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October 17, 2018

***Filed Via Web Portal***

Mr. Mark L. Johnson, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

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UTIL. AND TRANSP.  
COMMISSION

**RE: Advice No. 2018-43 Natural Gas Tariff Filing – Filed Electronically**

Dear Mr. Johnson:

Puget Sound Energy (“PSE”, “Company”) hereby submits a new tariff schedule, natural gas Schedule 171, Optional Non-Communicating Meter Service. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes the following new natural gas tariff sheets:

WN U-2 (Natural Gas Tariff)

- Original Sheet No. 171 - Optional Non-Communicating Meter Service
- Original Sheet No. 171-A - Optional Non-Communicating Meter Service (Continued)
- Original Sheet No. 171-B - Optional Non-Communicating Meter Service (Continued)
- Original Sheet No. 171-C - Optional Non-Communicating Meter Service (Continued)
- Original Sheet No. 171-D - Optional Non-Communicating Meter Service (Continued)

The purpose of this filing is to provide a new optional non-communicating meter service for residential customers under the terms and conditions of the proposed Schedule 171. The proposed electric tariff sheets for an electric optional non-communicating meter service are also being filed concurrently under Advice No. 2018-42.

Currently, as per the tariff, the Company owns and maintains all type of meters and other equipment to be installed<sup>1</sup>. This proposed optional meter service allows most Schedule 23, Residential General Service, customers an alternative choice for a non-communicating meter that does not have an Advanced Metering Infrastructure (“AMI”) module. The proposed optional meter service is in line with the Commission’s Policy on Customer Choice for Smart Meter

<sup>1</sup> Puget Sound Energy Tariff WN U-2, Rule No. 6, Sheet No. 16-C, Section 7b. Ownership of Facilities: “The Company shall own, operate, maintain and repair all natural gas Distribution Facilities installed by or for the Company, including replacement of such facilities if necessary so long as such replacement is not inconsistent with this rule or a contract governing such facilities.”

Installation (“Commission Policy Statement”) dated April 10, 2018, under Docket U-180117. While recognizing the benefits of grid modernization<sup>2</sup> and the importance of maximizing customer AMI participation<sup>3</sup>, the Commission yet prefers “that the utilities regulated by the Commission offer an opt-out option to their customers”<sup>4</sup>.

For a utility that has had an Automated Meter Reading (“AMR”) platform and almost no non-communicating meter option for nearly 20 years, any Commission-required optional meter service will increase meter reading costs, infrastructure costs, and information system costs in order to provide this optional service to a very small group of customers seeking non-communicating meters<sup>5</sup>. The Commission’s policy statement<sup>6</sup> indicates that it is not likely that all of these costs could be shouldered by the small group of customers seeking non-standard meters. The financial burden would then be on the rest of PSE’s ratepayers. Another potential negative impact of offering this type of optional service is that the customers with the non-communicating meter service will have reduced availability to existing and future PSE products and services, which may also drive up complaints from that set of customers. These impacts may not be fully understood at this time; therefore, PSE proposes a regular reporting of the impacts of implementing the Commission preferred optional meter service.

PSE addresses the following topics in this letter:

- Meter Upgrade Project;
- Commission’s Policy on Customer Choice for Smart Meter Installation;
- Details about the new Schedule 171, Optional Non-Communicating Meter Service; and
- Electric and Natural Gas Schedules 171 reporting plan.

### Meter Upgrade Project

PSE’s meter technology is different from that used by the other Commission regulated utilities. Most<sup>7</sup> of PSE’s meters have been on the AMR platform for almost 20 years. The AMR platform includes supporting information systems, network field equipment, meters, and natural gas modules. This platform enables automatic delivery of customer usage information to PSE in place of manual meter reading and uploading. However, the AMR network field equipment and the electric and natural gas meters that were installed 15-20 years ago are nearing the end of their design life and in need of replacement. Since 2016, PSE has been in the process of exchanging its AMR network and metering equipment with Advanced Metering Infrastructure i.e., PSE’s

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<sup>2</sup> Commission Policy Statement, paragraphs 1, 2, and 9

<sup>3</sup> Commission Policy Statement, paragraph 10

<sup>4</sup> Commission Policy Statement, paragraph 12

<sup>5</sup> West Monroe Partners AMI Opt Out White Paper 62012.pdf,

<https://www.westmonroepartners.com/Insights/White-Papers/AMI-Opt-Out>

<sup>6</sup> Commission Policy Statement, paragraph 14, states specifically that “...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.”

<sup>7</sup> Most of PSE’s non-AMR meters in PSE are communicating meters with different technology than AMR

Meter Upgrade Project. This is a six-year project, scheduled to be completed in 2023, and will involve swapping out approximately 1.1 million electric meters and 800,000 gas meters/modules, along with the supporting infrastructure across ten counties in PSE’s service territory.

The Meter Upgrade Project mitigates the risk of aging metering infrastructure and provides a framework that allows PSE to modernize its grid<sup>8</sup> in preparation for future energy demands. PSE approaches the Meter Upgrade Project with the aim of leveraging technology to improve customer service and satisfaction and to enhance system reliability while balancing the up-front and on-going costs associated with the project. The AMI meters and modules are “smart” digital meters/modules equipped with the capability for two-way communication, including certain remote sensing and operating capabilities. After the deployment of key AMI network components in early 2018, PSE initiated the electric meter and natural gas meter/module change out in the second quarter of 2018. Figure 1 outlines the six-year deployment plan of the Meter Upgrade Project.

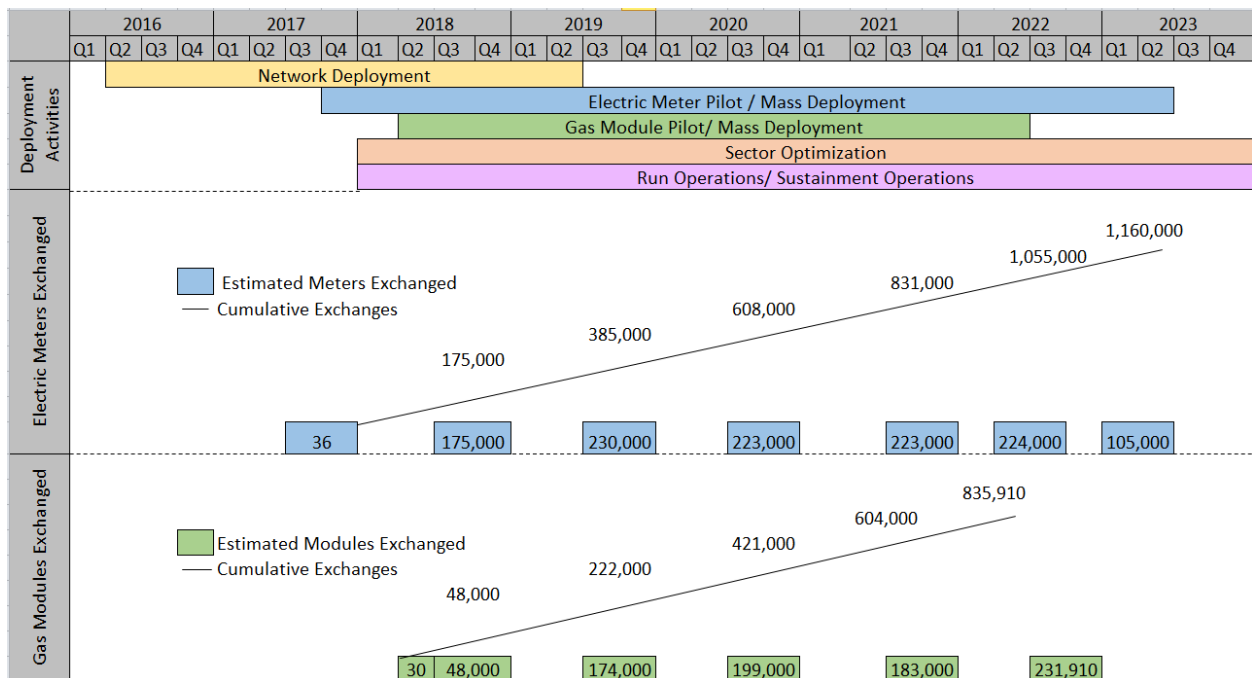


Figure 1: PSE Meter Upgrade Project – Schedule

<sup>8</sup> Pursuant to WAC 480-100-505(3)(a), PSE’s Smart Grid Technology Report contains a description of the smart grid technologies PSE has considered for integration into its system and PSE’s current evaluation of such technologies. The link to the last report filed with the Commission: <https://www.utc.wa.gov/ layouts/15/CasesPublicWebsite/GetDocument.aspx?docID=5&year=2016&docketNumber=161048>

In Section III of the Commission Policy Statement, the Commission emphasizes the importance of timely communication with customers and the Commission staff and providing customers with individualized notices through several media. The customer communications of PSE's Meter Upgrade Project are consistent with the Commission Policy Statement and have been shared with the Commission consumer protection staff. PSE has also developed and been distributing individualized customer letters, emails, phone calls, and door hangers in the Meter Upgrade Project deployment area, in addition to the information available on the PSE Meter Upgrade Project website.

#### Commission's Policy on Customer Choice for Smart Meter Installation

The proposed Schedule 171, Optional Non-Communicating Meter Service, is designed to meet the guidelines for customer choice outlined in the Commission's Policy Statement i.e., providing residential customers<sup>9</sup> an affordable opt-out choice<sup>10</sup> and not creating an unreasonable disincentive for customers to select their preferred metering options<sup>11</sup>. Heeding the Commission's suggestion to minimize costs, the proposed Schedule 171 includes a bi-monthly service charge and the requirement of a bi-monthly-bill-cycle to eliminate the need for monthly meter reading, thereby reducing costs to customers. PSE chose bi-monthly reading and billing because this service option already exists within its billing system, avoiding the need for further expensive programming updates to allow for yet another option. Nonetheless, additional programming and related work will be required for PSE's billing and other business processes to offer this optional service. This includes ensuring that the existing customer payment plan options<sup>12</sup> will accommodate the new Schedule 171 charges. These payment plans are: 1) budget payment plan, 2) payment arrangements, and 3) payment assistance. Low income customers are entitled to all three payment plans with or without a non-communicating meter. Furthermore, in consideration of the potential impact on low income customer<sup>13</sup>, PSE proposes specifically in Schedule 171 that: "A Customer receiving bill assistance benefits under Schedule 129, Low Income Program, may use such benefits to pay for charges under this Schedule". While the Low Income Program has always been available to pay for any charges, PSE wanted to underscore and clarify that point in this new optional service.

#### Proposed Schedule 171, Optional Non-Communicating Meter Service

This optional service is limited to the residential meters served under natural gas Schedule 23, Residential General Service, in a location where the installation of PSE's AMI meter/module at the customer site has been scheduled or has been completed. Schedule 171 customers will have a meter without any communication capability. These meters will be read bi-monthly via PSE authorized personnel. Because these optional meters are not able to communicate with PSE

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<sup>9</sup> Commission Policy Statement, paragraph 11

<sup>10</sup> *Id.* Paragraph 14

<sup>11</sup> *Id.* Paragraph 12

<sup>12</sup> *Id.* Paragraph 22 states that "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."

<sup>13</sup> Commission Policy Statement, paragraph 23

automatically, Schedule 171 customers must meet the qualifications specified in Schedule 171 and will not be eligible to participate in any current and future tariff schedule products and services and customer self-service options that require one- or two-way meter communication capabilities such as future demand response programs.

All Schedule 171 customers will be charged an on-going Additional Bi-Monthly Service Charge of \$15 and if applicable, the following charges:

- One-time Charge: \$70 each for each natural gas non-communicating meter, when an AMI module has already been installed after this Schedule 171 optional meter service is available to customers.
- Inaccessible Meter Charge when PSE is unable to gain access to the non-communicating meter as a result of customer continued denial of access: \$25 per event.

The full estimate to read and bill non-communicating meters on a bi-monthly basis is calculated to be \$27.07. The work paper containing the calculations supporting this estimate and the other charges is included with this filing as Exhibit A. In deference to the Commission's apparent willingness to allow a portion of these costs to be subsidized by non-participating customers, PSE is proposing a \$15 bi-monthly charge as a reasonable middle ground. PSE's higher \$25 Inaccessible Meter Charge uses the same cost estimate as its underlying basis, but is set at a higher level to incent cooperation by the customer in PSE's ability to read their meter.

All the above costs include only labor related costs. They do not yet include the costs associated with:

- Manually uploading the meter read/ and one-time charge into metering and billing information systems;
- Performing the required billing and invoice configurations in PSE's information systems;
- Performing the additional tracking needed in PSE's customer information system; and
- Providing dedicated customer support.

As mentioned earlier, PSE has been on the AMR platform for almost 20 years and only have a small manual meter reading group for the specialized natural gas commercial/industrial meters. PSE is still in the process of establishing the information systems, business procedures, and personnel needed to provide the Schedule 171 service, and will finalize these *after* the Commission approves this optional service. In the future, the charges approved under this filing may be updated when PSE has more information about how many and where the Schedule 171 customers are and the actual costs created by these Schedule 171 customers.

#### PSE Proposed Electric and Natural Gas Schedules 171 Reporting Plan.

PSE is committed to providing regular and relevant updates on its electric and natural gas Schedules 171 implementation with the Commission regarding the costs and impacts of providing this optional non-communicating meter service. PSE suggests annual reporting with

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the first report due one year after the initial tariff approval. This report would include the following reporting elements: 1) Meter Upgrade Project update; 2) customer communications results; 3) number of customers taking Schedule 171 service, including details about their disconnection status and bill payment assistance status; 4) costs associated with the implementation of the optional service, including capital costs and operation and maintenance costs for information systems, meter networks, meter exchange, meter reading, and other related costs; 5) revenues associated with electric and natural gas Schedules 171; and 6) discussion of issues and concerns.

The tariff sheets described herein reflect an issue date of October 17, 2018, and an effective date of January 1, 2019. Notice of the proposed tariff changes, as required by law and the Commission's rules and regulations, is being given to the public immediately prior to or coincident with the date of this transmittal letter, through web, telephone, and mail access in accordance with WAC 480-90-193(1). Posting of this proposed tariff change will be accomplished in accordance with WAC 480-90-193(1). No tariff change notice is required under the provisions of WAC 480-90-194 or -195, nor required by WAC 480-90-199, nonetheless the Company will voluntarily carry out the notice provisions in WAC 480-90-194(2) (a),(b),(d).

Please contact Spencer Jones (425) 457-5382 or Mei Cass at (425) 462-3800 for additional information about this filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

*/s/ Jon Piliaris*

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cc: Lisa Gafken, Public Counsel  
Sheree Carson, Perkins Coie

Attachments:  
Natural Gas Tariff Sheets, listed above  
Exhibit A – Work Paper