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 FEEDBACK RECEIVED ON NOVEMBER 7, 2022, WORKSHOP ON PHASE 1: PERFORMANCE METRICS

December 30, 2022

Contents

Introduction

Commission Staff (Staff) are grateful for the opportunity to present these comments in response to the Commission's Notice of Opportunity to Comment, filed November 30 in Docket U-210590. The Commission requested that comments "verify that the edits" in columns A and B in the table below "accurately reflect the thoughts and perspectives shared and the workshop," and offer thoughts "on the best way to incorporate (or not incorporate) these potential revisions."[1]

Staff has offered comments below both in response to these requests, and regarding other information the Commission should consider.

Alignment of Fundamental Public Interest Pillars, Goals, Outcomes, and Metrics

Consistent with Staff's comments submitted September 26 in this docket,[2] Staff believes there may be key goals and outcomes missing from this list. Staff believes 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*. Consistent with Staff's comments in the Puget Sound Energy (PSE) rate case,[3] the Commission may be missing goals or outcomes that explicitly focus on safety/public health, customer focus/empowerment, and utility cost control/cost efficiency. While some of the desired outcomes identified in the Commission's notice may be pertinent to these key policy objectives (e.g., Goal 1 Outcome 2 – preparedness for and response to significant events – is pertinent to public health and safety), the Commission should consider whether to identify these as distinct policy goals, with desired outcomes and metrics designed to measure progress with respect to those policy goals. In addition to identifying metrics for these key policy objectives, the Commission should also consider identifying metrics for electric vehicles (which Staff recommended identifying as a distinct performance area in the PSE GRC).

As an example, while reliability (Goal 1), affordability (Goal 2), and equity (Goal 3) are fundamental public interest pillars that are covered by the Commission's current goals, safety is not. Staff continues to believe that within a performance-based framework, and particularly for utilities operating under a multi-year rate plan (MYRP) revenue cap, it will be important to have performance metrics related to service attributes that risk degradation when the utility is incentivized to cut its costs. To ensure that utilities operating under MYRP revenue caps continue to maintain safe service and pursue improvements to public safety, Staff recommends that the Commission add safety as a key regulatory goal and identify outcomes and metrics to ensure utility pursuit of that goal. Given that RCW 80.28.010(8) establishes that utilities shall construct and maintain its facilities in a manner that is safe to its *employees and the public*, Staff recommends that the Commission solicit feedback on performance metrics related to both public

[1] See Notice of Opportunity to File Written Comments, filed November 30, 2022, pg. 1.
[2] See Staff comments, filed September 26, 2022, pg. 3.
[3] See Testimony of Jason L. Ball, filed July 28, 2022, Docket UE-220066, pg. 45.

safety (such as public incident/injury/fatality rate) and employee safety (such as on-the job injury/fatality rate).

Staff also has some concerns that certain outcomes do not correspond with certain goals, and that certain metrics do not correspond with certain outcomes. Staff has pointed out this potential mismatch in column C below, though the mismatch may be broader than Staff has indicated here. Staff is happy to provide additional information upon request, but additionally the Commission might consider hiring a consultant to ensure goals, metrics, and outcomes are complete and aligned.

In sum, Staff urges caution when moving forward with metrics that may not be based on a breadth of goals and outcomes that tie to the Commission's main objectives in following the law.

Gas System Reliability and Resilience

Staff notes that the workshop did not present a robust set of metrics on gas system reliability and resilience. Staff considered multiple approaches when attempting to provide helpful feedback on how to expand on the workshop's ideas around measuring the chosen goals and outcomes for the gas system, but many of these approaches were deemed outside the scope of the Commission's jurisdiction (e.g., applicable to federally regulated gas pipeline safety). After reviewing multiple approaches, Staff recommends collaborating with consumer protection division at UTC to better understand the service quality indicators, especially those related to natural gas that are regularly filed with the Commission for all gas companies.[4]

Metrics for Equity

The Commission is deliberating on how best to measure equity for ratepayers both within this docket, and in parallel within its' decisions in the latest Cascade, PSE, and Avista rate cases.[5] Staff offers the following thoughts on measuring and evaluating equity. In general, it is important that the Commission consider whether a given outcome is desired for (1) *all* customers generally, (2) for all customers but *especially* for certain customers (e.g., low-income, named communities), or (3) *only* for certain customers. If the Commission seeks information on whether a certain goal or outcome was achieved equitably, it could consider designing higher level or aggregate metrics for each of the identified goals/outcomes, and then identify a *separate* sub-metric for equity, within that goal or outcome. Doing so would allow the Commission to

[4] As an example for one company, see PSE's 2021 Service Quality and Electric Service Reliability Report, filed March 29, 2002, Docket UE-170033, Attachment A, specifically Chapter 2.
[5] Cascade Natural Gas Final Order 09 filed August 23, 2022, in Docket UG-210755; Avista Final Order 10/04, filed December 12, 2022, in Consolidated Dockets UE-220053 and UG-220054; Puget Sound Energy Final Order 24/10, filed December 22, 2022, in Consolidated Dockets UE-220066 and UG-220067.

measure overall progress toward policy goals/outcomes as well as whether that progress is equitable.

The Commission could also consider various tiers of metrics. The Energy Equity Project's final report highlights core, intermediate, and advanced levels of equity metrics, as seen in Table 1 on procedural equity below.[6] Core metrics are intended to be institutionalized as basics for equity, while advanced metrics indicate outcomes toward which utilities and regulators should work in the long term. Such an approach may be helpful to the Commission as it moves toward standardizing a list of metrics, calculations, and benchmarks.

Table 1

Sample Procedural Measure Selection

CORE	INTERMEDIATE	ADVANCED
Ease of access to participate	Marketing materials are culturally appropriate and in multiple languages	Access for renters
Stated energy equity principles and goals	Regulatory disclosures	Utility disclosures and reporting
PUC commissioner/ decision-maker representation	Regulatory agency/utility/ contractor mandatory equity training/internal practice of equity/ diversity reporting requirements	Utility penalties for failing to hit equity targets in clean energy plans and program commitments
Financing access	Funding for home repair	Access for renters

Baseline data from PSE and AVA GRC

Staff appreciates the Commission's efforts in identifying the ten metrics listed in the final orders of PSE and Avista's 2022 MYRPs,[7] which are a good basis for evaluating overall utility performance. Some of these metrics may be ideal for covering the sorts of potential gaps in goals and outcomes Staff identified above. As the Commission considers further metrics for assessing MYRPs that may emerge from this docket, Staff thinks the Commission should ground its ideas in these very specific calculations and desired outcomes.

The rest of Staff's comments in Table 2 below are in response to specific proposed goals, outcomes, metrics, and changes to metrics, and are contained in Column C. Where there are rows missing from the Commission's original redlined table, Staff has no comments at this time.

[6] Energy Equity Project, final report, pg. 20, from energyequityproject.com.
[7] See Table 4 pg. 33 of PSE Final Order, Table 8 pg. 70 of Avista Final Order. See footnote 5.

Table 2: Specific Comments

	A) Metric title	B) Metric calculation	C) Staff response
	Goal 1: Resilient, reliable, and customer-focused distribution ~~grid~~ system		
	Outcome 1: Ensure utility responsiveness to customer outages and restoration times.		**Outcome 1 may not correspond fully to Goal 1. Note that Institute of Electrical and Electronics Engineers (IEEE) reliability metrics such as SAIDI and CAIDI are not necessarily exclusive to the distribution system. Moreover, some proposed metrics under this outcome might better fit as part of an outcome focused on outage prevention, rather than outage responsiveness. Further, very few metrics throughout this document emphasize resilience, as opposed to reliability. See further thoughts on resilience in metric 7.** **Consistent with Staff's comments filed September 26, Staff encourages consistency with IEEE-established reliability standards when it comes to the design of reliability metrics.**
1	Equity in Reliability (SAIDI and CAIDI) for Named Communities and Non-named Communities.	Sum all customer interruption minutes for interruptions greater than 5(?) minutes for one year and divide it by the average annual customer count. Provide this calculation for the service territory as a	Consistent with Staff comments filed September 26,[8] Staff is unsure about the feasibility of using metrics designed to measure system-wide averages and incidence to provide meaningful measures at any particular location, and heard agreement from other contributors as to this doubt. Indeed, through its participation in the national labs' Grid Modernization Lab Consortium (GMLC) on equity in utility regulation, Staff heard, *"even if a utility chooses to report SAIDI and SAIFI metrics with major events included, these metrics still only communicate the impacts experienced by the average customer, and provide no insight into how those impacts were distributed across different*

[8] Staff Comments pg. 5.

		whole and separately for Named Communities. Not applicable to gas. With and without major event days?	*customers."*[9] In sum, as above, Staff discourages use of conventional system reliability metrics to illustrate community-specific dynamics. Staff believes other metrics are better suited for measuring outcomes for and among named communities, such as DER investment and affordability, which is already accomplished in part through metrics 25 and 26.
2	Equity in Reliability (SAIFI and CAIFI) for Named Communities and Non-named Communities.	Sum the total number of all customer interruptions for interruptions greater than 5(?) minutes for one year and divide it by the average annual customer count. Provide this calculation for the service territory as a whole and separately for Named Communities. Not applicable to gas. With and without major event days?	See comment in metric 1.
	Outcome 3: Resilient infrastructure and service, including distributed energy resources, to enable customers to		

[9] See Exhibit: GMLC WA TA - Scorecard Feedback Q&A.

	maintain essential functions during times of potential outages.		
7	Equity in Resilience Investments	Percent of proposed resilience projects in Named Communities that are completed every year, compared to a proposed projects list that is approved/communicated (need definition/process) by the Commission. 3 numbers—numerator, denominator, and percentage. Suggest measuring percent spending in named communities instead of percent projects. Focus is impact of projects and spending.	Consistent with feedback at the workshop, there is a need to better define the terms "resilience," "resilience project," and "proposed projects list that is approved/communicated," as this category of investment does not exist in current utility processes. The latter two phrases do not exist in current utility processes at the Commission, and Staff hesitates to recommend creating a new category of projects in order to comply with this metric, given utility investments often have multiple benefits (beyond resilience), and Staff is unsure utilities should be incentivized to invest in projects with a singular expected outcome. In defining resilience, the Commission could look to developments in Docket UE-210804 on developing a jurisdictional-specific cost-effectiveness test, including the current straw proposal.[10] Staff notes that key guidance, including CETA,[11] on equity in resilience, implies defining resilience broadly (i.e., not specific to energy infrastructure). This is consistent with feedback Staff received from the national labs through participation in the GMLC on equity.[12] These GMLC deliverables provide the Commission with ideas on how to further measure and specify resilience investment, without creating a separate category of resilience projects.

[10] See Straw Proposal for Jurisdictional-specific Cost-effectiveness test, filed November 7, 2022, in Docket UE-210804.
[11] RCW 19.405.010(6).
[12] See Exhibit: GMLC Task 1 Deliverable 1 Equity in Security and Resiliency.

			Further, as DERs are the primary customary vehicle for utilities to deliver energy resilience, defined narrowly, to customers, the Commission should highlight how this metric will be distinct from metrics 25 and 26. Finally, this metric may better fit as part of Goal 3 Outcome 3, equitable access to utility programs, as this metric focuses on resilience for certain customers, not resilience for all customers (which is the focus of goal 1 outcome 3).
	Goal 2: Customer Affordability		
	Outcome 1: Reduce energy burden for customers experiencing high energy burden, especially those in Highly Impacted Communities, Vulnerable Populations, and low-income customers.		**The Commission should work closely with the Department of Commerce and its energy assistance advisory group, in their implementation of RCW 19.405.120, to ensure data granularity on energy burden and energy assistance is usable, generalizable, and efficient across the state and the state's many implementing entities. The reporting of MYRP performance measures and outcomes identified in the Final Orders of the PSE and Avista rate cases[13] should also provide valuable data to help the Commission understand whether zip code or census tract-level reporting is more useful for understanding disparities in these service territories.**
13	Average Energy Burden	Annual residential bill/average area median income by zip code for all customers, comparing outcomes in Non-named Communities with Named Communities, with electric and natural gas service stated	Staff's concern is data efficiency. The current metric calculation proposes reporting of average bill, high and/or excess burden, for all customers, for named and non-named communities, and by either census tract or zip code. Staff suggests narrowing the scope of this reporting.

[13] Tables 4 and 8, pgs. 33 and 70. See footnote 5.

		separately for dual fuel utilities. Also suggest percent or number of customers experiencing high energy burden. Suggest measuring excess burden. Consider burden as total of all fuel sources (electric and gas) for dual- fuel; but suggest separate reporting by fuel is still needed. Suggest **census** tracts rather than zip codes.	
	Outcome 2: Maximize utilization of cost-effective distributed energy resources and grid-enhancing technologies.		
15	DER Utilization	Count of MWh and MW provided by each cost-effective DER programs, and Percentage of MWh and MW provided by each cost-effective DER program as a total of MW demand. Suggest there may be reasons to deploy DER other than cost-effectiveness. Clarify enrollment	Regulatory Assistance Project has highlighted that tracking general DER deployment across an entire service territory, without targeted incentives to encourage deployment in certain areas, could lead a utility to concentrate DERs only where distribution and transmission costs are low.[14] A complementary distributional equity analysis, required by the recent PSE GRC final order,[15] as well as Docket UE-210804,[16] might illustrate where DERs are not only efficient, but equitable, to install.

[14] See Performance-Based Regulation for Distribution Utilities, Regulatory Assistance Project, December 1, 2000.
[15] PSE Final Order pg. 71. See footnote 5.
[16] See Presentation for Workshop #5, filed December 5, 2022.

		vs utilization (suggest we need both). *Revised: Energy and capacity of all applicable DERs and percentage of that energy and capacity utilized annually*	In order to further encourage equitable distribution, cost-effectiveness should be considered at the broad program level. Targeted initiatives to increase equity should not be held to the same standard of cost-effectiveness.
	Outcome 4: Lowest reasonable cost compliance with public policy goals and environmental requirements.		
17	Incremental Cost	For electric, as calculated and reported in utility filed CEIP. For natural gas, lowest reasonable cost of compliance with CCA. Suggest metric on geographic distribution of costs. May need to incorporate equity at some point.	The Commission should not use a CETA incremental cost calculation as its metric for lowest reasonable cost compliance. Incremental cost is meant to capture the cost of the actions that the utility would not have taken but for the requirement to comply with the clean energy standards and associated equity requirements in RCW 19.405.040 and RCW 19.405.050, and it is already reported through the CEIP process. As such, CETA incremental cost does not measure whether utility compliance with CETA is at the lowest reasonable cost, merely what the *incremental* cost of compliance is. Moreover, incremental cost is specific to CETA, and not to all relevant public policy goals and environmental requirements. In sum, this is not a comprehensive measure of lowest reasonable cost compliance. Staff does not have any ideas for replacement metrics at this time, but believes lowest reasonable cost compliance is likely best monitored through the planning process, rather than as a distinct metric.

	Goal 4: Environmental improvements	
	Outcome 2: Cost-effective alignment of load with clean energy generation and storage through load management, energy efficiency measures, and demand response.	**Outcome 2 may not correspond with Goal 4, environmental improvements, especially in a future Washington with an already high percentage of clean generation.** **The state of Minnesota measures this outcome through the following PBR metrics.** Demand response, including (1) capacity available (MWh) and (2) amount called (MW, MWh per year) • Integration of customer loads with utility supply, including: 1. Amount of demand response that shapes customer load profiles through price response, time varying rates, or behavior campaigns. 2. Amount of demand response that shifts energy consumption from times of high demand to times when there is a surplus of renewable generation. 3. Amount of demand response that sheds loads that can be curtailed to provide peak capacity and supports the system in contingency events. 4. Metrics that measure the effectiveness and success of items 1 to 3, individually and in aggregate.[17]

[17] See Considerations for Washington State, Regulatory Assistance Project, filed March 2, 2022, in Docket U-210590, pg. 34.

29	Utility ~~Electric~~ Load Management Success	Energy and capacity of load reduced or shifted, and percent of load reduced or shifted, through load management, storage, energy efficiency, and demand response activities conducted by the utility, by activity (*e.g.*, demand response versus energy efficiency). May need separate definitions for electric and gas. Should include management of transportation electrification loads, including bidirectional charging capabilities.	Per workshop feedback, Staff suggests rewording metric if the desired outcome is alignment with "clean load and storage." Even rewording to focus on *peak* load has its limitations, since high renewable penetration (e.g., solar) could correspond with peak demand. The Commission may wish to consider an emissions peak, rather than a demand peak, if the goal of this outcome is environmental improvement.

Summary

In sum, Staff has provided ideas for better aligning calculations, metrics, outcomes, and goals, encouraged consistency with current and prior reporting, and highlighted some arenas where new and different approaches may be appropriate. While there is significant work yet to be done, Staff congratulates the Commission on its progress so far. Many metrics, outcomes, and goals it seeks to solidify are a first for the state and country. Staff looks forward to collaborating with all interested parties as this hard work continues.