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NW Energy Coalition

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Attn: Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Lacey, WA 98503

Re: NW Energy Coalition's Comments Responding to the May 28, 2024 Workshop on Performance-Based Ratemaking (**Docket U-210590)**

Dear Director Killip:

The NW Energy Coalition ("NWEC" or "Coalition") appreciates the opportunity to submit supplemental comments specifically responding to discussion from the May 28, 2024 workshop.

The Coalition agrees with the Commission's preliminary remarks in the interim policy statement that set the framing for performance-based ratemaking ("PBR"). Performance measures are intended to be transparent, in the public interest, and provide verifiable and trackable data on which to establish a baseline of information. We'd like to elevate this framing by emphasizing that for the Commission to establish PBR metrics, it doesn't yet have to establish specific goals or performance incentive mechanisms ("PIMs"). We agree with the Commission that "PIMs are not always be the best incentive for utility action as there may be other motivators such as legal liability or reputational risk that provide adequate intrinsic motivation not advanced by an additional financial reward or penalty."[1]

In our comments we offer feedback on the metrics for DER utilization (metric 15), bill assistance program customer participation (metric 20), workforce and supplier diversity (metrics 21 and 22), and equity in program enrollment and spending (metrics 25 and 26).

Metric 15: DER Utilization

[1] Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms. Page 8. Docket U-210590. Filed April 12, 2024.

We appreciate the additional workshop conversation regarding the DER utilization metric. NWEC continues to prefer the Commission's revised metric over the original and would like to pose a clarification and propose another revision based on our understanding of the revised metric.[2] The revised metric as proposed reads:

> Metric 15: Energy and capacity of all applicable distributed energy resources (DERs) and percentage of that energy and capacity utilized annually.

We agree that metric 15 should measure both energy and capacity. Measuring energy, as opposed to capacity alone, incentivizes utilities to more holistically utilize DERs to help meet grid needs and advance energy equity. However, given the specificity of measuring both energy and capacity, it may be unnecessary to measure the "percentage of that energy and capacity utilized" since energy is a direct measurement of capacity utilization. Further clarification of the Commission's intent for measuring the percentage of energy and capacity would be helpful.

In addition to providing clean energy capacity, DERs (particularly when operated in aggregate as virtual power plants) can provide additional grid services— such as power quality, frequency response, voltage regulation— that support reliability and resiliency.[3]

A way to clarify the language described above and capture the grid services of DERs is to include more specificity in the metric, such as:

> Metric 15: Annual energy (MWh) produced, consumed or discharged from all applicable distributed energy resources (DERs); Annual capacity (MW) from DERs; and annual capacity of DERs providing additional grid services through utility programs.

Existing performance-based metrics for these energy, capacity and grid services outcomes are in place in Hawai'i and New York.[4]

To the Commission's question regarding how to account for "DERs installed for equity purposes", we believe that metrics 25 and 26 will be able to provide baseline and ongoing data to determine whether DERs are equitably distributed among Named Communities and will shed light on whether and where further DER investments should be made.

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[2] The original metric as written in the Interim Policy Statement (page 21) reads: "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."

[3] https://www.nrel.gov/docs/fy24osti/86607.pdf

[4] Hawaii Grid Services PIM: https://pims.rmi.org/details/20; New York DER Utilization PIM: https://pims.rmi.org/details/47; New York DER Capacity PIM: https://pims.rmi.org/details/63; New York Grid Services PIM: https://pims.rmi.org/details/49.

With the addition of added specificity and eye to equity, it is our hope that tracking the energy and capacity of DERs through metric 15 will help incent the full utilization of DERs that helps realize outcome #2 "maximize utilization of cost-effective DERs and GETs" and goal #2 of increasing customer affordability.

Metric 20: Customers Who Participate in One or More Bill Assistance Programs

Commission Staff proposed the following two alternative metrics for tracking customer participation in bill assistance programs at the May 28th workshop:

1. 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.
2. The number and eligible low-income customers who participate in one or more ratepayer-funded energy assistance programs that actively lowers energy burden, both aggregated and by census tract.

Of these two we prefer the second metric (proposed by The Energy Project). The second metric is more concise, it appropriately centers energy burden reduction as the key to program effectiveness, and we believe that census tract level data reporting will enable an assessment of equitable program penetration and access.

We recommend that the Commission consider the second metric and that it be re-written to include tracking the percentage of eligible low-income customers. Tracking the percentage of eligible customer participation allows current and future low-income assistance program penetration to be compared with legacy program penetration. This is necessary to assess programs' reach and effectiveness. The metric would then read:

> Metric 20: "The number *and percentage of* eligible low-income customers who participate in one or more ratepayer-funded energy assistance programs that actively lowers energy burden, both aggregated and by census tract."

Metrics 21 and 22: Workplace and Supplier Diversity

NWEC supports metrics 21 and 22 as written and presented at the May 28th workshop.

During the workshop we discussed (1) whether to maintain the wording "other marginalized groups" in metric 22 (supplier diversity) or to replace this wording with "tribes/tribal communities", and (2) how to operationalize these two metrics that track workplace and supplier diversity. We offer additional thoughts addressing these two questions.

First, as we stated during the workshop, while retaining the wording "other marginalized groups" is broader than replacing it with "tribes/tribal communities", we believe that it better captures a larger group of suppliers who are among marginalized groups not listed in the metric. This includes the LGBTQ+ community, women and non-binary individuals, individuals with disabilities, and tribes.

Second, to operationalize the metric for workplace diversity, for example, utilities could start by setting clear and measurable goals (that do not have to be tied to a PIM). This could involve defining specific percentage targets of women, non-binary, and BIPOC employees for different categories within the utility (e.g., C-suite employees, directors, and senior employees). These targets should be benchmarked against industry standards and the demographics of utility service areas.

To achieve goals that increase workplace and supplier diversity, utilities must do more than implement targeted recruitment strategies. Retention is fostered through mentorship opportunities, DEI training, inclusive workplace culture, transparent processes, offering feedback mechanisms, and acting on feedback received.

The Commission stated in its interim policy statement that "[i]nnovation is required to meet these requirements, expectations, and developments. It is illogical to expect utilities and their regulators to rely solely on traditional cost of service regulation and historic utility practices for a successful transformation of the energy sector."[5] This holds just as true for utility operation equity metrics as it does for utility reliability and energy burden metrics. There will be challenges in achieving goals that reverse historic trends of who is in this field and who leads it. But we believe that establishing metrics 21 and 22, gathering baseline data, and continuing to move forward from there are necessary for bolstering the innovated solutions and pathways needed to successfully and equitably transform the energy sector.

Metrics 25 and 26: Equity in DER Program Enrollment and Spending

NWEC supports the Commission's proposed change from "electric vehicle" to "electric transportation" given that the latter is inclusive of a broader array of clean mobility programs.

At the workshop, Avista raised the issue of listing "net metering" in metrics 25 and 26 and noted that the utility does not have specific incentives for customers to purchase customer-side

[5] Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms. Page 8. Docket U-210590. Filed April 12, 2024.

renewable generation (e.g., rooftop solar) and that net metering isn't a utility program. We understand the distinction that Avista makes and offer the following slightly revised metrics to address this issue and to align better with each other.

In metric 25, we replace "net metering" with "renewables" to align with metric 26. In metric 26, we replace "electric vehicles" with "electric transportation" and remove "net metering" to align with metric 25.

> Metric 25: Number of customers in Named Communities or low-income customers enrolled in each utility distributed energy resource programs (providing a separate calculation for energy efficiency, electric transportation, demand response, and *renewables*) / total customers enrolled in each program.
>
> Metric 26: Separately calculated percentage of utility spending on distributed energy resources for energy efficiency, electric *transportation*, demand response, and renewables that benefits Named Communities as compared to non-Named Communities.

Thank you for the opportunity to comment.

Respectfully,

/s/ Charlee Thompson
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