

Agenda Date: January 10, 2019
Item Numbers: A2 & A3

Dockets: UE-180860 and UG-180861
Company Name: Puget Sound Energy

Staff: Amy White, Regulatory Analyst
Andrew Roberts, Regulatory Analyst

Recommendation

1. Issue an order requiring Puget Sound Energy to file status reports every six month beginning January 31, 2020, and a final report on the status and cost of its opt-out program no later than January 31, 2026, and;
2. Allow tariff revisions filed by Puget Sound Energy in Dockets UE-180860 and UG-180861, as revised on December 17, 2018, and January 4, 2019, to take effect January 15, 2018, by operation of law.

Background

On October 17, 2018, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) proposed new tariff revisions, numbered Schedule 171 for both electric and natural gas, "Optional Non-Communicating Meter Service," in Dockets UE-180860 and UG-180861. The company filed revised pages on both December 17, 2018, and on January 4, 2019.

The filings establish two new and different charges related to the voluntary election to install non-communicating digital meters by customers. The initial charge is a one-time opt-out charge for customers choosing to replace a communicating digital meter for either electric or gas (or both) with non-communicating digital meters. The second fee is a bi-monthly charge to cover the cost of bi-monthly (every other month) manual meter reading services.

Puget Sound Energy, a combined electric and gas utility, serves approximately 1.1 million electric and 800,000 gas customers in 10 counties in western Washington.

Discussion

Opt-Out Policy Statement

On April 10, 2018, in Docket U-180117, the commission issued a Policy and Interpretive Statement on Customer Choice for Advanced Meter Installation. Guiding principles delineated in the Policy Statement for company consideration included:

- the commission's preference for companies to develop an opt-out program, as opposed to an "opt-in" to AMI metering;
- a one-time fee related to a customer's opt-out decision, to cover labor costs only;

- a renewed choice option for new customers who move into homes currently served by non-communicating meters;
- a sincere effort by companies to reduce the cost of recurring costs related to manually reading non-communicating meters;
- use of the principle of cost causation, or, simply, to “let the cost follow the cost causer”;
- consideration of payment plan and “budget bill” averaging payment plans, and;
- consideration of alternatives for low-income customers.

Customer Comments and Notices

On November 12, 2018, the company published a notice of its proposed AMI opt-out program. One commenter opposed the proposal expressing privacy concerns. The commenter wished to see a one-way communicating meter option. Another commenter supported the filing, expressing a wish to have less EMF pollution in their home. This commenter expressed concern that other customers would not be able to afford the proposed non-communicating meter program. Commenters were notified that they may access relevant documents about this tariff revision on the commission's website, and that they may contact Andrew Roberts at 1-888-333-9882 or andrew.roberts@utc.wa.gov with questions or concerns.

One-time Opt-Out Charge

These filings for electric and gas introduce a new one-time opt-out charge for single-family residential homes (up to fourplexes) if the customer makes this election after installation of a communicating meter. Customers who opt out during the notice period will not be charged this fee.

One-Time Opt-Out Fee

Opt-Out Service	Estimated Cost to Replace Communicating Meter Outside Planned Replacement Period	Opt-Out Fees as Initially Proposed by PSE	Revised Opt-Out Fees Proposed by PSE
Electric Meter Only	\$169.41	\$170.00	\$ 90.00
Natural Gas Meter Only	\$ 71.50	\$ 70.00	\$ 50.00
Both Electric and Natural Gas	\$240.91	\$240.00	\$140.00

PSE began its installation of AMI meters in 2017. As of mid-November 2018, approximately 149,000 electric AMI meters and 32,000 gas AMI meters have been deployed. Of that total, 1,147 customers have opted for a non-communicating meter, or 0.63 percent. Customers who have opted out before the effective date of this filing are exempt from the initial one-time opt-out fee. As the project proceeds, each customer will receive a 60-day written notice that a communicating meter(s) will be installed at their residence, as well as a 21-day notice of the planned installation. Customers can opt for a non-communicating meter at any time. However, customers requesting a non-communicating meter at any time past the initial installation date

will be charged the initial opt-out fee. As stated earlier, customers who opt out during the notice period will not be charged this fee.

Puget Sound Energy's AMI program is an opt-out program. All customers will receive digital meters from the new meter family; customers who opt-out will receive non-communicating digital meters, since analog meters are no longer supported by manufacturers and the company cannot achieve its anticipated efficiencies if analog meters remain deployed.

Commission staff (staff) was concerned that the high one-time initial opt-out charges for electric or natural gas service would discourage customers from opting out. After discussions with staff, the company eventually agreed to a lower rate than it proposed in its original filing. Also, since many of the costs associated with opting out are borne by the entire customer base, the company proposed bi-monthly billing as its current customer billing system will accommodate this service interval without expensive reprogramming.

Staff wishes to note that the other investor-owned utility that has developed an AMI opt-out program, Avista Corporation (Avista), included a 30-day post-installation "grace period" during which customers have the ability to change their minds regarding a communicating meter. During the grace period, Avista customers can have the AMI meter replaced with a non-communicating meter at no charge. PSE has declined to offer such a grace period, citing the one-way nature of its installation pipeline and the logistical challenges of returning to customers after installers have left a geographic area.

Ongoing Manual Meter Reading Charge

Additionally, the filings introduce new charges for manual meter reading, to take effect upon completion of the AMI installation project in each service area.

PSE has had an Automated Meter Reading (AMR) platform and almost no non-communicating meters for nearly 20 years. As a result, the company employs no meter reading staff. All manual meter reads will be performed by company staff other than meter readers, such as gas and electric service personnel, who are paid more than meter readers. The company does not anticipate having enough manual reads to justify hiring any meter reading personnel. Due to union contracts, PSE anticipates electric and gas meter reads will not be done simultaneously by the same person. The company is developing procedures to gather and enter billing information into its accounting system.

The cost of manual reads will be higher than the cost of AMR reads. The company reviewed time and mileage data for approximately 94,000 emergency responses and, using that data, developed estimates of the monthly cost of manually reading non-communicating meters. The

cost estimates include salary, benefits, mileage, and total vehicle operating costs. Staff has reviewed the company’s estimates and determined they are reasonable.

Comparison of Base Charges and Meter Read Cost and Charges

Manual Meter Read Service	Monthly Base Charge ¹	Estimated Cost Per Manual Meter Read	Bi-Monthly Meter Read Charge	Monthly Equivalent for the Bi-Monthly Charge ²
Electric Only	\$ 7.49	\$26.61	\$15.00	\$ 7.50
Natural Gas Only	\$11.00	\$27.07	\$15.00	\$ 7.50
Electric and Natural Gas	\$18.49	\$53.38	\$30.00	\$15.00

¹ The base charge is included in the table only for comparison only. The base charge is not changing as a result of this filing.

² The company will not charge a monthly meter read fee. It is included for comparison to the monthly base charge only.

Concerned that a monthly cost would discourage customers from opting out, the company proposed in its original filing to manually read meters bi-monthly rather than monthly. The company proposes to bill customers bi-monthly as well. Less-frequent reading, such as once every three months, are not currently supported in PSE’s billing system, and so would require expensive reprogramming of the accounting system, a cost almost entirely borne by rate payers who have not opted out.

Also, the company provided staff with cost data sufficient to calculate that approximately \$1.35 per month, or \$16.20 annually, in meter reading costs is embedded in current rates. To compare the costs and charges, staff has annualized both the manual meter reading costs and the recoveries of costs through both the explicit fee to be paid by opt-out customers and the embedded cost recovery amount embedded in current rates:

Comparison of Costs to Cost Recoveries

Cost or Cost Recovery	Bi-Monthly	Annualized ¹
Electric and gas meter reading cost	\$53.38	\$320.28
Meter read charge for electric and gas paid by customers	\$30.00	\$180.00
Meter read costs embedded in current rates	\$2.70	\$16.20
Annual cost not recovered by meter read charge and embedded costs in current rates		\$124.08

¹Annualized amounts are the bi-monthly amounts multiplied by six.

Costs for manual meter reading are not fully recovered between the meter read charge and the meter reading costs currently embedded in rates. Staff finds the \$15.00 bi-monthly fee, equivalent to \$7.50 monthly, to be a fair approach. Staff believes the monthly fee needs to be a

reasonable balance between sending a price signal to potential opt-out customers and making the choice of opting out not entirely cost-prohibitive. Staff further believes that the regular required reporting will allow both staff and the commission to assess the opt-out rate often and adjust the fee as needed.

Low-Income Customers

In its filing, PSE did not include reduced fees for low-income customers but stated that customers would be able to use any low-income assistance to pay all opt-out charges. Following further discussion, PSE filed revised tariff pages showing that customers who are receiving benefits under Schedule 129, Low Income Program, will have their benefit awards automatically increased by the company to cover all applicable opt-out charges, including both the initial one-time fee and the meter reading fee.

Other issues

In previous filings, Public Counsel and The Energy Project raised concerns that the lack of the ability to opt out in multifamily homes raises privacy concerns for customers living in duplexes, multiplexes, and apartment complexes. As a result, PSE included availability for the opt-out program's to customers living in duplexes and fourplexes in its initial filing.

PSE also initially proposed an Inaccessible Meter Read fee of \$25 per attempt, which the company later dropped. When questioned as to limits and documentation related to this charge, and given the fact that customers in the program are paying for at least one meter reading visit to the home, successful or not, the company dropped this proposal. Also, the company initially proposed that it be allowed to bar customers with two prior disconnections in any 12-month period from participation in the program. The company later narrowed this category of customers to those with two disconnections in the most recent 12-month period.

Other Parties

Staff has conferred with The Energy Project and with Public Counsel on the filings. Both parties stated their concerns with PSE's opt-out program were similar to those expressed in their written comments related to the Avista opt-out filings in Dockets UE-180418 and UG-180419. Both parties have previously expressed recommendations that the commission clarify that approving the proposed opt-out program tariff revisions does not constitute preapproval of AMI costs, the prudence of which will be addressed in a future general rate proceeding.

Status Reports on Program

PSE proposed, and staff agrees, that the company will report regularly on the AMI installation project and on the opt-out program. Staff believes the regular reporting should include, at a minimum:

- 1) Status of the meter upgrade project, including geographic areas where AMI meters have been installed and the numbers of meters installed;

- 2) Information on customer communication results, including the number of customers who have informed the company of their Initial Request for service under Schedule 171.
- 3) The number of customers on electric and natural gas Schedules 171, including a) the non-payment disconnection count, b) the bill payment assistance status of customers, and c) status of their Schedule 171 One-Time Charge payments.
- 4) PSE costs associated with the implementation of electric and natural gas Schedules 171, including capital costs and maintenance costs for information systems, meter networks, meter exchange, meter reading, and other related costs associated with providing service under electric and natural gas Schedules 171;
- 5) Revenues associated with electric and natural gas Schedules 171;
- 6) Number of Initial Requests that did not result in a submitted and completed Service Requests to opt-out;
- 7) The count of customers who return to AMI metering after having a non-communicating meter, and;
- 8) PSE discussion of other issues associated with providing service under electric and natural gas Schedules 171.

Staff and the company have agreed that the company will provide status reports to the commission every six months beginning January 31, 2020, along with an AMI installation project and opt-out program report due no later than January 31, 2026.

Conclusion

Staff has reviewed Puget Sound Energy's proposed revised tariff Schedules 171 for both electricity and natural gas and finds them to be reasonable. Staff recommends the commission:

1. Issue an order requiring Puget Sound Energy to file status reports every six months beginning January 31, 2020 and a final report on the status and cost of its opt-out program no later than January 31, 2026, and;
2. Allow tariff revisions filed by Puget Sound Energy in Dockets UE-180860 and UG-180861, as revised on December 17, 2018, and January 4, 2019, to take effect January 15, 2018, by operation of law.