U-210590

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Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Docket U-210590 - Joint Utility Comments on the Commission's Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making

Dear Director Killip:

In accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to File Written Comments (Notice) issued in Docket U-210590 on December 13, 2023, regarding the development of a "policy statement addressing alternatives to traditional cost of service ratemaking" Avista Corporation, Puget Sound Energy, Inc. (PSE), PacifiCorp, Cascade Natural Gas Corporation, and Northwest Natural (NW Natural) Gas Company ("Joint Utilities") submit the following comments.

Docket U-210590 was opened in compliance with Engrossed Substitute Senate Bill 5295, which directs the Commission "to conduct a proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures or goals, targets, performance incentives, and penalty mechanisms."[1] Phase 1 of this proceeding seeks to establish design principles, regulatory goals, and outcomes related to performance-based regulation, as well as identify performance metrics.

The following responses to the specific questions posed in the Notice are intended to help further progress toward a policy statement in Phase 1:

1. **What connection should be made, if any, between the work in this docket and the performance measures in a Multi-Year Rate Plan (MYRP) as required under RCW 80.28.425(7)?**
    a. **Connection: How do you see the metrics and direction from this docket working with metrics and performance measures identified in and approved in future MYRPs, Clean Energy Implementation Plans (CEIPs), or other existing reporting requirements?**

[1] State of Washington, 67th Legislature, 2021 Regular Session, Engrossed Substitute Senate Bill 5295, p.1, lines 8-12.

b. No connection: How do you propose the various avenues for metric proposals be kept distinct from one another?

Response: The Joint Utilities' original understanding of this docket was that it would establish a specific set of performance measures to be included in MYRPs. However, reflecting on the experiences over the last year discussed above, the Joint Utilities question whether metrics provided in the Commission Notice of Opportunity to Comment, dated November 30, 2022, should be used for performance metrics in each utility's MYRP.
Phase 1 of this docket was paused in January 2023, after parties submitted comments on the Commission's draft metrics provided in the Commission Notice of Opportunity to Comment, dated November 30, 2022. Since that time, much has transpired in the area of performance metrics. PSE and Avista both completed general rate case (GRC) processes that included extensive performance metrics as a result of settlements in those cases. Additionally, the Commission required a set of additional performance measures they deemed "necessary to meet the legal requirement for the Commission's future assessment of PSE's operations under the MYRP."[2] A similar requirement was included for Avista. Yet, the required Commission metrics are not included in the draft metrics list in this docket. Additionally, Avista and PSE have collected, analyzed, and reported on these numerous metrics, Commission staff has provided comments on these metrics, and all utilities have engaged with their respective advisory groups to inform thinking on metrics over the course of the last year.

Regarding the list of draft metrics in this docket, the list is too prescriptive and, in some instances, too granular for the Commission to effectively act on within a rate case. Second, as experience with performance metrics evolve, there will inevitably be improvements in the approach to measurements over time. Also, each utility's circumstances and challenges will be different and will change over time. RCW 80.28.425(7) accounts for this by allowing a utility to propose its own performance measures, incentives, and penalty mechanisms. Finally, many of the metrics are duplicative of existing reporting requirements that are monitored under other established processes. This docket should focus on guidance related to metrics specifically for the evaluation of utilities performance relative to MYRPs. The Commission should be mindful that there are many other extensive reporting requirements for utilities and endeavor not to duplicate metrics unless that duplication is essential to reviewing the performance of a utility in a MYRP.

While the draft metrics list may not be an appropriate next step across all utilities, the performance metrics currently required for PSE and Avista are much too voluminous, creating burdens on utilities associated with staff time and processes for reporting, administrative burdens for Commission staff and interested parties, as well as being much too complex for any customer transparency objectives. Utilities will need some guidance to ensure a manageable number of metrics are established for each MYRP.

[2] Final Order 24 in Dockets UE-220066 and UG 220067 at paragraph 109.

The Joint Utilities offer the following recommendations regarding how to proceed on the issue of establishing metrics for MYRPs:

1) Review the goals established in Phase 1 to ensure they are comprehensive and establish an accurate and appropriate foundation for metrics associated with reviewing performance on a MYRP for all utilities.
2) Direct utilities to determine, in each MYRP, a limited number of metrics to demonstrate performance on each final goal. This limited number could be expressed as a range (e.g. each utility must determine and report on at least 2 and no more than 5 metrics for each goal). The overall objective should be for each utility to have a meaningful, but manageable number of metrics.
3) Provide guidance that the determination of MYRP metrics should not be overly duplicative or overlapping with other utility reporting processes. Duplication will likely only result in burdensome reporting processes and measures that provide little to no value. One exception to this may be limited duplication of a small number of Customer Benefit Indicators developed for utility Clean Energy Implementation Plans.

2. Please identify which of the proposed metrics for which Advanced Metering Infrastructure (AMI) can provide insight or relevant data?

Response: The Joint Utilities understand this question to be in reference to the use of AMI interval data, rather than monthly billing data provided by AMI meters, for purposes of providing insights into reporting on performance measures. Utilities use AMI interval data for certain reliability purposes, as well as for some purposes related to transportation electrification (TE). However, for some metrics, utilities may or may not rely on AMI data directly for calculations because they may have other data management tools in place. For example, for reliability, Avista does not use AMI data directly in the calculations for reliability metrics as its Outage Management Tool is the system of record, but AMI data is used to help inform the outage validation and data cleanup process. In addition, it is important to note that not all utilities currently use AMI to serve Washington customers.

3. Distributed Energy Resources (DERs) are the subject of multiple metrics (Proposed Metrics Nos. 14, 15, 25, 26, and 30). A least-cost requirement exists under the current regulatory framework. The Clean Energy Transformation Act (CETA) requires the equitable distribution of energy benefits and burdens. These two requirements are potentially at odds with one another. Where should the Commission focus its efforts in developing incentives and/or data collection at this time given that multiple iterations of the PBR process are likely necessary? Please provide the rationale for your proposed DER focus.

Response: This question does not appear to be relevant to gas utilities. For electric utilities, the least-cost requirement that exists under the current regulatory framework does not necessarily conflict with the requirements under CETA regarding the equitable distribution of energy benefits and burdens. This question alludes to the fact that DERs may not be cost-effective, however, there may be some justification to still invest in DERs including, but not limited to, equity considerations. Given that DERs are just one type of resource option in the clean energy transition, the number of metrics in the list associated with this resource option seems excessive. The Commission should ensure that final performance metrics adopted for any MYRP do not incentivize or influence any one resource type over other resource options unless there is a statutory or regulatory rationale for such preference. With that being said, it would be useful for the Commission to consider if developing incentives and/or data collection specific to DERs is necessary.

The following are the primary types of DERs and the Joint Utilities' recommendations for where the Commission should focus its efforts:

1) Distributed Generation, including storage and demand response – distributed generation should be treated similarly to all other supply-side resources, without preferential treatment or bias towards investing in them. If the Commission does not believe that current cost test methodologies or evaluations adequately value distributed generation, especially as it relates to Non-Energy Impacts (NEIs), then focus should be given to this. If a new cost test is developed in Docket UE-210804, and if these resources are not cost-effective after considering NEIs, then they should not be given preferential treatment.
2) Energy Efficiency – for energy efficiency, utilities must acquire all cost-effective conservation, but electric utilities are allowed to invest in non-cost-effective conservation for low-income customers and the incorporation of customer benefits and equity considerations under CETA may provide additional flexibility for conservation in Named Communities. Further, gas utilities may be allowed to invest in non-cost effective conservation with revenues from no-cost allowances under the CCA. Not all utilities include energy efficiency cost recovery and related discussion of programs and investments in MYRPs. In these instances, it may not be appropriate to include performance metrics related to energy efficiency in a MYRP.
3) Electric Transportation – For electric transportation, similar to energy efficiency, electric utilities have aspirational goals to invest 30% of TE investments in projects/programs that benefit Named Communities. Not all utilities include transportation electrification cost recovery and related discussion of programs and investments in MYRPs. In these instances, it may not be appropriate to include performance metrics related to energy efficiency in a MYRP.

4. The Commission is interested in an alternative proposal for Metric 20 *Customers Who Participate in One or More Bill Assistance Programs*. Specifically, how should the recent approval of Bill Discount Program Tariffs be reflected in the performance metric?

Response: Bill discount programs are a form of a bill or energy assistance program, thus customers enrolled in a bill discount would be counted within this metric, as drafted.

When considering appropriate metrics for measuring utility performance relative to energy assistance, the Commission might consider the concept of energy burden, as defined in CETA.[3] Not all customers eligible for energy assistance are energy-burdened. Given the statutory emphasis on reducing energy assistance needs, defined in the context of energy burden, the Commission should consider whether it is appropriate to measure energy assistance progress by number of customers enrolled, or whether MYRP metrics should instead focus on the efficacy of energy assistance programs to reduce energy burden in its service territory.

5. **The Commission is interested in proposals for an Electric Vehicle (EV) and/or Electric Vehicle Supply Equipment (EVSE) metric. Consideration should be given to the Interagency Electric Vehicle Coordinating Council's statewide Transportation Electrification Strategy, impacts for urban versus rural geographies, and low-income customers.**

Response: This question does not appear to be relevant to gas utilities. Electric utilities may submit transportation electrification (TE) plans pursuant to RCW 80.28.365. In the case of PSE, PacifiCorp, and Avista, these TE plans include metrics to evaluate progress. Interim reporting and monitoring on these metrics are part of each investor-owned utility's TE Plans. For this reason, it may not be necessary or desirable to duplicate those metrics for MYRP. Furthermore, TE is not in scope for all electric utility GRCs. For example, PSE currently recovers TE costs through a tracker so that those costs can more easily be tied directly to programs as they continue to mature and evolve.

For Avista, it is already reporting several TE metrics within its current MYRP; however, the number of metrics is excessive and duplicative to what is reported in its TE plan. While this data could be easily provided within the scope of MYRP metrics, it does not seem necessary. Similarly, PacifiCorp's TE plan also includes several metrics that were co-designed with interested parties and Commission Staff during the development of PacifiCorp's TE plan. PacifiCorp's Clean Energy Implementation Plan also contains metrics related to advancement of electric vehicle infrastructure and knowledge. It would be helpful for the Commission to elaborate on exactly what types of TE metrics it finds valuable for measurement within a MYRP, such as the amount of benefits flowing to Named Communities and amount of TE load shifted to off peak charging for example. Beyond these two examples, providing an abundance of TE data in this setting is not useful and does not have the same interested party engagement that occurs within the TE plan setting.

[3] *See* RCW 19.405.020 (15) through (17) and RCW 19.405.120 (4). While CETA's focus is on electric utilities, the definitions and terms for energy affordability issues in CETA have been pertinent for all utilities.

Please contact any of the Joint Utilities signatories below with any questions or for additional information about these comments.

Sincerely,

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