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**Via UTC Web Portal**

Amanda Maxwell  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Sq. Loop SE  
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COMMISSION

Re: The Energy Project Feedback on Draft Work Plan, Docket U-210590

Dear Director Maxwell:

On January 5, 2022, the Washington Utilities and Transportation Commission (Commission) issued a Notice of Opportunity to File Written Comments on its proposed work plan for Phase 2A of this proceeding. The Energy Project (TEP) respectfully submits the following feedback on the proposed work plan for Phase 2A.

**1. Introduction**

TEP is generally supportive of the process the Commission has identified for Phase 2A of this proceeding. TEP appreciates the effort the Commission has put into devising a work plan that gives the space and time for a comprehensive approach to creating performance measures. Below we provide several recommendations designed to provide the Commission more thorough and considered comments from parties by improving the quality of proposed calculations and including a dedicated time period for development of the reporting and review process.

**2. Proposed Commenting Period**

TEP is concerned with the time allocated for parties to propose calculations and a metric reporting and review process. The Commission proposes a two-month period for parties to draft and submit comments that propose calculations for each metric, identify data needed for the calculations, and suggest the frequency and process of reporting and reviewing each metric. TEP respectfully requests more time for parties to properly develop methodologies for the calculations and reporting and review processes. Determining the calculation methodologies for each of the approximate 50 metrics and reporting and reviewing process is a key part of the performance-based ratemaking process. Accordingly, we are concerned that trying to complete

this task in two months will lead to hastily developed metrics; rushing this process could provide utilities unintended incentives or penalties. Thus, parties need sufficient time to develop calculations that accurately assess utility performance and create a clear review process.

TEP’s proposed schedule establishes two, separate comment periods: one for proposed metrics calculations and another for reporting and review. Under TEP’s suggestion the commenting period will be as follows:

Event	Anticipated Dates
Notice for Written Comment (general concept questions): <ul style="list-style-type: none"> <li>• What are parties’ proposed calculations for the established metrics?</li> <li>• What is the proposed calculation for each metric?</li> <li>• What data is needed for the calculation? Is it already being collected/reported, and if so, how? If it isn’t being collected, how should it be?</li> <li>• What term definitions need to be established to support the metric and calculation? What are your proposed definitions for those terms?</li> </ul>	April 2023
Written comments due	June 2023
Workshops <ul style="list-style-type: none"> <li>• Discussion of Metric Calculation and Terminology</li> </ul>	July 2023
Notice for Written Comment (general concept questions) <p>What would parties propose for a metric reporting and reviewing process?</p> <ul style="list-style-type: none"> <li>• How frequently (e.g., annually) should utilities report on specific PBR metrics?</li> <li>• What process should be used for reviewing, approving, and publicizing the metrics?</li> <li>• Identify any PBR metrics and rate case metrics that are duplicative or overlapping and suggest whether and how to consolidate metrics in those cases.</li> <li>• How should the calculation results be interpreted when assessing performance?</li> <li>• When and how should reporting for PBR metrics occur, and should that be on the same schedule as rate case metrics?</li> </ul>	July 2023
Written comments due	September 2023
Workshops <ul style="list-style-type: none"> <li>• Review and reporting process</li> </ul>	October 2023
Determine after workshops if additional workshops and/or comment periods are needed.	September – November 2023

Start discussion on whether the Commission Basis Report Rules need to be revised (through a rulemaking within this proceeding or another).	
Develop and collect comments on Phase 2B work plan	October 2023
Written comments due	November 2023
Policy Statement	December 2023

### 3. Remaining PBR Proceeding Work Plan

In its Notice, the Commission also asked parties if we have any other comments on the overall work plan beyond Phase 2A. TEP commends the Commission on creating a work plan that fosters collaboration among parties and the Commission to develop metrics and performance incentive mechanisms. TEP looks forward to participating in Phase 2B (Multiyear Rate Plans and Revenue Adjustment Mechanisms) and believes it is the appropriate next step for this proceeding. Evaluating existing mechanisms and identifying best practices and approaches to MYRP revenue adjustments is a critical part of performance-based ratemaking, especially because utilities are already filing MYRPs before the Commission.

After Phase 2B, TEP recommends that the Commission consider moving Phase 4 (Alternatives to Traditional Cost-of-Service Regulation) before Phase 3 (Performance Incentive Mechanisms). Although performance incentive mechanisms (PIMs) can be used within the traditional cost-of-service regulatory model, we believe that widespread adoption of PIMs best serves the public interest under alternative forms of regulation that better tie the utility's financial incentives to preferred policy outcomes. There are a number of alternative forms of regulation the Commission could consider during Phase 4, and consequently the design of the PIMs should be informed by the Commission's decisions during that phase. For example, the extent to which the Commission ties the utility's return on equity to its performance metrics should inform the level of penalty and incentive associated with each specific PIM. As such, it makes more sense to first discuss alternative forms of regulation, and how PIMs are used within alternative regulatory frameworks before the Commission authorizes PIMs in this proceeding. As the Commission recognizes in its Work Plan, the "interplay between existing mechanisms, MYRPs, performance metrics, and PIMs" are components of the type of regulatory framework the Commission ultimately adopts.

TEP looks forward to participating further in this proceeding. TEP thanks the Commission for the opportunity to submit these comments. If you have any questions about these suggestions, please contact Brad Cebulko at [bcebulko@strategen.com](mailto:bcebulko@strategen.com) or (510) 296-8481.

Very truly yours,

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