



**Avista Corp.**

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January 6, 2020

*VIA – UTC Web-Portal*

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Dear Mr. Johnson,

Attached for filing with the Commission is an electronic copy of Avista Corporation’s, dba Avista Utilities (“Avista” or “the Company”), proposed modifications to Tariff Schedule 80 “Meter Reading and Billing Practices.” The proposed additions are included in the following tariff sheets, WN U-28:

<b>Second Revision Sheet 80a</b>	<b>Canceling</b>	<b>First Revision Sheet 80a</b>
<b>Second Revision Sheet 80b</b>	<b>Canceling</b>	<b>First Revision Sheet 80b</b>
<b>Second Revision Sheet 80c</b>	<b>Canceling</b>	<b>First Revision Sheet 80c</b>

**I. BACKGROUND**

On May 14, 2018, the Company filed with the Washington Utilities and Transportation Commission (Commission) revisions to electric Tariff Schedule 80 and natural gas Tariff Schedule 180. The purpose of the electric and natural gas filings was to implement the terms and conditions of a pilot program that would allow customers to be served by non-standard (i.e., non-communicating) meters due to the Company’s adoption and deployment of a new advanced metering infrastructure (AMI) standard across its Washington electric and natural gas service

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territories.<sup>1</sup> On July 17 and 27, 2018, the Company filed replacement pages amending its initial filings to reflect input from Commission staff (Staff) and other interested parties.

On July 30, 2018, the Commission approved the Company's revised tariffs, with an effective date of August 2, 2018.<sup>2</sup> The approved tariff revisions established two 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 choosing to replace a communicating digital meter for either electric or natural gas (or both) with a non-communicating digital meter. The second fee is a monthly charge to cover the cost of quarterly manual meter reading services.

On August 30, 2019, Avista filed with the Commission its "Bi-Annual Status Report" related to the opt-out pilot. In the report, the Company concluded that it, nor the Commission, would not have projected the number of opt outs that is actually occurring. As such, Avista believes that the current opt out pace needs to be addressed, and bearing in mind the Commission's long-standing cost of service principles, the Company is proposing to increase the monthly recurring fee, albeit with an effective date of December 1, 2020, which is coincident with the end of the term of the pilot. As we will discuss in this filing, it is important to note that as of today Avista is only billing 83 customers who have opted out. Of that amount, three have been identified as a low income customers and are approved to have the opt-out fee waived, pursuant to the approved tariffs. As such, given the low number of billed opt-out customers, Avista believes that now is the time to address, the low monthly fee, and increase it so as to send a more proper price signal to customers as Avista completes the rollout of AMI.

## **II. PROPOSED OPT OUT METERING POLICY CHANGE**

As Avista continues its deployment of AMI, we continue to receive feedback from customers related to Smart Meters and the opt-out tariff. One consistent message is customers who choose to opt-out would prefer to keep their existing meter(s). We hear from these customers

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<sup>1</sup> Avista's Washington AMI project began in September of 2018 and is scheduled to be complete in 2020 which includes installation of approximately 425,000 electric meters and natural gas modules. To date, over 100,000 electric meters and natural gas modules have been exchanged reaching 50,000 residential and commercial customers. Avista is currently installing smart meters in three regions: Central Spokane/Millwood, Southwest Spokane, and Pullman/Clarkston.

<sup>2</sup> Dockets UE-180418 and UG-180419, Order 01.

that this is the only option they would accept, and will otherwise deny access to install and read the new meter if they could not keep their existing meter(s). Recall that those customers choosing to opt-out would still be required to receive a new, non-communicating meter.

While Avista would prefer to limit the number of meter families it currently tests and maintains, based on customer feedback, Avista evaluated what the impact of allowing customers to keep their existing meter(s) would have on our AMI business case. In the end, this alternative does not materially affect the overall project economics, while at the same time helps the overall customer experience. Therefore, Avista is proposing in the filed tariff modifications the provision that customers who opt out of receiving an AMI meter may maintain their current meter (whether the meter is analogue or digital). However, while many customers who choose to opt-out can keep their existing meters, the Company may identify certain meter types that won't fit within this policy change and will need their existing meter to be replaced with a new non-communicating meter. This meter will have the communication capabilities turned "off" and will be clearly marked as an opt-out meter. Avista will contact customers if they are excluded from keeping their existing meter.

Given that Avista has not otherwise reduced meter reading staffing to date, and that 1,370 customers who have opted out have not yet been charged the monthly fee, the Company has proposed in its filed tariffs to suspend the \$5 monthly charge. In addition, as of the date of this filing, the Company would refund to the limited number of customers who have been paying the monthly opt-out fee,<sup>3</sup> and cease future charges until such time the Commission has approved the proposed increase requested in this filing (i.e., November 30, 2020).

### **III. PROPOSED OPT OUT FEE CHANGE**

Presently, customers who request to opt-out of receiving an AMI meter before installation, as well as those customers who opt-out within 30 days of installation, are not charged any upfront fees. Only when a customer requests a non-communicating meter more than 30 days after an AMI meter has been installed will the customer be charged per the current tariffed fee described below:

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<sup>3</sup> As of 12/17/2019 Avista has charged approximately \$615.00 in monthly opt out fees.

**Table No. 1 – One-Time Fee**

<b>Opt-Out Following Installation of an AMI Meter</b>	<b>Electric Meter</b>
Within 30 days	\$0.00
After 30 days	\$75.00

Further, customers that choose a non-communicating meter have their meter(s) read by the Company on a quarterly basis. The non-manual meter reading billing cycles are estimated by the Company. Avista agreed to waive the monthly meter read charge for customers who receive assistance through the Company’s low-income programs.

**Table No. 2 – Ongoing Monthly Meter Reading Charge**

<b>Electric Meter Read Only</b>
\$5.00

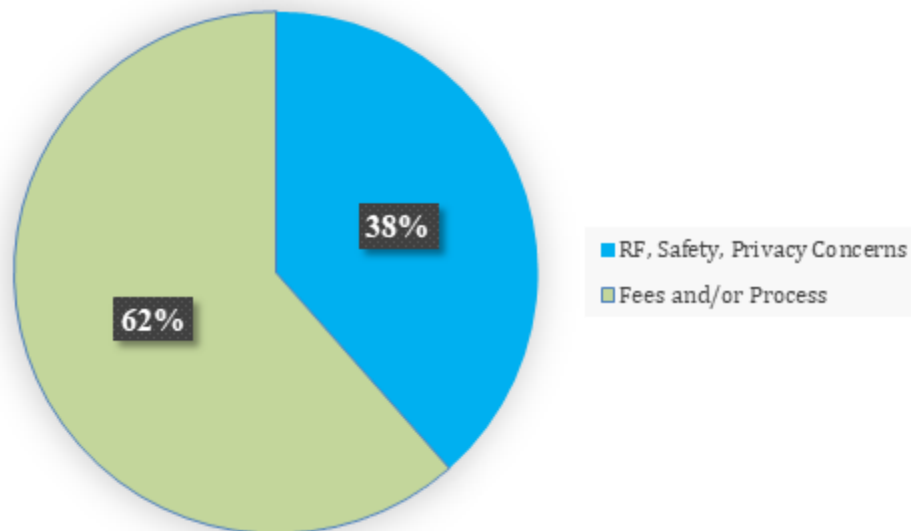
To date, approximately 1,370 customers have elected to Opt-Out of receiving an advanced meter. Avista has determined that at the current pace, it is projected to be approximately 2,000 customers who elect to opt-out. This equates to approximately 3,000 unique residences in the opt-out program in Washington at the program’s completion. This combination forecasts approximately 4,400 electric and natural gas meters that will need to be manually read each quarter. As provided above, to date, Avista has 1,370 customers who have completed and returned a signed application to opt-out of receiving an advanced meter. Of those, 219 customers are customers who have received assistance through the Company’s low-income assistance programs. Table No. 3 below shows the number of current and predicted opt-out customers.

**Table No. 3**

<b>Predicted Opt out through 2020</b>	
Current Opt Out Customers	1,370
Predicted Opt Out Customers	1,951
Predicted Unique Opt Out Residences	2,927
Predicted Opt Out Electric and Natural Gas Meters	4,390

As the team began Phase 1 deployment in September 2018, Avista began to receive feedback from customers related to the tariff and their overall concerns regarding Smart Meters, as well as the opt-out tariff. Avista has received approximately 2,500 customer calls related to opt out. Feedback has come from several sources, including “Telephone Town Hall” sessions, account executive and regional business manager customer interactions, and Avista Contact Center customer feedback. While Avista requests that customers provide a reason for why they are choosing to opt-out, some customers may not provide a clear, or any, reason. From what we can ascertain,<sup>4</sup> opt-out customer sentiment for smart meters varies. As noted in the chart below, 38% of the reasons for customers opting out can be generally categorized between concerns regarding radio frequency (“RF”), safety (cyber security), and data privacy.

**Chart No. 1 – Reasons for Opt Out**



As you can see in the chart above, however, 62% of customers either did not provide a clear reason why, or they simply prefer to keep their existing meters and would not allow Avista, or our representatives, to have access to their premise for purposes of installing a new communicating, or even a new non-communicating meter. For them, the \$5 per month charge has not been a financial impediment, although customers have shared their concerns that the monthly

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<sup>4</sup> The Opt-Out Application requests that the customer provide a reason, however customers are not required to provide a reason.

fee may increase at the end of the pilot based on the language in the current tariff and they will need to make financial adjustments to account for this change.

Given the volume of current and forecasted opt-out customers within the Washington service territory, Avista anticipates additional costs will be incurred to provide the necessary quality of service due to an increase in required network devices. Because the AMI network uses a “mesh” technology which relies on other meters in the areas to securely gather and transmit meter reads, opt-out meters create gaps in their areas that will likely require installation of more network equipment to obtain the same read quality. The actual impacts are still unknown, but these situations will be closely monitored, documented, and reported by Avista. In addition, the volume of opt out customers and the complexity of handling their distribution across Avista’s large service territory is significantly higher than originally anticipated at the start of the AMI project.

The current estimated cost impact of these manual reads is approximately \$64.57/visit, using existing “temporary” meter readers. Current costs analysis shows that the distribution of opt out customers who have returned an application to date will require substantial effort to gather the reads each quarter. Based on the cost estimate of approximately \$64.57/visit, this fee change would equate to approximately \$21.52/month.

**Table No. 4**

<b>Estimated Cost to Manually Read Unique Residences</b>	
Total Annual Estimated Cost to Manually Read Unique Residences in Urban areas	\$84,000
Total Annual Estimated Cost to Manually Read Unique Residences in Rural areas	\$146,600
Total Annual Estimated Cost to Manually Read Unique Residences	\$320,500
Estimated Average Cost to Manually Read Unique Residences Quarterly	\$64.57
Estimated Normalized Monthly Bill	\$21.52

While the Company was mindful of the Commission’s guidance related to the cost of implementing a customer choice option to opt out of receiving an advanced meter, for purposes of a pilot, Avista agreed to a \$5 monthly recurring fee, and reading meters quarterly. As the information provided above related to the large number of customers choosing to opt-out, as well as the unanticipated volume of low-income customers who do not pay a fee to cover manual meter

reads, the Company believes that the minimal (or no fee for low-income customers) is the reason for the higher than expected number of customers projected to opt out of receiving an advanced meter. In the end, our original proposal that had substantially higher monthly charges would have severely limited the number of opt outs, as that larger fee would have sent a more accurate price signal as to the true cost of opt-out.

For the reasons set forth above, Avista believes that the monthly meter reading charge should be changed in order to send a better price signal to customers. Customers that choose a non-communicating meter will have their meter(s) read by the Company on a quarterly basis, and the one-time fees associated with opt-out would not change. Below are the proposed monthly metering reading fees that would be applicable effective February 7, 2020:

**Table No. 5 – Ongoing Monthly Meter Reading Charge February 7<sup>th</sup> through November 30, 2020**

<b>Electric Meter(s) Read Only</b>	<b>Both Electric and Natural Gas Meter(s) Read</b>	<b>Natural Gas Meter(s) Read</b>
\$0	\$0	\$0

Below are the proposed monthly metering reading fees that would be applicable effective December 1, 2020:

**Table No. 6 – Ongoing Monthly Meter Reading Charge**

<b>Electric Meter(s) Read Only</b>	<b>Both Electric and Natural Gas Meter(s) Read</b>	<b>Natural Gas Meter(s) Read</b>
\$15.00	\$15.00	\$15.00

Avista’s proposed \$15.00 monthly meter reading charge is still below the estimated meter reading cost as shown earlier in Table No. 4. It is a charge that is more cost based, and will send a more accurate price signal to those customers who have not yet decided whether or not they may opt out. Even more importantly, now is the time to adjust the rate, in light of the fact that Avista has not yet charged the vast majority of its opt-out customers this rate.<sup>5</sup>

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<sup>5</sup> Avista has gradually reduced its meter reading staff by replacing permanent staff with temporary meter readers, with the intent to disband its meter reading staff entirely when AMI deployment is complete. Given the limited amount of customer’s currently being charged an opt-out fee, Avista proposes to postpone charging the opt-out fee because meter reading will still occur during the transition phase.

The Commission, in Order 01, Dockets UE-180860 and UG-180861, Puget Sound Energy's Optional Non-Communicating Meter Service tariff, approved a bimonthly charge of \$15.00 each for electric and natural gas meter reading agreeing with Staff's recommendation that the \$15.00 bimonthly charge for electric and natural meter reading was a fair approach when coupled with regular reporting. Avista proposes it too, would file with the Commission a status report six (6) months after the proposed fee goes into effect January 1, 2021 and every six (6) months thereafter with a final report on the status and the AMI project cost of installation, and the opt-out program due no later than January 1, 2023.

#### **IV. OTHER TARIFF MODIFICATIONS**

First, as shown in the proposed tariff modifications, Avista's proposed non-standard meter option will be for single-family residential homes, including multi-plexus up to four units. A net meter customer would not be eligible for opt out of a non-communicating meter. Net metering is a billing mechanism that credits distributed energy system owners for the electricity they add to the grid. For example, if a residential customer has a PV system on the home's rooftop, it may generate more electricity than the home uses during daylight hours. If the home is net-metered, the electricity meter will run backwards to provide a credit against what electricity is consumed at night or other periods where the home's electricity use exceeds the system's output. Customers are billed for their "net" energy use on a monthly basis. Avista's opt-out, however, provides for a manual meter read on a quarterly basis. As monthly information is necessary to administer this important customer program, the opt-out option is simply not viable.

Second, Avista does not support a continued waiver of the opt-out fee for customers who receive low-income bill assistance. Sending no price signal to this customer group has led to a higher adoption rate of opt-out simply because it is a free option for them. However, as discussed earlier, having a substantial number of opt-out customers may actually drive up the cost of the project due to the nature of the mesh network. We believe it is important that these customers understand that their decisions will have consequences for all customers. That said, Avista is supportive of the use of any low-income bill assistance through either the Low Income Home Energy Assistance Program (LIHEAP) or the Company's Low Income Rate Assistance Program



(LIRAP) program to pay all opt-out charges.<sup>6</sup> If Avista’s proposed modifications are approved, the Company would work with our Energy Assistance Advisory Group to determine the process for crediting qualifying-customers’ accounts for the opt-out fee.

## V. CUSTOMER COMMUNICATIONS

Consistent with the interpretation of the Policy Statement,<sup>7</sup> Avista continues its comprehensive customer communication effort across a range of channels to help ensure the success of our AMI system deployment by providing a positive experience for our customers. Indeed, the fundamental success of this effort hinges largely on our ability to communicate effectively with our customers regarding why Avista is deploying a new metering system, the many customer benefits of the new system, how they can access and use new tools it offers them, when they can expect to have a new AMI meter installed at their home, and responsive and helpful information for any questions or concerns they might have about the new system. In addition to these messages, all of our communication materials about the metering system highlight the availability of relevant customer information on our website, and promote and encourage customers to call the Company in the event they have questions or any concerns about the system.

Avista’s direct communications includes bill inserts and individual customer mailings distributed at key points during the course of the project. This targeted material has reinforced key project information and provides timelines for meter installation, contains Frequently Asked Questions (FAQs)<sup>8</sup> and answers about a range of relevant topics, as well as provides contact information to reach qualified Avista employees who will be well-versed in the many aspects of AMI, including our customers’ option to maintain their current meter or to be served by a non-standard meter should they so choose.

Customers who have a concern about smart meters, including having one installed at their home, can call Avista to talk about it. In the course of these conversations with our customers

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<sup>6</sup> Funds are distributed by Community Action Agencies (CAA’s or “Agencies”) in a manner similar to the Federal and State-sponsored LIHEAP. LIRAP, like LIHEAP assistance, can help a household avoid having its utilities shut off or help reestablish service after a disruption and can also help pay ongoing energy costs.

<sup>7</sup> Commission’s “Policy on Customer Choice for Smart Meter Installation (“Policy Statement”)” dated April 10, 2018.

<sup>8</sup> Information regarding customer’s options related to a non-standard meter is included in our frequently asked questions (FAQ) as part of Avista’s direct communication.

about their concerns, we are in the vast majority of instances, hopeful to satisfy their need for more information, which allows them to put their concerns into some perspective that is helpful for them – this is a real satisfier for the customer. In cases where the customer may have already made up their mind they don't want a smart meter, or when the additional information we provide them does not help alleviate their concerns, then Avista will gladly and without hassle provide them the option to not have a communicating meter – again, this is a real satisfier for the customer. In the Company's experience of successfully deploying AMI in the communities of Pullman and Albion, Washington, having well versed employees who are available to respond directly to customer's questions and concerns is key to providing a quality experience for each of our customers, and achieving a successful deployment overall.

Per WAC 480-100-194 (3), Avista will send a notice, provided as Attachment A of the proposed tariff to each customer who has requested and/or completed an application to not receive a smart meter. Also, the following Community Action Agencies will be provided the same notice:

Spokane Neighborhood Action Partners (SNAP) - Spokane County  
Rural Resources - Stevens, Ferry and Lincoln Counties  
Opportunities Industrialization Center - Grant and Adams Counties  
Community Action Partnership - Asotin County  
Community Action Center - Whitman County  
Washington Gorge Action Programs - Klickitat and Skamania Counties

Avista will continue its practice of responding directly to every customer who raises a concern with advanced metering. We have found this direct approach of providing accurate, understandable, and balanced information to be very helpful and effective to our customers. Once a customer contacts us we will direct them to the Company's website, or mail them the attached Application Form, they can then return the signed form to Avista in order to process the meter request.

## **VI. CONCLUSION**

The number of customers who have already opted out, and the trajectory of opt outs forecasted for the entire AMI project, is much larger than Avista imagined. Avista believes that the Commission probably did not contemplate that the number of opt outs would be this substantial. The major driver, in our view, for the large number of opt outs is a monthly fee that is too low and is not a proper price signal given the estimated cost of manual meter reads. Avista

requests that the Commission approve the increase to the opt-out fees and proposed policy changes and as explained above with an effective date of November 30, 2020. The Company continues to access all aspects of its AMI opt out program and its unanticipated issues and commits to continued status reports to the Commission. Please direct any questions regarding this filing to me at 509-495-4975.

Sincerely,

*/s/Linda Gervais*

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