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March 8, 2018

Mr. Steven King, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: Avista Corporation Affiliated Interest Filing (GridGlo, LLC d/b/a TROVE) pursuant to RCW 80.16.020.

Dear Mr. King:

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for filing with the Commission an original and three copies of the Addendum No. 3 and the Statement of Work (SOW) to the Master Software License and Services Agreement (MSLSA), by and between Avista and Trove Predictive Data Science, LLC, an affiliate of Avista.

The estimated impact to Washington customers related to Addendum No. 3 is approximately $182,900, and for the statement of work the impact is approximately $30,250. This allocation assumes that use cases undertaken in 2018 benefit all states and fuels. However, the actual amount charged to Washington will be based on the appropriate allocation for 'common' use cases and direct allocation for specific use cases.

Background

As previously discussed in the Company's 2012 - 2016 annual Affiliated Interest and Subsidiary Reports filed with the WUTC, Avista Development, Inc., a wholly-owned subsidiary of Avista, loaned funds to GridGlo, Inc., a predictive data science company based in Del Ray, FL. In addition to customary considerations for the secured loan, Avista Development received certain rights to discounted services from GridGlo, the benefit of which was assigned to Avista Utilities. Avista

Utilities and GridGlo subsequently entered into a Master Software License and Services Agreement, effective on June 26, 2013. At that time, GridGlo, Inc. was not affiliated with Avista Utilities.

GridGlo was unable to repay its loans when due in March 2014. Avista Development, GridGlo and another secured lender entered into a forbearance and temporary funding agreement for the purpose of exploring mutually satisfactory ways to restructure GridGlo in satisfaction of the debts. The parties agreed to a restructuring of GridGlo such that the lenders, joined by another investor, acquired all of the assets and select liabilities of GridGlo via new limited liability corporation named Trove Predictive Data Analytics, LLC ("Trove"). The GridGlo contract with Avista Utilities was among the assets transferred as of the date the transaction closed, October 28, 2014.

Trove is a Predictive Data Science business that develops software applications for the utility industry. The foundation of its technology is the application platform, the TROVE Sunstone v 3.0 Platform ("Platform"), which is a predictive data science and analytics platform. It utilizes utility and non-utility data fused with third party data (i.e., demographic, weather, etc.) to produce actionable insights into how to improve efficiency in utility operations and customer service. Since the restructuring transaction on October 28, 2014, Avista Development has made staged equity payments and held Class A equity units in Trove equal to 38.8% on a fully diluted basis as of September 30, 2017. The rights to discounted services assigned to Avista Utilities upon the restructuring completed October 28, 2014, included a Statement of Work, signed June 17, 2014. That Statement of Work included the development, delivery and integration of a platform related to a load forecasting application.

The terms of that Statement of Work included a fixed fee for the integration of the product in the amount of $300,000. This work was complete, and expensed, during 2014. Additionally, the agreement included payment of annual fees for maintenance and support for 2015 and 2016 for $35,000 per year, and third party data access fees in the amount of $25,000 for January 1, 2014 through June 30, 2015 and July 1, 2015 through December 31, 2016.

On October 13, 2016, the Company entered into to an addendum to the Master Software License and Services Agreement (MSLSA), between Avista Corporation and GridGlo, LLC, d/b/a Trove. Under the terms of this addendum, Avista has engaged Trove to upgrade the current platform and provide additional training, software development, software upgrades and data science consulting services. The data science consulting services consisted of software development by Trove Data Scientist to develop algorithms with their platform to analyze our data. Under the terms of the Addendum, Trove configured the 'Predictive Analytics' module of TROVE's Sunstone v 3.0 Platform, which included a Customer Segmentation data.

Summary of Services

Avista's interest in the use of predictive data science is to better assist in the Company's continuing efforts to drive operational efficiencies, optimize costs, and improve customer satisfaction. The

multi-purpose software application capabilities of the TROVE Sunstone v 3.0 Platform, Trove's predictive DSaaS[1] and technical support services serve as a single integrated solution and was chosen by Avista in 2013, to help with its predictive data science initiatives.

Trove is a predictive data science business that develops software applications for the utility industry. The foundation of its technology is the application platform "TROVE Sunstone v 3.0", which is a predictive data science and analytics platform that combines third party data as well as intellectual property developed by Trove data scientists enriched by other engagements across the utility industry. The Platform utilizes utility and non-utility data fused with third party data (i.e., demographic, weather, consumer behavior, consumer preferences, etc.) to produce actionable insights into how to improve efficiency in utility operations and enhanced customer service.

Avista has combined its utility data with Trove's third party data, which incorporates other information such as demographics, housing characteristics including where possible, space and water heating fuel source, etc. to produce actionable intelligence. With actionable intelligence Avista can refine customer outreach of programs tailored to customers' specific circumstances, make data-driven enhancements to existing programs and explore potential customer programs and products.

Several examples of recent use cases utilizing this Platform include: 1) identifying limited income customers within Avista's service territory who qualify for energy assistance, efficiency programs or funding to ensure that public purpose funding mechanisms are right-sized for the market potential; 2) identifying electric to natural gas conversion customers who are on natural gas mains scored by customers' propensity to convert; 3) identifying customers most likely to subscribe to paperless billing to reduce operating costs (e.g. bill creation, postage and handling); 4) identifying customers with write-offs who could have qualified for low income or rate assistance programs with the intent to reduce operating costs of write-offs and inform future policy for programs such as Low Income Rate Assistance and inform improvements to community action agency program administration; 5) associating customers to the nearest weather station and providing weather forecasts compared with 30-year norms to notify customers of extended extreme weather events specific to them to reduce high bill calls to the contact center (i.e. reduced operating expense) while educating customers on home heating impacts to bills. Benefits to customers will increase as more use cases are performed.

The Company's data science experience and use of the Platform as well as Trove's DSaaS, as discussed in "Section I. Background", ramped up during 2017 as more use cases were completed and customer benefits tested. While predictive analytics as a science is relatively new within the utility industry and to Avista as whole, Avista's experience over this past year has proven to be highly valuable to understanding customers. While initially much emphasis was placed on customers and segmentation, the Company intends to expand data science to other areas. Some examples of other areas includes 1) asset management to analyze asset condition and failures for indications of impeding failure to understand signs of deterioration and better forecast resources for necessary maintenance; 2) supply chain to optimize contracting to decrease poor value

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[1] Predictive DSaaS is a service whereby clients have access to industry expert data science professionals to help with developing actionable insights in the areas of utility operational efficiency and improved customer satisfaction.

contracts, increase insights into best practices and optimize time involved with issuing and managing Requests for Proposals/Requests for Information/Requests for Qualifications; and 3) supply chain to optimize inventory management to understand inventory levels, predict when products need to be purchased to allow for optimal lead time and reduce costs for expedited shipping due to last minute purchases. In the end, Avista continues to use Trove and seeks to continue that relationship through the SOM and Addendum No. 3 included in this filing because the products have been successful, and because the backbone (Platform) is already in place.

Addendum No. 3 and Services Agreement and Statements of Work included in this filing:

1. **Addendum No. 3 to the Master Software License and Services Agreement, signed September 16, 2016, between Avista Corporation and GridGlo, LLC, d/b/a TROVE.**

Under the terms of Addendum No. 3, Avista has engaged Trove to provide maintenance and support services on the TROVE Sunstone v 3.0 Platform, third party data access and predictive Data Science as a Service (DSaaS). The DSaaS will consist of coding and development by a Trove Data Scientist to develop algorithms with the Platform to analyze and segment Avista's data and provide predictive analytics to generate operational efficiencies. Under the terms of the Addendum, Trove will configure the 'Predictive Analytics' module of the Platform, which includes Customer Segmentation data and will not to exceed services in the amount of $260,000 (system). The estimated impact to Washington customers related to Addendum No. 3 is approximately $182,900.[2]

2. **Sunstone Platform Statement of Work, signed January 12, 2018, between Avista Corporation and Trove Predictive Data Science, LLC, d/b/a TROVE.**

The Statement of Work, signed January 12, 2018, between Avista Corporation and Trove Predictive Data Science, LLC, d/b/a TROVE, includes software upgrades and additional development, as well as training on the Platform. With this upgrade, the Company will have access to third party data on non-Avista customers within and bordering the Company's service territory. On a system basis, $20,000 for the Platform upgrade will be charged to capital, while the $23,000 training and prospect data will be charged to operating expense. The estimated impact to Washington customers related to this statement of work is approximately $30,250.[3]

Avista respectfully requests that the Commission complete its review of this agreement and promptly notify the Company if is believes that the agreement is inconsistent with public interest.

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of the Details of Transactions provided in Attachments A and B. These exhibits are marked "Confidential", and supported by the attached claim of confidentiality.

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[2] This allocation assumes that use cases undertaken in 2018 benefit all states and fuels. However, the actual amount charged to Washington will be based on the appropriate allocation for 'common' use cases and direct allocation for specific use cases.

[3] Ibid.

Please direct any questions regarding this filing to Jennifer Smith at (509) 495-2098.

Sincerely,

Patrick D. Ehrbar,
Director of Regulatory Affairs
Enclosure