



February 7, 2024

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Re: The Commission proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking (Phase 1 – Performance Metrics), Docket U-210590.

I. INTRODUCTION

Renewable Northwest thanks the Washington Utilities and Transportation Commission (“the Commission”) for this opportunity to file written comments in response to the December 13, 2023, Notice Resuming Proceeding and Opportunity to File Written Comments (“the Notice”). We appreciate the Commission’s responsiveness to stakeholder concerns that Phase 1, Performance Metrics, needed additional collaboration before advancing to the Phase 2A work plan.

We understand that upon receiving this round of stakeholder feedback, the Commission aims to promptly issue a policy statement directing the scope of the docket. Renewable Northwest encourages the Commission to consider how the work in this docket can lead to transformative change to the existing cost of service model, disrupting the traditional link between spending and earning that has framed electric service rate making for decades and has likely motivated utility behaviors misaligned with economic efficiency and the achievement of state policy initiatives. Today, Washington utilities should be seeking creative solutions to enable system-wide decarbonization, and this docket is an opportunity to develop a next-generation performance based ratemaking (“PBR”) system that creates a positive feedback loop, with utilities earning returns on investments that align with state policy goals, support customer wants and needs, and foster competition.

Considering the forthcoming policy statement, we begin our comments briefly discussing the scope of the docket. We then discuss the need to more thoroughly incorporate “grid modernization” into the performance metrics moving into Phase 2, and we recommend one way to succinctly accomplish this. Finally, we address the questions posed in the Notice, and we look forward to how these discussions will expand as we move beyond the early identification of regulatory goals and desired outcomes.

II. COMMENTS

Before moving into our responses to the questions posed in the Notice, we begin by supporting a scope for this docket that continues to encompass all five phases outlined in the Commission’s summary of the November 7, 2022, workshop:¹

- Phase 1 – Performance Metrics
- Phase 2A – Reporting and Review
- Phase 2B – Multiyear Rate Plan
- Phase 3 – Performance Incentive Mechanisms
- Phase 4 – Alternatives to Traditional Cost-of-Service
- Phase 5 – Continuous Policy Process

Though the Commission may not intend to revise this outline, we are concerned that the first question posed in the Notice implies that the Commission is considering narrowing the scope of the docket. Again, we may be misreading, but seeing as this is likely the final opportunity to weigh in on the general direction of this docket, we feel it necessary to support the original scope.

Additionally, we recommend that the draft metrics outlined in the Commission’s November 30, 2022, Notice of Opportunity to File Written Comments, be revised to include a fifth goal: Grid Modernization. Currently, there are references to grid resilience and reliability, as well as technologies to improve customer affordability (i.e., DERs and GETs). But state policy recognizes that transmission may be a barrier to meeting CETA’s clean energy mandates,² and the PBR framework offers an opportunity to reduce that barrier by incentivizing grid modernization practices. These technologies contribute meaningfully to grid resilience and reliability, as well as customer affordability, but the benefits of a modernized grid go even further by actually reducing the need for additional transmission capacity, relieving congestion, and mitigating renewable curtailment.

¹ UTC Docket 210590 Nov 7 Workshop Summary, *available at* [UTC Docket 210590 Nov 7 Workshop Summary_final.pdf](#).

² RCW 19.405.150

Relatedly, the Energy Facility Site Evaluation Council (“EFSEC”) convened the CETA-mandated Transmission Corridor Work Group (“TCWG”) with the objective of delivering an official report to the governor outlining principles for transmission system development. Of particular relevance to potential PBR metrics are the following principles outlined in the final report:³

- Optimize grid operations and enhance the capacity of existing infrastructure
- Efficiently utilize system capacity
- Upgrade existing infrastructure

Finally, in 2023 the legislature passed SSB 5165, which incorporated into Washington utilities’ integrated resource plans the requirement to assess “opportunities to make more effective use of existing transmission capacity through improved transmission system operating practices, energy efficiency, demand response, grid modernization, nonwires solutions, and other programs if applicable.”⁴

A PBR metric that incentivizes utility investment in technologies supporting grid modernization would align with the principles identified by the TCWG and those incorporated into the IRP process by the legislature. Moreover, until the Legislature is able to more fully realize the TCWG’s identified principles for transmission system development, the PBR framework may be the most feasible near-term solution to encourage utility investments in this area.

Building upon the Commission’s thirty-two draft metrics, we recommend the additional goal of “Grid Modernization” be composed of the following outcomes and related metrics, though as this field of study develops, there may be more opportunities to expand goal metrics to address outcomes of cybersecurity, connectivity, and more. Additionally, some elements of the existing draft metrics may be more relevant to this goal (e.g., electrification and bidirectional charging).

	Metric title	Metric calculation
Goal 5: Grid Modernization		
Outcome 1: Increase the capacity for integration of renewable and nonemitting generation onto existing grid infrastructure		
33	GETs Utilization	MW capacity of renewable and nonemitting generation

³ TCWG Final Report (Aug. 2022), *available at* https://www.efsec.wa.gov/sites/default/files/181034/Final_TCWG_Report%20_2022_0801.pdf.

⁴ SSB 5165 sec. 2 (2023).

		enabled by GETs; ⁵ <i>or</i> amount of deferred investments (\$) in new T&D infrastructure enabled by GETs.
Outcome 2: Increase grid safety and flexibility		
34	Deployment of storage and hybrid resources	MWs of storage systems procured

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)?

MYRPs introduce additional rewards and risks into the utility regulatory framework, and the inclusion of performance measures can balance cost control and support state policy objectives. The implementation of MYRPs in Washington was largely driven by utility and Commission support for the forward-looking nature of this type of ratemaking, as opposed to the annual general rate case process which relied on historical costs.⁶ With all directly-impacted parties agreeing that a forward orientation is the best way to achieve state policy, then the next logical step would be the incorporation of a PBR framework into the MYRP process that is outcome-based, establishing performance incentives that offer opportunities for utilities to earn additional revenue.

We recommend that the aim of this docket be to complement the existing cost of service model by establishing foundational revenue adjustment mechanisms and policy-supportive performance mechanisms to modernize the ratemaking process, spark utility competition, and bolster utility decarbonization by combining reward-based incentives with the existing penalty-based compliance frameworks upholding Washington’s primary electricity decarbonization policy.⁷

⁵ The 2021 Brattle study, “Unlocking the Queue with Grid-Enhancing Technologies,” found that the combined impact of three technologies (Advanced Power Flow Control, Dynamic Line Ratings, and Topology Optimization) doubled the amount of additional new renewables integrated in the SPP footprint study area. The full report is available at https://watt-transmission.org/wp-content/uploads/2021/02/Brattle__Unlocking-the-Queue-with-Grid-Enhancing-Technologies_Final-Report_Public-Version.pdf#90.pdf

⁶ At the Jan. 27, 2021, public hearing, representatives from the three IOUs, WUTC Chair Dave Danner, and other stakeholders testified in favor of SB 5295. Recording available at <https://twv.org/video/senate-environment-energy-technology-committee-2021011445/?eventID=2021011445>.

⁷ CETA’s penalty-based compliance framework is outlined in RCW 19.405.040(9).

Performance-based ratemaking has been implemented to various extents in at least two dozen jurisdictions,⁸ and within the last couple years there has been a great deal of analysis performed by third-party research organizations that can help guide Washington’s approach.⁹ A PBR approach includes MYRPs, but the benefits of this approach are amplified in conjunction with some combination of its other components: revenue decoupling mechanisms which aim to reduce the “throughput incentive” that connects electricity sales to utility revenue, policy-supportive performance metrics in the form of performance incentive mechanisms (“PIMs”) that link earnings to measured performance, and an emphasis on a class of “emerging” performance mechanisms that incentivize underused practices (*e.g.*, DER integration, load management, and grid modernization).¹⁰

Emerging performance measures, as opposed to the more traditional measures focused on utility operations, can incentivize utilities to launch new initiatives and invest in technologies that may be difficult to prioritize without a clear incentive structure. Incorporating the performance measures identified in this docket into utilities’ MYRPs can not only help enhance the incentives for clean technology investments but also offer utilities a consistent framework to understand the impact of these investments and align their financial goals with their performance over the multi-year rate period.

For example, linking utility performance to financial rewards and penalties may encourage diligence in utilities’ assessment of grid efficiency. Currently there is a pronounced need for new transmission capacity to support regional clean energy needs, but there is also considerable unused capacity on the existing grid,¹¹ unnecessary renewable energy curtailment, and suboptimal grid operation (including by measures of voltage regulation, power quality, and grid stability). And with no clear incentive to invest in grid modernization technologies that ensure

⁸ *See, e.g.*, “Regulatory evolution for a decentralized electric grid: State of performance-based ratemaking in the U.S.” EnerKnol and Wood Mackenzie Power & Renewables (June 17, 2019), *available at* <https://enerknol.com/regulatory-evolution-for-a-decentralized-electric-grid-state-of-performance-based-ratemaking-in-the-u-s/>.

⁹ Shortly after the Commission issued the January 2023 notice temporarily postponing the proceeding, the Regulatory Assistance Project (RAP) published a report 1) exploring the existing regulatory practices and incentives currently used in utility ratemaking and 2) recommending principles and methods for incorporating PIMs into a MYRP framework to best support modernization of the electric system. This report takes a comprehensive look at how utility commissions currently set the return on equity (ROE), and outlines various constitutionally-viable methods for structuring performance incentives (*e.g.*, setting the ROE lower than the true cost of equity with the opportunity to earn additional revenue through positive performance incentives). We recognize that the scope of this document goes beyond that of the questions posed in the Notice. But we want to flag the resource for consideration as the Commission develops its policy statement setting the scope of this docket.

¹⁰ Lowry, Mark N. “Four Common Myths About Performance-based Regulation.” Utility Dive (April 2021), *available at* <https://www.utilitydive.com/news/4-common-myths-about-performance-based-regulation/598007/>.

¹¹ In TCWG Meeting 3, Chris Jones of the Bonneville Power Administration presented on “Transmission service requests and contracted transmission capacity vs. actual RE generation onto line.” BPA revealed that many transmission paths rarely operate within 20% of the path limit, meaning there is considerable unused capacity on the existing system. Slides *available at* https://www.efsec.wa.gov/sites/default/files/181034/00161/TCWG_Meeting3_Dec8_9_%20slidedeck_FINAL.pdf.

the current system functions optimally, utilities will likely focus all efforts on transmission expansion because traditional methods of rate recovery more obviously support this type of planning.¹² However, a MYRP framework that incorporates a performance metric related to grid modernization may result in a utility investment in grid-enhancing technologies (“GETs”) to help optimize the flow of electricity on the utility’s system and support increased integration of DERs.

Next, we will discuss why the integration of performance metrics should be specific to the multi-year ratemaking process and separate from existing reporting requirements related to state energy policies.

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?

N/A

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

The metrics selected in Phase 1 of this process should be tracked and considered only in future MYRPs. The transition to MYRPs was in part an effort to reduce the workload imposed on the Commission and utilities by the near-annual cycle of complex general rate cases. With workload in mind, and to simplify the monitoring of progress, we recommend that any metrics supporting PBR be tracked separately from the reporting required in utilities’ CEIPs.

Utilities submit CEIPs on a four-year basis to show progress toward meeting CETA’s mandates of greenhouse gas neutrality by 2030 and one-hundred percent clean electricity by 2045. There are defined metrics already being tracked in these filings, including specific targets for energy efficiency, demand response, and renewable energy; specific actions consistent with those targets; and the projected incremental cost of compliance.¹³ Because CETA and its related regulatory requirements reflect one of the state’s policy goals – system-wide decarbonization of the electricity sector – it should absolutely *inform* some of the performance measures applied to the MYRP process.

¹² RNW acknowledges that there is a clear need for new physical transmission infrastructure; however, there is also an urgency to access some of the latent capacity that exists on the current transmission system.

¹³ WAC 480-100-640.

A utility's CEIP can be helpful as the Commission considers the appropriate PIMs.¹⁴ For example, if a utility is on track to meet CETA's standards and is meeting its Commission-approved interim and specific targets, perhaps a reward-based incentive (*e.g.*, DER integration or load management) may be appropriate to target explicit areas where the Commission feels the utility could improve. But if a utility's CEIPs reflect a poor trajectory toward meeting CETA's standards and the company's Commission-approved interim and specific targets, perhaps a penalty-based incentive (*e.g.*, emissions reductions) may be appropriate to apply additional pressure on a utility to meet the basic requirements of CETA.

But to simplify utilities' administrative processes, avoid duplicative work, and take full advantage of the benefits of a PBR framework, these metrics should be identified and approved solely in future MYRPs, outside of other existing reporting requirements.

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

AMI plays a critical role in providing data to utilities that can help facilitate the tracking of various performance metrics. Regarding DER integration, AMI can provide real-time data on resource generation capacity and output. This data helps utilities optimize the integration of these resources into the grid, and we think this data can be helpful to DER-related performance metrics. Regarding load management, AMI provides information on customer energy consumption patterns, helping utilities identify peak demand periods, balance load across the grid, and implement demand-side management programs. In fact, AMI data can inform all components of Metric 29, including storage, energy efficiency, and demand response. Finally, AMI provides electricity usage data critical to customer identification for bill-discount programs, which can be a helpful component to tracking Metric 16 (Percent of Utility Assistance Funds Dispersed).

However, accomplishing, measuring and verifying nearly one quarter of the proposed metrics will require more granular data, more edge computing power and new software capabilities beyond what AMI provides. We recommend that in its policy statement directing the scope of the docket, the Commission includes further consideration of utility investments in modern grid technologies, specifically that utilize more granular data and enable advanced grid edge computing, which will be necessary to accomplish, measure, and verify these metrics with the best accuracy.

¹⁴ Likewise, PIMs can help inform resource planning, including utilities' assessment of more efficient use of the existing transmission system required by SSB 5165 (2023).

- **Goal 1, Outcome 2: Utilities are prepared for and respond to outages and other impacts caused by cyber-attacks, significant events, wildfire, storms, extreme weather events and other natural disasters**
 - *Metric 5: Wildfire Avoidance*
Grid modernization and innovation to support wildfire avoidance will require more granular data, and more edge computing power and local algorithms to maintain the reliability and resiliency of the distribution grid. Data supporting fault location and pre-fault detection along with the local computing power to aid in quick operational solutions that prevent wildfires will be important in meeting this metric.

- **Goal 2, Outcome 2: Maximize utilization of cost-effective distributed energy resources and grid-enhancing technologies.**
 - *Metric 14: Net Benefits of DERs and GETs*
 - *Metric 15: DER Utilization*
As the grid-edge gets increasingly complex, utilities will need more granular data and the ability to send local operational signals in real-time based on local grid conditions to maintain the reliability and resiliency of the grid and maximize the grid and customer benefits of DERs. Advanced grid-edge computing, and specifically distributed AI, will play an important role in maximizing DER utilization.¹⁵ Utilities such as Portland General Electric in Oregon are already exploring the utilization of this type of technology to support vehicle-grid integration.¹⁶

- **Goal 3, Outcome 3: Maximize the benefit and efficiency of the energy assistance process so that support can be provided to customers based on the program resources available.**
 - *Metric 16: Percent of Utility Assistance Funds Dispersed*
Electric usage data has an important role to play in enrolling more customers in bill-discount programs.¹⁷ More granular data than is currently provided by AMI will bolster these efforts by increasing the number of customers identified, increasing enrollment in these programs potentially even through auto-enrollment, and reducing the number of customers defaulting on their electric bills.

¹⁵ Y. Y. C. Zhang and M. Spieler, "Bringing Artificial Intelligence to the Grid Edge [Technology Leaders]," in *IEEE Electrification Magazine*, vol. 10, no. 4, pp. 6-9, Dec. 2022, doi: 10.1109/MELE.2022.3210778.

¹⁶ M. Mills, M. Obi, K. Cody, K. Garton, A. M. Wisser and S. Nabhani, "Utility Planning for Distribution-Optimized Electric Vehicle Charging: A Case Study in the United States Pacific Northwest," in *IEEE Power and Energy Magazine*, vol. 21, no. 6, pp. 48-55, Nov.-Dec. 2023, doi: 10.1109/MPE.2023.3308243.

¹⁷ Companies like [People's Energy Analytics](#), among others, are utilizing energy data to support utilities in enrolling customers in bill assistance programs

- **Goal 4, Outcome 2: Cost-effective alignment of load with clean energy generation and storage through load management, energy efficiency measures and demand response.**

- *Metric 29: Utility Load Management Success*
- *Metric 30: DER GHG Reductions*

As with metrics 14 and 15, real-time successful management of load to align with DERs, including EVs and other DERs, will require more granular higher fidelity data and the ability to send local signals to devices and customers in real time to optimize these resources and align them with load within customer parameters.¹⁸

The issue of data availability (along with the technologies that enable the utilities to utilize that data for the above mentioned operational objectives) is important as the Commission considers complementing cost of service ratemaking with performance based ratemaking. We encourage the Commission to consider a fuller exploration of this topic in this proceeding.

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.

Renewable Northwest disagrees with the premise of this question because otherwise, the least-cost provisions of CETA could be enough to dismiss performance-based regulation altogether (not just metrics related to DERs). Each utility has an obligation to meet state requirements which include the equitable distribution of benefits¹⁹ and fair, just, and reasonable²⁰ rates of service. If we can acknowledge that least cost is not always lowest reasonable cost, and lowest reasonable cost does not always support the most equitable distribution of benefits (and vice versa), then we can also acknowledge that a utility can meet the equity provisions of CETA while also benefiting from a performance-based incentive structure within a MYRP.

A metric incentivizing investments in DERs, GETs, or non-wires alternatives (“NWAs”) creates more momentum behind utilities’ consideration of these grid solutions. Without a DER metric within the MYRP, a utility’s portfolio modeling exercise may define its DER procurement goals based on CETA’s requirements alone. But with a DER metric, a utility has a clear incentive to

¹⁸ Powell, S., Cezar, G.V., Min, L. *et al.* Charging infrastructure access and operation to reduce the grid impacts of deep electric vehicle adoption. *Nat Energy* 7, 932–945 (2022). <https://doi.org/10.1038/s41560-022-01105-7>

¹⁹ *e.g.*, RCW 19.280.030 and RCW 19.405.140.

²⁰ Chapter 80.28 RCW.

consider the above-mentioned solutions which offer unique benefits related to grid resilience, flexibility, and efficiency.

Regarding the range of proposed DER metrics, it seems that the metrics support two key objectives: increase DER integration and do so equitably. Metric 15 (DER Utilization) supersedes Metric 14 (Net Benefits of DERs and GETs) because it more directly achieves the first of the key objectives, and a net benefits analysis of DERs would likely be a prerequisite for DER utilization. Moreover, utilities are already required to file in IRPs “assessments of a variety of distributed energy resources” that “incorporate nonenergy costs and benefits not fully valued elsewhere within any integrated resource plan model.”²¹ To put it simply, utilities are already required to consider net benefits of DERs, and a metric more directly prioritizing increased DER utilization should take priority in the first iteration of performance metrics.

We must point out, however, that GETs (currently addressed in Metric 14) support DER integration but are ultimately a different suite of tools and should be considered separately. To ensure GETs are not lost in the consolidation of DER metrics, we again recommend the addition of a “grid modernization” metric category within which GETs would fit appropriately.

We recommend the Commission look to other organizations more specialized in energy equity to consider the prioritization or consolidation of Metric 25 (Equity in DER Program Enrollment) and Metric 26 (Equity in DER Spending).

Finally, we feel Metric 30 (DER GHG Reductions) may be more appropriate for a later iteration of the PBR metrics, as we have a general near-term preference for metrics which support outcomes (increased DER integration) versus informative metrics. But as DER integration increases, this program-specific greenhouse gas data may be more relevant and attractive.

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?

Renewable Northwest has no comment at this time.

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.

²¹ WAC 480-100-620(3).

Renewable Northwest has no comment at this time.

III. CONCLUSION

Renewable Northwest thanks the Commission for its continued pursuit of alternatives to traditional cost of service ratemaking. We look forward to further participation in this process.

Sincerely,

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