

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 3, 2019**

REGULAR X **CONSENT** **EFFECTIVE DATE** December 4, 2019

DATE: November 26, 2019

TO: Public Utility Commission

FROM: George Compton

THROUGH: Michael Dougherty and John Crider **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1028/Advice No.19-013)
Revises/Eliminates Options and Charges Defined by Schedule 300 and
Rule 8 – Metering.

STAFF RECOMMENDATION:

Approve Pacific Power's Advice Filing No. 19-013, to reduce to \$10 the Schedule 300, Rule 8 charge for monthly non-radio frequency meter reading, and eliminate the triannual meter reading option, with an effective date of December 4, 2019. Alternatively, to provide an option, Staff has also included an alternative commission motion below which would require the retention of the triannual meter reading option.

DISCUSSION:

Issue

Whether the Commission should approve Pacific Power's (PacifiCorp or "the Company") Advice Filing No. 19-013, which would reduce the Schedule 300 charge for the monthly reading of non-radio frequency meters and would eliminate the triannual meter reading option of Rule 8, Schedule 300.

Applicable Rule or Law

Pacific Power's filing is made under ORS 757.205 and OAR 860-022-0025.

- ORS 757.205 requires that public utilities file all rates, rules, and charges with the Commission.

- OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

Analysis

Background

Prior to the Company's January 2018 Oregon territory initial deployment of Advanced Meter Infrastructure (AMI) with its radio frequency meters, the Public Utility Commission of Oregon (OPUC or Commission) approved the Company-proposed \$36 charge for the monthly manual reading of the non-radio frequency meters.¹

Subsequently, and after "significant community engagement... [and] feedback from customers" regarding that monthly charge, the Commission approved a program by which meters only had to be read three times a year.² Amortizing the \$36 charge over four months yielded a monthly charge of \$9 for those on the triannual read program. Absent the usage accuracy attending monthly meter reads, the triannual read customers were also required to be placed on equal payment plans, with its associated billing true-ups.

As of last month, about 8,100 customers,³ mostly in Jackson and Josephine Counties, had opted out of the AMI meters. Of that number, approximately 2,100 non-radio frequency customers, or about one-third of those eligible,⁴ have opted for the triannual meter reads.⁵

Staff believes it is unlikely that the lower-than 50 percent triannual participation rate can be attributed to a substantial unawareness of the triannual choice. Efforts to inform customers of the triannual option included a bill message to all opt-out customers, a

¹ See Advice No. 17-001 and Order No. 17-113.

² See Advice No. 19-003.

³ Page 2 of this PacifiCorp application refers to 8,099 customers as 1.3% of "approximately 600,000 meters in the state." More interesting would be that 1.6% of approximately 500,000 *residential* meters in the state have non-AMI meters.

⁴ See page 3 of this application.

⁵ Non-eligible customers are those with net metering, demand-register meters, and those in arrears or otherwise engaged in a long-term payment plan. An informal report dated October 23rd and addressed by the Company's Melissa Nottingham to Michael Dougherty, Phil Boyle, Nadine Hanhan, and myself referred to a 27% triannual participation rate, but that figure applies to the total of opt-out customers rather than those eligible to be on the triannual plan.

press release that “was picked up by several news outlets,” and the distribution of relevant talking points to local employees.⁶

Proposed Changes

The application now before the Commission is to reduce the manual reading fee from the current tariff’s \$36 down to \$10 per reading. At the same time, the Company seeks to eliminate the triannual meter-read option, thereby charging all affected customers \$10 per month for the mandatory monthly manual meter-reads. (Again, the current monthly charge under the triannual option is \$9, or \$36 divided by the four months between meter-reads.)

Updated Meter Reading Costs

Over the course of the eleven months ending in July of 2019, the Company performed slightly more than 100,000 manual meter reads for a calculated average cost of just over \$10.⁷ Thirteen of PacifiCorp’s “optic districts” were involved, with the number of months of readings for a given district ranging from eleven (in Albany) to only one (in Hood River). By far the greatest concentration of manual readings was in Grants Pass and Medford.

Reasons given for the observed cost average being so far beneath the \$36 inaugural charge were that 1) more customers opted out of radio frequency metering than was anticipated, and 2) a large share of those who did opt out was sufficiently concentrated to foster scale economies in manual meter reading.

For the purposes of this docket, i.e., in the interest of expediting a substantial rate decrease, Staff supports the Company’s proposed \$10 manual meter reading charge. Dominating the AMI opt-out experience thus far has been the two districts, Grants Pass and Medford, where scale economies for manual meter reading are the most favorable, leading to meter reading costs that are half of the average for the rest of the districts. In future general rate cases, when more data becomes available from districts with lower concentrations of AMI opt-outs and greater average meter reading costs, the expectation is for the cost-based meter reading rate to be adjusted accordingly.

⁶ See an informal report dated October 22nd and addressed by the Company’s Melissa Nottingham to Michael Dougherty, Phil Boyle, Nadine Hanhan, and myself.

⁷ See page 2 of this PacifiCorp application. Attachment A to the application consists of the worksheet where the ten dollar average was calculated.

Removing the Triannual Read Program

As stated earlier, PacifiCorp is proposing to eliminate the triannual meter-read option. Key to this proposal is the accompanying proposed major reduction in the basic manual meter reading charge – i.e., from \$36 down to \$10. Switching over to mandatory monthly meter reads, former triannual read customers would only see an increase of \$1 over the \$9 that they were already paying. With the elimination of the triannual program, “all customers opting out of a radio-frequency meter would...receive the benefit of a monthly meter read,”⁸ because all customers would have their meters read monthly.

The Company described some of those benefits as follows: The monthly reads inform customers with more “appropriate price signals” for “adjust[ing] their usage” as compared to having to rely upon usage estimates.⁹ There is also a reduced vulnerability to “high catch-up [i.e., true-up] bills due to variations in weather.”¹⁰ Also, monthly reads would make being on an equal payment plan optional rather than mandatory.¹¹

It is also worth mentioning that consumer alarm owing to an unanticipated high bill, made more likely with triannual meter reading, can happen for any number of reasons besides variations in weather. Side benefits of avoiding such alarms is the reduction of customer complaints/questions directed both to utility personnel as well as to the OPUC’s complaints group.

A related monthly meter reading benefit – mentioned in a meeting with Staff, but not mentioned in the application – is that customers who are anxious or fearful about their consumption level in the presence of triannual meter reads would lose most of the incentive to obtain an extra, *free* meter read under the Schedule 300, R-1&2 rule that provides for a once-in-twelve-months “meter test for accuracy” with no charge.¹²

Less persuasive are the Company’s arguments about a “level playing field for all opt-out customers.”¹³ One argument was that customers who are now ineligible for triannual

⁸ See page 3 of this application.

⁹ See page 4 of this application.

¹⁰ *Ibid.* This concern is mitigated by the fact that in the event of an uncomfortably high catch-up amount the customer is allowed to roll over the attendant payments through the following twelve months of the equal payment plan.

¹¹ See page 3 of this application. Non-equal pay, i.e., a precise billing each and every month for the express usage for that month, is impossible without knowing each month’s (or billing period’s) exact usage.

¹² An indication of the actual cost of performing the meter accuracy test is the fact that additional meter testing visits within the year are \$50 each.

¹³ See page 3 of this application.

meter reading because they are net-metered or demand-registered would no longer lament about that ineligibility because the Company's proposal creates a de-facto ineligibility for all customers. The final argument along these lines was for "simplify[ing] the customer experience" by eliminating the burden of having to weigh various pros and cons in making a choice between a triannual and a monthly meter read.¹⁴

Most persuasive in arguing for eliminating the triannual option is the added cost of administrating a program whose low participation level does not justify fully computerized automation in all its aspects. In this instance, dealing with triannual meter-read customers has required a cumbersome manual element in the billing process.¹⁵ Finally, Staff considered it unusual to have a tariff element that accommodates only a couple thousand customers (i.e., 2,100 for now, likely fewer later).¹⁶

Arguments Against Removing the Triannual Read Program

In the Company's view, much of the case for eliminating the triannual read option rests upon comparing the proposed \$10 charge for monthly meter reads with the current \$9 monthly charge for the triannual-read customers. But the basis for the \$9 figure was the connection to the \$36 meter reading cost estimate.

What becomes relevant is what would be a reasonable monthly charge for triannual-read customers in the presence of the more accurate, cost-based \$10 monthly charge for those meters that are read monthly. Partly in light of the manual billing costs burden, it seems inappropriate again to simply divide the estimated meter reading cost figure by four, yielding in this case \$2.50 ($\$10/4$) as the monthly charge for triannual-read customers. Rounding that figure to \$3 per month seems more reasonable in this context.¹⁷ In assessing the benefits of a monthly meter read instead of a triannual read, the relevant cost figure from the customer's viewpoint should be \$7 per month ($\$10 - \3), or \$84 per year, rather than \$1 per month or \$12 per year.

¹⁴ Having alternatives from which to choose is always desirable. But there is a cost involved – both for the utility which must devote resources to customer information/education, and for those customers who simply want to receive a bill along with their reliable power and don't want to be bothered having to make decisions regarding matters which in their larger schemes of things are quite inconsequential.

¹⁵ See page 3 of this application.

¹⁶ Customers can now save \$324 ($[\$36 - \$9] \times 12$) annually by opting for the triannual read program; potential savings will be vastly reduced when something like \$10 is substituted for the \$36 monthly meter reading charge. The reduction in potential savings should translate to a reduced interest in the triannual option.

¹⁷ Some consideration should be given to costs attributed to the aforementioned manual aspect of billing for triannual customers.

Returning to the benefits described earlier of monthly meter reads, the contrary argument is that those customers who aren't concerned by equal monthly bills with annual (or earlier if required) true-ups, who don't need monthly billing reminders to induce comfortable levels of electricity conservation, and who are willing to accept the remote chance of metering error and having to wait several months before its discovery, should be provided with the opportunity for reduced annual electricity bills that are a consequence of imposing a reduced manual meter-reading imposition on the utility. Retaining the triannual meter read program as opposed to mandatory monthly meter readings would preserve that opportunity.

Finally, Staff notes that a very small number of customers may be inclined to avail themselves of the triannual meter read option. But those customers are out there, and some likely have expectations that they can continue with their cost-saving, triannual read program. Costs have been sunk for accommodating them in an ongoing manner. Some might argue that abandoning that accommodation should entail something beyond eliminating an administrative inconvenience.

Conclusion

Studies of the cost of manual meter reading conducted by PacifiCorp produced outcomes well beneath the \$36 in the current tariff. Staff finds no compelling reason to oppose an expeditious reduction of the manual meter reading charge to \$10 per reading for those electing monthly meter readings, as proposed by the Company.

As regards terminating the Triannual Meter Read Program, there are competing values. On the one hand there is the optionality principle, whereby customers can make choices that will reduce their utility bills by reducing aspects of their utility service. Advocating for that opportunity comports with the standard regulatory Staff effort to promote rates that are as low as can be justified while allowing the utility to earn a fair return on its investment.

On the other hand there are the principles of rates simplicity, administrative cost minimization, transparency regarding each month's energy consumption, and the fact that the number of customers taking advantage of the triannual option is small and likely to shrink owing to the proposed low price for monthly meter reads.

Seeing merit in both sides of the argument regarding the retention of the triannual meter read option, Staff has provided a primary and alternative Commission motion below.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's Advice Filing No. 19-013, to reduce to \$10 the Schedule 300, Rule 8 charge for monthly non-radio frequency meter reading, and to eliminate the triannual meter reading option, with an effective date of December 4, 2019.

ALTERNATIVE COMMISSION MOTION:

Approve Pacific Power's Advice Filing No. 19-013, to reduce to \$10 the Schedule 300, Rule 8 charge for monthly non-radio frequency meter reading with an effective date of December 4, 2019, but require an updated filing that retains the triannual meter reading option while reducing its monthly charge to \$3.