Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

February 8, 2013

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
Statehouse Mail
W. 472 Washington Street
Boise, Idaho 83720

Re: AVU-E-07-09 – Avista Utilities Update to Idaho Public Utility Commission Staff on Remote Reconnect/ Disconnect Pilot

Dear Ms. Jewell:

Attached for filing with the Commission is an original and seven copies of the Company's update to its Remote Reconnect/Disconnect Pilot is the above referenced Docket.

Please direct any questions on this matter to myself at (509) 495-4975.

Sincerely,

Linda Gervais

Linda Gervais
Manager, Regulatory Policy
State and Federal Regulation
Avista Utilities
509-495-4975
linda.gervais@avistacorp.com

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

Update to the Idaho Public Utilities Commission Staff on Avista Utilities Remote Reconnect/Disconnect Pilot

Case No. AVU-E-07-09

Background

In compliance with Idaho Public Utilities Commission Order No. 30603, Avista Utilities provided a summary study on its Remote Reconnect/Disconnect Pilot Program. The 18 month pilot began July 30, 2008 and completed January 29, 2010. The original report was delivered to the Commission at the end of April 2010. The Company, at the request of Commission Staff, provides an update on Avista's current program in Idaho as well as an assessment of the current state of the industry and other information that is pertinent to the pilot.

Since the end of the pilot project in early 2010, there have been several developments in the industry related to the service switch. Widespread deployment of AMI (Advance Metering Infrastructure) has occurred, and in a majority of deployments an integrated service switch has been installed in the meter. Companies and their customers are seeing the benefits of this aspect of the technology. Companies are able to reduce truck rolls and the associated costs and provide better customer service by restoring the customer's power in a timelier manner.

In 2011, Avista deployed approximately 13,500 AMI electric meters and 5,000 natural gas meters as part of the Smart Grid Demonstration Project (SGDP) in Pullman, Washington. These meters are equipped with an integrated service switch. Avista began full production use of the service switch on November 15, 2011 and have had very good results to date.

Introduction

It is always the Company's desire to keep customers connected. The need to disconnect non-paying customers or to avoid a potential safety risk is nothing new for utilities, but the tools of today allow for more efficient handling of these arrears or unique situations.

The Company believes that the remote relay switch offers a significant opportunity to positively impact utility operations and add value to customer relationships.

Due to large service areas and long feeders in Avista's service territories, significant windshield time is required to manually connect/disconnect customers. Today's technology allows real-time

remote disconnection and reconnection of meters, providing significant cost savings and reducing the utility's exposure to potentially dangerous situations. Specifically, after the collar has been installed, an Avista employee would no longer be required to physically visit the premises to disconnect or reconnect the meter. However, the Company will let the customer know of the possible disconnection and/or reconnection by following its current notification process[1], but without otherwise sending an employee to the premises. After the meter installation, a special notice that was developed with the assistance of the Commission Staff is provided to the customer or left on the front door educating customers about the remote device. Also, a special notice is provided with the mailed past due notice and the final notice reminding customers they have a remote device.

Both the Two-way Automatic Communications System (TWACS®) and Paging collar devices continue to be utilized in Company's Idaho service area per the qualifying rules of the original pilot program.

In regards to the technology deployed in Idaho, the manufacturer of the paging type collar (Nighthawk) has transitioned to integrating cell phone technology into the collar. Further, they have worked with Itron to embed a switch with cell phone technology into an Itron meter. The benefit of cell phone technology is that it provides two-way communication to the collar/meter. This is a significant improvement in the technology as the one-way nature of the paging type collar did not provide any confirmation back to dispatchers regarding the state of the switch. Lack of confirmation caused Avista to incorporate a process to call the customer after initiating a command to restore power to confirm that the operation was successful. The new technology provides confirmation (success or failure) regarding the status of the switch so that the appropriate decision regarding whether or not to dispatch field personnel can be made. The new technology also provides indication of whether or not the device has appropriate coverage when field personnel are installing a device. The Company has tested 100 of the new cell phone based collars in its Washington service area and has been pleased with the overall results of the program.

[1] The bill is mailed and due within 15 calendar days, after which the Company allows a 3-day grace period for payments to post. A Past Due Notice is mailed after the grace period ends, dated 7 calendar days later. The Final Notice is mailed 3 business days before the past due notice expires. The Interactive Voice Response System (IVR) then calls the customer on the day the notice expires.

As the industry continues to evolve, the security associated with these systems continues to be enhanced. This holds true for the evolution from paging to cell phone based technology. The new cell phone based collars have enhanced security. To date, Avista has had no incidents related to security surrounding any of the systems associated with its Remote Connect/Disconnect program.

Safety of Avista's employees continues to be a significant benefit of this program. Avista has adopted a practice in both Idaho and Washington that is supported by management at all levels whereby a service switch is installed on any customer that is deemed to be a potential safety risk to our employees. We continue to see an increase in the number of customers that pose a real threat to our employees. Safety is no laughing matter for the meter readers and service people tasked with disconnecting power or acting as impromptu bill collectors. Aggressive dogs are often used to deter utility personnel from doing their jobs. This past year, one of Avista's servicemen encountered a situation where an angry homeowner threatened to release their dog to specifically attack him. Others have been threatened physical harm, sometimes with a gun in hand. Concern for safety is especially important when you consider these "bill collectors" are unarmed and can be carrying collections on their route. Due to the numerous safety concerns, two-person crews are typically used, as well as police escort. It should also be noted that the remote reconnect/disconnect program may also alleviate the emotional aspects of shut offs for our servicemen.

Customers that are still participating in the program continue to see the benefits of having their power restored faster, as the data shows further in this report, than those that rely on traditional visits from field personnel.

Employees continue to request expansion of the program in Idaho. Obviously the remote operation of reconnects/disconnects saves significant "windshield time" for servicemen which translates into real dollars. As noted above, for safety, manual disconnect crews can spend considerable time traveling to and from the residence in question. In addition, a two-person crew provides for at least one witness in case of any customer disputes. This accrues not only additional labor costs but vehicle fuel and maintenance costs. For rural communities, service calls to reconnect customers routinely happen after hours, incurring overtime labor charges. It

should also be noted that disconnect activities often take crews away from other responsibilities that are crucial to the performance of the utility, adding opportunity costs into the equation.

Costs and Avoided Costs

At the time of the original pilot project, the cost of a paging collar was $192 and a TWACS collar was $130, the current cost for the same collar is $162. The cost of the two-way cell phone based collar is currently $267.

For the original pilot, a blended rate of $32.50 was assumed for all calculations regarding labor savings. Labor rates have increased at 3% annually, so the current equivalent blended rate would be $35.43. All other calculations would be increased by the same 3% annually. Savings are highly dependent upon the mix of where devices are deployed and the amount of disconnects/reconnects that are completed after normal business hours. We would expect that savings would be similar to those experienced during the Pilot. Savings would accrue more quickly when devices are deployed in rural areas as the costs are higher in these areas due to the distances traveled and the labor force (line servicemen) that are used for collections work. The following illustration represents the avoided costs for 2011 and 2012.

Illustration No. 1 – Avoided Costs

		2011			2012			Total	
		Costs	Orders		Costs	Orders			
Reconnects	Normal	$ 28	297	$ 8,316.00	$ 29	202	$ 5,825.68	499	$ 14,141.68
	After	$ 148	57	$ 8,436	$ 152	27	$ 4,116	84	$ 12,551.88
Disconnects	Normal	$ 28	341	$ 9,548	$ 29	182	$ 5,249	523	$ 14,796.88
	After	$ 148	0	$ -	$ 152	0	$ -	-	$ -
									$ 41,490.44

Updated Summary of Results

For purposes of this report, Avista has included Residential Rate Schedule 001 information only. The reason the other rate schedules are not captured in this study is due to very small participation, their complexity, and the minimal amount of relevant data. An account can have multiple meters and rate schedules associated to that account; 98% of the participants are on residential rate schedule 001. The following data has been collected as effectively as possible:

Illustration No. 2 – Total number of customers where a device was installed.

Total Number of Disconnect Devices Installed by Type and Month												
	2008		2009		2010		2011		2012		Total	
	PAGE	TWAC	PAGE	TWAC	PAGE	TWAC	PAGE	TWAC	PAGE	TWAC	PAGE	TWAC
Jan			42	26		4						
Feb			102	24		1		1	1			
Mar			7	2				1	4			
Apr						2						
May												
Jun				1	1				1			
Jul			1	1	2				1	1	443	202
Aug				1			2		1			
Sep	2	15	4	2	1	5	1		1			
Oct	91	62	1									
Nov	120	35	1						1			
Dec	55	17		1								
Devices Installed since September 2008											645	

Illustration No. 3 – The total number of remote disconnections by month, and reason for disconnection (e.g., non-payment of bill or failure to pay deposit).

Remote Disconnections by Reason for Disconnections														
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2008	BROKEN PAYMENT ARRANGEMENT													-
	NON PAYMENT BALANCE										1	14	18	33
	RETURNED CHECK/PAYMENT										2	3	3	8
	BALANCE&DEPOSIT											10	10	20
	Total	-	-	-	-	-	-	-	-	-	3	27	31	61
2009	BROKEN PAYMENT ARRANGEMENT					1	1					1		3
	NON PAYMENT BALANCE	87	69	78	83	64	63	56	51	33	46	47	34	711
	RETURNED CHECK/PAYMENT	1	1	6	9	1	4	2	1	2	3	2		32
	BALANCE&DEPOSIT	24	17	31	29	29	27	19	10	17	9	13	7	232
	Total	112	87	115	121	95	95	77	62	52	58	63	41	978
2010	BROKEN PAYMENT ARRANGEMENT			3				1			1		1	6
	NON PAYMENT BALANCE	42	40	47	41	55	50	29	32	36	31	32	25	460
	RETURNED CHECK/PAYMENT	1		2	3	3	2	2	2		1		1	17
	BALANCE&DEPOSIT	8	4	10	12	8	6	4	8	8	7	2	7	84
	Total	51	44	62	56	66	58	36	42	44	40	34	34	567
2011	BROKEN PAYMENT ARRANGEMENT					1			1				1	3
	NON PAYMENT BALANCE	26	31	31	29	27	31	21	27	19	18	15	19	294
	RETURNED CHECK/PAYMENT	1			3	3								7
	BALANCE&DEPOSIT	4		8	5	2	2	2	3	2	1	2		31
	Total	31	31	39	37	33	33	23	31	21	19	17	20	335
2012	BROKEN PAYMENT ARRANGEMENT					1						1		2
	NON PAYMENT BALANCE	19	6	13	11	16	16	16	11	11	27	11	14	171
	RETURNED CHECK/PAYMENT	1					2						1	4
	BALANCE&DEPOSIT			1				1	1					3
	Total	20	6	14	11	17	18	17	12	11	27	12	15	180
TOTAL	BROKEN PAYMENT ARRANGEMENT	-	-	3	-	3	1	1	1	-	1	2	2	14
	NON PAYMENT BALANCE	174	146	169	164	162	160	122	121	99	123	119	110	1,669
	RETURNED CHECK/PAYMENT	4	1	8	15	7	8	4	3	2	6	5	5	68
	BALANCE&DEPOSIT	36	21	50	46	39	35	26	22	27	17	27	24	370
	Total	214	168	230	225	211	204	153	147	128	147	153	141	2,121

Illustration No. 4 – The length of time between remote disconnections to remote reconnections.

Length of time from when the customer paid or made satisfactory arrangements and remote reconnection	
Max	15 hrs
Min	1 min
Avg	16 min
Mode	3 min
Median	9 min

Illustration No. 5 – Any evidence that installation of the disconnection device influenced customer behavior (positive or negative).

# of times more the account kept an arrangement in the year before install of switch as compared to the year after.																	
# Times	-11	-10	-8	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	Total
# Accts	1	1	2	4	4	16	30	41	66	94	50	20	9	3	1	1	343
More Prior to Install						84	More After Install										165

The information provided in Illustration No. 5 represents the number of times customers kept an arrangement prior to the remote switch installation verses after the installation of the remote switch.

For example:

- 84 accounts kept their arrangements prior to installation of the device when compared to after installation;
- 165 accounts kept their arrangements after installation of the device; and
- 94 accounts had no change in payment arrangement behavior.

The number of arrangements made remained steady, only 7 % less arrangements were set up after the device was installed.

The information provided in Illustration 3 on page 7 also shows a decline in the number of disconnections annually with the customers with the remote device as noted below:

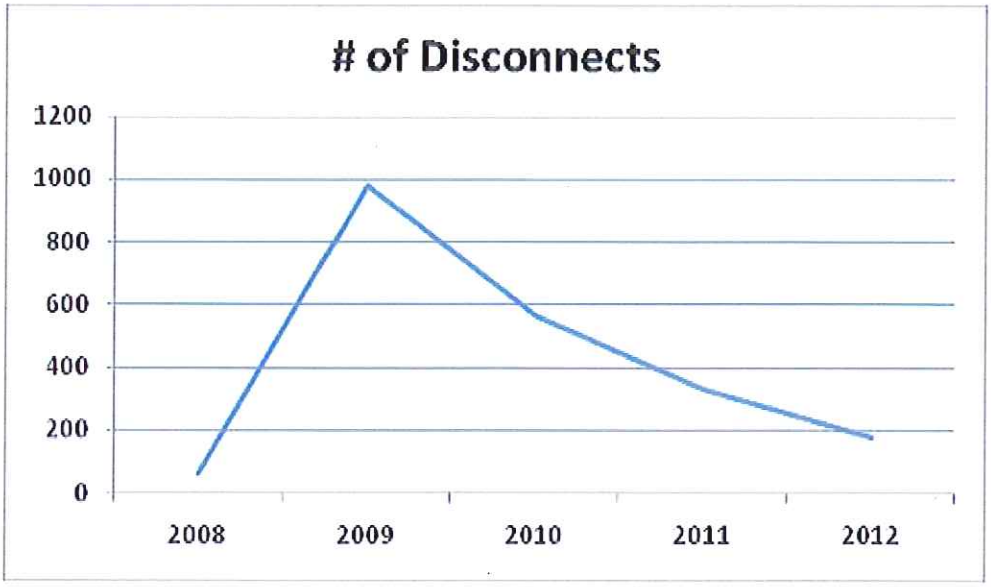

Illustration No. 6 – Idaho collection field requests per account over a three year period and how they continue to increase.

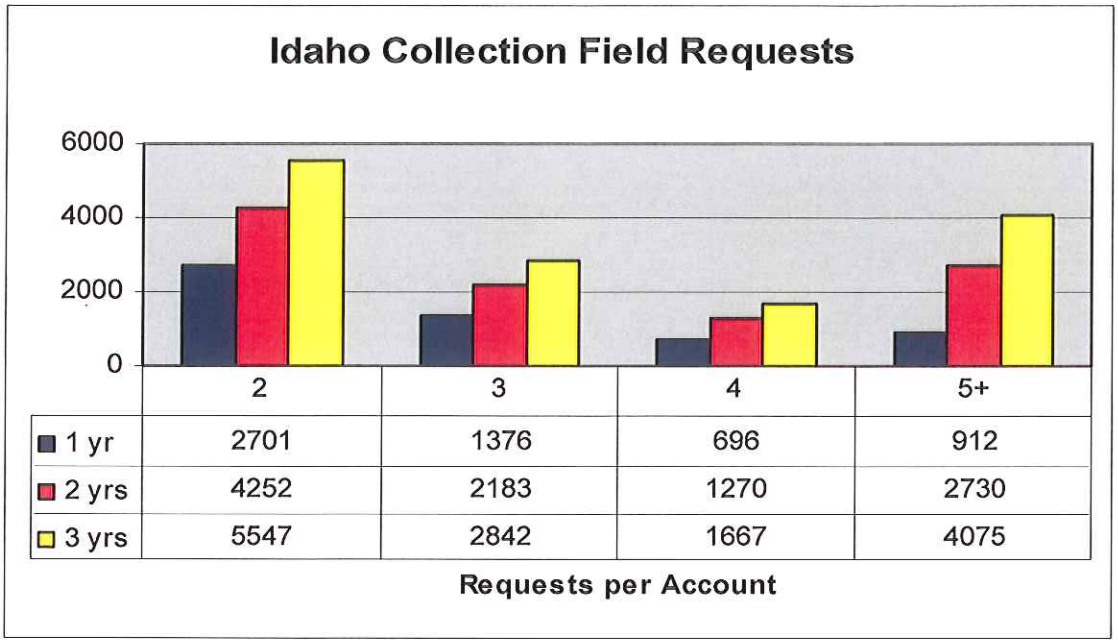

Illustration No. 6 represents the number of accounts with more than one field request in either a 1, 2, or 3 year period of time. For example:

- 2,701 accounts experienced **2** collection related field orders for disconnect in a 1 year period of time, 4252 accounts for a 2 year period of time and 5547 accounts in a 3 year period of time.
- 912 accounts experienced **5** or more collection related field orders for disconnect in a 1 year period of time, 2730 accounts for a 2 year period of time and 4075 accounts in a 3 year period of time.

Conclusion

Avista appreciates the opportunity to discuss any outstanding issues or concerns regarding this pilot. As stated earlier in the summary report, it is always the Company's desire to keep customers connected. The need to disconnect non-paying customers or to avoid a potential safety

risk is nothing new for utilities, but the tools of today allow for more efficient handling of these arrears or unique situations.

The Company believes that the remote relay switch offers a significant opportunity to positively impact utility operations and add value to customer relationships and requests a permanent waiver of IDAPA 31.21.01 (311.03) and (311.04) [Utility Customer Relation Rules] to implement a system for remote disconnection and reconnections, without the need for an employee visit to the affected premises be implemented. The Company also requests that the criteria for selection of customers be at Avista's discretion based on safety, collection activity and access to customer property with the exception of Avista CAREs customers. The Company commits to maintain its current notification process that advises customers that they have a remote device. Based on the results provided, Avista is hopeful that the Commission and concerned parties will understand the overall benefits that the service switch brings to Avista's entire customer base and support the Company's proposed outcomes.