Avista Utilities

Retired Electric Meters and Natural Gas Meter ERTs

Annual Report - 2018

Docket No. UE-160100

and

Dockets UE-170327 & UG-170328

January 31, 2019

I. Introduction

In compliance with Order 01, in Docket UE-160100, and as amended by Order 01 in Dockets UE-170327 and UG-170328, Avista Corporation respectfully submits its "Avista Retired Electric Meters and Natural Gas Meter ERTs Annual Report - 2018" to the Washington Utilities and Transportation Commission (Commission). This report is intended to comply with the requirements outlined below:

Order 01 in Docket UE-160100:

> (2) Avista Corporation must file with the Commission an annual report by January 31 of each year, beginning January 31, 2017, documenting the actual number of meters retired in the previous calendar year and the net book value of those meters at the time of retirement.

Order 01 in Dockets UE-170327 and UG-170328:[1]

> (13) The Commission approved the Company's request for like treatment of its natural gas communicating modules (Encoder Receiver Transmitters or ERTs), consistent with the treatment previously approved for retirement of the Company's electric meters.

2018 Meter Retirement Update

Avista is currently engaged in the deployment of Advanced Metering Infrastructure (AMI) for its electric and natural gas customers in Washington. The AMI project will build on the Company's experience with automated meter reading (AMR) in Idaho and Oregon, and AMI in Pullman, Washington, to provide a range of customer benefits to all of Avista's Washington operations. The project will deploy AMI to approximately 253,000 electric customers and 155,000 natural gas customers.

AMI includes advanced electric meters that are digital meters capable of two-way communication, and which are equipped with the ability to measure the incoming and outgoing flow of electricity from a customer's premise in configurable intervals that range from 5 minutes to an hour. This communication capability means the meter can remotely transmit energy-use information to the utility and the customer, and can also receive and respond to signals sent from

[1] Order 01 in Dockets UE-170327 & UG-170328, For An Accounting Order Authorizing Deferred Accounting Treatment related to Advanced Metering Infrastructure and Approval of Depreciation Rate, September 14, 2017.

the utility to the meter. Advanced meters themselves are only part of an integrated metering system. The meter must be connected with specialized communication networks and information management systems in order to deliver value to the consumer. This entire system of meters, communications, and digital hardware and software systems is referred to as advanced metering infrastructure. Avista is planning to replace all of its existing Washington electric meters, the majority of which are conventional electro-mechanical meters, with a new advanced meter. The communicating modules or ERTs attached to our existing natural gas meters will be replaced with a new advanced metering ERT. However, the natural gas meter itself will not be replaced as part of the deployment.

In anticipation of replacing its existing electric meters, the Company filed an accounting petition with the Commission on January 20, 2015, which was subsequently amended on March 4, 2016. On March 15, 2016, the Commission granted the Company's petition subject to conditions, one of which was to annually report, as noted above, the number of electric meters retired each year, and the undepreciated value of those meters. The accounting petition was effectuated by the Company's execution of AMI contracts during 2016, which formally commenced the AMI project. Also as noted above, in Order 01 in Dockets UE-170327 and UG-170328, the Commission approved the Company's request for like treatment of its existing natural gas meter communication modules (ERTs), which are also included in this report for 2018.

The initial AMI implementation focused on purchasing and installing a new meter data management system, which was placed into service in October 2017, followed by the installation of the head-end software systems. Avista completed contracts for the purchase of the advanced meters, natural gas meter advanced ERTs and communications system hardware, and in 2018, installed 2,454 advanced electric meters and 1,376 advanced natural gas meter ERTs. The purpose of this initial installment was to test deployment processes, including our customer outreach and engagement efforts, and to validate the integration of new meters and modules with their supporting communications and computer applications. Avista retired 2,448 existing electric meters[2] and 811 existing natural gas meter ERTs[3] as part of this initial deployment. The estimated

[2] The difference between the number of new advanced electric meters installed (2,454) and the number of meters retired (2,448) arises from such instances where a new meter is installed in a new service that did not previously have a conventional meter to be retired or in cases where an existing meter is returned to stores (for future use) instead of being retired from service.

[3] The difference between the number of existing natural gas meter ERTs replaced and the number of new advanced ERTs is a reflection of the fact that not all natural gas meters in service are equipped with an ERT device.

remaining net book value of these units is $207,551.38 and $40,893.44, respectively. The Company plans to begin full-scale deployment of its remaining advanced electric meters and natural gas modules in the second quarter of 2019.