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Exh. JDD-1Tr (Revised-Clean)

WUTC DOCKET: UE-200900 UG-200901 UE-200894

EXHIBIT: JDD-1Tr

ADMIT W/D REJECT

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-200900

DOCKET NO. UG-200901

REVISED DIRECT TESTIMONY OF

JOSHUA D. DILUCIANO

REPRESENTING AVISTA CORPORATION

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I. INTRODUCTION

Q. Please state your name, business address and present position with Avista Corporation?

A. My name is Joshua D. DiLuciano, and I am employed as the Director of Electrical Engineering for Avista Utilities (Avista or “Company”), at 1411 East Mission Avenue, Spokane, Washington.

Q. Would you briefly describe your educational background and professional experience?

A. Yes. I am a graduate of Washington State University (WSU), from which I earned a Bachelor of Science degree in Electrical Engineering. I also earned a Master of Science degree in Management and Leadership from Western Governors University and am a licensed electrical engineer in Washington State. I joined Avista in 2006 as an Engineer and have held a variety of technical engineering roles since. I have managed several groups, including the Electric Metershop, Engineering Technical Services, Clarkston Operations (both natural gas and electric), Enterprise Maximo, and Energy Delivery Projects. I was awarded my current position in 2017, where I have responsibility for Washington Advanced Metering Infrastructure (AMI), the Company’s geographic information system (GIS) Refresh, Transmission Engineering, Distribution Engineering, Protection Engineering, Substation Engineering, Drafting and Edit, Maximo, and Engineering Technical Services.

I am a U.S. Navy veteran, and I currently serve on the board of the West Central Community Center. Additionally, I am an advisory member for the WSU Electrical Engineering and Computer Science department.

Q. Are you sponsoring any exhibits that accompany your testimony?

1 A. Yes. I am sponsoring Exh. JDD-2, Exh. JDD-2r (Revised-Clean) and Exh. JDD-
2 2r (Revised-Legislative), all of which are iterations of the “Avista Utilities Advanced Metering
3 Infrastructure (AMI) Project Report”, hereafter referred to as the “Report”. After filing the
4 initial Report with the Commission on August 31, 2020, and as the Company was accounting
5 for revenue requirement offsets for avoided costs, Avista found an inadvertent error overstating
6 the amount of savings achieved for manual meter reading in 2018. Financial benefits in the
7 Report (on a nominal and net present value basis) were then adjusted accordingly, in addition
8 to making several non-substantive grammatical edits. Those edits were filed in Docket Nos.
9 UE-170327 and UG-170328 on or about October 30, 2020, and are reflected in Exh. JDD-2.
10 Additional revisions were made to the Report in 2021, precipitated by Avista’s recent decision
11 to read the meters of approximately 17,500 natural gas customers served in our “natural gas
12 only” areas using mobile field collectors instead of the planned deployment of AMI fixed
13 network communications; these revisions are provided in both clean and legislative format as
14 Exh. JDD-2r (Revised-Clean) and Exh. JDD-2r (Revised-Legislative), respectively.

15 **Q. Have you revised your testimony to reflect changes to the Report identified**
16 **above?**

17 A. Yes. Because changes to my testimony affect the majority of pages of my
18 original testimony (Exh. JDD-1T), my entire testimony is being resubmitted as Exh. JDD-1Tr
19 (Revised-Clean) and Exh. JDD-1Tr (Revised-Legislative).

20 **Q. What is the scope of your testimony in this proceeding?**

21 A. I am the witness primarily responsible for addressing the details contained within
22 the Report (referenced as Exh. JDD-2r (Revised-Clean) hereafter) as sponsored by me. As such,
23 I will address the history of our AMI Project (“Project”) deployment, its rationale, and

1 refinements made over time. Finally, I will speak to the net benefits to customers over time, even
 2 under the most conservative of assumptions. A table of contents for my testimony is as follows:

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7 **II. AVISTA’S AMI INVESTMENT**

8 **Q. Would you please recount the history of filings with the Commission**
 9 **relating to Avista’s AMI Project?**

10 A. Yes. Avista’s initial proposal to deploy its advanced metering system was
 11 considered by the Commission as part of the Company’s electric and natural gas general rate
 12 case in 2015 (Dockets UE-150204 and UG-150205, *Consolidated*). At the conclusion of that
 13 case, Avista’s final estimate of net Project benefits was \$3.5 million over its 21-year life. We
 14 also requested the Commission approve deferred accounting treatment for the undepreciated
 15 value of our electric meters to be replaced during deployment. The Commission determined
 16 that Avista’s requests were not ripe for determination, and further discussed the refined analysis
 17 they would expect to see in support of the Project in a future proceeding.

18 In anticipation of presenting a revised business plan as part of its next general rate case,
 19 the Company filed an accounting petition (Docket UE-160100) requesting deferred accounting
 20 treatment related to the undepreciated net book value of its existing electric meters. The
 21 accounting petition, as amended, was subsequently approved by the Commission in March of
 22 2016; however, it was not effective until the Company executed major vendor contracts for the
 23 Project. Avista’s approved deferral accounting was again amended in 2017 to include the
 24 undepreciated net book value of retired natural gas meter registers.

1 In February of 2016, the Company filed a revised business case for its advanced
2 metering Project as part of its next electric and natural gas general rate case (Dockets UE-
3 160228 and UG-160229, *Consolidated*). Avista’s estimate of the capital cost of implementation
4 was increased to \$166.7 million, with an anticipated operations and maintenance lifecycle cost
5 of \$123.4 million. The revised Project was expected to deliver net financial benefits of \$26.6
6 million. The Commission offered Avista several recommendations related to the Project in its
7 final Order, however, because it did not adjust Avista’s revenue requirements in that case, they
8 did not decide the issues raised in the case concerning the advanced metering Project.

9 **Q. What concerns were expressed by the Commission and parties in**
10 **connection with prior filings?**

11 A. In the Orders discussed above pertaining to our advanced metering system, the
12 Commission highlighted several areas of interest and concern and noted those raised by Staff
13 and parties to the cases. In discussing these concerns, the Commission urged the Company to
14 make progress resolving these issues, both before and during deployment of the system, in an
15 effort to reduce the uncertainty and possible contention surrounding cost recovery. We have
16 attempted to diligently address these key issues, as briefly described below.

17 **Q. How has the Company addressed concerns over whether AMI investments**
18 **are “used and useful”?**

19 A. Multiple concerns were raised in the Company’s 2015 general rate case over the
20 ‘guidance’ requested of the Commission by the Company regarding its planned investment in
21 an advanced metering system. Through the course of the 2015 and 2016 general rate cases the
22 Commission stated its policies and practices governing its review and approval for recovery of
23 utility investments. The advanced metering system is now functionally used and useful, and

1 well before the completion of this case.

2 **Q. What about the level of certainty surrounding Project costs and customer**
3 **benefits?**

4 A. The Commission previously noted comments of Staff and the parties, as well as
5 raising concerns of its own, regarding the planning level estimates of Project costs and benefits
6 presented by the Company in its 2015 general rate case. Accordingly, we presented improved
7 estimates of costs and benefits for the Project in our 2016 case. The refined estimates of Project
8 costs included more known information, greater detail and a planning margin for remaining
9 uncertainties to be experienced during implementation. We also refined our projections of
10 financial benefits and estimated a range in potential variability for each area of benefit. With
11 the Project now well over 99% completed, the net present value of the final capital and O&M
12 costs are much less than estimated in 2016. Likewise, the net financial benefits quantified today
13 are more than double our 2016 estimate.

14 **Q. How have “disconnects” for nonpayment been addressed?**

15 A. In both our 2015 and 2016 general rate cases, the Commission and some of the
16 parties expressed concern over the potential that the use of the remote service switch could
17 negatively impact customers by increasing the long-term rate of service disconnections for non-
18 payment. Throughout our history we have always taken care to ensure our customers have
19 multiple opportunities to make a payment or payment arrangements to avoid having their
20 electric service disconnected. Taking advantage of the savings offered by advanced metering
21 and based on our experience in Idaho for even a longer period of time, we began using the
22 remote service switch for these cases in our Pullman service area in 2012. Because we were
23 still concerned about any potential that use of the remote switch could result in a long-term

1 increase in service disconnections, we carefully monitored these results as well as any potential
2 customer complaints associated with remote disconnections. During the 2016 case we showed
3 that customer disconnects had not statistically increased in our Pullman service area since the
4 deployment of advanced metering and reported that we had received no Commission
5 complaints as a result of this practice.

6 As contemplated by the Commission in 2016, Avista, Staff and the parties engaged in a
7 rulemaking to address various consumer protection issues related to the deployment of AMI,
8 including remote service disconnection (Docket U-180525). This rulemaking process
9 concluded on July 29, 2020 with the issuance of General Order R-600, which amended and
10 permanently adopted new rules in both WAC 480-100 and WAC 480-90.

11 **Q. How did Avista address the Commission's rules related to remote service**
12 **disconnection in its Report and in this case?**

13 A. Avista believes the Commission's adoption of new restrictions on use of remote
14 service for some service disconnects does not fundamentally alter the net financial benefits
15 presented in the Report. When Avista made the decision to proceed with AMI in Washington
16 the net benefits were based on what was known at the time, including, in part, the elimination
17 of staffing and related costs for manual service disconnects and reconnects. That changing
18 conditions in the future may either increase or decrease the actual financial savings achievable
19 with AMI does not alter the Project costs and benefits that were known at the time Avista made
20 its decision to proceed, and which provide the basis for the determination of prudence. With the
21 Commission's ruling in July 2020, the Company will add four employees to meet the
22 requirements of the new rule, at an estimated incremental cost of approximately \$271,000 per
23 year. Accordingly, witness Ms. Andrews has reduced the estimated reduction in revenue

1 requirement for AMI included in this case by that amount, while the Project net benefits remain
2 as stated in the Report.

3 **Q. Why is continued use of the Interruption Cost Estimator (ICE) Model for**
4 **calculating outage costs still appropriate?**

5 A. The Commission noted the extensive concerns expressed by Public Counsel in
6 our 2015 general rate case regarding the efficacy of the Interruption Cost Estimator (ICE) model
7 developed by the Lawrence Berkeley National Laboratory for assessing customer costs related
8 to electric service outages. The approach used in the model for estimating the cost to customers
9 for electric service outages has been compared with alternative approaches and found to provide
10 results that are superior to other methods, in a paper sponsored by the National Association of
11 Regulatory Utility Commissioners (NARUC).¹ The concern for Public Counsel focused on a
12 sampling methodology used to estimate outage costs *for only residential customers*.²
13 Unfortunately, the Public Counsel witness conflated this methodology with the “actual cost”
14 surveys used to estimate financial losses for commercial and industrial customers.³ This
15 confusion even found its way into the Commission’s Final Order where it referred to the
16 interruption calculator as based on what “...customers would pay to avoid an outage.”⁴ The
17 contingent value sampling method challenged by the witness, however, was used to estimate
18 less than three percent of the financial costs that are associated with only residential customer

¹ Evaluating Smart Grid Reliability Benefits for Illinois. National Association of Regulatory Utility Commissioners, A Report for the Illinois Commerce Commission funded by the U.S. Department of Energy. 2011.

² Contingent valuation or “willingness to pay” survey methods derive an attribute value by determining a price representing what someone would pay to avoid, in this instance, an electric outage.

³ Actual cost surveys, gathered through individual customer interviews, document the direct financial losses that are experienced by commercial and industrial customers due to a service outage.

⁴ Washington Utilities and Transportation Commission v. Avista Corporation, Dockets UE-150204 and UG-150205 (Consolidated), Final Order 06, at para. 183, January 6, 2016.

1 outages, while greater than 97% of the estimated costs are based on the actual financial costs
2 experienced by commercial and industrial customers during an outage.

3 **Q. Have customer “opt-out” policies been addressed?**

4 A. Yes. In our 2016 general rate case, the Commission anticipated there would be
5 customers who would want to opt-out of receiving service from an advanced meter and stated
6 its interest in having the Company present a plan and tariff proposals to provide for the same.
7 After a year of informal discussions, the Commission initiated an inquiry process (Docket U-
8 180117) related to customer choice for advanced meter installation. Avista actively participated
9 with the parties in a workshop established by the Commission and filed applicable comments.
10 The inquiry culminated with the publication of a Commission Policy and Interpretive Statement
11 in April 2018. Avista subsequently filed a proposed opt out tariff pilot (Docket UE-180418)
12 and again participated with the Staff and the parties in a subsequent Commission Open Meeting
13 to discuss the Company’s proposal. Avista’s amended tariff pilot was subsequently approved
14 by the Commission with an effective date of August 2, 2018.⁵ Among other stipulations in the
15 pilot tariff, which included modifying our request to meet customer needs such as allowing
16 customers to keep their existing meters, Avista is required to track the actual costs for manually
17 reading meters for opt-out customers as a basis for potential amendment of these tariffed costs
18 long term.

19 **Q. Have customer privacy concerns been addressed?**

20 A. Yes. In its Final Order in our 2016 general rate case the Commission expressed
21 its interest in promoting Avista’s careful consideration of customer privacy and protection of

⁵ Washington Utilities and Transportation Commission v. Avista Corporation, Dockets UE-180418 and UG-180419, Order 01, July 30, 2018.

1 personal and proprietary information. We understand the critical nature of protecting our
2 customers' information and interests in every aspect of the conduct of our business, including
3 new technology platforms like AMI. Through the course of deployment, we have taken the
4 necessary steps to address these issues as discussed in Avista's Report. We also have the benefit
5 of recently-enacted rule changes (WAC 480-100-153) on July 29, 2020, governing customer
6 privacy protections.

7 **Q. How has the Company addressed cyber security?**

8 A. In its 2016 Order, the Commission also reiterated its interest in requiring the
9 Company to continue to advance its capability to shield customer data and utility infrastructure
10 from continuing cyber security threats associated with the potential vulnerability of advanced
11 metering technology. Through the course of deployment, we have continued to advance our
12 cyber security capabilities and strategies to protect every aspect of our business from cyber
13 security threats, including our advanced metering system.

14 **Q. Did the Commission Staff express its views with respect to Puget Sound
15 Energy's (PSE) AMI program?**

16 A. For its part, Commission Staff, in response to PSE's recent request to recover
17 its AMI investments, noted that PSE reasonably determined that it needed to replace AMR
18 infrastructure, reasonably selected AMI from available alternatives, reasonably involved its
19 board and management, and adequately documented its decision-making process. (See PSE
20 Order at para. 139.) Likewise, Avista has also methodically investigated and implemented its
21 AMI system, with active management oversight and documentation, as discussed in the Report.

22 While much of Avista's Report has focused on the costs and customer benefits of our
23 advanced metering system, we believe it's important to restate how our decision to undertake

1 this deployment serves our customers' overall interests and meets the Company's obligations
2 under the Commission's prudence standard.

3 **Q. Was there a timely need for this Project?**

4 A. Yes. In Section 2 of the Report, we describe how our industry and business
5 model are changing and why we believe AMI is essential to the delivery of service to our
6 customers. As just one example, we explain how this system plays a central role in our
7 achievement of a range of new energy conservation savings and how it will enable the
8 implementation of new demand response strategies called for in our current Integrated Electric
9 Resource Plan. Indeed, our obligation to acquire new cost-effective capacity resources through
10 measures such as variable peak or time of use pricing would be unachievable without the
11 capabilities of our advanced metering system. Similarly, our requirement to focus more on
12 distributed energy resources and non-wire solutions in electric distribution planning are
13 significantly enabled by AMI. Across the Country, utilities responding to these multiple needs
14 for the capabilities of advanced metering were expected to have well over 107 million meters
15 deployed by the end of 2020. As recently noted by Puget Sound Energy and the Commission,
16 moving to an advanced metering platform has become the industry metering "standard" and the
17 operational decision to install AMI now is prudent.

18 **Q. Did the Company evaluate reasonable alternatives?**

19 A. Yes. The industry's move to adopt the AMI metering standard makes the prima
20 facie case that there is no reasonable alternative technology or combination of technologies that
21 perform the key functions of advanced metering at a similar or lower cost. In our initial business
22 case, we looked at the capabilities of other metering technologies, such as an automated meter
23 reading system (AMR) combined with other applications, as a potential alternative to advanced

1 metering infrastructure. But there was no combination of applications or technologies, even
2 then, that performed the functions of AMI at a comparable cost. Today, advanced metering is
3 more robust and reliable with expanded capabilities such as the “edge” computing features of
4 the Itron Riva system. More recently in the case of Puget Sound Energy, some parties cited
5 presumed alternatives to AMI for capturing individual customer benefits, such as conservation
6 voltage reduction, or automated meter reading through AMR, but no other technology alone or
7 in combination provides the central platform essential to meeting our future service needs or
8 cost effectively integrates the multiple range of benefits accomplished by AMI.

9 **Q. Was Avista’s Senior Management appropriately involved?**

10 A. Yes. As noted throughout the Report, Avista’s senior executives that compose
11 the Executive Technology Steering Committee, which includes among others Avista’s
12 President and Chief Operating Officer, have maintained active involvement in the Project from
13 its inception. Their involvement included approval of the Project scope, the capital and
14 operating budgets, and presentation of the planned capital investment to the Company’s Board
15 of Directors for approval. As described in the Report, the Executive Steering Committee was
16 updated each month by Project management staff, which updates included review and approval
17 of analyses of Project status, challenges, risks and responses, incremental changes in scope and
18 cost, and recommendations related to technology challenges, such as maturity of the metering
19 hardware and software systems, and any changes in deployment schedules. As noted below,
20 these reviews and approvals have been well documented, and they demonstrate a robust record
21 of the engagement, management, review and approvals of the Company’s senior leadership.

22 **Q. Was there sufficient documentation of the decision-making process?**

23 A. Yes. Avista Project management staff has kept detailed records of key decisions

1 made during the course of the Project, including factors leading to key decisions, the associated
2 risks and consequences, and support for why these decisions represented the best interests of
3 our customers and the Company. These include records of meetings of Project staff for each of
4 the major phases (e.g. communications infrastructure or meter data management system), and
5 meetings for the overall management of the AMI Project. Documentation shows how issues
6 identified at the Project-level were elevated for review and approval by the Executive Steering
7 Committee. These records document the topics discussed, and decisions made as appropriate,
8 and include records of proposed changes in Project scope and budget, including documentation
9 of the review and approval of the Executive Steering Committee. Project documentation also
10 includes regular refreshes and updates to forecasts of Project costs made during deployment,
11 and updates to estimates of Project benefits. In summary, Avista's Project documents provide
12 a detailed and comprehensive record of the many key decisions made through the course of
13 deployment by Project-level staff and the Company's senior leaders, attesting to the prudence
14 of each decision and the Project overall.

15 **Q. What are some of the forces driving changes in the utility industry?**

16 A. From Avista's perspective, these underlying forces can be aggregated into three
17 groups:

- 18 • Clean Energy and Conservation: A societal, and indeed, a global response to
19 changes in climate and the desire to significantly and quickly reduce CO2
20 emissions. Among responses to this call for action has been the societal and legal
21 shift to require a greater percentage of our electricity supply be provided by
22 renewable resources. There are also calls now to actively shift current energy
23 uses met by fossil fuels to clean electricity. The cost of these changes is putting
24 greater price pressure on customers and will continue to drive an ever greater

1 need to use electricity more efficiently. Conservation measures, including
2 pricing strategies that were historically not viable because of Avista's low
3 electric rates, will be ever more important. For example, Washington has new
4 building codes that require drastic reductions of energy consumed in buildings
5 going forward. With our AMI investment, we have the tools and insights that
6 allow building owners and managers to understand where and when their energy
7 demands are occurring, and then take action to reduce that consumption.

- 8 • Enabling Technologies: The rise and maturing of new technologies are changing
9 the electricity landscape. These include significant reductions in the cost and
10 availability of customer-owned renewable electricity generation, and control and
11 storage, coupled with regulatory changes promoting investment in distributed
12 energy resources. The digitization of massive volumes of customer data is now
13 combined with complex, interoperative and integrated control systems, allowing
14 new market players to provide traditional utility customers with a range of
15 energy services their utility provider may not offer, at price that's ever more
16 competitive.
- 17 • Customer Empowerment: Utility customers have a growing ability to exercise
18 greater choice and control over their traditional monopoly utility service. This
19 includes use of technology to help manage and reduce their energy costs, the use
20 of distributed energy resources to reduce reliance on the serving utility, and the
21 growing opportunity to sell their electricity to others outside the utility's control,
22 while otherwise relying on the utility's dedicated infrastructure. Finally, the
23 falling price of electricity storage and management systems, coupled with onsite
24 generation, may soon provide traditional customers a real option to bypass their
25 service utility altogether. Through all of this, the utility must stand ready to
26 serve.

27 **Q. What are the conservation use cases for AMI?**

28 A. The potential for energy conservation, aided by smart metering, is substantially
29 expanded from the initial model. As noted earlier, The American Council for an Energy-

1 Efficient Economy, in their recent article “Leveraging Advanced Metering Infrastructure to
2 Save Energy,”⁶ presents multiple energy efficiency use cases, summarized below, designed to
3 more effectively leverage the value of the AMI platform in helping the utility and its customers
4 reduce energy consumption and lower costs. Avista has already expanded plans from its initial
5 business case for AMI and has either implemented or is actively developing conservation
6 initiatives *for each use case* described in the report. Below we summarize each conservation
7 use case described in the report, followed by a brief overview of Avista’s efforts, explained in
8 more detail in Sections 4 and 6 of the Report.

- 9 • Targeting Strategies involve leveraging AMI-based load disaggregation or using
10 profile clustering to focus the utility’s conservation engagement on customers
11 most likely to take action to reduce their consumption.
- 12 • Energy Use Feedback involves using the advanced metering system to provide
13 customers access to their near-real time energy use to help them better
14 understand and manage their energy use. This use case provided the initial
15 energy conservation push for advanced metering.
- 16 • Behavioral Feedback Programs involve providing customers with personalized
17 insights based on their interval data to help motivate them to take actions to
18 reduce their energy consumption. The report authors note that these tailored
19 reports are a common application of behavioral feedback in the industry.
- 20 • Measurement and Verification of conservation savings is made more accurate
21 and timelier by the ability to use smart metering data.
- 22 • Energy Pricing Strategies allow customers to select how and when they use
23 energy to lower their bill. As an example, smart metering enables the utility to
24 better understand the usage profile of each individual customer and offer rate
25 plans that meet that customer’s need, while at the same time saving them money

⁶ Leveraging Advanced Metering Infrastructure to Save Energy. Rachel Gold, et al. The American Council for an Energy-Efficient Economy (ACEEE). January 2020.

1 on their utility bill. Examples of this include demand response (DR) events or
2 time-of-use rates that align with the customer's need. "A demand response
3 company can provide more actionable feedback on customer energy usage to
4 help the customer save money while benefitting all customers by reducing the
5 system's peak demand."⁷

- 6 • Grid-Interactive Efficient Buildings to expand the role of flexible, controllable
7 electricity loads to improve energy efficiency, system capacity and lower
8 infrastructure costs. Buildings consume 40% of the nation's energy, and
9 approximately 70% of our electricity is used for heating, lighting and motors,
10 etc.
- 11 • Pay for Performance Models that reward customer energy savings on a going-
12 forward basis rather than providing up-front payments for conservation
13 investment.
- 14 • Conservation Voltage Reduction programs can be made more effective by
15 relying on voltage measurements taken at the customer's service point to help
16 lower the overall voltage level on the feeder. This is an effective approach that
17 reduces the cost of serving electric customers.

18 **Q. Does AMI also serve to address needs at the "Edge of the Grid"?**

19 A. Yes. Avista has taken a number of steps over more than a decade to help us
20 better optimize our utilization of the electric distribution system, to lower electricity costs for
21 our customers, to maintain and uphold our system reliability in high-density service areas, to
22 promote the development of electric transportation, and to learn more about how to effectively
23 integrate, utilize, and optimize distributed energy resources. More recently, we have been
24 systematically evaluating the interaction between new technology systems and emerging
25 customer choices and markets at the grid edge through an internal employee team referred to

⁷ Ibid.

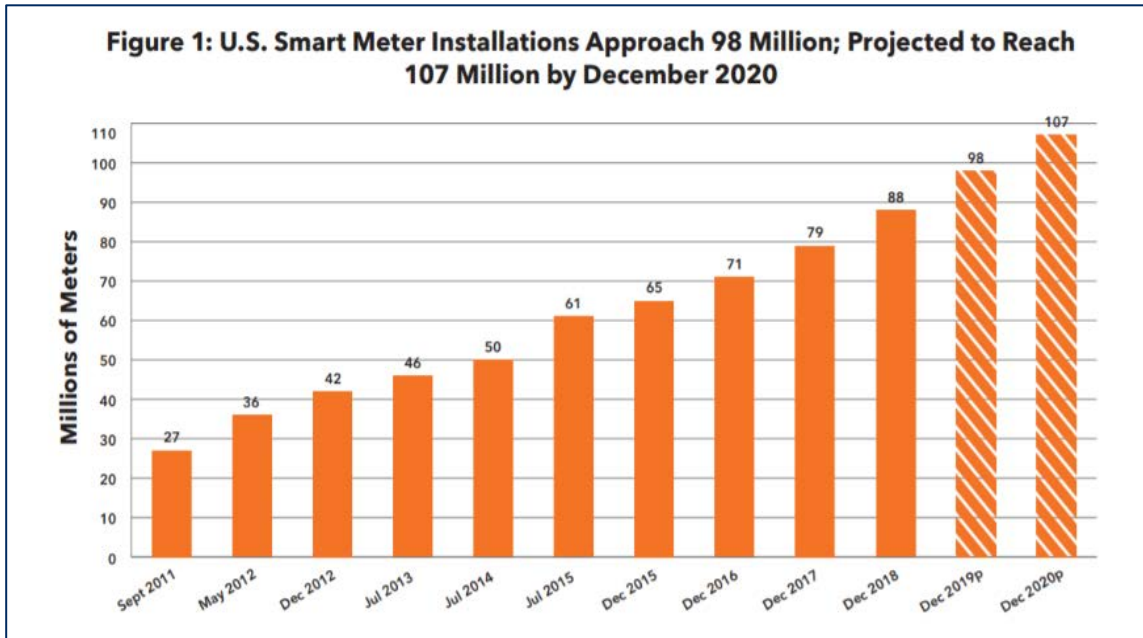
1 as the Grid Edge Consortium. The goal of this group is to understand and anticipate industry
2 trends as well as technology advancements so Avista can prepare to meet future customer
3 demands and expectations ‘ahead of the curve.’ Avista’s Grid Edge Consortium has identified
4 a developing future state we referred to as the “shared energy economy”, and has developed a
5 comprehensive roadmap identifying technology, infrastructure, regulatory, and a range of other
6 structural and process achievements necessary for its realization. As noted, the deployment of
7 AMI is one of the first essential technology steps required to realize this vision.

8 **Q. What are the trends in AMI implementation in the country and our region?**

9 A. National trends in advanced meter deployment are a familiar topic in advanced
10 metering business cases, and nationwide trends exceed projections included in the Company’s
11 earlier 2016 business case, as shown below in Illustration No. 1 below (included as Figure 2-1
12 in the Report). As of year-end 2018, electric utilities had installed more than 88 million smart
13 meters, covering nearly 70 percent of U.S. households. Based on survey results and plans
14 approved in 2019, estimated deployments were expected to reach 98 million smart meters by
15 the end of 2019 and 107 million by year-end 2020.⁸

⁸ Electric Company Smart Meter Deployments: Foundation for a Smart Grid (2019 Update). Edison Foundation, Institute for Electric Innovation. 2019.

1 **ILLUSTRATION NO. 1 - ACTUAL AND EXPECTED TREND IN DEPLOYMENT OF ADVANCED**
 2 **METERING IN THE UNITED STATES. EDISON FOUNDATION, 2019.⁹**



12 **Q. What has been the experience in Washington State?**

13 A. While Washington State lags behind the West Coast in deployment of smart
 14 meters, several utilities are in the process of completing system installations, as shown in the
 15 Table No. 1 below.

⁹ See Report at p. 27 (Exh. JDD-2r (Revised-Clean)), Figure 2-1

1 **TABLE NO. 1. UTILITY DEPLOYMENTS OF ADVANCED METERING IN WASHINGTON STATE**¹⁰

Company	Dates	Number of Meters Deployed
Puget Sound Energy (PSE)	2017-2023	1.1 million electric meters 800,000 natural gas modules (PSE, 2020)
Seattle City Light	2016-2019	461,496 electric meters (Seattle City Light, 2020)
Tacoma PUD	2018-2022	190,000 electric meters 110,000 water meters (Nhede, 2020)
Inland Power & Light	2013-2015	39,000 electric meters
Avista	2017-2020	249,391 electric meters 160,166 natural gas modules
Total		Electric Meters: 2,039,887 Natural Gas Meter Modules 960,166

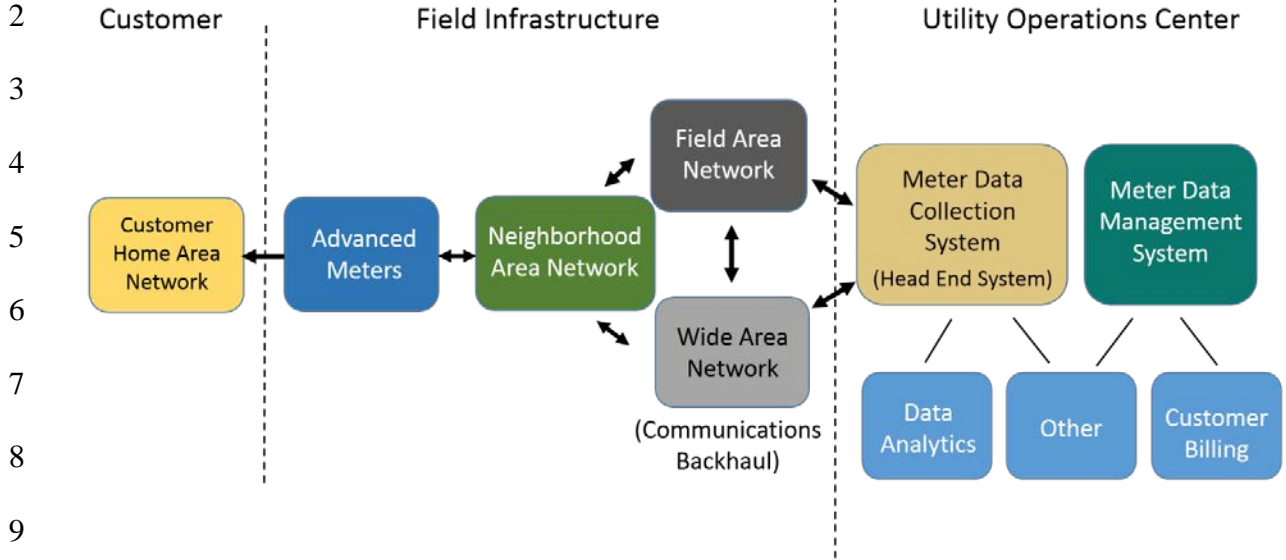
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3 **Q. Would you please describe the basic components of the AMI system?**

4 A. While there is greater familiarity with advanced metering systems today than
 5 when the Company released its initial business case in 2016, we believe it is still helpful in this
 6 discussion to provide a brief overview. The diagram below (Figure 3-1 in the Report) represents
 7 the AMI system, including the advanced meters themselves, specialized communications
 8 hardware and software (neighborhood, field, and wide area networks) and the head end, meter
 9 data management, and data analytics systems. These key components are depicted in the
 10 following diagram and are briefly described below.

¹⁰ See Report at p. 27 (Exh. JDD-2r (Revised-Clean)), Table 2-1.

1 **ILLUSTRATION NO. 2 - DIAGRAM OF AMI INTERCONNECTION WITH CUSTOMERS.**¹¹



10 Each of these components is described in more detail at pages 29-31 of the Report (Exh. JDD-
 11 2r (Revised-Clean)).

12 **Q. Would you briefly describe the oversight exercised to deliver the AMI**
 13 **Project within budget?**

14 A. One of the key factors supporting our successful deployment was the detailed
 15 forecasting and budgeting used to develop cost estimates for the initial business case. We
 16 understood the importance of developing estimates in our 2016 business case that would help
 17 give the Commission and parties greater confidence in the validity of the forecasts. In addition
 18 to having greater detail, the Project managers were attentive both individually and as a group
 19 to managing emerging issues and uncertainties and developing innovative ways to optimize
 20 solutions and costs. This provided good financial visibility and controls needed to effectively
 21 manage the budget across multiple programs and over the entire deployment period. In this

¹¹ See Report at p. 29 (Exh. JDD-2r (Revised-Clean)), Figure 3-1.

1 process funds were shifted as needed by Project and from year to year to best optimize Project
2 costs in meeting milestones and schedules. Budgets developed for individual projects, as well
3 as the overall Project budget were refreshed monthly, including the identification of emerging
4 uncertainties, development of plans for managing them, and reforecasting the expected final
5 cost. Any proposed changes in budgeted amounts were presented monthly to the Officer
6 Enterprise Technology Governance Group. During this monthly review, the executive team
7 was apprised of the status of each Project, considered and approved any recommended changes
8 to individual Project budgets that would impact available contingency funds, and reviewed and
9 approved other key decisions necessary to optimize delivery of the AMI system. The result of
10 this continuous oversight and flexibility to adapt, was to bring the Project in under what was
11 expected in 2016.

12 **Q. What difficulties did Avista experience along the way?**

13 A. In late 2014, Itron announced the launch of its Riva™ metering system. Beyond
14 traditional smart metering capabilities, the Riva system was designed and equipped to support
15 applications and computing capability installed in meters themselves (distributed computing
16 power). Riva represented the next generation metering platform described as a new ‘edge
17 intelligence platform’ supporting sensing technologies and dynamic applications at the device
18 level. By embedding the operating system, applications and processor into field devices and
19 sensors, the system also has the potential to reduce both the amount of traffic on the network
20 and how much data needs to be retained at the corporate level. Edge computing has the potential
21 of reducing the long term costs of the supporting infrastructure for AMI. In Avista’s view, the
22 value of this platform was its potential to support control and analytics for automated decision
23 making at the edge of the grid, and key functionality supporting our Grid Edge roadmap.

1 Further, the Riva platform had the potential for integration of third-party devices into the
2 network, creating the future opportunity to unlock the value of ‘the internet of things’ in support
3 of utility operations and more importantly our customers directly. At the same time, Avista
4 understood the initial releases of such new systems could be fraught with delays, setbacks and
5 disappointments, all of which add costs to the Project.

6 Avista weighed the value of implementing the new system with enabling characteristics
7 key to our Grid Edge strategy with the potential costs that could be incurred with delays in a
8 first-generation system and elected in September 2016 to purchase the new Riva system from
9 Itron. The RIVA system, unlike others, will allow Avista to maximize potential applications.
10 The systems purchased by the Company included head end system hardware and software,
11 communications systems hardware and software, the electric meters and natural gas
12 communicating modules and operating software, and some of the data analytics applications
13 implemented by the Company.

14 **Q. Did these difficulties cause a delay in full implementation?**

15 A. Yes. Avista experienced a delay in deliverables with the new system in March
16 2017, when Itron announced delays in the pending releases of system hardware and software.
17 Combined with other head end and meter data management system challenges, Avista made
18 the decision to delay the planned meter deployment and to extend the Project timeline by one
19 year. This decision allowed us to reduce and manage risks to the Project while optimizing the
20 cost impacts associated with the delay. We also used the additional time to continue testing and
21 optimizing the overall advanced metering system and to develop our integrated AMI operations
22 team to support the system once deployed in the field. Apart from the deployment challenges,
23 the need to extend the schedule had a substantial impact on the value of the expected financial

1 benefits (reduced by approximately 15%). Fortunately, these are more than offset by cost
2 savings described elsewhere.

3 **Q. How is the Riva system performing now?**

4 A. Overall, the Riva system is performing well and is meeting the broad range of
5 key business requirements, such as accurate metering and billing for Avista's customers,
6 voltage monitoring and early notification of outage events. In each instance of these product
7 challenges, Itron has worked with the Company to develop a plan of action to remedy the issues
8 over the short and long term. Avista is continuing to work closely with Itron to ensure we timely
9 achieve expected system performance. The impact of these remaining issues is reflected in the
10 Company's current business case, both in terms of the cost impacts to the Project and in the
11 timing and magnitude of benefits we expect to deliver to our customers. The key point is the
12 level of ongoing proper oversight by management to address problems, discuss solutions, and
13 choose final actions.

14 **Q. How has the Company engaged with its customers to explain AMI?**

15 A. As noted earlier, Avista understood the potential for the rollout of its advanced
16 metering system to be derailed if customers were not somewhat familiar and comfortable with
17 the technology. We knew from similar deployments gone awry, that the stakes were high, and
18 the risks were real. Our customers may have already been exposed to negative media coverage
19 from other AMI deployments across the Country and, being one of the largest capital projects
20 in Avista's history, public acceptance was a critical element of the Program's success. From
21 our experience communicating and working through complex issues with our customers, we
22 proactively trained affected employees to engage, communicate, share information with and
23 work through issues with the multiple internal and external stakeholders whose support would

1 be key to a successful implementation. Appendix A to the Report contains a complete
 2 discussion of our communications initiatives, actions taken, materials produced and distributed
 3 and results of our efforts. Pages 44-48 of the Report also describe our customer outreach.

4 **Q. Turning now specifically to the area of customer benefits, will you please**
 5 **describe the major categories, and how estimates have changed from 2016 to 2020?**

6 A. Table No. 2 below (included in the Report as Table 4-1) provides such a
 7 summary:¹²

8 **TABLE NO. 2 - FORECASTS OF ESTIMATED CUSTOMER BENEFITS FINANCIALLY QUANTIFIED**
 9 **IN THE COMPANY’S INITIAL BUSINESS CASE IN FEBRUARY 2016 AND AS DEPLOYED IN**
 10 **FEBRUARY 2021.**

Area of Benefit	Expected NPV 2016	Expected NPV 2021
Meter Reading and Meter Salvage	\$75,920,112	\$69,547,463
Remote Service Connectivity	\$24,332,683	\$22,010,615
Outage Management	\$40,331,781	\$53,723,041
Energy Efficiency	\$59,384,914	\$33,686,230
Energy Theft and Unbilled Usage	\$28,880,881	\$22,990,366
Billing Accuracy	\$10,648,127	\$10,978,456
Utility Studies	\$2,201,905	\$2,050,632
Total	\$241,700,403	\$214,986,802

11 **Q. Have you prepared a more detailed tabulation of benefits under each of**
 12 **these broad categories?**

13 A. Yes. The complete tabulation of benefits that includes subcategories under each
 14 of these areas of benefit is contained within the master table of benefits, Table 1-4 in the Report,

¹² See Report at p. 49 (Exh. JDD-2r (Revised-Clean))

1 and is reproduced in full below.¹³

2 **TABLE NO. 3 - FORECASTS OF ESTIMATED CUSTOMER BENEFITS FINANCIALLY QUANTIFIED IN**
 3 **THE COMPANY'S INITIAL BUSINESS CASE IN FEBRUARY 2016 AND AS DEPLOYED IN FEBRUARY**
 4 **2021. MAJOR AREAS OR CATEGORIES OF BENEFITS AND THEIR RESPECTIVE FINANCIAL TOTALS ARE**
 5 **SHOWN IN BOLD FONT. INDIVIDUAL BENEFITS COMPRISING EACH MAJOR AREA ARE INDENTED BELOW.**
 6 **(STATE OF WASHINGTON ELECTRIC AND NATURAL GAS).**
 7

Area of Benefit	Expected NPV 2016	Expected NPV 2021	Cross-References to Report
Meter Reading and Meter Salvage	\$75,920,112	\$69,547,463	Pages 52-57
Eliminate Regular Meter Reading	\$68,939,150	\$57,383,155	
Reduce Special Meter Reading	\$445,092	\$359,095	
Net Metering	\$4,567,870	\$4,627,144	
Customer Meter Base Repairs	Not Included in Initial Case	\$4,607,038	
Natural Gas Meter Module Refresh	Not Included in Initial Case	\$2,423,030	
Meter Salvage Value	\$148,000	\$148,000	
Local Economy Jobs	\$1,820,000	Not Included in Current Case	
Remote Service Connectivity	\$24,332,683	\$22,010,615	Pages 57-59
Account Open/Close/Transfer	\$11,756,573	\$10,352,917	
Credit Collections/Connections	\$12,180,323	\$11,326,484	
After-Hours Fees	\$395,786	\$331,214	
Outage Management	\$40,331,781	\$53,723,041	Pages 59-69
Earlier Outage Notification	\$32,817,495	\$28,009,803	
More Rapid Restoration	Not Included in Initial Case	\$18,673,199	
Reduced Customer Calls	\$1,421,119	\$1,277,163	
Avoided Single Lights Out	\$2,935,025	\$2,730,472	
Reduced Major Storms Cost	\$3,158,142	\$3,032,403	

¹³ See Report at pp. 8-9 (Exh. JDD-2r (Revised-Clean))

Energy Efficiency	\$59,384,914	\$33,686,230	Pages 69-77
Conservation Voltage Reduction	\$55,014,844	\$18,494,601	
Customer Energy Efficiency	\$4,370,070	\$3,655,286	
Behavioral Energy Efficiency	Not Included in Initial Case	\$8,927,226	
Grid-Interactive Efficient Buildings	Not Included in Initial Case	\$2,609,116	
Energy Theft and Unbilled Usage	\$28,880,881	\$22,990,366	Pages 77-81
Theft and Diversion	\$19,768,167	\$4,499,424	
Unbilled Usage	\$1,912,078	\$1,951,970	
Slow/Failed Meters	\$4,319,220	\$3,784,233	
Stopped Meters	\$2,881,416	\$3,364,422	
Loss of Phase	Not Included in Initial Case	\$9,390,317	
Billing Accuracy	\$10,648,127	\$10,978,456	Pages 81-84
Estimated Bills	\$5,608,610	\$6,528,174	
Bill Inquiries	\$2,951,711	\$2,379,864	
Billing Analysis	\$1,387,734	\$1,096,662	
Rebilling	\$700,072	\$973,755	
Utility Studies	\$2,201,905	\$2,050,632	Pages 84-85
Retail Load Analysis	\$1,154,805	\$979,467	
Meter Sampling	\$1,047,101	\$1,071,165	
Totals	\$241,700,403	\$214,986,802	

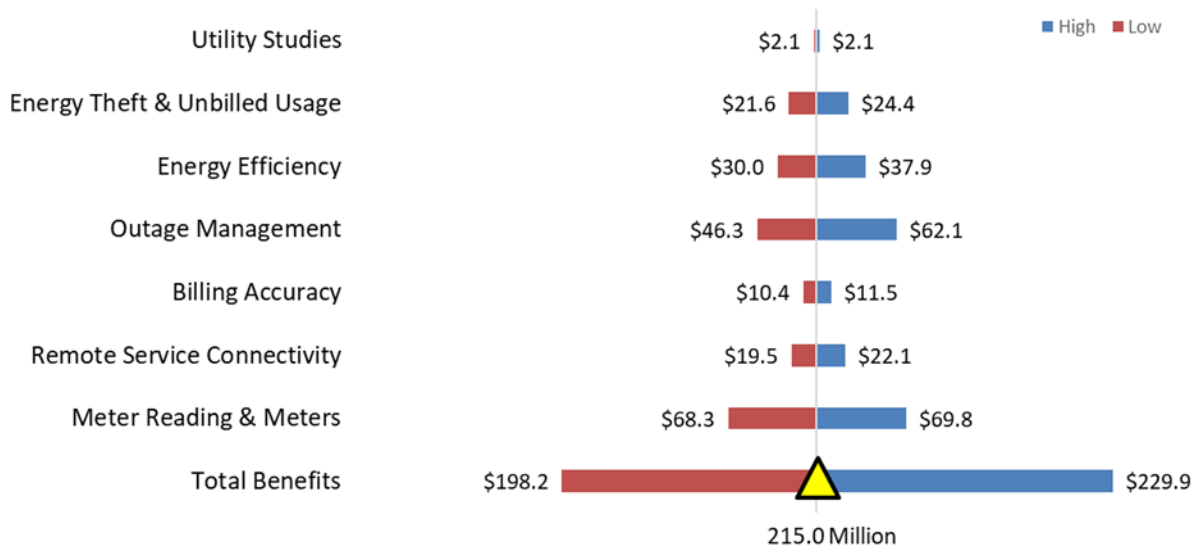
Q. Have you performed a sensitivity analysis around the ability to achieve projected savings?

A. Yes. Nearing completion of the deployment phase, we have gained knowledge and experience allowing us to better understand and reduce much of the uncertainty around achievement of these benefits. Our current estimates of the potential variability for each benefit

1 category are presented in the figure below.¹⁴

2 **REVISED ILLUSTRATION NO. 3 - RESULTS OF SENSITIVITY ANALYSIS FOR QUANTIFIED**
 3 **BENEFITS (NPV \$MILLIONS) ESTIMATED AS DEPLOYED IN FEBRUARY 2021.**¹⁵

Results of Sensitivity Analysis on Net Benefits (NPV \$ millions) for
 Avista's Washington AMI Project, February 2021



4 As expected, the potential range in benefits for each category, and the range in total, is
 5 reduced from our initial estimates. Even if Avista were to only achieve the extreme lower end
 6 of the range in variability in benefits (\$198.2 million), the Project would still produce positive
 7 net benefits exceeding \$39 million. And this would neither count any new financial benefits to
 8 be achieved over the project life, nor the many other “non-quantifiable” (but real) benefits such
 9 as safety, power quality, convenience, and service.

10 **Q. Would you please conclude with a comparison of Project costs and benefits?**

11 A. Yes. Descriptions of Project costs in the Executive Summary and in Section 3

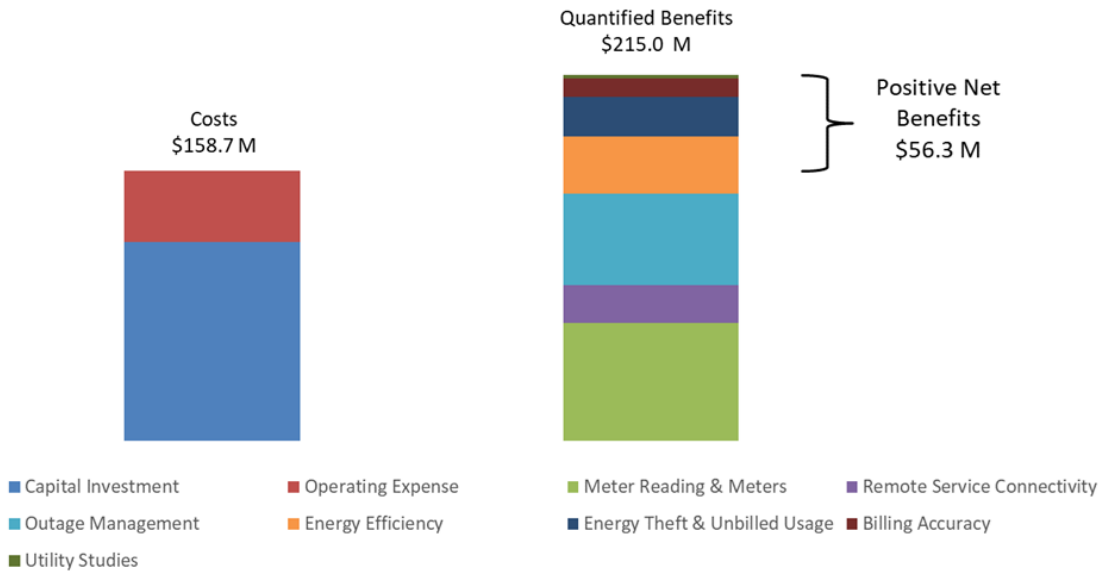
¹⁴ See Report at p. 50 (Exh. JDD-2r (Revised-Clean)), Figure 4-1.

¹⁵ Due to its formatting as an image, Revised Illustration No. 3 has not been provided in legislative format, but in its updated format only. Please see Exh. JDD-1T, page 25 for the original Illustration No. 3.

1 of the Report include the actual capital and operating expenses incurred through year-end 2020
 2 and the expenditures planned over the remaining Project lifecycle. By the close of the
 3 deployment phase in 2021 we anticipate the total capital cost to reach \$151.2million, well under
 4 the initial cost of \$166.7 million estimated in 2016. Likewise, our estimated operations and
 5 maintenance costs are now forecasted to total \$88.2 million over the Project lifecycle, well
 6 below our 2016 estimate of \$123.4 million. The net present value of the current lifecycle capital
 7 and operating costs is \$158.7 million, as shown below in Illustration No. 4, which represents
 8 more than a 25% reduction from the estimate made in 2016 (\$215.1 million).¹⁶

9 **REVISED ILLUSTRATION NO. 4 - ESTIMATED LIFECYCLE CAPITAL AND O&M COSTS AND**
 10 **QUANTIFIED FINANCIAL BENEFITS, ON A NET PRESENT VALUE BASIS, FOR AVISTA’S**
 11 **ADVANCED METERING SYSTEM AS DEPLOYED IN FEBRUARY 2021.**¹⁷

Estimated (NPV) Lifecycle Costs and Benefits for Avista's Washington
 Advanced Metering Infrastructure Project, February 2021



12

¹⁶ See Report at pgs. 10 and 98 (Exh. JDD-2r (Revised-Clean)), Figure 7-1.

¹⁷ 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. .

1 Quantified financial benefits described in Section 4 of the Report includes a point
2 estimate of the expected net present value when fully realized (in 2016 dollars), based on the
3 timeline anticipated for achievement of the full value of each benefit. In cash value, these
4 benefits are expected to reach \$487.5 million over the Project life, compared with a total
5 estimated in 2016 of \$510.7 million. On a net present value basis, current benefits total \$215.0
6 million as shown above in Illustration No. 4, compared with an estimate of \$241.7 million in
7 2016. Though the net present value of currently estimated benefits is less than estimated in
8 2016, the lifecycle net benefits are \$56.3 million, as shown above in Illustration No. 4 (and
9 Figure 7-1 of the Report - Exh. JDD-2r (Revised-Clean) at pgs. 10 and 98), nearly double the
10 net benefit of \$26.5 million estimated in 2016.

11 **Q. Finally, what are the net benefits under the lower end of our sensitivity**
12 **analysis?**

13 A. Even if one was to assume net benefits based on the lowest end of the current
14 sensitivity analysis (see discussion at Section 4(A)(1) of the Report), the worst case would still
15 produce net benefits exceeding \$39 million, before including financial benefits yet to be
16 included or quantified. Though we believe the prudence of our investment in advanced metering
17 should be judged on the merits of all customer benefits provided by the system (both quantified
18 and unquantified benefits), our current case clearly demonstrates the cost-effective value
19 delivered for our customers based on the financial net benefits alone.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes, it does.