

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Revisions to Tariff
WN U-28 and WN U-29 of

AVISTA CORPORATION d/b/a
AVISTA UTILITIES,

Petitioner,

For Proposed New Tariff Revisions,
Electric Schedule 80, and Natural Gas
Schedule 180, Advanced Metering
Infrastructure (AMI) Non-Communicating
Meter

DOCKET UE-180418
DOCKET UG-180419

ORDER 01

ALLOWING TARIFF REVISIONS TO
GO INTO EFFECT SUBJECT TO
CONDITION

BACKGROUND

- 1 On May 14, 2018, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-28, designated as Tariff Schedule 80, and revisions to its currently effective Tariff WN U-29, designated as Tariff Schedule 180. The purpose of the filings is to implement the terms and conditions of a pilot program that will allow customers to be served by non-standard (i.e., non-communicating) meters due the Company's adoption and deployment of a new advanced metering infrastructure (AMI) standard across its Washington service territory.
- 2 On July 17 and 27, 2018, the Company filed replacement pages amending its initial filings to reflect input from Commission staff (Staff) and other interested parties. The proposed effective date is August 2, 2018.
- 3 The proposed tariff revisions establish two new and different charges related to the voluntary election to install non-communicating digital meters. The initial charge is a one-time opt-out charge for customers choosing to replace a communicating digital meter for either electric or natural gas (or both) with non-communicating digital meters. The second fee is a monthly charge to cover the cost of quarterly manual meter reading services.

1. Staff Recommendation

- 4 Staff reviewed the Company’s proposed tariff revisions and recommends that the Commission allow the tariff revisions, as revised on July 17 and 27, 2018, to go into effect, subject to the condition that Avista file biannual status reports beginning March 1, 2019, with a final report on the status and cost of its opt-out pilot program no later than November 30, 2020. Staff’s evaluation is set out in detail, below.
- 5 **One-time Opt-out Charge.** The proposed tariff revisions introduce a new one-time opt-out charge for single-family residential homes if a customer elects to change out their meter for a non-communicating model more than 30 days after a communicating meter was installed. The project will have two phases. During Phase One, in 2018, 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, during 2019 and 2020, the balance of the Company’s service area will have communicating meters installed in 10 geographic zones.
- 6 Avista expects to achieve efficiencies by standardizing its “meter fleet” by replacing all of its meters over a relatively short time 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 its employees to work with multiple brands of meters, and eliminate its meter reading staff. All customers will receive digital meters from the new meter family; customers who elect to opt-out will receive non-communicating digital meters. Avista states that analog meters are no longer supported by their respective manufacturers, and the Company cannot achieve its anticipated efficiencies if analog meters remain in place.
- 7 As the project proceeds, each customer will receive an individualized 60-day notice that a communicating meter(s) will be installed at their residence, as well as a 21-day notice prior to the planned installation. Customers may, however, opt for a non-communicating meter at any time. Customers who opt out during the notice period and the 30 days immediately following installation of the communicating meter will not be charged an initial opt-out fee. The table below illustrates the actual costs for replacing communicating meters after the planned replacement period and the opt-out charge within and after the initial 30-day period.

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

8 **Ongoing Manual Meter Reading Charge.** The proposed tariff revisions also introduce new charges for manual meter reading, which will go into effect beginning March 1, 2019.

9 Avista has gradually reduced its meter reading staff by replacing permanent staff with temporary meter readers, with the intent to disband its meter reading staff entirely when AMI deployment is complete. Because meter reading will still occur during the transition phase, Avista will not charge for individual manual meter reading during Phase One or until each area’s AMI meters are installed. Upon completion of the installation of the new digital meters, all manual meter reads will be performed 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 due to customer opt-outs to justify retaining any meter reading personnel.

10 The cost of manual reads will increase due to the distance between anticipated opt-out customers and the Company’s decision to use more highly-paid staff to read meters. 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 estimates include salary, benefits, mileage, and total vehicle operating costs. Staff has reviewed the Company’s estimates and determined they are reasonable.

11 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, and to estimate customer usage for the “non-read” months. After discussions with Staff, the Company eventually agreed to a lower rate and a quarterly manual meter reading schedule, along with estimated bills for the months when meters are not read. The

Company will estimate usage during the “non-read” months similar to the method the Company uses for its existing budget billing service. At Staff’s request, the Company agreed to show the charge in its tariff as a monthly charge so customers will be able to compare the meter reading charge to the monthly base charge.

- 12 **Multifamily Housing.** Avista initially limited the opt-out program to single-family residential customers only. The Company stated 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.” In response to comments filed by The Energy Project (TEP), Avista extended the opt-out program to customers living in duplexes and fourplexes. Staff supports this modification.
- 13 **Low Income Customers.** In its initial filing, Avista did not include reduced fees for low-income customers. Following further discussion with TEP, Avista filed revised tariff pages that waive the \$5 monthly meter reading fee for those customers who receive low-income bill assistance. Staff is satisfied that low-income customers have an opportunity to avoid the initial opt-out fee of this voluntary program during the 60 days prior to, and 30 days after, AMI installation.
- 14 **Status Reports on Program.** The Company’s opt-out pilot program will stay in place through September 2020, with the goal of collecting data on the opt-out rates associated with the relatively low opt-out fee. Staff and the Company have agreed that the Company will report on the number of customers who elect to opt-out of AMI and the actual costs incurred from manual meter reading, as well as any other unanticipated issues. Staff and the Company discussed reporting on the status of the project after the completion of Phase One. Staff determined that these customers, clustered around downtown Spokane, likely would not be representative of the Company’s customers as a whole. Thus, reporting on only that phase of the project would not provide enough information to determine price reasonableness. However, more frequent status reports will provide information on the numbers of customers opting out of AMI meters and an ongoing assessment of the program’s overall operations. The monthly meter reading charge will be phased in across the Company’s service area as the AMI meters are installed.
- 15 The Company has agreed to provide biannual reports to the Commission beginning March 1, 2019, and a final pilot project report to the Commission no later than November 30, 2020, at which time more than one year of data in areas outside of the Phase One project area will be available.
- 16 **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 related to AMI meters' ability 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 Staff with questions or concerns.

17 Avista also mailed individual notices to the approximately 110 customers who are on the Company's interested person's mailing list for AMI. 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.

2. Party Recommendations

18 On July 20, 2018, TEP filed comments requesting that the Commission require Avista to waive the monthly meter reading fee for any customer receiving energy assistance who elects to opt out of AMI. TEP also requests that Avista provide a written statement detailing the specific actions the Company will take to provide notice to customers, and requests those materials be shared with Staff, Public Counsel, and TEP. Finally, TEP questions whether imposing an additional fee for meter reading may result in over-recovery to the extent that meter reading costs remain in current rates.

19 On July 20, 2018, Public Counsel filed comments generally supporting Avista's AMI opt-out pilot program. Public Counsel stated, however, that its support of the pilot does not preclude further evaluation and argument regarding the prudence of Avista's AMI investment when the Company seeks cost recovery.

3. Open Meeting Discussion

20 At the Commission's regularly scheduled open meeting on July 26, 2018, Staff explained that meter reading costs captured in current rates are approximately \$1 per month, per customer.

21 Public Counsel expressed support for the pilot program, noting that the \$5 per month meter reading fee is less cost prohibitive than the initial filing. Public Counsel recognizes that the \$5 fee is a compromise, and that once the Company obtains information about actual costs, the fee will likely increase. Public Counsel supports the Company's proposal to file biannual reports beginning March 1, 2019.

22 TEP explained that, following further discussions, the Company has agreed to waive the \$5 monthly meter reading fee for those customers who receive low-income bill assistance for the duration of the pilot program. TEP recommends the Company track the number of low-income customers who choose to opt out of AMI technology. TEP echoed Public Counsel's recommendation that the Commission clarify that approving the proposed tariff revisions does not constitute preapproval of AMI costs, the prudence of which will be addressed in a future general rate proceeding.

DISCUSSION

23 We agree with Staff's recommendation and authorize tariff Schedules 80 and 180, as revised on July 17 and 27, 2018, to go into effect by operation of law on August 2, 2018, subject to the condition that Avista file biannual reports beginning March 1, 2019, with a final report on the status and cost of its opt-out pilot program due no later than November 30, 2020.

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

- The Commission's preference for companies to develop an opt-out program, as opposed to an "opt-in" option for 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.

25 The tariff revisions proposed by Avista are consistent with many of the Policy Statement's guiding principles. For example, Avista has proposed an opt-out, rather than an opt-in, program. In addition, the tariff provides a one-time opt-out fee, but only if the customer opts out more than 30 days following installation. Finally, customers have the option to opt-out within the 60-day notice period for no fee. In total, customers will have a 90-day window during which they can opt out at no cost.

- 26 To address cost issues for low-income customers, the Company has agreed to waive the monthly meter reading fee during the pendency of the pilot program for those customers who currently receive bill assistance. This solution, although temporary, appropriately considers the impact of the monthly meter reading charge on low-income customers. We are also satisfied that the 90-day window provides a sufficient period of time for customers to opt out at no cost. For those low-income customers who move into a residence that is already equipped with AMI technology, we encourage the Company inform the customers of their option to opt-out as well as provide reasonable payment arrangements for the one-time opt-out fee, as discussed in our Policy Statement.
- 27 We agree that the \$5 per month meter reading fee does not reflect the actual cost for the Company to provide manual meter reads for customers choosing to opt out, nor does it reflect the costs and benefits of AMI technology. The Company has agreed to file biannual reports reflecting the actual opt-out and meter reading costs of the pilot program, which will inform future discussions about whether those costs should be adjusted on a going-forward basis.
- 28 Accordingly, we approve the revised tariff filings subject to conditions set out in paragraph 23, above. Our approval of the tariff revisions does not constitute preapproval of the costs associated with the pilot program, nor does it determine the prudence of the Company's AMI investment.

FINDINGS AND CONCLUSIONS

- 29 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric and natural gas companies.
- 30 (2) Avista is an electric and natural gas company, and a public service company, subject to Commission jurisdiction.
- 31 (3) On May 14, 2018, Avista filed revisions to its currently effective Tariff WN U-28, designated as Tariff Schedule 80, and revisions to its currently effective Tariff WN U-29, designated as Tariff Schedule 180. Avista filed substitute pages on July 17 and 27, 2018.
- 32 (4) The purpose of the filings is to implement terms and conditions that will allow customers to choose to retain or install a non-communicating meter in lieu of

receiving service from the Company's new AMI technology, which is being deployed across its Washington service territory.

- 33 (5) This matter came before the Commission at its regularly scheduled meeting on July 26, 2018.
- 34 (6) Staff reviewed Avista's filing and determined that the tariff revisions originally filed on May 14, 2018, as revised on July 17 and 27, 2018, should be allowed to go into effect on August 2, 2018, subject to the condition that Avista file biannual status reports beginning March 1, 2019, and a final report on the status and cost of its opt-out program no later than November 30, 2020.
- 35 (7) After reviewing Avista's proposed tariff revisions filed on May 14, 2018, and revised on July 17 and 27, 2018, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the proposed tariff revisions are consistent with the Commission's Policy Statement and the public interest, and should be allowed to go into effect by operation of law on August 2, 2018, subject to the condition that Avista file biannual status reports beginning March 1, 2019, and a final report on the status and cost of its opt-out program no later than November 30, 2020.

ORDER

THE COMMISSION ORDERS:

- 36 (1) The tariff revisions filed by Avista Corporation d/b/a Avista Utilities on May 14, 2018, and revised on July 17 and 27, 2018, will be allowed to go into effect by operation of law on August 2, 2018.
- 37 (2) Avista Corporation d/b/a Avista Utilities must file biannual status reports beginning March 1, 2019, and a final report on the status and cost of its opt-out pilot program no later than November 30, 2020.

- 38 (3) The Commission Secretary is authorized to accept or approve a filing that complies with the requirements of this Order.

DATED at Olympia, Washington, and effective July 30, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner