



Avista Corp.

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August 30, 2019

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,

In compliance with Order 01 in Docket Nos. UE-180418 and UG-180419, Avista Corporation’s dba Avista Utilities (“Avista” or “the Company”) submits its second “Bi-Annual Status Report” related to the Company’s Advanced Meter Infrastructure (AMI) customer opt-out pilot.

I. BACKGROUND

Per ¶ 4 of Order 01 in Docket Nos. UE-180418 and UG-180419 – “For Proposed New Tariff Revisions, Electric Schedule 80, and Natural Gas Schedule 180, Advanced Metering Infrastructure (AMI) Non-Communicating Meter”, the Company is to provide biannual “status” reports to the Commission beginning March 1, 2019, with a final pilot project report to the Commission no later than November 30, 2020.

The Company filed its first report on March 1, 2019, which included an update on its recently completed Phase 1 of its Advanced Meter Infrastructure (“AMI”) project. Phase 1 consisted of a smaller customer population that was clustered around downtown Spokane. As such, the information provided in the first status update did not represent the Company’s customers as a whole, not did it provide enough information to determine price reasonableness.

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The Company believes that this status report provides a better representation of the Company’s customers whom have elected to opt-out of receiving an advanced meter.

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. To date, approximately 934 customers have completed and returned the application to Opt-Out.

II. NUMBER AND REASONS FOR CUSTOMER OPT-OUT

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 934 customers who have completed and returned a signed application to opt-out of receiving an advanced meter. Of those, 165 customers are customers who have received assistance through the Company’s low-income assistance programs. Table No. 1 below shows the number of current and predicted opt-out customers.

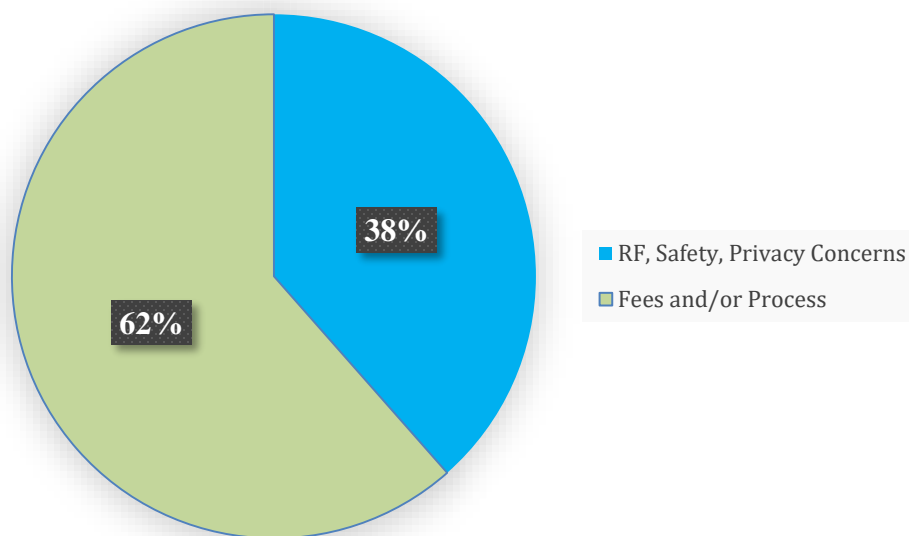
Table No. 1

| Predicted Opt out through 2020 | |
|---|------|
| Current Opt Out Customers | 934 |
| Predicted Opt Out Customers | 1951 |
| Predicted Unique Opt Out Residences | 2927 |
| Predicted Opt Out Electric and Natural Gas Meters | 4390 |

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. To date, Avista has received approximately 2,300 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,¹ 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 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

¹ The Opt-Out Application requests that the customer provide a reason, however customers are not required to provide a reason.

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.

III. OPT OUT FEES

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 digital meter more than 30 days after an AMI meter has been installed will the customer be charged per the tariffed fee described below:

Table No. 2 – One-Time Fee

| Opt-Out Following Installation of an AMI Meter | Electric Meter Only | Both Electric and Natural Gas Meter |
|---|----------------------------|--|
| Within 30 days | \$0.00 | \$0.00 |
| After 30 days | \$75.00 | \$75.00 |

Customers that choose a non-communicating meter will 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. 3 – Ongoing Monthly Meter Reading Charge

| Electric Meter(s) Read Only | Both Electric and Natural Gas Meter(s) Read |
|------------------------------------|--|
| \$5.00 | \$5.00 |

The current estimated cost impact of these manual reads is approximately \$47.55/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 \$47.55/visit, this fee change would equate to approximately \$15.85/month.

Table No. 4

| Cost to Manually Read Unique Residences | |
|---|-----------|
| Total Annual Estimated Cost to Manually Read Unique Residences in Urban areas | \$197,000 |
| Total Annual Estimated Cost to Manually Read Unique Residences in Rural areas | \$344,000 |
| Total Annual Estimated Cost to Manually Read Unique Residences | \$562,000 |
| Estimated Average Cost to Manually Read Unique Residences | \$47.55 |
| Estimated Average Monthly Cost to Manually Read Unique Residences | \$15.85 |

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 lack of a fee is the reason for the increase, by multiples, of the number of customers projected to opt out of receiving an advanced meter. Avista, for its part, did not think that we would see the number of opt outs that we have already seen. Obviously 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.

In retrospect, Avista is not sure that we, nor the Commission, would have projected the number of opt outs that we are seeing. As such, we believe that the current opt out pace needs to be addressed, and bearing in mind the Commission’s long-standing cost of service principles, including cost causation, the Company will be proposing to increase the monthly recurring fee in a separate docket requesting an effective date coincident with the term of the pilot. As we

will discuss in that filing, it is important to note that as of today Avista is only billing 17 customers who have opted out. Given that we have not otherwise reduced meter reading staffing to date, the other 900 or so customers who have opted out have not yet been charged the monthly fee. As such, now is the time to address, should the Commission desire, the low monthly fee and determine whether an increase is needed.

IV. 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. Further, we believe that the Commission probably did not contemplate that the number of opt outs would be this large. A 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. The Company continues to assess 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

Sr. Manager, Regulatory Policy & Strategy
Regulatory Affairs
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