

Agenda Date: April 10, 2020  
Item Numbers: A1 and A3

**Dockets:** UE-200013 and UG-200154  
Company Name: Avista Corporation d/b/a Avista Utilities

Staff: Amy White, Regulatory Analyst – Energy Regulation  
Andrew Roberts, Regulatory Analyst – Consumer Protection

### **Recommendation**

Allow the tariff revisions filed by Avista Corporation d/b/a Avista Utilities in Docket UE-200013, as revised on March 26, 2020, and in Docket UG-200154, as revised on March 23, 2020, to go into effect April 13, 2020, by operation of law.

### **Summary of Filing**

On January 6, 2020, in Docket UE-200013 and on March 5, 2020, in Docket UG-200154, Avista Corporation d/b/a Avista Utilities (Avista or company) filed proposed tariff revisions to its electric Schedule 80 and natural gas Schedule 180, “Advanced Metering Infrastructure (AMI) Non-Communicating Meter.” The filings update the monthly recurring charge for manual meter reading services for customers that opt out of conversion to a communicating AMI meter. This filing also updates the company’s policy to allow opt-out customers to retain their old, analog meter rather than receive a new, non-communicating digital meter.

On March 23, 2020, in Docket UG-200154, and on March 26, 2020, in Docket UE-200013, Avista filed replacement pages in which it modified the proposed monthly charge for manual meter reading. In these filings Avista proposes to increase the monthly charge from \$5 to \$10.

Avista, a combined electric and gas utility, serves more than 240,000 electric and 150,000 gas customers in Eastern Washington.

### **Background**

#### **Commission Policy on AMI Opt-Outs**

The commission’s Policy and Interpretive Statement on Customer Choice for Advanced Meter Installation, entered on April 10, 2018, in Docket U-180117, included the following principles:

- the commission’s preference for companies to develop an opt-out program, rather than 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 manually reading meters;
- use of the principle of cost causation, or, simply, to “let the cost follow the cost causer”;
- consideration of payment plans and “budget bill” averaging payment plans; and
- consideration of alternatives for low-income customers.

### **Current Status of Avista's AMI Project and Opt-out Tariff**

Avista began installation of AMI meters in autumn 2018 and, to date, the company has installed more than 261,000 electric and gas meters for more than 161,000 customers. Avista plans to replace approximately 425,000 meters in total, with an expected project completion of fall 2020.

In Dockets UE-180418 and UG-180419, the commission authorized Avista to charge both a one-time opt-out fee of \$75 and an ongoing manual meter reading fee of \$5 per month, effective August 2, 2018. Customers that opt out at any time prior to, and up to 30 days after, the installation of an AMI meter are not charged the one-time \$75 opt out fee. The monthly fee is intended to cover the cost of meter read, which Avista conducts once every three months.<sup>1</sup> The monthly meter reading fee is waived for qualifying low-income customers.<sup>2</sup> Customers can opt-in to an AMI meter at any time at no charge.

More than 1500 Avista customers (0.9 percent) have completed applications to opt out of a communicating meter, with electric customers representing more than 95 percent of the opt-outs. Based on customer service contact data, the company projects a total of 3,000 opt-outs.

### **Discussion**

#### **Request to Increase Manual Meter Reading Charge**

In Order 01 of Dockets UE-180418 and UG-180419 the commission stated:

“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.”

The company has continued to gather and analyze data on the cost of providing a manual meter-reading service and, on average, the cost per meter read is approximately \$65.<sup>3</sup> At \$5 per month, Avista's opt-out customers currently pay \$15 per meter read, or 23 percent of the cost of service.

To move the monthly meter reading charge incrementally toward the cost of providing the service, Avista now proposes to increase the charge from \$5 per month to \$10 per month. Avista will continue to charge dual-fuel customers for a single quarterly read.

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<sup>1</sup> With quarterly readings for customers that opt out of communicating meters, bills for months the meters are not read are based on estimated usage. By estimating the “non-read” months, the opt-out program is operating similarly to Avista's budget billing service for customers

<sup>2</sup> Customers who have received energy assistance funds during the prior 12-month period qualify for the monthly fee waiver.

<sup>3</sup> The cost of service includes salary, benefits, mileage, and standard vehicle operating costs.

### Recovery of Costs at Proposed Rates

Though Avista estimates a cost of \$65 per meter read, some portion of that amount is recovered in the company's current base rates. Through its own analysis of cost data provided by the company, staff estimates that approximately \$1.00 per month, or \$12.00 annually, in meter reading costs is embedded in current rates. This amount should be considered when evaluating whether Avista is recovering the full cost of providing the service. The following table provides a comparison of Avista's costs to the revenues it would receive if the monthly meter reading charge were \$10, as proposed.

#### **Comparison of Costs to Cost Recoveries at Proposed Monthly Charge**

<b>Cost or Cost Recovery</b>	<b>Quarterly</b>	<b>Annualized</b>
<b>Cost</b>		
Electric/gas meter reading cost	\$64.57	\$258.28
<b>Cost Recoveries</b>		
Meter read charge for electric and gas paid by customers (\$10/month x 3 months)	\$30.00	\$120.00
Meter read costs embedded in current rates (\$1 / month)	\$3.00	\$12.00
<b>Subtotal – Cost Recoveries</b>	\$33.00	\$132.00
<b>Annual cost per customer not recovered</b> by meter read charge and embedded costs in current rates		\$126.28
<b>Annual cost per low-income customer not recovered</b> by meter read charge and embedded costs in current rates		\$246.28

The table above shows that at the proposed \$10 per month charge, Avista recovers on average approximately \$132, or roughly half, of the \$258 cost of providing the service. For the 1500 customers that have already opted out, Avista will absorb approximately \$215,000 of the cost each year, and double that amount if the number of opt-outs reaches 3,000 as Avista projects.

Going forward, with the small number of non-communicating meters in use, the company does not believe that it can justify the cost of maintaining a group of dedicated meter reading personnel. Avista has been reducing its meter reading staff through attrition,<sup>4</sup> replacing departing permanent staff with temporary meter readers with the intention of disbanding its meter reader staff entirely upon completion of the project. Once all AMI meters are installed, all manual meter reads will be done by various company staff, such as service personnel, though those employees typically are more highly paid than meter readers.

### Low-income Waiver

In Dockets UE-200013 and UG-200154, Avista initially proposed ending its waiver of monthly meter reading fees for low-income customers over concerns that there is no price signal to this group of customers. However, the company has reconsidered this position and will maintain its policy of waiving the ongoing meter read fee for low-income customers.

<sup>4</sup> Many meter readers have transitioned into other positions throughout the company.

### **Customer Comments and Notices**

Avista issued a customer notice at the time of the initial January 2020 filing. The company issued another customer notice on March 11, 2020, to inform customers of the significant changes that had been made to the filing since the initial filing.

Commission staff received 63 consumer comments, all opposed to the proposed AMI opt-out rate increase. Customers expressed skepticism that the actual cost to manually read their meter is \$10 or more per month. Some commenters indicated that the cost of the opt-out program makes it difficult for them to maintain their non-communicating meter service and address the physical or data privacy concerns they have.

Customers were notified that they may access relevant documents about these filings on the commission website, and that they may contact Andrew Roberts at 1-888-333-9882 or [andrew.roberts@utc.wa.gov](mailto:andrew.roberts@utc.wa.gov) with questions or concerns.

### **Conclusion**

Commission staff (staff) has reviewed Avista's proposed revisions to tariff Schedules 80 and 180 and finds them to be reasonable and consistent with the commission's policy guidance. The current monthly charge covers less than 25 percent of the cost of meter reading. The proposed monthly charge follows the principles of cost causation and gradualism, moving the charge toward the cost of service in a reasonable increment. Staff has reviewed the company's expense estimates as well as its routing plan for manual meter reading using information pertinent to the customers who have opted out to date and finds the estimates reasonable and well-supported. By reading the meters quarterly, rather than monthly, the company has maintained a sincere effort to keep manual reading costs as low as possible.

Staff believes that the proposed \$10 monthly fee represents a reasonable balance of competing principles and therefore recommends that the commission allow the tariff revisions to take effect April 13, 2020, by operation of law.