



U-210590

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September 22, 2022

Amanda Maxwell  
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Washington Utilities and Transportation Commission  
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RE: *Commission Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Ratemaking (Phase 1 – Performance Metrics)*  
Docket U-210590

Dear Ms. Maxwell:

Below are Commission staff's revised comments in the above-referenced docket.

**Jason Ball**

The MYRP Law explicitly requires performance measures for approval of an MYRP, and the practical implementation of any performance plan necessitates some level of structure and consistency. Aligned with Staff's objectives, performance measurement include the elements necessary for effective tracking of utility performance and monitoring of outcomes within a MYRP. While additional requirements and more comprehensive policies could certainly be used, Staff has focused only on those pieces necessary for this MYRP. Additionally, Staff is cognizant of the ongoing policy investigation by the Commission and its goal to develop comprehensive strategies for creating performance measures and incentive mechanisms.

The MYRP Law establishes a fixed period between rate cases and requires the inclusion of performance measures but does not dictate how these measures are used. The fixed period between cases creates incentives for the utility to reduce operating 5 costs and boost earnings. Cost discipline, a form of managerial efficiency, is a key opportunity available to both investors and customers through a MYRP. In the past, regulators and the Commission have relied on regulatory lag to provide this improved efficiency. However, with the MYRP Law, regulatory lag will no longer provide the cost discipline incentive to the utility. Therefore, performance measures, and the framework in which they operate, are a necessary component of any MYRP.

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Since rates are set on a prospective basis, the continued prudence of investments should be questioned if the performance is not being achieved. Performance Measures forge a link between shareholder risk of cost recovery and cost discipline by giving the Company an interest in the outcome through the performance measure. This is critical because, as the operator and owner of services, the Company is best situated to achieve the underlying policy objectives.

A policy objective is an informed and prioritized policy position that captures the basic reason for creating and tracking performance measures. Overall, policy objectives need to be a balance of generalization (since they can encompass large portions of a utility's business) while avoiding too much ambiguity. Since policy objectives can overlap multiple aspects of utility service, Staff proposes grouping performance measures using a second category called performance areas.

A performance area is an aspect of utility service that is being measured.

Performance measures are either qualitative or quantitative metrics for tracking certain objectives. These can range from company-wide service quality indexes to specific categories of O&M expenditures.

The cross-over between policy objectives and performance areas allows stakeholders, customers, and interested persons to sort and examine performance measures based on what they are most interested in. For example, clean energy could encompass measures from a wide range of utility services such as demand side response programs or low-income weatherization. Cross-referencing the policy objectives with the different aspects of utility services enables more meaningful tracking of utility progress towards achieving preferred outcomes.

Staff's proposed policy objectives are:

<b>Source</b>	<b>Policy Objectives</b>
Policy Objective	Clean Energy
Policy Objective	Equity
Policy Objective	Enhanced Customer Knowledge And Tools To Support Bill Mgt.
Policy Objective	Leverage Customer Contributions (Behind The Meter)
Policy Objective	Reduction Of Carbon Emissions
Policy Objective	System Wide Efficiency
Policy Objective	Fuel And Resource Diversity
Policy Objective	System Reliability
Policy Objective	Demand Side Management Expansion
CBI Categories	Energy Benefits
CBI Categories	Nonenergy Benefits
CBI Categories	Reduction Of Burdens

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CBI Categories	Public Health
CBI Categories	Environment
CBI Categories	Reduction Of Costs
CBI Categories	Energy Security
CBI Categories	Resiliency

This list incorporates both policy objectives arising from regulatory goals and those identified in the CEIP. The reason for including both is to ensure easy access of the data for all interested persons.

Staff's proposed performance areas are:

**Performance Area**

Affordability  
Electric Vehicles  
Emissions  
Customer Engagement  
Public health

Resilience

This list is not meant to be comprehensive and should serve as a starting point. Staff focused on the components of the MYRP as proposed by PSE. Where necessary and to the extent other parties propose additional measures, Staff recommends expanding the above list to include additional performance areas.

Staff recommends using a scorecard. To develop this reporting tool, Staff recommends interested parties work with PSE during the first few months of the rate year. The Commission could then review the scorecard proposed by PSE during the first portfolio review process. This proposal has the added advantage of being able to incorporate any guidance from the Commission's generic PBR investigation.

Performance Incentive Mechanisms (PIMs) are regulatory tools designed to achieve a specific policy objective by changing utility cost recovery. As discussed below, the Commission has a significant amount of experience with PIMs.

The Commission has an extensive history with performance incentive mechanisms. Staff has not undertaken an exhaustive review of all Commission precedents, but a few notable examples include:

- **Power Cost Mechanisms** – Each power cost mechanism approved for Avista, PSE, and PacifiCorp includes cost sharing directly designed to encourage managing power expenses.

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- **Decoupling** – The Commission identified in the Decoupling Policy Statement that a key rationale for implementing these mechanisms is to incent conservation beyond a utility’s statutory requirements.
- **Customer Service Guarantees** – Both Avista and PSE have service quality guarantees in Washington, requiring them to pay penalties or provide bill credits related to multiple customer service agreements.
- **Energy Efficiency Programs** – The Commission has implemented policies specifically to address the management and success of energy efficiency programs.

### **Betty Erdahl**

Yes, the Settlement’s Demand Response (DR) Performance Incentive Mechanism (PIM) is in the public interest because it will provide an incentive for PSE to overcome hurdles to implementing DR programs while not risking significant cost to customers. DR is a new, statutorily required, resource for the Company with significant barriers to implementation. Staff, in its litigation position, supported a DR PIM, but not the one presented by the Company. The Settlement’s DR PIM will push PSE to implement over 40 MW of DR in 2023 and 2024 while capping the incentive at one million dollars over the rate plan.

Taken together, the metrics proposed in the Settlement will help establish whether the Company’s investments are producing benefits for PSE’s customers and whether those benefits are being distributed equitably. The “Advancing Equity in Utility Operations” metrics will be particularly helpful in gathering equity related data necessary to make future decisions. As a whole, the proposed metrics will also help establish a baseline upon which PIMs could be built in future general rate cases.

### **Jennifer Snyder**

PSE proposed four metrics to measure performance of AMI:

1. AMI bill read success rate - electric;
2. AMI bill read success rate - gas;
3. Remote switch success rate; and
4. Reduced energy consumption from voltage regulation.

Staff believes that each of these metrics is useful but recommends that PSE track the metrics with greater detail. That is, each metric should also include specific tracking related to both highly-impacted communities and vulnerable populations in order to better identify the equity impacts and implications of PSE’s AMI performance.

PSE proposed five metrics to measure performance of demand side management:

1. Peak load management savings;

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2. Peak load management attributable to residential customers;
3. Annual electric energy efficiency savings;
4. Annual gas energy efficiency savings; and
5. Number of customers participating in gas and electric energy efficiency programs who are from highly impacted communities and vulnerable populations.

Staff does not oppose including the proposed metrics but, as with the AMI metrics described above, recommends that metrics 2 through 4 should also include specific tracking related to both highly-impacted communities and vulnerable populations.

Staff proposes several additional performance metrics that should help provide additional detail regarding PSE's performance with demand side management. For DR, Staff recommends reporting not only the capacity available, but also the amount called on each year. This includes the amount of DR that shapes customer load profiles through price response, time varying rates, or behavior campaigns; the amount of DR that shifts energy consumption from times of high demand to times when there is a surplus of renewable or non-emitting generation; and the amount of DR that sheds load that can be curtailed to provide peak capacity and support the system in contingency events. Staff recommends PSE propose an evaluation method to measure the shaping and shifting of energy through DR and solicit feedback from the Conservation Resources Advisory Group. Staff also recommends that PSE consult with each of their various advisory groups when developing customer-facing programs to help determine additional metrics that will be helpful to illustrate PSE performance in demand-side management and develop baselines for potential future performance metrics or performance incentive mechanisms (PIMs).

### **Deborah Reynolds**

PSE summarizes a list of reports and filings resulting from the proposed MYRP, as illustrated in Exh. DJR-3, showing new filings, associated filing dates, and a brief description of the information provided. Further, PSE presents a scorecard that will summarize key results for performance metrics. In PSE's response to Staff Data Request No. 290 the Company suggests, and Staff agrees, that the Commission may wish to order the submission of a periodically updated scorecard as proposed by PSE or with modifications.

While Staff supports the scorecard in general, the PSE scorecard missed the mark. PSE simply did not go far enough to address metrics in a clear, outcome-driven manner. PSE proposed a limited number of simplistic output measures that it did not connect to its overarching goals. For example, PSE proposes to track the number of electric vehicles in PSE's territory in the scorecard. This number is indeed useful, but it does not demonstrate that the electric vehicle investments being made are delivering desired outcomes, rather than simply tracking outputs. In a related example, PSE proposes to track electric vehicle supply equipment installations in geographic areas with "highly vulnerable population numbers," which is simply unclear. The AMI performance metrics proposed by PSE lack sufficient detail regarding benefits to customers, highly impacted communities, and vulnerable populations. Staff witness Snyder

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explains these deficiencies. However, Staff agrees with PSE that progress in the performance measures should be reported in a publicly available scorecard, based on data from several of PSE’s routine submissions to the Commission, which should increase transparency and build trust with the public. Staff also suggests the Commission require the Company to display the scorecard prominently on its website and update periodically.

In terms of alternative or additional reporting measures, Staff witness Ball proposes treatment of performance measures within the MYRP and reporting within a scorecard. As shown in Table 2, Staff witnesses Rector and Snyder recommend additional performance measures and reporting.

**Table 2: Summary of Staff Proposed Performance Measures**

		Citation	
1	Andrew Rector	<b>Transportation Electrification Plan</b> <ul style="list-style-type: none"><li>• Number of EVSE stations and charging ports installed through the TEP programs, broken out by program</li><li>• Energy served through the TEP programs, broken out by program</li><li>• Number of customers that are part of Named Communities<sup>28</sup> and take service through PSE’s EV tariffs</li><li>• Load profiles by customer class</li><li>• Energy and capacity of load reduced or shifted through load management activities; and</li><li>• Distribution of benefits from PSE’s TEP programs</li></ul>	Rector, Exh. ASR-1T at 30-31
2	Andrew Rector	<b>Distributed Energy Resources</b> <ul style="list-style-type: none"><li>• Number of customers served by each program, including a count of the number of Named Community members taking part in each program</li><li>• Energy and capacity provided through each program, including how much of each is owned by or sited in Named Communities</li><li>• Peak demand (in energy and capacity) avoided or shifted through DR and energy storage projects</li><li>• Value of the energy and capacity avoided or shifted through DR and energy storage projects</li></ul>	Rector, Exh. ASR-1T at 51
3	Snyder	<b>Advanced Metering Infrastructure</b> Each metric should include specific tracking related to both highly impacted communities and vulnerable populations:	Snyder, Exh. JES-1T at 15

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- AMI bill read success rate – electric
  - AMI bill read success rate - gas
  - Remote switch success rate
  - Reduced energy consumption from voltage regulation
- 4 Snyder **Demand Side Management** Snyder, Exh. JES-1T at 17
- For metrics 2 through 4, PSE should include specific tracking related to both highly impacted communities and vulnerable populations:
1. Peak load management savings
  2. Peak load management attributable to residential customers
  3. Annual electric energy efficiency savings
  4. Annual gas energy efficiency savings
  5. Number of customers participating in gas and electric energy efficiency programs who are from highly impacted communities and vulnerable populations

Specifically for Demand Response (DR), PSE should also report on the amount called on each year (by category) and the amount of DR that sheds load that can be curtailed to provide peak capacity and support the system in contingency events, as described in the citation.

Performance measures should be regularly reviewed to ensure that they are providing information that, in part, informs the Commission’s consideration of equity, which is substantially assisted by transparent and accessible reporting.

PSE is responsible for operating in an efficient manner. The Company must be able to identify and articulate the current-state reporting, and present associated use cases for adding or removing reports, filings, and or other tracking mechanisms. Thus, it is critical that the Company increase transparency to the public through reporting and tracking to adequately demonstrate that it is operating in an efficient manner on behalf of all its customers and providing safe, adequate, and efficient electric and gas service.

**Andrew Rector**

PSE has proposed three performance metrics:

- Number of residential EVs registered in PSE territory;
- Number of commercial EVs registered in PSE territory; and
- Number of EVSE located in highly impacted and vulnerable communities.

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The metrics are useful but do not go far enough to demonstrate that the investments being made through the TEP are appropriate to ensure the equitable distribution of energy benefits. The metrics are influenced by Company activities, but not substantially under PSE's control. Additionally, the metrics are structured more as outputs (amount of infrastructure in the ground) as opposed to outcomes (how that infrastructure performed to meet policy goals).

The Company's direct testimony highlights some deficiencies in tracking these metrics. For instance, it notes that data for commercial vehicles is not currently available and states that the Company will begin reporting such data "once available;" it also notes that PSE "will investigate other sources of reliable information" regarding EVSE locations in its service territory. Such comments are concerning because the data the Company might produce to track these metrics is lacking. Finally, the testimony states that PSE will count installations in geographic areas with "highly vulnerable population numbers," a definition that Staff finds insufficiently clear.

Staff proposes several alternative performance metrics:

- Number of EVSE stations and charging ports installed through the TEP programs, broken out by program;
- Energy served through the TEP programs, broken out by program;
- Number of customers that are part of named communities and take service through PSE's EV tariffs;
- Load profiles by customer class;
- Energy and capacity of load reduced or shifted through load management activities; and
- The distribution of benefits from PSE's TEP programs.

Broadly, these metrics will help establish a baseline for TEP performance, from which future performance incentive mechanisms (PIMs) may be proposed.

This metric is a very basic performance measure. It is necessary to know the raw number of charging stations and ports installed so that the Commission and other affected persons have a high-level understanding of how the Company's TEP implementation is progressing. Tracking stations and ports by program will give a more granular idea of how the TEP is performing at a program level.

Similar to the above metric, energy served through the TEP is a basic performance metric that should be tracked to establish a baseline for TEP performance and can be used to build more outcome-oriented metrics later.

This metric will help the Company establish a baseline to measure whether benefits are being distributed equitably. It is important to know which customers are participating in the programs to track who is benefitting from the programs.



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This metric will help to show when EV charging is taking place, thus helping to demonstrate whether the load-shifting policy goal is being met. One of the policy goals established by the EVSE policy statement is shifting EV loads to off-peak times to avoid unnecessary investments in generation, transmission, or distribution infrastructure.

Similar to the load profiles metric above, this metric is aimed at establishing whether load-shifting is occurring because of the Company's TEP programs.

This metric is useful because it assures the targeted customers in the program receive the associated benefits. As discussed in Staff witness Reynolds' testimony, RCW 19.405.010(6) states that the public interest includes the equitable distribution of energy benefits to vulnerable populations and highly impacted communities.

Staff expects PSE to report on the metrics as proposed by Staff witness Ball and Reynolds' testimony. Staff recognizes there is some overlap between metrics in the TEP docket and those proposed in this docket. To the extent there is overlap, the Company should use the same metrics in both its TEP and rate case reporting.

Staff does not propose any targets or PIMs for these metrics; however, Staff may do so in the future.

The PIM proposed by PSE is "number of residential and fleet EV customers on managed charging programs or time of use rates."

The PIM sets annual installation targets for three different types of EV chargers: single-family residence chargers, Level 2 fleet chargers, and direct current fast charging (DCFC) chargers. To count towards the target, the charger must be signed up to a managed load or time of use (TOU) rate. The Company would then receive a reward for each charger installed annually that meets those qualifications above the target.

The Company has not yet proposed specific targets; instead, it claims it is "still in the process of developing" those targets. PSE's testimony presents the broad outlines of its reward calculation proposal, which includes basing the reward amount on a percentage of the expected net benefits accrued per charger. However, PSE neither quantifies the costs and benefits of each charger, nor does it calculate a specific dollar amount for the reward.

Staff finds the PIM to be more of an output-oriented metric rather than an outcome-oriented one. This is problematic because the Company should be rewarded more for achieving policy outcomes rather than for investing in outputs, and the PIM as constructed does too much of the latter. Further, the lack of definition around the target and calculation of the reward is concerning to Staff. Finally, as discussed in Staff witness Ball's testimony, Staff is recommending that the Commission limit the number of new PIMs in this case.

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Exh. ASR-8 contains PSE's response to UTC Data Request No. 206. The response illustrates that the Company has a plan to track its CBIs and certain related metrics. Some of those other metrics include the amount of solar energy and capacity generated or added; the amount of energy and capacity enrolled through DR programs, and peak MW shifted; and the number of enrolled participants, both overall and among named communities.

Staff proposes four metrics that the Company should track as part of this rate case:

- Number of customers served by each program, including a count of the number of named community members taking part in each program;
- The energy and capacity provided through each program, including how much of each is owned by or sited in named communities;
- Peak demand (in energy and capacity) avoided or shifted through DR and energy storage projects; and
- The value of the energy and capacity avoided or shifted through DR and energy storage projects.

Generally, Staff proposes these metrics be reported annually, which will help PSE demonstrate both the effects of the proposed DER preferred portfolio as well as how the benefits are getting distributed and could pave the way for potential PIMs in a future general rate case. Additionally, these factors are among those that the Commission will look to when making a final prudence determination later.

Staff proposes that such information also be reported as part of the reporting mechanism proposed by Staff in this rate case because it is information that will help determine whether the benefits of the DER preferred portfolio are being distributed equitably, and to create a record in this case upon which to make a final prudence determination

Staff does not propose any targets or PIMs for the DER preferred portfolio; however, Staff may do so in the future.

Sincerely,

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