

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Revisions to Tariff
WN U-60 and WN U-2 of

PUGET SOUND ENERGY,

Petitioner,

For Proposed New Tariff Revisions, Electric
Schedule 171, and Natural Gas Schedule 171,
Optional Non-Communicating Meter Service

DOCKETS UE-180860 and UG-180861

ORDER 01

ORDER ALLOWING TARIFF
REVISIONS TO GO INTO EFFECT
SUBJECT TO CONDITION

BACKGROUND

- 1 On October 17, 2018, Puget Sound Energy (PSE or Company) filed with the Commission revisions to its currently effective Tariff WN U-60, designated as Tariff Schedule 171, and revisions to its currently effective Tariff WN U-2, designated as Tariff Schedule 171. The purpose of the filings is to implement the terms and conditions of a program that will allow customers to be served by non-standard (*i.e.*, non-communicating) meters due to the Company's adoption and deployment of advanced metering infrastructure (AMI) across its Washington service territory.
- 2 The Company's rollout of AMI meters began in 2017 and is intended to be complete by 2022. By mid-November 2018, the Company had installed approximately 149,000 electric AMI meters and 32,000 natural gas AMI meters, or 181,000 total. By that time, 1,147 customers (0.63 percent) had requested non-communicating meters.
- 3 On November 12, 2018, the Company published notice of its proposed AMI opt-out program.
- 4 On December 17, 2018, and January 4, 2019, 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 January 15, 2019. On January 10, 2019, the Company filed replacement pages amending its tariff pages to reflect changes agreed through discussion at the January 10, 2019, Open Meeting.

5 The proposed tariff revisions are applicable to customers served under the Company's residential Schedule 7 for electricity and Schedule 23 for natural gas. These filings establish 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 electing to replace a communicating digital meter for either electric or natural gas (or both) with non-communicating digital meters. The other fee is an ongoing bimonthly charge to cover the cost of bimonthly manual meter reading services for those customers who opt out. Customers who have already received an AMI meter are exempt from the initial one-time opt-out charge.

6 **One-time Opt-out Charge.** The proposed tariff revisions introduce a new one-time opt-out charge for residential customers in single-family homes, and multifamily residences with no more than four units,¹ applicable if the customer elects to change to a non-communicating meter after the 60-day notice period prior to installation of the communicating meter. As the project proceeds, each customer will receive a 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 who opt out prior to, during the 60-day notice period, or on the day of the planned installation, will not be charged the new one-time opt-out fee. Customers who elect to change out their meter for a non-communicating model after the 60-day notice period and installation will incur the new one-time opt-out charge. Customers who elect to opt-out will receive a non-communicating digital meter.

7 Since its initial filing, the Company lowered the one-time opt-out charge for electric or natural gas service from what it initially proposed, in part due to changes the Company made concerning the ongoing charge for manual meter reading for customers who opt-out of the AMI meter, discussed below. The Company also revised its filing so 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.

8 Table 1, below, illustrates the Company's estimates of the costs for replacing communicating meters after the planned replacement period and the opt-out charges after the initial 60-day notice period.

¹ PSE has limited the opt-out program to residential customers only. The program will permit the inclusion of customers living in multifamily housing with up to four units to participate.

Table 1. 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
Electric and Natural Gas	\$240.91	\$240.00	\$140.00

9 **Bimonthly Charge for Manual Meter Reading.** The proposed tariff revisions also introduce new charges for manual meter reading, which will go into effect beginning July 1, 2019. The proposed bimonthly charge is \$15.00 each for electric and natural gas meter reading.

10 PSE has had an Automated Meter Reading (AMR) platform for nearly 20 years and, currently, has no non-communicating meters. As a result, the Company employs no meter reading staff. The Company does not anticipate having enough opt-out customers that require manual meter reads to justify hiring dedicated personnel for meter reading and will have the reads performed by other Company staff who are, in general, more highly paid than meter readers. Due to union contracts, the Company anticipates electric and gas meter reads will not be done simultaneously by the same person.²

11 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 the non-communicating 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.

12 These factors will cause the cost of manual reads to be higher than the cost of AMR reads. Some, but not all, of this cost was mitigated by the Company choosing to do bimonthly billing for customers who opt out. The Company was concerned that the high

² During the discussion at the January 10, Open Meeting, the Company indicated it is considering hiring a contractor to perform meter read, which might negate the need for separate charges for gas and electric meter reading. The Company will inform the Commission of its efforts in retaining such a contractor and any related changes to Schedule 171 of the Company's electric and gas tariffs.

one-time opt-out charges for electric or natural gas service would discourage customers from opting out, so it proposed to manually read meters bimonthly rather than monthly. This will save customers the costs associated with an additional six meter reading trips per year, and the Company's current customer billing system will accommodate the bimonthly schedule.

13 Staff recommends that the Commission allow the tariff revisions, as revised on December 17, 2018, January 4, 2019, and January 10, 2019, to go into effect subject to the condition, agreed to by the Company, that PSE file a status report every 6 months beginning January 31, 2020, with a final report on the status and cost of its AMI installation program and opt-out program due no later than January 31, 2026.

14 Staff and the Company have agreed that the Company will provide reports every 6 months to the Commission beginning January 31, 2020, along with a final meter upgrade project and opt-out program report due January 31, 2026. These proposed status reports will include:

- A status of the project, including geographic areas where AMI meters have been installed and the numbers of meters installed;
- Information on customer communication results;
- The number of customers who opt out under Schedule 171 service, including details about their connection status and bill payment assistance status, and counts of customers who opt out during the fee-free period prior to installation or after the AMI meters are installed;
- The actual costs associated with the implementation of the optional service, including capital costs and maintenance costs for information systems, meter networks, meter exchange, meter reading, and other related costs;
- Revenues associated with electric and natural gas Schedules 171;
- The number of opt-out requests that lapse because customers have not completed service request paperwork to opt-out;
- The count of customers who return to AMI metering after having a non-communicating meter, along with information showing whether the return to AMI was initiated by the customer or the Company, and;
- A discussion of other issues and concerns as they arise during the program.

15 Staff presented a comparison of costs with the proposed recovery of costs for the program using data provided by the Company. The estimated annual cost to read both electric and natural gas meters is \$320.28. Staff determined that approximately \$1.35 per customer per month, or \$16.20 annually, is already embedded in rates for meter reading. The

proposed bimonthly charge of \$15.00 each for electric and natural gas meter reading would recover an additional \$180.00. This results in an estimated annual cost of \$124.08 per opt-out customer that will be subsidized by the entire customer base. While the \$15.00 bimonthly charge does not fully cover the costs of the opt-out program, Staff believes the \$15.00 bimonthly charge for electric and natural gas meter reading to be a fair approach when coupled with the regular reporting that the Company has agreed to because it will inform future determinations of whether elements of the tariffs, including the bimonthly charge, should be modified.

DISCUSSION

- 16 We agree with Staff’s recommendation and authorize Tariff Schedule 171 in Tariff WN U-60 and Tariff Schedule 171 in Tariff WN U-2, as revised on December 17, 2018, January 4, 2019, and January 10, 2019, to go into effect by operation of law on January 15, 2019, subject to the condition agreed to by the Company, that PSE file a status report every 6 months beginning January 31, 2020, with a final report on the status and cost of its AMI installation program and opt-out program due no later than January 31, 2026.
- 17 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.
- 18 The tariff revisions proposed by PSE are consistent with many of the Policy Statement’s guiding principles. For example, PSE has proposed an opt-out, rather than an opt-in, program. In addition, the proposed tariff revisions provide a one-time opt-out fee that will

only apply if the customer fails to opt-out within the 60-day notice period for no fee. We are satisfied that the 60-day notice period provides reasonable and sufficient time for customers to opt out at no cost.

- 19 To address cost issues for low-income customers, the Company has agreed to increase the grant award for those customers who currently receive bill assistance. This solution considers the impact of the monthly meter reading charge on low-income customers. For those low-income customers who move into a residence that is already equipped with AMI technology, we encourage the Company to 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. We also recognize that the one-time opt-out fee does not apply when any customer, including a low-income customer, elects to opt-out within the 60-day notice period.
- 20 We find that the \$15.00 bimonthly charge for electric and natural gas meter reading is fair and reasonable. The bimonthly charge reasonably balances the need for an appropriate price signal to customers who may elect to opt out with the consideration that the charge should not be entirely cost-prohibitive. We acknowledge, however, that the \$15.00 bimonthly 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 status reports every 6 months reflecting the actual opt-out and meter reading costs of the program, which will inform future discussions about whether those costs or tariff provisions should be adjusted on a going-forward basis.
- 21 We were concerned, however, by the language in several of the proposed revisions to Tariff Schedule 171 in Tariff WN U-60 and Tariff Schedule 171 in Tariff WN U-2. Specifically, we were concerned by the language in both the electric and natural gas tariffs, Schedule 171, Section 2(8)(d) that references “current or past incidents.” We believe that wording would be confusing to customers and suggested that the Company address this language. At the January 10, 2019, Open Meeting, the Company agreed and proposed to remove the words “current or past” from the sections so that they would read “d. incidents of service disconnection for non-payment (of Customer’s electric and/or natural gas accounts for communicating or non-communicating meters) twice within the prior 12-month period.” On January 10, 2019, the Company filed updated revisions to the tariffs reflecting these agreed changes.
- 22 We were also concerned by the language in the natural gas tariff, Schedule 171, Section 2(4)(a) that requires a customer providing notice of discontinuance must give such notice

at the “office of the Company”. We believe that wording is outdated and overly burdensome for customers and suggested that the Company address this language. At the January 10, 2019, Open Meeting, the Company agreed and proposed to remove the words “at the office of” and replace them with the word “to” such that it would read “a. Customer notice of such discontinuance must be given to the Company at least three days prior to the date of such change” On January 10, 2019, the Company filed an updated revision to the tariff reflecting the agreed change.

23 We also expressed concern that customers who receive service from PSE for both electric and natural gas (dual-fuel customers) will be charged a separate bimonthly meter reading charge for each service. So, whereas an electric-only customer, or a natural gas-only customer, would incur only a bimonthly charge of \$15.00 for meter reading, a dual-fuel customer would incur a bimonthly charge of \$30.00, \$15.00 for each meter. The Company explained that it must, at least currently, send different personnel to read the electric and natural gas meters. The Company reasoned that because its costs currently require the sending of separate personnel, a separate charge for each service is justified and aids in the recovery of the costs of the program.

24 We accept the Company’s explanation for currently maintaining the separate bimonthly charges to dual-fuel customers. The bimonthly charges will not commence until July 1, 2019. We strongly encourage the Company to pursue options that would relieve the need for separate personnel to read the meters of a dual-fuel customer and thereby justify reducing the meter reading charge to dual fuel customers to a single bimonthly charge of \$15.00 prior to the commencement date of July 1, 2019. Additionally, we believe requiring PSE to file status reports every 6 months illustrates that this program will be closely monitored. We expect that the Company will present the Commission with any cost-saving modifications to the program, perhaps beginning with streamlining to a single meter reading charge for dual-fuel customers.

25 Accordingly, we approve the revised tariff filings and will allow them to go into effect by operation of law subject to the condition that PSE file status reports as set out in paragraphs 13, 14, and 16, above. Our approval of the tariff revisions does not constitute preapproval of the costs associated with the program, nor does it determine the prudence of the Company’s AMI investment.

FINDINGS AND CONCLUSIONS

26 (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.

- 27 (2) PSE is an electric and natural gas company, and a public service company, subject to Commission jurisdiction.
- 28 (3) On October 17, 2018, PSE filed revisions to its currently effective Tariff WN U-60, designated as Tariff Schedule 171, and revisions to its currently effective Tariff WN U-2, designated as Tariff Schedule 171. PSE filed substitute pages on December 17, 2018, January 4, 2019, and January 10, 2019.
- 29 (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 PSE's Washington service territory.
- 30 (5) This matter came before the Commission at its regularly scheduled meeting on January 10, 2019.
- 31 (6) After reviewing PSE's proposed tariff revisions filed in Dockets UE-180860 and UG-180861 on October 17, 2018, as revised on December 17, 2018, January 4, 2019, and January 10, 2019, 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 January 15, 2019, subject to the condition that PSE file a status report every 6 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.

ORDER

THE COMMISSION ORDERS:

- 32 (1) Puget Sound Energy must file a status report every 6 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.
- 33 (2) The tariff revisions filed by Puget Sound Energy in Docket UE-180860 and UG-180861 on October 17, 2018, and revised on December 17, 2018, January 4,

2019, and January 10, 2019, will be allowed to go into effect by operation of law on January 15, 2019.

- 34 (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 January 11, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

Dissenting Opinion of Commissioner Balasbas

- 1 I am disappointed today's order fails to address important customer protections related to advanced meters. My proposals to have PSE customers (1) pay the same bi-monthly manual meter read fee for electric service, natural gas service or both and (2) require a 30-day grace period for free meter removal after installation are reasonable and not unduly burdensome.
- 2 When the Commission issued its Policy and Interpretative Statement on Customer Choice for Advanced Meter Installation³, I supported the various customer protection principles laid out. In particular, one of these principles focused on keeping opt-out fees as low as possible to ensure customers are not financially prohibited from exercising their meter choice. The Commission validated this principle last year when it approved Avista's advanced meter opt-out tariff. In the Avista docket, monthly manual meter reading fees were the same regardless of whether the customer had electric service, natural gas service or both. Unfortunately, the majority reached a different and in my view, incorrect conclusion today by approving significantly higher fees for PSE customers who have both electric and natural gas service.
- 3 I find neither the company's nor my colleagues' acceptance of the reasons for the higher fee compelling. There is no rationale reason bi-monthly manual meter read fees should be different if a customer has electric service, natural gas service or both. Charging customers more simply because they have both services from the utility is punitive and an unnecessary financial barrier to exercising their meter choice, particularly for low-income customers. Setting these bi-monthly fees and customer expectations at the appropriate level in the beginning dictates how they can be changed in the future. Once set, rarely does a fee decrease.
- 4 Today's decision on the bi-monthly manual meter read fee ignores the principle on low opt-out fees laid out in the Policy Statement. While policy statements are not binding on the Commission, adhering to only certain parts of a statement that one agrees with calls into question why we put the time and effort into the document in the first place.
- 5 Turning to when one-time advanced meter change fees are assessed, Public Counsel made a very reasonable suggestion to allow PSE customers a 30-day "grace period" to

³ *In the Matter of the Commission Inquiry into Customer Choice for Advanced Meter Installation*, Docket U-180117, Policy and Interpretative Statement on Customer Choice for Advanced Meter Installation (April 10, 2018)

remove the advanced meter at no charge after installation. This was the same grace period included in Avista's opt-out tariff. If this policy was good enough for Avista customers, I do not see why PSE customers should be treated differently and lose this benefit. As Public Counsel commented at the January 10, 2019 Open Meeting, the grace period supports greater acceptance of advanced meters by allowing customers to have it on their property and assess whether the benefits outweigh any concerns they may have.

6 I acknowledge there are potentially significant unrecovered costs for manual meter reads and one-time meter change outs for opt-out customers. However, these costs are speculative at best and the level of subsidy necessary to cover these costs will be decided later in the context of a general rate case. Staff noted there are already meter reading costs in PSE's basic charge, which represents a cost subsidized by all customers today.⁴

7 While I agree with most of PSE's proposed opt-out tariff structure, I made very clear my desire for consistency in the different company opt-out tariffs, especially when it comes to any recurring fees for manual meter reads. That consistency was easy to achieve, reasonable and could be done without waiting for PSE's potential personnel actions or first report of its actual experience. Unfortunately, today's order on opt-out fees shows a lack of consistency and reason to the detriment of customer choice.

JAY M. BALASBAS, Commissioner

⁴ Open Mtg. Memo, at 4 (Jan. 10, 2019).