

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Commission
Inquiry into Customer Choice for
Advanced Meter Installation

DOCKET U-180117

POLICY AND INTERPRETIVE
STATEMENT ON CUSTOMER
CHOICE FOR ADVANCED METER
INSTALLATION

I. BACKGROUND

A. Grid Modernization

- 1 Over the past decade, federal legislation in support of grid modernization, or “smart grid” development, has provided a framework encouraging states and utilities to modernize the grid in preparation for future energy demands.¹ These statutes encouraged programs and services such as demand response programs, time-of-use rates, smart thermostats, and advanced transformers and load management equipment.
- 2 A foundational technology critical to grid modernization is advanced metering technologies (also referred to as advanced metering infrastructure, AMI, or smart meters) that gather usage data more frequently through two-way communications between the meter and the utility. New metering technology has engendered concerns from the public related to health and safety, privacy and data security, cyber security, and the impact to customer bills. Utilities across the country are exploring advanced meter technology, and state commissions and locally regulated utilities are addressing these technical and policy issues.

B. Policy Guidance for Washington Investor-Owned Utilities

- 3 Investor-owned utilities regulated by the Washington Utilities and Transportation Commission (Commission) — Avista Utilities (Avista), Pacific Power and Light (Pacific Power), Puget Sound Energy (PSE), Northwest Natural Gas and Cascade Natural Gas — plan to begin deploying advanced metering infrastructure in Washington state as early as August 2018. Utilities anticipate deploying different AMI technologies for electric and gas operations. For electric utilities, companies will replace existing analog or one-way

¹ These laws include The Energy Policy Act of 2005 (EPAAct 2005), The Energy Independence and Security Act of 2007 (EISA), and The American Recovery and Reinvestment Act of 2009 (ARRA).

communicating meters with digital two-way communicating meters. Existing gas meters will remain in place, but utilities will attach a communication module.

- 4 In advance of such deployment, the Commission initiated this docket to gather information and review options for and existing practices concerning the policy of customer choice for meter installation, i.e., customers choosing to opt in or opt out of receiving an advanced meter. The Commission issued a Notice on February 16, 2018, seeking comments on this topic, and held a workshop on March 15, 2018, to discuss policies related to AMI customer choice. The Commission will address other policy issues related to AMI deployment, including, but not limited to, data privacy, remote disconnection, and customer notifications in a separate docket.
- 5 The comments the Commission received, the discussion at the workshop, and additional research into advanced meter deployments in other states have informed the Commission's understanding of customer choice. Pursuant to RCW 34.05.230, the Commission may "advise the public of its current opinions, approaches, and likely courses of action by means of interpretive or policy statements." The Commission issues this policy statement on customer choice to provide guidance to utilities before they deploy advanced meters in Washington and file tariffs proposing rates and charges related to customer choice for such meters.

C. Advanced Meter Policies in Other Jurisdictions

- 6 States and municipalities have adopted varying policies surrounding customer choice for advanced meter installations, some through legislative mandates and others by commission determination. For example, the state of New Hampshire enacted legislation mandating that utilities require customers to opt in when deploying advanced meters, while the Vermont and Pennsylvania legislatures mandated that utilities offer an opt-out option for customers. In jurisdictions with no legislative direction, state public utility commissions have exercised broad discretion to approve consumer choice policies for their regulated utilities. For example, in response to utility advanced meter deployment, both the California and Maine commissions have mandated an opt-out approach, while the Idaho commission does not require any customer choice despite public requests for such an offering.² The majority of state commissions have expressed a general preference for an opt-out customer choice policy.

² We observe the advanced meters deployed by Idaho Power have reported functionalities that are distinctly different from other utilities. Idaho Power meters transmit data over existing power

II. Customer Choice Options

A. Commission Prudence Standard

- 7 The Commission does not approve utility investments prior to a utility commencing a project. Rather, regulated public service companies in Washington bear the burden of proving their investment decisions were prudent at the time they request cost recovery of capital expenditures for the project in rate proceedings. As with all capital expenditures, we apply this prudency standard (or principle) to advanced metering technologies. However, due to heightened public concerns related to deployment of these types of technologies, the Commission acknowledges the importance of establishing appropriate policies and rules at the outset of advanced metering deployment in a way that reasonably balances all stakeholder interests.

B. Opt-In versus Opt-Out Programs

- 8 When consumers “opt in” to a program, they expressly give their consent to participate. For example, they “opt in” when they physically check a box on a form or website to receive marketing communications. In the context of advanced meter installation, each customer would be required to contact the company and express their agreement to have an advanced meter installed at their premises. Conversely, an “opt out” program means that customers must contact the company and request to be excluded from an activity such as advanced meter installation.
- 9 We recognize the potential benefits of grid modernization to regulated utilities and their customers. These benefits may include automated customer outage detection, energy consumption alerts, more rapid service reconnection, self-healing grid technology, and new rate design availability in support of distributed energy resources and electric vehicle supply equipment. However, notwithstanding operational improvements, we also recognize customer concerns regarding these same technologies, as evidenced by the public responses submitted in this inquiry.³ Accordingly, the preference we express here must reflect our best judgment regarding the most effective means to balance consumer apprehensions about widespread deployment of advanced metering technology without

lines. *See* Case No. IPC-E-12-04, *Bonnie Menth and Vicky Davis v. Idaho Power Company* at pages 2-3 (Company Answer to the Complaint).

³ The Commission received 34 comments from public organizations and individuals in opposition to smart meter installation. Multiple comments submitted by the same person were counted as a single submission.

creating conditions or limitations that unreasonably curtail or impair the transformative benefits the technology may enable.

- 10 In developing our policy preference, we afford significant weight to the comments offered by Avista and PSE, which effectively describe the negative impact an opt-in policy would have on the design, reliability, efficiency, and costs to deploy AMI technology. Requiring an affirmative opt-in policy would likely result in slow and non-contiguous acceptance of AMI within a company's service territory, and may serve to effectively eliminate a company's ability to pursue effective grid modernization strategies.
- 11 We presume that residential utility customers comprise the majority of customers who would oppose advanced meter installation on their premises. No large commercial or industrial customers or their representatives responded to the February 16, 2018, Notice or participated in the March 15, 2018, workshop. We also assume that many large customers may find that the benefits of innovative dynamic pricing available with smart grid technologies outweigh any privacy concerns. Accordingly, this policy statement applies only to the companies' treatment of residential customer choice for advanced meter installation.
- 12 In balancing the companies' interests in smart grid-enabled technologies with customers interested in receiving the benefits available through advanced meters, as well as those customers who do not wish to receive an advanced meter, we prefer that utilities regulated by the Commission offer an opt-out option to their customers. Our assessment of the record in this investigation, coupled with the conditions employed generally in other jurisdictions across the country, lead us to conclude that an opt-out approach for advanced metering technology is the appropriate framework for regulated utilities planning to deploy the technology, subject to explicit requirements for protecting consumer information and usage, which we intend to implement in the next phase of this proceeding. We expect each company pursuing AMI technologies to file an opt-out tariff with the Commission prior to installing any advanced meters in its Washington service territory in accordance with the guidelines established in this policy statement.

C. Costs and Fees Associated with Opt-Out

- 13 The Commission practices principle-based ratemaking to set rates that are fair, just, reasonable, and sufficient. One of those principles is the concept of cost causation, whereby the customer (or class of customers) that causes a cost pays that cost to the extent possible. While some opponents of advanced metering technologies argue the utilities are causing the cost of implementing AMI, the selection of metering equipment,

like other utility plant equipment, is appropriately made by the utility. As previously discussed, the Commission reviews the prudence of such investments only when the company requests cost recovery through rates.

- 14 Companies have reported an assortment of costs associated with an opt-out choice, including meter reading expenses, reconnection costs, meter replacement costs, administrative costs related to manual billing, and information system costs to support non-communicating meters. These fees would be assessed as either a one-time fee or a recurring fee depending upon the nature of the associated costs. As we discuss in more detail below, any one-time fees or other up-front charges that companies seek to impose should be cost-based and mitigated to the fullest extent possible so as not to create a disincentive for customers to select their preferred options.
- 15 *One-Time Fees.* The general basis for assessing a one-time fee is the cost of the meter used by the customer who opts out. In the event the company is replacing all meters within its inventory as part of its advanced meter deployment, there should be no additional cost for procuring a non-communicating digital meter assigned to an individual opt-out customer, since the entire customer base is receiving new meters. As with the costs of advanced meters, the costs of all new meters, including non-communicating meters, should be spread across all customers.
- 16 Additionally, whether the customer's existing meter remains in place or a non-communicating digital meter is installed, we do not find justification for a one-time fee for future meter replacement. During the March 15 workshop, several utilities stated their intent to charge customers who choose to opt out a one-time fee for the future cost of replacing the existing or non-communicating meter with a fully advanced meter when the customer moves from the residence. Meter replacement is a typical rate base item that is socialized across the residential customer class. A meter replacement due to failure should be treated no differently than a customer with a non-communicating digital or analog meter moving out of the residence. In fact, the meter may be fully depreciated when the customer leaves the residence.
- 17 Further, some companies have indicated that when an opt-out customer moves out of the residence, the company would automatically replace the non-communicating meter with an advanced meter. Companies should provide customers moving to a residence with an existing non-communicating meter the same information about their meter choice that customers received during the installation phase. If the new occupant chooses to retain the existing non-communicating meter, there should be no cost for that choice.

- 18 Notwithstanding our preference that companies refrain from assessing one-time fees generally, it is reasonable to assess a one-time fee to customers who elect to opt out after the company has completed the advanced meter installation at their premises. This one-time fee should be no more than the company's actual cost to dispatch the necessary employees and the resulting operational expenses to replace the meter. No charge should be incurred for the meter itself. In the unlikely circumstance that the company experiences a significant number of functional, undepreciated meters being removed due to the opt-out program, the company may petition the Commission to recover the cost of those undepreciated meters. Additionally, in the event a customer opts out and then subsequently opts back in, the company may similarly petition the Commission to recover labor and other operational expenses.
- 19 *Recurring Fees.* During the Commission's March 15 workshop, utility companies indicated the most significant recurring costs associated with customers opting out of advanced meters are the manual meter reading expenses. Some companies indicated they were comfortable with limiting recurring fees to the recovery of actual meter reading expenses, while others believed it appropriate to include additional operational or administrative costs associated with an opt-out program. Following a review of the responses to the February 16 Notice and March 15 workshop discussion, we find that there is significant potential to either eliminate or significantly mitigate meter reading expenses through the application of alternative meter reading schedules (*e.g.*, customer self-reads, or bi-monthly, quarterly, or annual reads with budget billing).
- 20 While we decline to prescribe the type of costs companies may include in a recurring fee, we expect companies to minimize the amount of any recurring fees for customers choosing to opt out while bearing in mind the Commission's long-standing cost of service principles, including cost causation.
- 21 We strongly prefer that the companies employ budget billing (similar to Avista's Comfort Level Billing program) for opt-out program participants. Under this structure, meter reads would be performed annually with a true-up to capture any positive or negative balance at the customer's anniversary.⁴ In the event an opt-out customer does not have a full year of usage data at the location, the company may assess an alternative cost-based monthly fee

⁴ Companies may offer other budget billing alternatives, such as PSE's current option that equally spreads the 12 months of usage related payments across 11 months and allows the final month to serve as a true-up month to avoid a significant change during the first month of the new annual billing cycle.

until such time as the customer is able to establish 12 months of usage data and transfer to an annual meter reading cycle.

- 22 *Payment Plans.* In response to the Commission’s February 16 Notice, Northwest Natural Gas, Pacific Power, and PSE commented that companies should not be required to offer a payment plan for one-time or up-front fees. Avista responded that it would be open to discussing a payment plan option. During the March 15 workshop, the companies continued to oppose the need for a specific opt-out program payment plan, but noted that each utility currently offers a payment plan option for those customers in financial distress. While we decline to prescribe an opt-out specific payment plan, we encourage the companies to offer payment arrangements modeled after those set out in Commission rules.⁵
- 23 *Low Income Considerations.* We encourage our regulated utilities to consider the impacts of one-time and recurring opt-out fees on low-income customers. While the guidelines for an opt-out tariff outlined in this policy statement may serve to mitigate a significant portion of the costs to opt out of advanced meter installation, even minor utility bill increases can create hardships for those with limited resources. With this in mind, we encourage the companies to bring forward creative solutions to further alleviate the opt-out fee impact on low-income customers.

D. Meter Options

- 24 Some companies intend to replace all existing meters with either an advanced meter or a non-communicating digital meter, depending on customer preference. Those companies maintain that replacing analog meters with non-communicating digital meters is preferable because: 1) it is more efficient to maintain a minimal number of meter “families,”⁶ 2) analog meters are no longer in production or supported by their manufacturers, and 3) analog meters are known to slow down with age, resulting in lost revenue to the company and possible retroactive bills to customers. Despite the companies’ intentions, some members of the public expressed their explicit desire to

⁵ Existing Commission rules provide a minimum standard for payment plan services. These include the rule for residential service deposits in WAC 480-100-113 for electric and WAC 480-90-113 for gas, and the reconnection rules under WAC 480-100-133 and 480-90-133 for electric and gas, respectively.

⁶ A meter family is a group of meters that are purchased from the same manufacturer within the same year. Companies record meters in their asset management systems by these meter groups, or families.

retain their current meter, most notably those customers with analog (electro mechanical) devices.

- 25 We note that utilities and commissions in various jurisdictions offer consumers a choice to either retain the existing meter or receive a non-communicating digital meter.⁷ Indeed, during the March 15 workshop, Pacific Power informed the Commission that in its service territories with active AMI deployment, the company is leaving existing meters in place for those customers electing to opt out of advanced meter installation. Pacific Power also indicated it does not receive any manufacturer support for analog meters.
- 26 Although “slowing” meters provide an advantage to the customer,⁸ we agree with Pacific Power’s statement during the workshop that those meters have a negligible financial impact on a company. As analog or other existing meters fail, or new customers choose to opt out after the initial installation period, customers will receive a non-communicating digital meter replacement.
- 27 As noted above, it is up to a company to select standard meter equipment appropriate for its operations. That said, the Commission nevertheless prefers that companies allow customers to retain the existing meter — a company’s standard meter at the time it was installed — until that meter fails. Companies are encouraged to communicate the potential benefits of replacing an analog meter with a non-communicating digital meter to allow customers to choose the option that best suits their needs.
- 28 As noted above, companies providing natural gas service will not replace existing meters, but will update the meter with a communication module. Consequently, if a gas customer opts out of advanced meter installation, the company will simply not install the additional device. In the event a gas company decides to replace existing natural gas meters with two-way communicating gas meters, the Commission prefers customers be allowed to retain the existing mechanical meter as the opt-out choice.

⁷ See Elisa Boxer-Cook, et al. v. Central Maine Power Company, Docket No. 2010-345 (consolidated), Part I Order at page 2 (Me. P.U.C. May 19, 2011); Consumers Energy Company, Case No. U-17087, Order at page 3 (Mich. Pub. Serv. Comm’n June 28, 2013); Pacific Gas and Electric Company, Decision 14-12-078 at page 14 (Cal. P.U.C. Dec. 23, 2014).

⁸ A “slowing” meter is an electro mechanical (analog) meter that, due to age, equipment failure, or tampering, has a disk with reduced rotation. In this instance, slowing meters refers to slowing that results from age. Plainly, the physical disk inside the meter is spinning at a slower rate, which fails to capture the actual rate of energy consumption.

III. CUSTOMER COMMUNICATIONS

- 29 Customer communication is vital to the successful implementation of any advanced metering infrastructure deployment.⁹ Timely communication across several media will help ensure customers are fully aware of the changes to their utility services. Information about customer choice for advanced meter installation is an important component of these communication efforts.
- 30 We expect companies to provide general information and notices about AMI deployment and grid modernization efforts through bill inserts and on their websites. Companies should also issue individualized customer notices, which can be accomplished through a bill insert, separate mailing, door hanger, or electronic notification.¹⁰ The information provided in the individualized notices should include: (1) an explanation of the company's infrastructure changes, (2) benefits of AMI and grid modernization upgrades, (3) an estimated timeline for installation in the customer's area, (4) an explanation of opt-out options or where to find additional information, and (5) company contact information for further inquiries.
- 31 The Commission requires any regulated utility pursuing advanced meter installation to provide the Commission's Consumer Protection section staff with copies of all communication notices, preferably 30 days in advance of public distribution.¹¹ This will inform Consumer Protection staff about the company's deployment and communication plan, allowing them to better address consumer inquiries. Consumer Protection staff will also review notices to ensure they comply with applicable rules.

IV. EXISTING RULES

- 32 If a utility determines that an existing Commission rule would restrict it from filing an opt-out tariff consistent with the principles outlined in this policy statement, the company must file concurrently a petition for exemption from the conflicting rule pursuant to WAC 480-07-110. The need for amendments to existing Commission rules or adoption

⁹ We commend Avista for its comprehensive draft outreach plan included with its comments as Attachment A.

¹⁰ Companies may electronically contact those customers who, under WAC 480-100-179 and WAC 480-90-179 for electric and gas respectively, have selected electronic notification as their preferred method of communication.

¹¹ We recognize that Avista intends to provide its initial customer notifications on or about May 1, 2018, and that a 30-day notice is not feasible in this instance. However, we expect Avista to provide the documentation as soon as possible, and request that all other companies follow the 30-day guideline.

of new rules arising from changes in company operations relating to advanced meter or smart grid investments will be addressed through the Commission's formal rulemaking procedures. As indicated in the February 16, 2018, Notice, the Commission intends to initiate that rulemaking process within the next few months.

V. STATEMENT OF COMMISSION POLICY

33 The Commission issues this policy statement pursuant to RCW 34.05.230 and WAC 480-07-920. This statement contains principles to guide regulated utilities and the Commission as it exercises its regulatory authority to address company deployment of advanced metering infrastructure, specifically related to customer choice for advanced meter installation. This policy statement does not constitute an order binding upon either the Commission or the parties that may come before it in formal proceedings, nor is this policy statement an enforceable rule. Rather, the statement serves to demonstrate the current views of the Commission concerning utility customers' ability to opt out of a meter choice regardless of their reason for doing so, the fees companies may assess those customers for that choice, and the communications a company makes to customers regarding these options.

DATED at Olympia, Washington, and effective April 10, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner