that these rates and tariff provisions have been placed on file in all of the utility's offices and pay stations.
3. The rates approved in this docket are to be made effective no later than 90 days from the mailing date of this Final Decision, or as directed by the Commission or Commission staff.
4. MWU shall inform each customer of the new tariff as required by Wis. Admin. Code § PSC 185.33(1).
5. MWU shall notify the Commission, in writing, on the date that the initial AMI installation phase is deemed to be complete.
6. MWU shall track the number of customers who request either Option 1 or Option 2. The utility shall notify the Commission in writing if the number of customers selecting Option 2 exceeds one percent of the utility's customers.

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7. MWU shall track the actual costs related to installing, maintaining, and reading non-standard meters for customers who elect Option 1 and Option 2 and provide a summary of this information as part of the utility's next water rate case application.

8. Jurisdiction is retained.

Dated at Madison, Wisconsin, dated this 1st day of November, 2012

By the Commission:

A handwritten signature in black ink, appearing to read "Sandra J. Paske", with a small "bar" written below the signature.

Sandra J. Paske
Secretary to the Commission

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See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
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**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of mailing of this decision, as provided in Wis. Stat. § 227.49. The mailing date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of mailing of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of mailing of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission mailed its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: December 17, 2008

¹ See *State v. Currier*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

MADISON WATER UTILITY

Authorized Water Rates and Rules

Non-Standard Meter Service - - - NSM-1

The utility has chosen to install wireless advanced meters (smart meters) as standard equipment for all customers. Customers who are provided service under Schedule Mg-1 and who choose not to have a standard meter installed on their premises may select one of the following options.

Service Charges:

Option 1: Installation of electronic read transmitter on the outside of the building. A customer electing this option shall pay a one-time charge for each non-standard meter installation.

During Project H₂O installation phase (one-time charge): \$50.69 per meter
or
Following completion of Project H₂O installation phase (one-time charge): Actual Cost

Option 2: No electronic read transmitter anywhere on property. A customer electing this option shall pay a monthly charge of \$7.78 for each non-standard meter. In addition, following the completion of the Project H₂O installation phase, if an electronic meter read transmitter is installed and the customer requests to have it removed, the requester shall pay a one-time charge for each transmitter removed.

During Project H₂O installation phase (one-time charge): \$0.00 per meter
or
Following completion of Project H₂O installation phase (one-time charge): Actual Cost

A customer shall be subject to these charges each time the customer establishes service at a new location and requests non-standard meter service.

A customer requesting initial service at a location where a non-standard meter is installed but who does not request a non-standard meter installation shall not be charged for installing a standard meter and wireless transmitter.

An existing customer who chooses to convert from a non-standard meter to a standard wireless smart meter shall not be charged for the conversion. The customer remains responsible for any unpaid non-standard meter charges incurred prior to the conversion.

Billing: Same as Schedule Mg-1.