

Agenda Date: July 26, 2018
Item Numbers: A1 & A2

Dockets: UE-180418 and UG-180419
Company Name: Avista Corporation

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

Recommendation

1. Issue an order requiring Avista Corporation to file a report on the status and cost of its opt-out program no later than November 30, 2020, and;
2. Allow tariff revisions filed by Avista Corporation in Dockets UE-180418 and UG-180419, as revised on July 17, 2018, to take effect August 2, 2018, by operation of law.

Background

Avista Corporation (Avista or company) filed proposed new tariff revisions, electric Schedule 80 and natural gas Schedule 180, “Advanced Metering Infrastructure (AMI) Non-Communicating Meter” for its electric and natural gas services in Washington in Dockets UE-180418 and UG-180419.

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 monthly charge to cover the cost of bi-monthly manual meter reading services.

Avista, a combined electric and gas utility, serves approximately 249,000 electric and 161,000 gas customers in Eastern 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 June 8, 2018, the company issued a press release detailing its proposed AMI opt-out program. Staff received six consumer comments opposing the adoption of AMI technology. Commenters indicated that the proposed opt-out rates were high. Commenters also expressed privacy concerns in regards to the ability of AMI meters to collect granular data that can show when a residence is occupied. 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.

Avista also prepared individual mailings to the approximately 110 customers who are on the company's mailing list for those interested in AMI. The list has been compiled over time since the company first announced its initial AMI pilot project in Pullman, WA, in 2011. The company has maintained information about the AMI project on its website and participated in numerous community outreach events (e.g., fairs, festivals, presentations to business and government organizations, senior centers, and community action councils) to inform its customers of the planned upgrades.

One-time Opt-Out Charge

These filings for electric and gas introduce a new one-time opt-out charge for single-family residential homes if the customer makes this election more than 30 days after the installation of a communicating meter. Avista's AMI program is an opt-out program. The project will have two phases. During 2018's Phase One approximately 3,800 meters will be installed for 1,900 customers in and around downtown Spokane. Testing and further refinement of the company's metering system will occur after the first installation phase. In Phase Two, the balance of the company's service area will have the meters installed in ten geographic zones during 2019 and 2020. These filings for electric and gas introduce a new one-time opt-out charge if the customer makes this election more than 30 days after the installation of a communicating meter.

Avista expects to achieve efficiencies through standardization of its "meter fleet" by replacing all meters over a relatively short time frame with meters from one manufacturer, which the company refers to as a "meter family." This will allow the company to maintain smaller parts inventories, eliminate the need for training on multiple brands of meters, and eliminate its meter reading staff. All customers will receive digital meters from the new meter family; customers who opt-out will also receive digital meters, albeit non-communicating ones, as analog meters are no longer supported by manufacturers and the company cannot achieve its anticipated efficiencies if analog meters remain deployed.

As the project proceeds, each customer will receive an individualized 60-day prior notice that a communicating meter(s) will be installed at their residence, as well as a 21-day notice of the planned installation, and can opt for a non-communicating meter at any time. However, customers requesting a non-communicating meter at any time 30 days or more beyond the initial installation date will be charged the initial opt-out fee. Customers who opt out during the notice period and the 30 days immediately following the installation will not be charged this fee.

One-Time Opt-Out Fee

Opt-Out Service	Estimated Cost to Replace Communicating Meter Outside Planned Replacement Period	Customer Charge for Opt-Out Before AMI Installation or Within 30 Days After Initial AMI Installation	Customer Charge for Opt-Out Beyond 30 Days of Initial AMI Installation
Electric Meter Only	\$345.18	\$0.00	\$75.00
Natural Gas Meter Only	\$190.74	\$0.00	\$75.00
Both Electric and Natural Gas	\$458.55	\$0.00	\$75.00

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 all service areas.

Avista has gradually been reducing its meter reading staff through attrition, replacing departing permanent staff with temporary meter readers, intending to disband its meter reader staff entirely upon completion of the entire service area's meters. While the company is in this transition phase, meter reading will still occur on a regular basis, and thus Avista will not charge for individual manual meter reading during the installation phases. Upon completion of the installation of the new digital meters, all manual meter reads will be done by company staff other than meter readers, such as gas and electric service personnel, who are more highly paid than meter readers. The company does not anticipate having enough manual reads because of customer opt-outs to make retention of any meter reading personnel economic.

The time and distance between anticipated opt-out customers, as well as the use of more highly-paid staff to read the meters, contributes to the cost of manual reads. The company reviewed time and mileage data for more than 350,000 service calls over three years made from Avista's four service centers, and, using that data, developed estimates of the monthly cost of manually reading the "opted-out" meters scattered throughout its system. The cost estimates include salary, benefits, mileage, and total vehicle operating costs. Staff has reviewed the company's estimates and finds them reasonable.

Concerned that the monthly cost would discourage customers from opting out, the company proposed in its original filing to manually read meters bi-monthly rather than monthly, estimating use for the "off-read" months. After discussions with staff, the company eventually agreed to a lower rate and a quarterly (once every three months) manual reading of the meters, along with estimated bills for the months the meters are not read. By estimating the "non-read" months, the company is operating similarly to its budget billing service for customers. At staff's request, the company agreed to show the charge in its tariff as a monthly charge to increase customer ability to compare the meter reading charge to the monthly base charge.

Comparison of Originally-Filed Charges to Revised Charges

Manual Meter Read Service	Monthly Base Charge ¹	Estimated Cost Per Manual Meter Read	As Originally Filed, Bi-Monthly Read Charge	Revised Monthly Meter Read Charge for Quarterly Meter Reads
Electric Only	\$20.00	\$47.24	\$40.00	\$5.00
Natural Gas Only	\$ 9.50	\$36.03	\$30.00	\$5.00
Electric and Natural Gas	\$29.50	\$43.37	\$38.00	\$5.00

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

Other issues

Avista initially limited the opt-out program to single-family residential customers only. The company states in its filing that “Metering technology for multi-family and commercial customers can be far more complex thus making it difficult to offer such an option.” The Energy Project commented that this raises privacy concerns for customers living in duplexes, multiplexes, and apartment complexes since they are not able to opt-out of electronic reporting. As a result, Avista has extended the opt-out program’s availability to customers living in duplexes and fourplexes.

Avista does not include any provision for reduced fees for low-income customers in the filing. The company states, “...Avista does not income qualify its customers, [so] we would not know whether a customer was considered low-income. Our current low-income programs are administered through six different community action agencies in the state of Washington. Adding verification related to a customer’s selection of utility equipment would be cost-prohibitive, as those agencies would charge Avista a per-customer administration fee...” Staff notes that low-income customers have the opportunity to avoid the initial opt-out fee of this voluntary program during the 60 days prior to and 30 days after AMI installation. Staff also feels that the \$5.00 ongoing monthly meter reading fee is reasonable for all customers as it is 75 percent below the initial proposed fee, and when compared to the estimated costs to perform manual meter reads.

Status Report on Program

The company characterizes the initial filing of the opt-out program as a pilot, running through September 2020, with the goal of collecting data on the opt-out rates associated with the proposed opt-out fee that is significantly lower than that originally proposed. Staff and the company have agreed that the company shall report on the number of customers who do elect to opt out from AMI and the actual costs incurred from the manual meter reading, and on any problems or other issues related to the program. Staff and the company did discuss reporting on the status of the project after the completion of Phase One of installation. Staff feels that these customers, clustered around downtown Spokane, likely would not be representative of the company as a whole, and so reporting on just that phase of the project would not provide enough information to review the reasonableness of pricing and the overall operation of the program. The monthly meter reading charge will be phased in across the company’s service area, as the

AMI meters are installed. The company has agreed to provide a report to the commission no later than November 30, 2020, when at least one year's worth of data in areas outside of the Phase One project area will be available. This reporting could be used to true up costs or determine whether the costs are insignificant and should be socialized.

Conclusion

Staff has reviewed Avista's proposed revised tariff Schedule 80 and 180 and finds them to be reasonable. Staff recommends the commission:

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