

U-210590



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September 26, 2022

Filed Via Web Portal

Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Relating to the Commission's proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, Docket U-210590

Dear Ms. Maxwell:

Puget Sound Energy ("PSE") appreciates the opportunity to provide comments to the Washington Utilities and Transportation Commission ("Commission") in response to metric recommendations provided by interested persons in Docket U-210590 earlier this month. These comments are submitted pursuant to the opportunity provided in the August 5, 2022 Notice of Opportunity to File Written Comments ("Notice").

The Notice contained a set of goals and outcomes for performance based regulation and asked commenters to provide performance metric recommendations related to those goals and outcomes by September 6, 2022. PSE provided performance metric recommendations, along with several other interested persons. PSE has reviewed these filings and offers the following comments.

PSE envisions that the Commission will select an initial list of performance metrics through this proceeding, but that this effort will continue to evolve over time, with metrics being added or removed as the Commission gains experience in performance based ratemaking. This

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adaptive approach will allow more time to consider metric recommendations that require more discussion and exploration of potential measurement approaches and data sources.

Some parties propose lengthy lists of metrics, but PSE reiterates its earlier recommendation that the Commission seek to identify a manageable number of metrics for the purposes of performance based ratemaking. The Commission should strive to limit the number of metrics to no more than 30, which still allows an average of two metrics per outcome.

Recommendations submitted in the September 6 comments illustrate a considerable amount of agreement among diverse organizations in identifying specific metrics. A high level of agreement among diverse parties should provide good rationale for identifying a core and manageable set of metrics. Furthermore, many of the commonly recommended metrics rely on existing data sets that are readily available and facilitate immediate, straightforward reporting.

Each metric that is selected for purposes of evaluating utility progress for performance based ratemaking should have agreement around 1) what is being measured and 2) how the metric is measured, including data sources and how they are applied in measurement. Metrics should be carefully evaluated based on their consistency with the 12 metric design principles set forth in the Notice. Overall, it will be important to focus on the feasibility and ease of collecting and analyzing data for each metric that is selected through this process. Additionally, in order to maintain the design principle of efficiency, the Commission should avoid metrics that will require a high degree of time and effort to track.

Each metric should demonstrate a clear link to goals and outcomes. For example, The Energy Project proposes a metric of revenue collected through riders or other adjustment mechanisms. This metric is a poor barometer of whether the utility is providing service at the lowest reasonable cost. A utility collecting a relatively large amount of revenue through riders or adjustment mechanisms could still be providing service at a very reasonable cost. Likewise, a utility collecting a relatively small amount of revenue through riders or adjustment mechanisms could be providing service at a relatively high cost.

One of the Commission's design principles is that metrics should track outputs and outcomes, not inputs. Some of Parties' proposed metrics appear to be inconsistent with this principle. For example, Public Counsel proposes a list of cost metrics involving various categories of O&M and A&G expenses per mile or customer or MWH. The goal/outcome linked to these metrics is the provision of service at the lowest reasonable cost, consistent with public

policy goals. There are much better, high-level indicators of whether the utility is providing service at a reasonable cost. The disaggregated cost metrics Public Counsel proposes are components of or *inputs* into the bottom-line cost of service, not the bottom-line cost outcomes or outputs themselves. Including all of these cost metrics unnecessarily increases the total number of metrics and fails to achieve meaningful measurement of the overall objective.

Some commenters provide recommendations for new metrics that are somewhat vague and conceptual in nature and for which the data sources are unknown or need additional development. These metric recommendations require more conversation and exploration. Other commenters recommended specific metrics to be implemented as performance incentive mechanisms (PIMs), which also may require more conversation and consideration better suited to future phases of this docket.

As recommended in previous comments, due to the overlapping and sometimes conflicting nature of the goals and outcomes, PSE encourages the Commission to give further thought to how performance metrics will be utilized in decision-making prior to finalizing an initial list of metrics. The list of metrics selected should provide a meaningful and well-rounded ability to measure performance on both new regulatory areas of focus and traditional regulatory elements.

Finally, PSE recommends that care should be taken when deciding the way in which chosen information is reported, whether into dockets or on utility websites. PSE believes those organizations that are regularly engaged in Commission activities are generally experienced enough to understand the detailed metrics being reported. However, if the Commission intends for these metrics to be actively communicated to all utility customers, their ability to readily understand and appropriately contextualize this data should be balanced with the benefits of reporting detailed information to a much wider audience. Accordingly, PSE recommends this tension be discussed and incorporated into the selection of the most appropriate metrics for general audiences so that an appropriate balance can be achieved.

Thank you for the opportunity to provide performance metric recommendations. PSE looks forward to continuing progress on performance-based regulatory structures in Phase 2 of

this docket. Please contact Wendy Gerlitz at (425) 462-3051 for additional information about these comments. If you have other questions contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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