U-210590

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

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

Dear Mr. Killip,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments 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 April 18, 2024, regarding the development of a "policy statement addressing alternatives to traditional cost of service ratemaking".

Before addressing the specific questions posed in the Notice, the Company would like to first address two issues related to this proceeding. First, as discussed in the Commission's Policy Statement issued on April 12, 2024 in the above referenced docket, the Commission included a brief discussion on Multiyear Rate Plan (MYRP) metrics that it required of both Avista and Puget Sound Energy.[1] As noted, "*…the Commission required 10 additional metrics to satisfy its legal obligations for MYRP evaluation metrics under the MYRP statute.*" The Commission went on to state "*Due to the timing of the GRC proceedings and PBR activities, there was not an opportunity to include, nor did any party in the PBR proceeding recommend inclusion of, the 10 Commission-ordered MYRP evaluation metrics in this proceeding. Therefore, we affirm our decisions regarding performance metrics in the 2022 GRCs and expect utilities to report on those 10 metrics as discussed below to satisfy the MYRP Statute requirements.*"[2] None of the 10 metrics required are included within the list of metrics that the Notice seeks comments on, leaving question about whether or not these metrics may be included in the future or not. If the Commission does not envision the 10 metrics being included within the final list of metrics developed in this proceeding, it would be helpful to have guidance on the expectation for reporting these metrics within MYRPs following the conclusion of Phase 2 of this proceeding.

[1] Docket U-210590, Interim Policy Statement, at page 12 ¶32.
[2] Docket U-210590, Interim Policy Statement, at page 14 ¶38.

Second, Avista agreed to a set of 95 Performance Based Ratemaking (PBR) metrics as part of the settlement stipulation approved in its 2022 general rate case.[3] The Commission provided guidance in the Policy Statement that in the interim until Phase 2A of this proceeding is completed, "*the MYRP process offers an efficient opportunity for parties to propose new metrics, propose revisions to metrics, or recommend cessation of metrics in a timely and efficient manner while we work through the remaining PBR phases.*"[4] Additional guidance on what utilities should do with differences between agreed upon metrics within MYRPs and the final metrics adopted within in Phase 2A of this proceeding will be necessary. For example, once metrics are finalized in this proceeding, should utilities begin only reporting on those metrics and stop reporting on metrics agreed two within MYRPs, which would require an order from the Commission to do so. In an effort to avoid unnecessary work and effort, this is an important issue that will need resolution.

The following are the Company's responses to the specific questions posed in the Notice:

Goal 1- Resilient, reliable, and customer-focused utility distribution systems.

1. ***Equity in Reliability: length of power outages***
    a. **Please confirm your agreement that this metric is not applicable to gas. If you do not agree, please provide your rationale for including this metric for natural gas utilities.**
    b. **Please confirm your agreement that the metric will be provided with and without major event days. If you do not agree, please provide your alternative position and rationale.**

Response: Avista agrees that this metric is not applicable to natural gas utilities. Avista takes no issue with this metric being reported with and without major event days (MEDs), however, because these metrics are intended to gauge trends over time, including MEDs may not be necessary as the basis for removing MEDs is to understand reliability under normal operating conditions.

2. ***Historically Worst Performing Circuits***
    a. **Please confirm your agreement that this metric is not applicable to natural gas utilities. If you do not agree, please provide your rationale for including this metric for natural gas utilities.**

Response: Avista agrees that this metric is not applicable to natural gas utilities.

3. ***Customers Experiencing Multiple Interruptions (CEMI) for Named and Non-named Communities***
    a. **Please provide your supported range of values and why that range is supported and the benefit(s) of that data.**
    b. **Describe what can be interpreted from the values (*e.g.*, how long are the outages that are being measured, what is "multiple").**
    c. **Please confirm your agreement that this metric is not applicable to natural gas utilities. If you do not agree, please provide your rationale for including this metric for natural gas utilities.**

[3] Dockets UE-220053, UG-220054, UE-210854 (Consolidated), Settlement Stipulation at ¶23.
[4] Docket U-210590, Interim Policy Statement, at page 14 ¶39.

Response: Avista agrees that this metric is not applicable to natural gas utilities. Currently, Avista reports CEMI0, CEMI3, and CEMIMax. For each of these metrics, only sustained outages (i.e., longer than five minutes) are included. CEMI0 is provided to show how many customers in a census tract experienced at least one outage, CEMI3 has long been provided by Avista within its electric reliability reports to demonstrate how many customers experienced more than three outages, and CEMIMax was recently added as a part of the Company's Performance Based Ratemaking (PBR) metrics to demonstrate the maximum number of outages an individual customer experienced in a given census tract. Avista believes CEMI is a useful metric but does not believe it is necessary to provide a range of values. CEMI0 and CEMIMax have been proven as useful data points to understand the varying levels of reliability that customers experience. Avista continues to support CEMI3 but is open to providing CEMI for a different value if there is a reason to do so.

Avista does not support providing a wide range of values for CEMI (i.e, 0-9 and max) as it leads to a significant amount of data being provided when a range can be extrapolated using existing metrics for CEMI0 and CEMIMax.

Goal 2 – Customer Affordability

4. ***Arrearages by Month***
   a. **The Commission believes that participants intend to maintain the current reporting structure of both number of customers in arrears by period and total dollars in arrears for each period.**
      i. **If this is your understanding, please confirm that reporting by total number of customers per period is completed at the highest interval (*e.g.*, customer that is 61 days late is only reported in the 60+ data) and total dollars in arrears is reported in the actual interval (*e.g.*, customer that is 80 days late may have associated dollars in the 30+ and 60+ data).**
      ii. **If not, please provide your understanding for this metric calculation.**

Response: Avista supports the current reporting structure of both the number of customers in arrears by period and the total dollars in arrears for each period. Further, Avista supports only providing this information by census tract as it would be better aligned with other metrics. Regarding how this information is provided, as noted previously by Avista, the arrearage data may be able to be separated by each fuel, but Avista does not recommend this as that is not how the information is provided today. A dual fuel customer receives a single bill and if they are in arrears, their arrearage amounts are calculated, noticed, and due for the total combined amount. A departure from this methodology of providing arrearage data would cause inconstancies in how data has been reported and tracked.

In terms of the methodology for how the arrearage data is provided, it is accurate that a customer who is 61 days late for example is only included in the 60+ data bucket. For the total dollars of arrears, all arrears are reported by actual interval. For example, if a customer is more than 60 days past due, their amount that is 30-59 days in arrears is reflected in the 30+ bucket and the amount that is 61-89 days in arrears is reflected in the 60+ day bucket for reporting purposes. Current balances, those less than 30 days old, are not considered in arrears and not included in the arrearage data.

5. *Percent of Customers in Arrears with Arrearage Management Plans*
    a. **What time period(s) should be reported (*e.g.*, 30+, 60+, 90+) or should the metric be based on a singular value specific to each utility (*e.g.*, threshold for arrearage management plan eligibility)?**
        i. **Utilities: What are the threshold criteria for eligibility in your arrearage management plan?**
    b. **If your response to 5(a) includes multiple reporting periods, what benefit(s) is gained from that more granular data?**

Response: As discussed previously by Avista, Customers are eligible to enter an Arrearage Management Plan (AMP) once they are past due on their bill, which is when they begin accumulating arrears (i.e., customers have 23 days from the date a bill is issued until the time it is due). A threshold is unnecessary as all AMP information should be provided, and reporting AMP information for customers with varying ages of arrears does not appear that it would provide additional value. Similar to arrears, Avista suggests moving towards providing this data by census tract.

6. *Average Energy Burden*
    a. **More discussion is necessary related to calculating this metric for dual-fuel versus single-fuel utilities regulated by the Commission. Please provide a recommendation for how to temporarily determine an energy burden percentage for single-fuel utilities.**
    b. **As the transition to renewable energy resources escalates, please describe the benefit(s) of requiring reporting by combined fuel source and separately for electricity and natural gas for dual-fuel utilities. If not supported, please describe why.**
    c. **Please provide your recommendation for reporting by percentage, number, or both, and the rationale supporting this recommendation.**
    d. **Should this metric be calculated before or after all forms of energy assistance are applied to customer accounts, or some variation? Please provide your rationale.**
    e. **Is it feasible to require reporting on excess energy burden at this time? If so, please provide your recommended percentage to classify excess energy burden and your rationale for that recommendation. If not, please provide your rationale, and when you estimate such reporting would be feasible.**

Response:

a. Importantly, the methodology for calculating **<u>average</u>** energy burden is the same for all customers, regardless of if they are an electric only, natural gas only, or dual fuel customer, as energy burden is the percent of a customer's income that is spent on home energy costs. For purposes of **<u>average</u>** energy burden, Avista suggests continuing to calculate average energy burden based on the total energy costs billed by Avista divided by a customer's household income.

The question of providing energy burden data for a single fuel utility is only applicable to determining the threshold to use for calculating the number or percentage of customers with a **high** energy burden. For electric or dual fuel customers, industry standard and what Avista currently uses is a 6% threshold to determine customers that have a **high** energy burden. For natural gas only customers, Avista uses a 3% threshold to determine customers that have a **high** energy burden. Avista continues to support these thresholds as they are industry standard, and the Company is already providing data utilizing them.

b. As mentioned, energy burden is the total energy costs billed divided by a household's income. As such, the increase in renewable energy resources, which may occur on the electric or natural gas side, may impact a customer's energy burden. However, it does not make sense to separately track electric versus natural gas energy burden as it would depart from the current methodologies of how energy burden is calculated (i.e. total energy costs billed, irrespective of which fuel types are included).

c. Avista notes that this question is only relative to providing data for customers with a **high** energy burden, not average energy burden. Avista currently provides **average** energy burden by census tracts and zip codes, as well as both the number and percent of customers with a **high** energy burden, separately providing the **high** energy burden data for all customers, known low-income customers, and Named Communities customers. Avista can continue to provide the data in this format if it is required.

d. Energy burden is calculated after the application of some forms of energy assistance (i.e., bill discounts) because it is based on the total billed amount for energy divided by a household's income. Calculating energy burden prior to the receipt of energy assistance would require calculations based on individual bill components, which would be difficult, if not impossible, to do. The calculation of **average** excess energy burden is done after consideration of all forms of energy assistance customers received.

e. Yes, it is possible to provide this information as Avista is already doing so. Please see part (a) for Avista's recommendation for calculating **high** energy burden. Avista also suggests the consideration of reporting the average excess burden (i.e., the average amount above the high energy burden threshold), as this information can help to understand trends in energy costs, income, and/or what is needed from energy assistance programs to reduce **high** energy burden. Overall, Avista believes that reporting **average** energy burden of a given area is not as relevant or actionable as reporting on **high** energy burdened areas or excess energy burden.

7. *Net Benefits of DERs and GETs*
    a. **The Commission generally agrees with Renewable Northwest's (RNW) comment that Gride Enhancing Technologies (GETs) may require a separate metric but does not anticipate resolution during the May 28 workshop. This combination metric creates additional complexity when discussing a cost-effectiveness test to apply. Would other participants agree with removing the GETs portion of this metric at this time?**
    b. **How should "benefits" be defined?**
    c. **Is there a temporary cost-effectiveness test that can be relied upon until the**

Commission issues guidance in Docket UE-210804?

d. **Should the metric be reported at the DER type, program, or aggregated for all DERs?**

e. **Please confirm your agreement that this metric is not applicable to natural gas utilities. If you do not agree, please provide your rationale for including this metric for natural gas utilities.**

Response:

a. Avista agrees that GETs may require a separate metric and that the GETs portion of this metric should be removed for now.

b. Benefits should be defined to include the value of the energy, capacity, operating reserves, net value to the electric grid (i.e., avoided infrastructure investments, improved resilience, etc.) and Non-Energy Impacts (NEIs) that DERs provide.

c. As noted in Avista's comments filed in Docket UE-210804 on January 19, 2023, changes to the current cost-effectiveness methods are not necessary to ensure consistent evaluation of DERs. The missing piece for comparing DERs to all other resources is the application of NEI values for both utility scale resources and DERs. If there were NEI values available for all resource types, then the current methods for determining cost-effectiveness would be sufficient. With that being said, the current cost-effectiveness tests with the inclusion of NEIs is sufficient.

d. For purposes of the net benefits of DERs, this metric should be reported in aggregate for all DERs.

e. Avista agrees that this metric is not applicable to natural gas utilities.

8. ***DER Utilization***

   a. **Can you confirm agreement on the revised metric calculation (energy and capacity of all applicable distributed energy resources (DERs) and percentage of that energy and capacity utilized annually)? If not, please provide your rationale.**
   b. **How should DERs installed for equity purposes be accounted for?**
   c. **Should the metric be reported at the DER type, program, or aggregated for all DERs?**
   d. **Do you agree with Northwest Energy Coalition's (NWEC) recommendation to revise the title to "DER Availability and Utilization" to better capture the intent of the metric design?**
   e. **Please confirm your agreement that this metric is not applicable to natural gas utilities. If you do not agree, please provide your rationale for including this metric for natural gas utilities.**

Response:

a. Avista supports the revised metric calculation, however, as noted in prior comments, we do not think the inclusion of the phrase "cost-effective" is necessary or needed for this metric, especially since cost-effectiveness may not be the only reason to deploy DERs.

b. By removing reference to "cost-effective", this metric would cover all DERs, including those installed for equity purposes.

c. Avista supports reporting on this metric by DER type and/or program, which can then be summed to get aggregate information.

d. Avista has no issue with the recommendation from NWEC regarding the title of this metric.

e. Avista agrees that this metric is not applicable to natural gas utilities.

9. Percent of utility assistance funds dispersed

- **a. Please confirm agreement with the revised language from "rate based" to "customer-funded" within the metric calculation. If not, please provide your rationale.**
- **b. Please provide feedback on the recommendation to include a narrative discussing year-over-year variances.**
  - **i. Is a threshold variance for the required narrative appropriate? If so, what is your recommendation?**

Response: Avista supports the revision from "rate based" to "customer-funded". Regarding a narrative discussing year-over-year variances, Avista does not support this for purposes of reporting out on a metric. Reporting out on metrics may lead to questions about why there are variances or a need to further dig into data to understand it, but it should not be expected to explain variances up front.

10. Customers who participate in one or more bill assistance programs

- **a. Should the metric be reported as an aggregate of all bill assistance programs or by program type (e.g., specific programs or customer funded programs)?**
- **b. Should the metric be modified to better evaluate bill assistance program effectiveness rather than simply reporting a number of customers? If so, what is your recommended language?**

Response: Avista suggests an alternative to this metric, as follows: "The number of customers who have participated in a customer funded energy assistance program, separately identifying the number of customers actively enrolled in a bill discount program and the total number of unique customers that have received benefits from a customer-funded energy assistance program." This proposed metric would be reported in aggregate and allow for understanding of trends over time. This metric paired with high energy burden data would help to understand affordability. Also, for Avista, additional information on its Low-Income Energy Assistance Program (LIRAP) is provided to the Commission in the form of an annual report.

11. *Revenues associated with riders or other mechanisms outside of the Multi-Year Rate Plan (MYRP)*
    a. **The Commission accepted this metric as drafted by The Energy Project in its interim policy statement to evaluate utility performance during MYRPs. This metric was also considered in the PacifiCorp 2023 general rate case. However, the Commission does provide here an opportunity for further comment as it was not explicitly discussed.**

Response: This metric is currently included in Avista's PBR Metrics, however, Avista has proposed to eliminate it as it does not believe it provides meaningful value for multiple reasons. First, tariff riders are only in place if they have been approved by the Commission. The Commission was aware of the effects of the tariff riders when they approved them, including that certain tariff riders may have unknown future costs or a significant amount of variability. Second, tracking this information on a quarterly or annual basis may not provide meaningful insights due to the variability of the tariff riders. Third, this information is not actionable, thus it is unclear what the Commission may do with the information. Lastly, if a party has issue with a certain tariff rider, they may take their issue up before the Commission when the tariff rider is adjusted or within a general rate case proceeding, which is the more appropriate venue to review this information as a party wishes to do so.

Goal 3 - Equitable Utility Operations

12. *Workforce Diversity*
    a. **Please confirm your support for this metric as written.**

Response: Avista supports this metric as written.

13. *Supplier Diversity*
    a. **Please confirm your support for the revised calculation of: "Percentage of total annual spend dollars to suppliers that self-identify as owned by people of color, other marginalized groups, and veterans." If not, please provide your alternative language and rationale for the revision.**

Response: In the policy statement, and for the data Avista is already providing for this metric, women are specifically identified in the metric. Avista also includes disadvantaged suppliers in its reporting. As such, Avista suggests a slight revision to the metric, such that it reads as: "Percentage of annual spend with suppliers that self-identify as disadvantaged, owned by people of color, women, other marginalized groups, and veterans."

14. *Equity in DER Program Enrollment*
    a. **Do you support the recommendation to change "electric vehicle" to "electric transportation"?**
    b. **Do you support changing "enrolled" to "directly benefiting from"?**
    c. **Please provide a definition for DER programs for gas and electric separately.**

This definition would be applicable to all metrics utilizing the term DER program.

Response: First, Avista suggests removing net metering from this metric as utilities do not invest in net metering or have programs promoting net metering, rather net metering is required to be allowed by statute. Second, regarding the comment to include the percent of eligible customers enrolled, Avista does not believe this is necessary as some DER programs may have limited enrollment availability and our understanding of the intent of this metric, is to track the number of customers that participate over time.

a. Yes, Avista supports the change from electric vehicle to electric transportation as it is more encompassing of all transportation electrification initiatives and programs.

b. Avista suggests stating "enrolled and/or directly benefiting from" as it encompasses all participation.

c. As discussed in prior questions related to the applicability of DERs on natural gas utilities, Avista agrees this metric is not applicable to natural gas utilities. As such a definition for gas DERs is unnecessary. The programs listed as part of this metric satisfy the definitional need for electric.

15. Equity in DER Program Spending

a. Please confirm your support for this metric as written.

Response: Avista suggests removing net metering from this metric as utilities do not invest in net metering, rather net metering is required to be allowed by statute. With the removal of net metering, Avista supports this metric as written.

If you have any questions regarding this filing, you can contact me at 509-495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/S/ *Shawn Bonfield*

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy