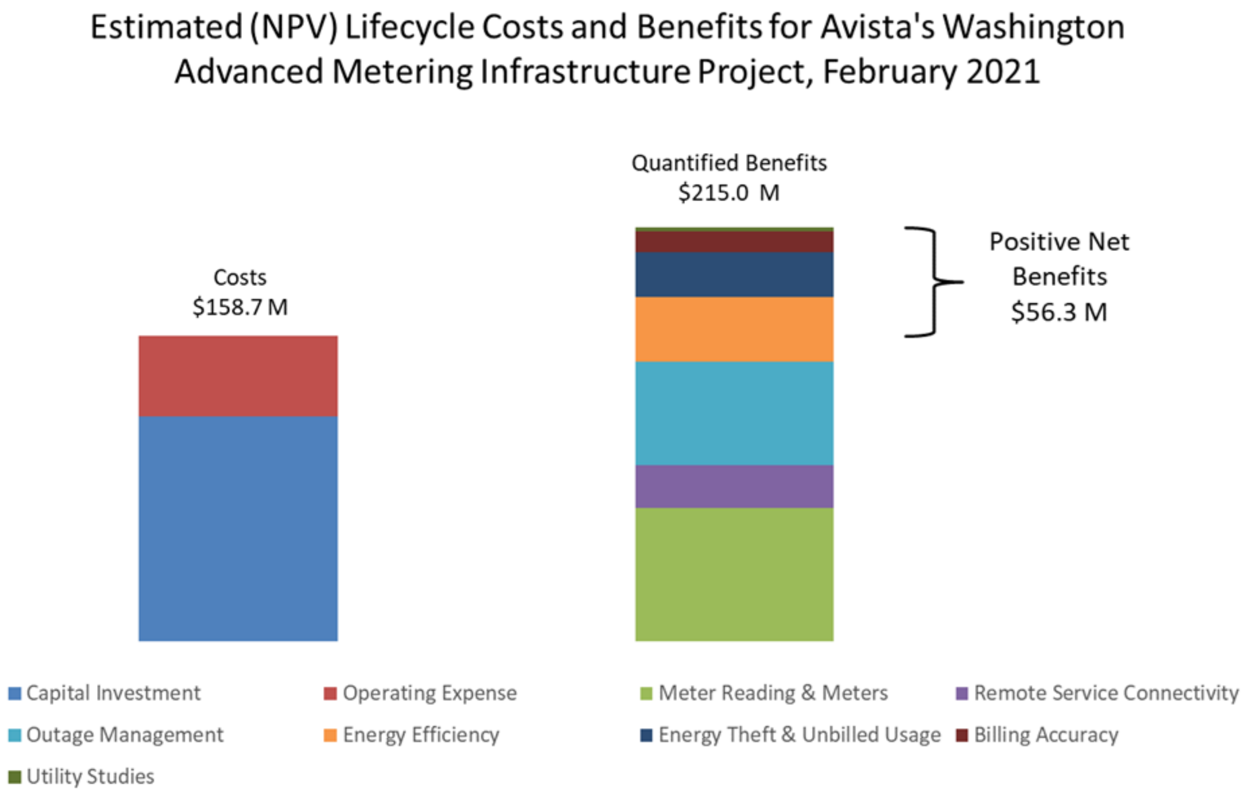
Metering Infrastructure (AMI) Project Report", hereafter referred to as the AMI Report. The AMI Report has been prepared by order of the Commission as a condition of approval of the Company's amended accounting petition associated with our AMI project.[2] The purpose of the AMI Report was to provide an update on the capital costs of the project to date, the expected final capital investment and long-term operating costs (O&M), and the current and expected financial and non-financial customer benefits provided by the AMI system, including the current degree of its used and useful capabilities. The format of this AMI Report, and in particular, the reporting of costs and benefits, follows closely the structure of the Company's initial business case for the advanced metering project filed as part of our 2016 general rate case in Washington,[3] which facilitates a comparison for previously-estimated net benefits and current results. The AMI Report has been provided in this case as Exh. JDD-2r (Revised-Clean), sponsored by Company witness Mr. DiLuciano.[4]

Q. Ignoring all of the qualitative benefits related to AMI, is the Company's investment in AMI beneficial for customers, from a quantitative cost-benefit standpoint?

A. Yes. As detailed in the testimony of Company witnesses Ms. Rosentrater and Mr. DiLuciano (and expanded upon in the AMI Project Report provided as Exh. JDD-2r (Revised-Clean)), the project will provide an overall net benefit over the project life. Illustration No. 2 below demonstrates that net benefit:

[2] See Commission Final Order pertaining to Avista's petition to defer the undepreciated net book value of its electric meters being replaced as part of the Company's advanced metering infrastructure project (Docket UE-160100).
[3] Exhibit HLR-3 in Dockets UE-160228 and UG-160229, Consolidated.
[4] After filing the Report in August 2020, and as the Company was accounting for revenue requirement offsets for avoided costs, Avista found an inadvertent error overstating the amount of savings achieved for manual meter reading in 2018. Financial benefits in the Report (on a nominal and net present value basis) ~~have been~~were then adjusted accordingly, in addition to making several non-substantive grammatical edits. Those edits were filed in Dockets UE-170327 and UG-170328 on or about October 30, 2020 and are reflected in Exh. JDD-2, and as later updated as JDD-2r (Revised-Clean) as discussed by Ms. Rosentrater and Mr. DiLuciano.

Revised Illustration No. 2[4a]



As Ms. Rosentrater and Mr. DiLuciano discusses in their testimony and as noted above, in our 2016 business case we estimated net financial benefits of $26.6 million, compared with our current estimate of $58.1~~0.3~~ million. We also completed sensitivity analysis on currently estimated financial benefits. Even if Avista were to only achieve the extreme lower end of the range in variability, which is now highly unlikely, the project would still produce positive net benefits of $39~~3~~ million, not including any new financial benefits, such as those described for demand response through variable peak pricing and time of use rates. Though we believe the prudence of our investment in advanced metering should be judged on the merits of all customer benefits provided by the system (both quantitative and qualitative benefits), our current case clearly demonstrates the cost-effective value delivered for our customers based

[4a] Due to its formatting as an image, Revised Illustration No. 4 has not been provided in legislative format, but in its updated format only. Please see Exh. JDD-1T, page 26 for the original Illustration No. 4.