

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Alternatives to
Traditional Cost of Service Ratemaking**

DOCKET U-210590

**COMMISSION STAFF COMMENTS RESPONDING
TO INTERESTED PERSONS' PROPOSED METRICS**

September 26, 2022

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Introduction

Staff submits these initial thoughts on the metrics filed in response to the Commission's Notice of Opportunity to Comment (Notice) in Docket U-210590, issued August 5, 2022. The Notice requested interested persons file metrics, calculations and rationale on September 6, 2022, and file responses to other persons' metrics, calculations, and rationale on September 26, 2002. Staff is grateful for the diversity of metrics proposed and offers these thoughts in response.

Staff's response comments are organized as follows. This narrative document includes responses to metrics generally, such as feedback spanning *multiple goals*. The attached spreadsheet contains feedback spanning multiple *outcomes*, or that is specific to individual outcomes, metrics, or calculations. Staff also used the attached spreadsheet to note instances where multiple commenters concurred on new or existing metrics or calculations and offered Staff's agreement or disagreement on these consistencies. As this docket will evolve, Staff emphasizes that none of its recommendations here are in final form, and that Staff may recommend additional or different metrics, goals, outcomes, or calculations in future proceedings.

General Comments Across Goals and Outcomes

Performance Metrics vs. Performance Incentive Mechanisms

In general, Staff encourages participants in the docket to remember the potential differences between the kinds of metrics under consideration, as summarized in RAP's Performance Based Regulation Report.¹ There may be metrics which utilities are required to report in order to earn a rate of return at all – called scorecard or reported metrics – but that are not tied directly to a proportional incentive or penalty. Many of the commenters' suggested metrics are likely better considered through a scorecard or reported metric lens as *performance metrics*, rather than a financial lens as *performance incentive mechanisms*.

Gaps in the Commission's Suggested Goals and Outcomes

Staff respectfully requests that the Commission provide guidance on whether it intended for proposed metrics to be limited to only those that would measure performance against the goals and outcomes identified in the Notice. Staff's perspective is that regulatory goals should connect to the Commission's fundamental public interest pillars in that essential utility service should be *safe, reliable, available, affordable, and equitable*. Staff notes that while some of the outcomes identified in the Notice do pertain to safety, the Notice does not specifically specify safety as a regulatory goal. To ensure that the Commission receives input from parties on metrics that will

¹ Filed March 2, 2022, pg. 14.

enable it to determine whether a utility's service is in fact safe, Staff recommends that the Commission consider safety-related metrics proposed by commenters, even if those metrics do not relate to a specific goal outcome identified in the Notice.

Similarly, Staff notes that the Commission did not include certain outcomes in its regulatory goal 1 (resilient, reliable, customer-focused) that Staff believes are in fact outcomes for which the Commission will want to have a metric. Examples include outage frequency/outage prevention, customer choice/customer-targeted services, customer service/service quality, and customer participation in demand-side programs. Staff notes that commenters did propose metrics in line with these outcomes, but that they are not reflected in the Commission's proposed goals and outcomes. As examples, goal 1 outcome 1, "ensure utility responsiveness to customer outages and restoration times" does not implicate outage frequency, and goal 3 outcome 4 "equitable access to all utility energy programs," including demand-side programs, does not necessarily implicate *all* customers' increased participation in demand-side programs. Staff seeks clarification on whether it was the Commission's intention to exclude from Phase 1 of this proceeding performance metrics related to outcomes not specifically identified in the Notice, or whether the Commission is open to entertaining metrics related to outage frequency, customer choice, service quality, general customer participation in demand-side programs, etc., as the commenters have proposed.

Equity in Data Granularity

In general, Staff is wary of metrics that propose measuring a variable for all named communities alongside all customers in order to capture whether utility actions are equitable. In comments regarding Clean Energy Implementation Plans (CEIPs), Staff has indicated "conditions faced by different named communities vary,"² and as such that treating them as a homogenous entity is likely not consistent with laws and rules around equitable distribution. Moreover, the distinctions between named communities and the rest of customers are sometimes muddled. As an example, according to PSE's CEIP,³ SAIDI and SAIFI in 2020 were actually higher for non-named communities than for the rest of customers. While only looking at a single year may itself skew this outcome, Staff generally believes reported metrics should differentiate *among* various forms of vulnerability, and thus among various named communities. As an example, named communities could be divided into high, medium, and low levels of vulnerability, or the Commission could choose reporting for affordability metrics among known and self-identified low-income customers⁴.

Staff also needs more information on data before agreeing that reporting data on a census tract or zip code level is a good practice across as many metrics for which it is propose. Staff needs a

² See Open Meeting Memo posted June 16, 2022, in Docket UE-210628, pg. 4.

³ Table 3-19 pg. 84 Docket UE-210795 (February 1, 2022).

⁴ See Hawaii PBR order at pp. 27.

better understanding about whether this data is available or reasonably acquired; how much data analysis, display platforms, and human resources, would have to shift; and whether, for which parts of the state, and for what kinds of metrics such a level of collection would be useful, before Staff could unilaterally agree to this kind of data reporting. Such granular reporting should likely form part of the finalized set of metrics recommended by the Commission, but Staff looks forward to further conversation first.

Distributed Energy Resources, Grid-Enhancing Technologies, and Load Alignment

Goal 2 outcome 2 and Goal 4 outcome 2 both implicate the need to cost-effectively align newer technologies with strategic timing and placement. In general, Staff believes that clear regulatory signals and financial mechanisms are needed around adoption of non-wires and non-pipe alternatives, and as such that these metrics should be discussed in depth. Staff is cautious of unilaterally referring to non-wires and non-pipe alternatives, such as AMI, batteries, or even energy efficiency, as “harm-reducing,” per goal 3 outcome 2, without a clear understanding of public perception toward these technologies, improved pathways for their adoption, and robust cost-effectiveness tests.

General Comments on Specific Goals

Goal 1: Resilient, Reliable, and Customer-focused Distribution Grid

Staff reviewed 48 separate proposed metrics addressing Goal 1. Roughly half of these proposed metrics address outcome 1, which Staff understands to represent “reliability” as measured by responsiveness to outages and restoration times. Eleven address outcome 2, understood as immediate response to broader “resiliency” short falls, while ten address outcome 3, understood as “resiliency” as indicated by success of prior planning and asset deployment.

Roughly half purportedly use existing information, while the remaining will require that new information be collected and/or derived from existing operations and data collection. To the degree that proposed new metrics can be derived from information that is already reported through other mechanisms (*e.g.*, Commission basis reports, purchased gas adjustments, power cost reporting), Staff hesitates to require duplicate reporting and manipulation of those statistics. Staff is concerned that the context of these reported statistics could be misapplied in using them to generate other indices.

Although Staff recognizes the desire to have locational specificity in proposed metrics, especially to ensure equitable outcomes, Staff does not believe that metrics designed to measure system-wide averages and incidence counts can be parsed to provide meaningful measures at any particular locations.

In general regarding Goal 1, Staff suggests:

- Keeping description and calculation of electric distribution system reliability and resiliency metrics to terms and mechanisms which are defined by the most current Institute of Electrical and Electronics Engineers published standards, while seeking comparable standards for gas distribution system reliability and resiliency;
- Building on the electric distribution system reliability reporting plans and annual reliability reporting as currently provided in dockets responding to WAC 480-100-388 Electric service reliability definitions, WAC 480-100-393 Electric service reliability monitoring and reporting plan, and WAC 480-100-398 Electric service reliability reports;
- Seeking consensus around the boundaries and mechanisms that are used to define “named communities” and how electric circuits and portions of gas distribution systems are to be delineated; and
- With regard to response times, consideration of whether average, median, range or segmented distribution of response times best provides a relevant metric, with consideration of appropriate distinction between “normal” operations and “extraordinary” circumstances.

Goal 2: Customer Affordability

As described in Staff’s spreadsheet, primarily under Goal 2, commenters suggested tracking arrearages and disconnections across multiple outcomes and with varying calculations and granularities. Versions of arrearages and disconnections are being reported in Docket U-210800. Staff believes arrearage and disconnection tracking should continue if this docket closes, but is undecided on: (1) the docket and process in which they should be tracked; and (2) the granularity and specifics of the metric calculation. Staff will bring further recommendations regarding metric calculation to the next workshop in Docket U-210590.

The commenters’ proposed metrics reference energy assistance in various forms across goals and outcomes. Staff underscores the definition of energy assistance in statute⁵: energy assistance includes, but is not limited to, weatherization, conservation and efficiency services, and monetary assistance, and may include customer ownership in distributed energy resources, such as distributed solar. Without undermining the importance of short-term bill assistance programs, such as arrearage management plans and other direct monetary assistance, Staff encourages the parties to prioritize tracking and undertaking longer-term and more permanent energy assistance mechanisms. Distributed energy resources generally offer multiplicative, wealth-building benefits that monetary assistance does not.

⁵ RCW 19.405.020(15)(a)-(b)

Goal 4: Environmental Improvements

Staff notes that one of the Commission's draft design principles is efficiency, and believes that multiple laws, such as the Clean Energy Transformation Act, Renewable Portfolio Standards, and the Climate Commitment Act, will have the effect of lowering greenhouse gas (GHG) emissions broadly. As such, Staff is hesitant about recommending broad GHG emissions reporting metrics. In line with Goal 4 outcome 1, on pollution burden and exposure, Staff believes conversations in Goal 4 should center on point-source pollution and criteria pollutants, and on the appropriate granularity to track these factors.

Conclusion

Staff closes by commending all parties involved for their patience and flexibility as we navigate a fundamental shift in how companies are regulated, and benefits distributed. Staff looks forward to future conversations as new information emerges.