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March 8, 2018

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. U-180117 – Comments of Avista Utilities

Dear Mr. King,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission’s (“Commission”) Notice of Opportunity to Submit Written Comments (“Notice”) issued in Docket U-180117 on February 16, 2018 regarding the Commission’s Policy on Customer Choice for Smart Meter Installation. Pursuant to the Notice, Avista submits the following comments to the questions posed in the Notice:

Smart Meter Installation Opt-In/Opt-Out

1. Should companies be required to offer customers the choice to opt-out of smart meter installation at their premises? Alternatively, should customers affirmatively opt-in?

Avista Response: Companies should not be required to offer an opt-out option when deploying new metering technology. However, companies may choose to offer an opt-out option if they believe it is appropriate or necessary. For Avista, regardless if the Company is required to offer an opt-out option when deploying Advanced Metering Infrastructure (AMI) meters to all of its customers in Washington, it will seek to offer a cost-based opt-out option for those customers that have concerns about AMI meters.

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It is important to note that when Avista deployed approximately 13,000 AMI meters as part of its Smart Grid Demonstration Project in Pullman Washington, it did not offer an opt-out option. The Company did not experience any issues with customers regarding an opt-out option for their metering technology, and in fact, the deployment of the AMI meters was a very positive experience.

Regarding the question about having customers affirmatively opt-in to receiving an AMI meter, the Company is opposed to this option as it would have a significant impact on the design and reliability of the communication network. It is the Company's discretion regarding the technologies it deploys to serve its customers. Allowing customers to make the decision about opting in to receive technology that the Company chooses deploy in order to deliver service would pose numerous issues and lead to much higher costs to deliver service.

2. Should companies be required to offer all customer classes the choice to opt-out or opt-in for smart meter installation?

Avista Response: Avista believes an opt-out option should only be made available to single-family residential homes (i.e., excluding duplexes, apartment complexes, etc.). Metering technology and/or setups for commercial customers can be far more complex thus making it difficult to offer an opt-out option.

For residential customers in multi-family unit dwellings (MUDs), having an opt-out option would provide little to no benefit for a few reasons. The meter-set up in larger MUDs or apartment complexes are set up in meter banks (walls where several meters are located in one location). Allowing a customer to opt-out of a single meter on a meter bank would likely not address an individual customers concerns about an AMI meter, as other tenants at the same location may choose not to opt out.

3. What company estimates, if any, have already been developed for how many customers would choose to opt-out or opt-in for smart meter installation?

Avista Response: Avista has been maintaining a list of customers that have expressed interest in learning more about opt-out options when the time arises. Since the beginning of 2016, approximately 40 Washington customers have expressed interest regarding an opt-out option. This list is not an indicator for the number of customers that would actually opt-out or specifically requested to opt-out, however provides a barometer of the number of customers that have expressed interest in learning about opt-out options. It is important to note that these customers have expressed interest in an opt-out option before receiving any substantial direct communications about the project.

Speaking from experience with an opt-out program, Avista implemented an opt-out option in its Oregon jurisdiction in 2012, which included an upfront cost and a recurring monthly meter reading fee. As of February 2018, the Company has one customer that has chosen to opt-out. The Company shares this experience to highlight that while many customers

may be interested in learning about opt-out options, very few remain interested when learning they will be responsible for paying for the incremental costs associated with manually reading their meter.

Smart Meter Benefits

4. What challenges do the companies face based on different levels of opt-in and opt-out (*e.g.*, 1 percent, 5 percent, 25 percent) and what smart grid benefits are either reduced or eliminated at these levels?

Avista Response: In an AMI network, meters rely on neighboring meters to send data. At high opt-out levels, there would be significant degradation to the AMI network. In addition, this level of degradation is difficult to quantify as it depends on Customer density and terrain. With high opt-out levels, several benefits would be reduced - load forecasting capabilities, power quality monitoring, power outage restoration, power line sensors, network redundancy, access to battery storage and charging options for electric vehicles.

In the event the percentage of customers opting out was well under one percent, then the impacts to the Company and other customers would likely be negligible, but still of importance to Avista. The Company cannot know the costs required to maintain conventional processes and systems for managing our opt-out customer billing, connects and disconnects, etc., because these “smaller scale” conventional systems would be far less efficient than the conventional systems we operate at full scale today. And, because of this, we believe our customers who do not choose to opt-out of AMI meters will end up substantially subsidizing the additional burdens and costs for those who do.

As the percentage of customers choosing to opt-out increase to the range of five percent, then those areas of benefit impacted on a less than proportional basis would likely move into the directly proportional category.

As the percentage of customers choosing to opt-out increased to the range of ten percent, this would more than likely result in an approximate 90% reduction in the overall net financial benefits of the advanced metering system. An 11% opt-out rate eliminates all of these benefits. Therefore, evaluating the impact of opt-out rates exceeding ten percent is moot.

5. For those customers who select to opt-out of, or decline to opt-in to, smart meter installation, what types of services or benefits would they be forgoing?

Avista Response: Customers that opt-out, for example, would not be able to view their hourly or daily consumption data online. They would not be able to enroll in future various energy saving programs such as - demand load control, distributed generation, etc. They would also not be able to receive high bill alerts. The following are other examples of services and benefits they would forego:

- Instant and automated notification of the utility when the customer's service is interrupted, especially when the customer is not home or is otherwise unaware of the outage (especially in winter);
- More accurate billing;
- The very-rapid response time for remote service connects;
- Interval usage information and the analytical tools that can help them better understand and manage their energy use;
- Text alerts set by the customer to inform them when usage parameters they have established have been met or exceeded;
- Savings related to the cost of integrating customer-owned generating resources;
- The ability for the utility to help the customer remotely diagnose the cause of their outage, in particular, causes on the customer side of the meter;
- Monitoring and evaluation of the performance of their appliances and HVAC equipment;
- Detection and remediation of low or high voltage issues at the customer's service; and
- Ability to integrate their energy usage with smart appliances and other in-home smart devices, and the value of the emerging Internet of Things.

There are financial benefits from advanced metering that opt-out customers would still be provided even though they are not part of the AMI system (but because their neighbors are). These include:

- Helps reduce peak system demand, therefore, reducing the capital requirements for new electricity generation;
- Reduced outage duration from Avista's more-rapid response to outages that are experienced by neighbors who are AMI enabled;
- Reduced outage restoration costs provided by the AMI-enabled visibility into the storm restoration process;
- Reduced cost for remote service connects and disconnects required for customers other than themselves;
- Reduced cost for thwarted energy theft and unbilled usage for customers other than themselves;
- Energy conservation savings provided by conservation voltage reduction;
- Reduced cost derived from greater billing accuracy for customers other than themselves; and,
- Reduced costs for utility studies requiring customer usage information.

Costs

6. What types of costs are associated with offering an analog/existing meter opt-out option?

Avista Response: The choice or retaining an analog/existing meter is not an option for an opt-out program. Keeping existing analog meters in place poses multiple problems. First,

analog meters are no longer being manufactured, thus if they ever need to be replaced there are no meters available. (Note: the Company does not support purchasing used meters for this purpose). Second, this option would expand the manufactures and types of meters the Company has in the field, which becomes complex to manage. With smaller meter families it increases meter testing costs and the number of meter tests a customer may experience. Field meter tests are performed by electric metermen, which take approximately 30 minutes of time, not including travel. This would also require additional training to keep metermen trained on mechanical meters, which also increases costs. Once all mechanical meters are removed from the Company's system it will no longer train employees on mechanical meters. Next, retaining mechanical meters adds additional cost for having to store and manage inventory. Older analog meters come in many different meter types, meaning the Company could have upwards of 20 different mechanical meters deployed if enough customers choose to opt-out. Lastly, a new digital meter with the communications turned off provides the same choice as retaining an analog meter.

7. Are costs a function of the number of customers choosing to opt-in or opt-out?

Avista Response: No. Costs are not impacted by the number of customers that may choose to opt-out because the cost of a meter and they system to support the opt-out remain the same regardless of the number of customers choosing to opt out.

8. Should all costs associated with the opt-out choice be paid by the individual customer making that election or should some portion of those costs be allocated to all ratepayers and/or to company shareholders?

Avista Response: Avista believes that all costs associated with opting out should be borne by the individual customers that choose to opt out. All customers will already be paying for the cost of the backend systems used with AMI, including the costs of having an opt-out option. There will be additional incremental costs for the meters used for the opt-out option along with meter readings that should be borne exclusively by the customers opting out.

Fees

9. What fees (one-time/recurring) should be assessed to customers who elect to opt-out and should the fees be assessed on a per-meter or per-location basis?

Avista Response: Customers choosing to opt-out should be assessed a fee for the following:

- a. The cost of the meter utilized for opting-out;
- b. The cost to configure the metering technology;
- c. The cost to install the meter utilized for opt-out customers;
- d. The cost to put an AMI meter back in place when the customer moves or closes their account; and,

- e. The monthly meter reading costs required to obtain and/or verify meter readings.

In terms of the fee being based on per-meter or per-location, it depends on the fee itself. One time fees should be calculated on a per-meter basis as each meter will need to be replaced. For the monthly or recurring fees, these could be based on per-location as they are necessary to read the meters. It is appropriate to charge a single recurring meter reading fee per-location as the incremental cost to read more than one meter per location is de minimis.

- 10. If a monthly fee component is included, should there be a limited duration for companies to recover the incremental costs associated with the customer's choice to retain an analog/existing meter?

Avista Response: No, there should not be a limited duration for companies to recover the incremental monthly fees associated with a customer's choice to opt-out, as the incremental fees will continue as long as the customer receives service.

- 11. If a one-time or up-front fee is required, should the companies be required to offer a payment plan?

Avista Response: The Company would be open to discussing a payment plan for any one-time or up-front fees assessed.

- 12. If recurring opt-out fees are assessed with each meter reading, should alternative meter reading schedules be adopted to reduce the opt-out fees paid by the customer (e.g., bi-monthly, quarterly, or annually with budget billing)?

Avista Response: Avista is open to exploring alternatives to monthly meter readings. For example, the Company may support customers self-reads or utilizing estimated meter reads. In either of those examples, the Company would suggest obtaining actual reads twice annually for verification purposes, which would greatly reduce the monthly recurring fee. In the event that customer self-reads is an option, there should be some consideration as to what happens if the customer does not provide the self-read by the specified time. For example, after two months of failing to provide a self-read, the customer no longer has that option and the Company will obtain the monthly read, resulting in a higher recurring fee.

- 13. Should fees differ based on whether the customer is selecting to opt-out of a smart meter for a single service (e.g., electric or natural gas) or both services?

Avista Response: Yes. All fees should be cost based, meaning they should differ based on the service the customer is receiving (i.e., electric only, natural gas only, or electric and natural gas).

14. Should there be a fee imposed on customers who elect to opt-out and later desire to have a smart meter installed?

Avista Response: Yes. If there is an incremental cost for this scenario, than customers should be required to pay that cost.

15. Should opt-out fees be a separate line item on a customer's bill?

Avista Response: Yes. The Company believes the fee should be a separate line item on the customer bill.

Options

16. Should more than one opt-out option be offered to customers who do not wish to have a wireless smart meter (*e.g.*, a digital non-communicating meter)? If so, should the cost differ based on the type of meter selected?

Avista Response: No. Please see the Company's response to Question 6 above. Further, with Avista's deployment of AMI meters, all customers will be receiving a new meter. For customers that choose to opt-out, they will receive the same meter, only with the communications turned off. Having multiple meters types available for an opt-out option adds incremental costs due to additional stock and inventory that must be managed. And with mechanical meters no longer being manufactured, it is unknown how long the Company will be able to purchase them, if at all.

17. Should customers with smart meters be offered the opportunity to relocate the smart meter to another location on their premises? Is so, should the customer pay the cost of relocation?

Avista Response: Today, Avista allows customers to move their service point anywhere on their property as long as it meets the Company's current construction standards. Per the Company's tariff, if customers choose this option, they are required to pay for the costs to relocate the meter.

Customer Communication

18. What form(s) of communication should the companies employ to advise customers of their smart meter installation options, and what type of information should be communicated?

Avista Response: Avista plans on making the information regarding an opt-out option available to customers that inquire about the option through its Call Center and placing the information on its website. In addition, when deploying the AMI meters, the Company's representatives will have information about the opt-out option on hand to provide customers and will refer customers to the Call Center or website for additional information.

Avista has developed a communication plan (see Attachment A), regarding how it will communicate about the deployment of AMI meters, however the Company will not be

including information related to an opt-out option in all of its customers communications. The Company does not believe emphasis or focus should be placed on an opt-out option as it may undermine the Company's efforts regarding the benefits of transitioning to AMI. Further, given the timing for developing the communications, the details of the opt-out option will not be available to include when the customer communications begin.

Avista appreciates the opportunity to provide these comments and we look forward to participating in the upcoming workshop scheduled on March 15, 2018. Please direct any questions regarding these comments to me at 509-495-4975.

Sincerely,

/s/Linda Gervais

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Avista Utilities