BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

AVISTA CORPORATION d/b/a/ AVISTA UTILITIES

Respondent.

DOCKETS UE-220053, UG-220054, and UE-210854 (*Consolidated*)

RESPONSE TESTIMONY OF ANDREA C. CRANE ADDRESSING THE FULL MULTIPARTY SETTLEMENT STIPULATION ON BEHALF OF THE WASHINGTON OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

Exhibit ACC-1T

July 29, 2022

RESPONSE TESTIMONY OF ANDREA C. CRANE

EXHIBIT ACC-1T

DOCKETS UE-220053, UG-220054, and UE-210854 (*Consolidated*)

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<u>EXHIBITS LIST</u>

Exhibit ACC-2	List of Prior Testimonies
Exhibit ACC-3	Avista Utilities 2021 Washington Service Quality Measures Program Report
Exhibit ACC-4	Avista's Response to Public Counsel Data Request No. 19, with Attachment A
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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Andrea C. Crane, and my business address is 2805 East Oakland Park Boulevard, #401, Ft. Lauderdale, FL 33306.

Q. By whom are you employed and in what capacity?

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in 2008.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel).

Q. Please describe your professional qualifications.

A. Since joining The Columbia Group, Inc., I have testified in over 400 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Florida, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony over the past five years is included in Exhibit ACC-2.

Prior to my association with The Columbia Group, Inc., I held the position of

Economic Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

Q. What exhibits are you sponsoring in this proceeding?

A. I am sponsoring the following exhibits:

Exhibit ACC-2	List of Prior Testimonies
Exhibit ACC-3	Avista Utilities 2021 Washington Service Quality Measures Program Report
Exhibit ACC-4	Avista's Response to Public Counsel Data Request No. 19, with Attachment A
Exhibit ACC-5	Avista's Response to Public Counsel Data Request No. 28
Exhibit ACC-6	Avista's Response to Public Counsel Data Request No. 32

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. I was engaged by Public Counsel to review the Performance-Based Ratemaking (PBR) Metrics and Performance Incentive Mechanisms (PIMs) proposed by Avista Utilities (Avista or Company) in its multiyear rate plan (MYRP) rate application filed on January 21, 2022, for its electric and gas utilities and to develop recommendations to the Washington Utilities and Transportation Commission (WUTC or Commission) regarding the Company's proposed PBR metrics and PIMs. On June 28, 2022, a Full Multiparty Settlement Stipulation (Settlement) was executed in the proceeding.[1] Public Counsel is not a party to the Settlement. Nevertheless, Public Counsel does not oppose the provisions regarding PBR that are contained in paragraph 23 of the Settlement. Therefore, the purpose of my testimony is to outline our concerns regarding the Company's original PBR proposal and to discuss why we do not oppose the resolution of these issues as addressed in the Settlement.

Aaron Tam is also filing testimony on issues relating to the Company's wildfire plan, including proposed metrics and PIMs related to wildfire issues. Several other witnesses are also filing testimony on behalf of Public Counsel addressing other aspects of the Company's filing and the subsequent Settlement.

III. DISCUSSION OF THE ISSUES

A. Introduction

Q. Has the Washington legislature enacted legislation requiring an examination of the existing regulatory framework for utilities?

A. Yes, it has. In 2021, as part of Senate Bill 5295 (2021 Legislation), which addressed multiyear rate plans, the Washington legislature enacted legislation requiring the Commission to examine alternatives to traditional cost of service regulation. The 2021 Legislation required the Commission to open a proceeding to address alternatives to traditional cost of service regulation, including multiyear rate plans and

[1] Full Multiparty Settlement Stipulation (filed June 28, 2022).

performance-based regulation. Specifically, the legislation states:

> (1) To provide clarity and certainty to stakeholders on the details of performance-based regulation, the utilities and transportation commission is directed to conduct a proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measure or goals, targets, performance incentives, and penalty mechanisms. As part of such a proceeding, the utilities and transportation commission must consider factors including, but not limited to, lowest reasonable cost planning, affordability, increases in energy burden, cost of service, customer satisfaction and engagement, service reliability, clean energy or renewable procurement, conservation acquisition, demand side management expansion, rate stability, timely execution of competitive procurement practices, attainment of state energy and emissions reduction policies, rapid integration of renewable energy resources, and fair compensation of utility employees.[2]

Q. What is the status of this proceeding?

A. This generic proceeding (Docket U-210590) was initiated on October 11, 2021, by the Commission's Notice of Opportunity to File Written Comments.[3] The Commission subsequently issued a Work Plan, which contains a schedule for five phases of investigation and the following timeline[4]:

Table 1. Docket U-210590 Timeline

Topic	Anticipated Date
Phase 1 – Performance Metrics	October 2021–March 2023
Phase 2A – Reporting and Review	April 2023–December 2023
Phase 2B – Multiyear Rate Plans Revenue Adjustment Mechanism	April 2023–March 2024
Phase 3 – Performance Incentive Mechanisms	January 2024–December 2024
Phase 4 – Alternatives to Traditional Cost of Service Regulation	January 2025–December 2025
Phase 5 – Continuous Policy Process	January 2025–Ongoing

[2] Engrossed Substitute S. B. 5295, 67th Leg., 2021 Reg. Sess. § 1 (Wash. 2021) (emphasis added).
[3] *See* Ntc. of Opp. to File Written Comments, *In re: Comm'n Proceeding to Develop a Pol'y Statement Addressing Alt. to Traditional Cost of Serv. Ratemaking* Docket U-210590, (issued Oct. 11, 2021).
[4] *Id.* at 1 Appendix A, Draft Work Plan.

Q. What statutory requirements govern MYRP and PBR?

A. In addition to requiring that the Commission implement a proceeding to address alternatives to traditional cost of service regulation, the 2021 Legislation also required every general rate case filing made after January 1, 2022, by an electric or gas company to include a proposal for a MYRP. Moreover, the legislation requires that if a MYRP is approved, the Commission must "determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan."[5] Specifically, the legislation provides that:

> The commission must, in approving a multiyear rate plan, determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan. These performance measures may be based on proposals made by the gas or electrical company in its initial application, by any other party to the proceeding in its response to the company's filing, or in the testimony and evidence admitted in the proceeding. In developing performance measures, incentives, and penalty mechanisms, the commission may consider factors including, but not limited to, lowest reasonable cost planning, affordability, increases in energy burden, cost of service, customer satisfaction and engagement, service reliability, clean energy or renewable procurement, conservation acquisition, demand side management expansion, rate stability, timely execution of competitive procurement practices, attainment of state energy and emissions reduction policies, rapid integration of renewable energy resources, and fair compensation of utility employees.

Avista filed a MYRP in this case and therefore also filed a list of performance measures to track during the period of the plan.[6]

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[5] Engrossed Substitute S. B. 5295, 67th Leg., 2021 Reg. Sess., § 2(7) (Wash. 2021). *See also* RCW 80.28.425(7).
[6] *See* Direct Testimony of Dennis P. Vermillion, Exh. DVP-1T at 1:22–2:26; Direct Testimony of Patrick D. Ehrbar, Exh. PDE-1T at 17:14–37:11.

B. Summary of the Company's Proposals

Q. Please summarize the Company's proposals in this proceeding regarding PBR metrics and PIMs.

A. Avista proposed a series of 11 Performance Measures and associated Incentives. For purposes of evaluation and incentives, Avista grouped these Performance Measures into several categories – Customer Service, Reliability, Automated Metering Infrastructure (AMI), and Wildfire Resiliency.[7]

First, Avista proposed six customer service Performance Measures and associated targets.[8] These included:

- Customer Satisfaction with the Telephone Service provided by Customer Service Representatives exceeding a benchmark of 90 percent;
- Customer Satisfaction with Field Service Representatives exceeding a benchmark of 90 percent;
- Customer Complaints made to the Commission under 0.4 per 1,000 customers;
- Answering Customer Calls Promptly, with 80 percent answered within 60 seconds;
- Response Time for Electric Emergencies of under 80 minutes; and
- Response Time for Natural Gas Emergencies of under 55 minutes.

The Company proposed that if Avista met or exceeded all six of these measures, the Company would receive a reward of $500,000. If Avista met or

[7] Ehrbar, Exh. PDE-1T at 17:14–37:11.
[8] Ehrbar, Exh. PDE-1T at 25:10–29:2.

exceeded five of the six measures, there would be no reward or penalty. If Avista failed to meet two or more of the measures, Avista proposed that it would pay a penalty of $500,000.

Second, Avista proposed three reliability metrics based on achieving the five-year average (2017–2021), plus one standard deviation, results for system average interruption frequency index (SAIFI), system average interruption duration index (SAIDI), and customer average interruption duration index (CAIDI). Avista proposed targets of 1.21 for SAIFI, 173 minutes for SAIDI, and 156 minutes for CAIDI. If the Company met or exceeded all three targets, the Company proposed that it would receive a reward of $500,000. If the Company met or exceeded two of the three targets, the Company proposed no reward or penalty. If the Company failed to meet two or more of the measures, Avista proposed a penalty of $500,000.[9]

Third, Avista proposed an AMI Performance Measure, based on the percentage of customers that have access to AMI data during a calendar year. Avista proposed a reward of $500,000 if customers have access to this data more than 95 percent of the time and a penalty of $500,000 if availability was less than 80 percent. Avista proposed that no reward or penalty would apply between 80 percent and 95 percent availability.[10]

Finally, the Company proposed a Wildfire Resiliency Performance Measure. Avista proposed that if the Company completed a risk tree inspection of at least 96 percent of its non-urban transmission and distribution electrical feeder miles on an

[9] Ehrbar, Exh. PDE-1T at 29:3 to 31:16.
[10] Ehrbar, Exh. PDE-1T at 31:17–33:5.

annual basis and developed a plan for mitigation, the Company would receive a reward of $500,000. If the Company inspected less than 94 percent of these feeder miles, it would incur a penalty of $500,000. No reward or penalty would apply if the Company completed an inspection of between 94–96 percent of these feeder miles.[11]

Avista proposed that any reward or penalty be deferred for recovery or refund in the subsequent year through a surcharge or rebate. The Company proposed that the deferral mechanism begin on January 1, 2023, and that the Company file a report by March 31, 2024, with the prior year's results. Avista did not propose to accrue interest on any deferral.[12]

Q. Does Avista already report a significant number of metrics related to service quality and other factors?

A. Yes, it does. As shown on pages 18–19 of Patrick D. Ehrbar's testimony, Exhibit PDE-1T, the Company already reports regularly to the Commission on many service-related, social, and economic metrics through the annual Service Quality Report, the Biennial Conservation Plan Report, the LIRAP Report, the CETA Energy Assistance Report, the Clean Energy Implementation Plan (CEIP) Report, the Transportation Electrification Plan Report, and others. It is my understanding that Avista proposed to continue to file all currently-required reports.

Q. Are the current performance metrics subject to rewards or penalties?

A. The current performance metrics are not subject to any rewards. In some cases, the current metrics are subject to penalties. Avista has customer service guarantees

[11] Ehrbar, Exh. PDE-1T at 33:6–35:9.
[12] Ehrbar, Exh. PDE-1T at 35:14–36:7.

relating to missed appointments, restoration of outages, response times for service requests, meter testing, customer notification requirements and other customer inquiry response guarantees. As shown in Table No. 4 in Avista's 2021 Washington Service Quality Measures Program Report (2021 SQM Report), Avista incurred penalties of $10,250 in 2021, 75 percent of which were related to the Company's failure to provide customers with 24 hours' notice of planned power outages lasting more than five minutes.[13]

C. Concerns With the Company's Proposal

Q. What concerns did you have with regard to the Company's original proposals regarding PBR metrics and PIMs?

A. I was not opposed to the Company's original proposal to track the 11 metrics that it included in its PBR plan. However, I questioned the usefulness of limiting the metrics to these 11 measures, since many of the measures are already being reported in the annual Service Quality Reports. In addition, I had serious concerns regarding the Company's proposed PIMs associated with these PBR metrics.

Q. What specific concerns did you have about the PIMs originally proposed by the Company?

A. One objection I had is that these metrics relate primarily to performance that ratepayers have a right to expect as part of their basic service charges, and are not the types of measures that, in my view, should be subject to financial rewards, especially at the target levels being proposed by Avista. Customers should expect that their

[13] *See* Andrea C. Crane, Exh. ACC-3 at 7 (Avista Utilities 2021 Washington Service Quality Measures Program Report).

utility company provide safe and reliable utility service. In addition, customers should expect their utility company to provide efficient and effective customer service. Therefore, Avista's proposed Customer Service and Reliability metrics are not the type of metrics for which a financial incentive should be granted. In addition, a portion of the Company's employee incentive compensation plan is tied to certain customer service and reliability results. Therefore, to the extent that incentive compensation programs are included in Avista's revenue requirement, ratepayers are already paying higher rates related to some of these measures. In addition, since customers are paying for the AMI project, they have the right to expect that the data for which they are paying will actually be available more than 95 percent of the time.

Ratepayers are also paying millions of dollars in both capital and operating costs to address wildfires. Customers should not have to reward shareholders financially for achieving a wildfire PIM that requires the Company to inspect and develop plans but does not require it to actually implement those plans or achieve certain levels of outcome.[14] Furthermore, Avista is already meeting its proposed risk tree targets for non-urban transmission line miles inspected[15] and is already within reach of its distribution line miles inspected. According to Public Counsel witness Aaron Tam's Vegetation Work Plan Analysis, aggregating all of Avista's distribution vegetation work performed in 2021 (routine maintenance and risk tree mitigation) results in Avista meeting 98 percent of their 7,675-mile distribution line goal.[16] If

[14] *See* Crane, Exh. ACC-6 (Avista's Response to Public Counsel's Data Request No. 32).
[15] *See* Crane, Exh. ACC-5 (Avista's Response to Public Counsel's Data Request No. 28).
[16] *See* Response Testimony of Aaron Tam, Exh. AT-1T at 9:1–4.

Avista shifted all of their vegetation work under "routine maintenance" to their "risk tree" vegetation program, then the Company already would be achieving its Measure 11 requirement as of 2021.[17] The risk tree inspection PIM does not seem to compel the Company to do significantly more than what it is currently doing for wildfire mitigation.

Q. Is the Company already meeting the reliability and customer service targets for which it originally proposed PIMs?

A. As indicated in the 2021 SQM Report, Avista is currently meeting all its Customer Service performance metrics. With regard to the Reliability metrics, in 2021, Avista met its proposed five-year average (plus one standard deviation) targets for SAIDI and CAIDI.[18] The Company did not meet its proposed SAIFI target of 1.21, but its actual 2021 performance of 1.24 was very close to the target. Therefore, under the Company's proposal, shareholders would be rewarded at the current level of service, even though these metrics are measures that utility customers have a right to expect without the Customer Service and Reliability PIM.

Q. Do you believe that financial rewards and penalties ever provide appropriate incentives for a regulated utility?

A. A penalty is certainly appropriate to compensate ratepayers if the level of service that they are receiving is inadequate. Ratepayers pay utility rates with the expectation that the utility will provide safe and reliable utility services. If the utility is not meeting

[17] *See* Direct Testimony of David R. Howell, Exh. DRH-1T at 19:13–17. In 2020, Avista separated vegetation management into two programs based on the new Wildfire Resilience Plan: Routine Maintenance and Risk-Tree Identification and Mitigation.
[18] *See* Crane, Exh. ACC-4 (Avista's Response to Public Counsel's Data Request No. 19, with Attachment A).

this obligation, then penalties are an effective and efficient way to motivate the utility to correct these deficiencies.

However, a utility should not receive a reward simply because the level of reliability or customer service exceeds a particular target. In fact, ratepayers have the right to expect that a utility will strive for 100 percent reliability and 100 percent customer service satisfaction. While I am not proposing Avista be held to a 100 percent standard, I do not believe any rewards are appropriate in this area as long as customer service and reliability results are less than 100 percent.

There may be other areas where a reward mechanism could be appropriate. Rewards should be limited to areas that are beyond the basic provision of utility service and, in my view, rewards should neither be used if the underlying costs are being incurred exclusively by ratepayers, nor should rewards be used to provide incentives for actions that are already legally required. Rewards may be appropriate in some cases to provide an incentive for the utility to undertake programs or projects that are not necessarily part of its basic service obligation, especially if shareholders also have a financial commitment to the programs or projects being provided.

Q. In addition to your concerns about the specific PIMs proposed by Avista, did you have more general concerns about the adoption of PIMs at this time?

A. Yes, I did. The Company already takes advantage of several incentive-type mechanisms such as decoupling, rate riders, and cost deferrals. These mechanisms provide incentives for the Company to promote certain programs, such as distributed generation and demand side management, which result in reduced risk for the Company's shareholders. Therefore, at this time, it is unclear why additional incentives are necessary. Nevertheless, the Commission has commenced a separate proceeding, pursuant to the 2021 Legislation, to examine various issues regarding alternative regulatory mechanisms and to determine what role, if any, there is in any such mechanism for PIMs. Until the issue of PIMs is addressed in that proceeding, there is no need to establish PIMs, which would result in incentive payments to the Company for certain outcomes, and represent a significant departure from the current regulatory scheme. Therefore, I recommend that the Commission exercise caution and wait for the resolution of this issue in the generic proceeding before approving any PIMs in this case. It is premature to adopt any PIMs for Avista at this time.

D. Analysis of the Settlement

Q. Turning to the Settlement, how are PBR metrics and PIMs addressed in the Settlement?

A. In this Docket, Avista Corporation, the Staff of the Washington Utilities and Transportation Commission, the Alliance of Western Energy Consumers, the NW Energy Coalition, The Energy Project, Sierra Club, Walmart, and Small Business Utility Advocates, jointly referred to as the "Settling Parties," agreed to a Full Multiparty Settlement Stipulation. Paragraph 23 of the Settlement addresses the issue of Performance Based Ratemaking. Pursuant to Attachment B to the Settlement, Avista has agreed to track an extensive list of performance metrics, to publish the results on Avista's website, and to maintain and make available to stakeholders the historical results. The Settlement also lays out the frequency with which these metrics will be reported and provides a schedule for when each metric will be available. The Settlement does not propose any specific targets at this time. The Settlement also provides that "Avista will work with the Settling Parties to agree upon additional reliability metrics by the end of Rate Year 1. Avista will track and report these metrics beginning in Rate Year 2 of the multiyear rate plan."[19]

Q. Please describe the PBR metrics included in the Settlement.

A. The Settlement includes 92 metrics in a variety of categories, including Affordable Service, Capital Formation, Equitable Service, Reliability, Wildfires, Customer Experience, Pollution and Greenhouse Gas Emissions, Electric Grid Benefits, and Natural Gas System Benefits.

The Settlement provides for the tracking of 15 metrics related to Affordable Service, including average annual bill, arrearages by month, rate base and O&M per customer, and percent of households with a high-energy burden. In addition, many of these metrics will be tracked specifically for Vulnerable Populations (VP), Highly Impacted Communities (HIC) and/or Named Communities. Some of the Affordable Service metrics will be tracked quarterly and others will be reported annually, as outlined in the Settlement.

The Settlement provides for the tracking of two metrics relating to Capital Formation. First, the Company will track and report the results of its ratemaking return on equity. In addition, it will report the utility's credit rating. Both of these metrics will be reported quarterly.

The Settlement includes 17 metrics relating to Equitable Service. These metrics include participation in energy efficiency projects, demand response programs and electric vehicles programs. This category also includes metrics

[19] Full Multiparty Settlement Stipulation, ¶ 23.

regarding diversity of suppliers, diversity of Avista employees and senior management, incremental spending in Named Communities, and other equity-based metrics. These metrics will be reported either quarterly or annually.

The Settlement includes 15 metrics regarding Reliability. These include common metrics such as SAIFI, SAIDI, and CAIDI. In addition, it includes metrics related to emergency response times, planning reserve margins, and causes for overhead equipment failures. With the exception of metrics regarding emergency response times and capacity planning margins, which will be reported quarterly, the remaining Reliability metrics will be reported annually.

The Settlement includes 16 metrics relating to wildfires. These include such metrics as number of vegetation inspections and remediations performed on time, number of trees trimmed, number of reclosers installed, number of wildlife guards installed, and others. The Company agreed to report on wildfire program metrics and incremental costs annually. In addition to these 16 metrics, Attachment B to the Settlement also acknowledges that the Company will also include other existing Wildfire Plan metrics that the Company agreed to report as part of its 2021 CEIP. These wildfire metrics are discussed further in Tam's testimony.

The Settlement includes six metrics relating to the Customer Experience. These include customer satisfaction with customer service and field service representatives, customer complaints, percentage of calls answered within 60 seconds, number of outreach contacts, and number of marketing impressions. The number of outreach contacts and number of marketing impressions will be reported annually, while the other Customer Experience metrics will be reported quarterly.

The Settlement includes seven metrics related to reductions in Pollution and Greenhouse Gas Emissions. These include various emissions metrics as well as the ratio of new gas customers to new electric customers. With the exception of the ratio of new gas to electric customers, which is reported quarterly, the other Pollution and Greenhouse Gas Emissions metrics will be reported annually.

The Settlement includes 10 metrics related to Electric Grid Benefits, including several metrics related to the impacts of electrical vehicle programs, peak load reductions, capital expenditures avoided through non-wire alternatives, and others. These metrics will be reported on either a quarterly or annual basis.

Finally, the Settlement provides for three Natural Gas System Benefit metrics, all of which will be reported annually. These include peak load reduction capability attributable to demand response programs, peak load reductions from dispatched demand response in top 100 hours, and annual capital expenditures avoided through non-pipe alternative programs.

Q. Does Public Counsel support the provisions of the Settlement with regard to the performance metrics to be tracked?

A. Yes. We agree that the performance metrics included in the Settlement are reasonable. These metrics encompass a broad range of areas and are much more comprehensive than the 11 metrics proposed in the Company's original application. Moreover, in addition to numerous Customer Service and Reliability metrics, the Settlement provides for the tracking of numerous other metrics relating to Affordable Service, Capital Formation, Equitable Service, Wildfire Mitigation, and Pollution and Greenhouse Gas Emissions. The metrics will provide information on a wide range of programs including Demand Response, Energy Efficiency, Electric Vehicle Charging, Planning Reserve Margins, and many others. In addition, the PBR metrics will provide valuable information about how certain communities of customers, vendors, and employees are being impacted and whether Avista's programs are providing equitable benefits. Public Counsel views the Settlement as an improvement over the PBR metrics originally proposed by Avista and recommends that Paragraph 23 and Attachment B to the Settlement be approved.

Q. Does the Settlement include any PIMs or other performance incentives?

A. No. The Settlement states that the Settling Parties agree that PIMs proposed by the Company in this proceeding will not be implemented. Given the concerns expressed above with regard the specific PIMs proposed by Avista, as well as our general concerns regarding the implementation of PIMs at this time, Public Counsel supports the provision that PIMs will not be implemented.

Q. Does the Settlement meet the requirements that the Commission determine a set of performance metrics if it approves a MYRP?

A. Yes, it does.[20] As noted above, the 2021 Legislation requires the Commission to determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan. Establishing performance metrics are important in order to ensure that utility service does not deteriorate during a MYRP, when a utility may have a greater incentive to reduce costs. Performance metrics can therefore provide an objective measure of the impact of the MYRP on the Company's quality of service, as well as on other aspects of the Company's operations.

[20] I am not an attorney and I am not offering this testimony as a legal opinion.

The Commission may, but is not required to, approve or authorize incentives or penalty mechanisms if it approves a MYRP. Section 2(7) of Senate Bill 5295 states:[21]

> In developing performance measures, incentives, and penalty mechanisms, the commission may consider factors including, but not limited to, lowest reasonable cost planning, affordability, increases in energy burden, cost of service, customer satisfaction and engagement, service reliability, clean energy or renewable procurement, conservation acquisition, demand side management expansion, rate stability, timely execution of competitive procurement practices, attainment of state energy and emissions reduction policies, rapid integration of renewable energy resources, and fair compensation of utility employees. [22]

Thus, while the statute clearly requires the establishment of performance measures as part of any MYRP, it separately references both incentive and penalty mechanisms. Accordingly, while the Commission must approve performance measures if it approves the MYRP, it is not required to implement PIMs.

Q. Are there likely to be additional performance metrics that Public Counsel recommends tracking?

A. Yes. As previously stated, there is a separate generic proceeding on the issue of PBR and alternatives to cost of service ratemaking. Although I am not involved in that proceeding, Public Counsel is a full participant and may recommend additional performance metrics in that case. In addition, the Settlement provides for continued dialogue among the Settling Parties on the issue of performance metrics and anticipates that additional metrics will be agreed upon by the end of Rate Year 1.

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[21] Engrossed Substitute S. B. 5295, 67th Leg., Reg. Sess., § 2(7) (Wash. 2021).
[22] *See also* RCW 80.28.425(7).

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Q. Please summarize your recommendations with regard to the provisions of the Settlement that address PBR metrics and PIMs.

A. Public Counsel does not oppose the requirement for the Company to track the metrics included in Attachment B to the Settlement. It is our understanding that these metrics will be tracked in addition to any existing requirements for tracking of performance metrics and customer service penalties. All current requirements should be retained.

Public Counsel had serious concerns about the PIMs proposed by Avista in its original Application. Public Counsel believes that it is premature to implement any PIMs at this time and supports the provision in the Settlement that PIMs will not be implemented in this Docket. Moreover, the specific PIMs proposed by Avista are not appropriate and would have resulted in shareholder rewards without any commensurate benefit to ratepayers. We recommend that the Commission refrain from approving any PIMs until the resolution of the generic proceeding that is currently ongoing in Docket U-210590.

Q. Do the recommendations contained in your testimony promote equity among the ratepayers of Avista?

A. Yes, the metrics that are contained in the Settlement, and supported by Public Counsel, will provide valuable information about the degree to which various communities are being served. In addition, eliminating the Company's proposed PIMs will ensure that shareholders will not be unduly enriched for actions that are either part of the Company's overall service obligation or which have not been proven to otherwise benefit ratepayers. For all these reasons, the metrics contained in the Settlement, and the elimination of the Company's proposed PIMs, promote equity and should be adopted.

Q. Does this conclude your testimony?

A. Yes, it does.