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Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Docket U-210590

Comments of the Washington & Northern Idaho District Council of Laborers "WNIDCL"

Dear Chair Danner and Commissioner Rendahl,

Thank you for the opportunity to recommend performance incentive mechanisms that help drive better utility performance and meet public policy goals. Our comments and recommended PIMS are specific to the following goals laid out in the notice of comment:

Goal 2 Customer affordability
Goal 3 Advancing equity in utility operations

Specific Performance Incentive Mechanism Proposals:

Goal 2 Customer affordability

1. There will be a reduction to utilities' ROE for the following:
    a. Number of utility suppliers (traffic control, asphalt, paving, underground utility construction, etc.) whose workers are eligible for low-income energy assistance programs and other state assistance programs including TANF, SNAP and Medicaid.

Rationale: Utilities should not make the low- income customer problem worse by inadvertently creating low wage jobs in their supply chain. This creates more low-income customers who will struggle to get by and reduce customer affordability in Washington State.

Goal 3 Advancing equity in utility operations

2. There will be an upward adjustment to ROE if utilities meets the following:
    a. Quality job creation targets for members of historically disadvantaged communities that are concentrated in the lowest paid, contracted-out utility operations including:
    traffic control
    underground utility construction and maintenance
    asphalt removal and paving
    concrete work
    fencing installations and removal
    contaminated soil removal and remedial

erosion and sediment control
clearing and grubbing

Metrics to receive full upward adjustments include use of a collective bargaining agreement that ensures workers, regardless of race or gender, receive the same wage and benefit levels for the type of work they perform **and** expands coverage to workers that are concentrated in the lowest paid occupations that are currently un-represented by organized labor so they receive the benefits of and protections of union jobs and can climb into the middle class.

b. Use of apprenticeship readiness program ANEW or a labor- management trusteed apprenticeship program that has a documented history of recruiting members of historically disadvantaged communities and placing them in union construction careers

Rationale:

Washington State is plagued by major social inequities. According to Washington State's DSHS, The majority of households living below the Self-Sufficiency Standard have at least one adult working[1]. The pandemic and protests for racial justice have shined a light on these inequities. Without a clear plan, the true economic benefits to Washington State of record utility investments will not be fully realized. WNIDCL's suggested PIMs are geared towards maximizing job benefits in order to help address the Washington State's social and economic inequities while dis-incentivizing the use of construction contractors in the utility supply chain who mistreat their employees and create more low-income utility customers. Importantly, there are examples of success in Washington State's public sector construction market that proves that the combination of unionization and recruitment through apprenticeship readiness programs works to reduce inequality, close wage gaps for workers of color, and promotes prosperity.[2] The White House recently featured King County's priority hire program and highlighted empirical analysis that showed,

> "*A 2016 economic study that found large underrepresentation of women and people of color in the construction industry informed priority zip codes for the Priority Hire Program. From the most recent data available (2018-2021), the Priority Hire Program has exceeded its goals for the proportion of labor hours from workers in targeted zip codes: nearly one third of the labor hours were performed by participants who reside in Priority Hire communities. The program expands its reach each year and is increasing entry and diversity in the building trades, reporting a greater proportion of workers of color and women, as compared to the county and nation respectively, in 2021.[3]*"

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[1] https://www.dshs.wa.gov/sites/default/files/ESA/reports/ESA-WA-without-Poverty-2021.pdf

[2] https://www.seattle.gov/documents/Departments/FAS/PurchasingAndContracting/Labor/FAS-PC-Climate-Pledge-Arena-Final-Report.pdf

[3] https://www.evaluation.gov/2022-6-3-evidence-in-action-across-the-country/

An analysis of one-call tickets in Washington State shows that the majority of contractors in the supply chain for all five regulated utilities already pay fair wages and benefits and that only a few categories of workers are left behind. Given the smaller subset of workers who could have their lively meaningfully improved, we would anticipate there would likely be a de minimis impact on rates based on our experience if more workers were covered by collective bargaining agreements that pay prevailing wages[4].

As a next step, we recommend a working group of the utilities and WNIDCL to identify the rate impact of a priority hire program targeting low income workers of color in flagging, asphalt, concrete, and paving.

WNIDCL ALTERNATE RATEMAKING PRINCIPLES

1. **Cost-cutting incentives to create more affordable service must not come at the expense of a workforce. Any alternative ratemaking plan that rewards cost-cutting must include protections that guarantee family-supporting wages for both the in-house and contracted-out construction workforce.**

   Other utilities that have an Earning Sharing Mechanism (a form of a PIM) to incentivize utilities to control costs have adopted strong labor protections that support local workers showing that you can both incentivize cost control **and** do it in a way that doesn't ask the lowest paid workers in the utility supply chain to suffer. For example, ConEd in New York has an earnings sharing mechanism. Consolidated Edison has adopted strong protections for its contractor workforce. Contractor employees at ConEd have collectively bargained workplace protections, earn family-supporting wages, and have family health insurance and retirement benefits.

2. **Alternative rate design plan should include job creation targets and reporting requirements similar to those established in Illinois during the creation of formula rates at ComEd. Quality job creation targets ensure benefits reaped are shared with the local community, including in-house and contracted-out workforce, not just shareholders.**

[4] https://mgaleg.maryland.gov/2021RS/fnotes/bil_0004/hb0174.pdf
https://www.politico.com/states/f/?id=00000179-0a75-d22a-affb-ea7d80c70000

When Illinois passed the Energy Infrastructure Modernization Act establishing formula rates to spur multi-billion dollar infrastructure investment and modernization by the state's largest utilities, the legislation included specific construction job creation targets and transparency and reporting requirements for both direct and contracted-out job creation goals. Illinois' formula rates facilitated ComEd investment of over a billion dollars, and the creation of 2,000 FTE jobs.[5] Because ComEd has executed a Project Labor Agreement with local trade unions, ComEd created family supporting jobs with family health insurance and retirement benefits ensuring that benefits reaped were shared with the local community.

3. **Advancing social and economic equity should be a goal of any alternative rate design framework in Washington State.**

Performance Incentive Mechanisms (PIMs) have been used to provide incentives for utilities to address important policy objectives. For example, the staff of the Public Utilities Commission in Hawaii have advanced the goal of social equity in state efforts to implement performance-based ratemaking.[6]

WNIDCL supports incentives to create quality local jobs for Washington State residents. Employing disadvantaged residents on utility construction projects grows the local economy and assures a pool of highly skilled and experienced workers is ready to build and maintain vital infrastructure. The creation of family sustaining careers with employer-sponsored health insurance and retirement benefits supports the local community, helps eradicate poverty, and promotes economic and racial diversity.

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[5] Section 16-108.5 of the Illinois Power Agency Act states: "During the infrastructure investment program's peak program year, a participating utility other than a combination utility shall create 2,000 full-time equivalent ("FTE") jobs in Illinois, and a participating utility that is a combination utility shall create 450 full-time equivalent jobs in Illinois related to the provision of electric service, including direct jobs, contractor positions, and induced jobs." ComEd, *Illinois General Assembly Enacts Energy Infrastructure Modernization Act Landmark legislation will modernize grid and deliver tangible benefits to consumers*, October 27, 2011, https://www.prnewswire.com/news-releases/illinois-general-assembly-enacts-energy-infrastructure-modernization-act-132681088.html and Sec. 16-108.5. Infrastructure investment and modernization; regulatory reform, http://www.ilga.gov/legislation/publicacts/97/097-0616.htm.

[6] The staff report defines social equity as follows: "It is a public policy imperative that, to the extent possible, all customers fairly share in the costs and benefits associated with Hawaii's energy transition. If social equity is not a priority in ongoing regulatory development, there is a risk that the direct benefits of electricity system changes will unfairly accrue to a limited portion of customers and companies." Staff Report #3 - Docket No. 2018-0088, In re Public Utilities Commission. Instituting a Proceeding to Investigate Performance-Based Regulation, November 14, 2018, P. 29.