

June 4th, 2024

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: Relating to the Commission’s proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, Docket U-210590, Comments of Puget Sound Energy (June 4, 2024)

Dear Executive Director Killip,

Puget Sound Energy (“PSE”) appreciates the opportunity to provide the following supplemental comments to the Washington Utilities and Transportation Commission (“Commission”) in addition to the comments PSE filed on this matter on May 17, 2024.

Background

Docket U-210590 was opened in compliance with Section 1 of the Engrossed Substitute Senate Bill 5295 (codified as RCW 80.28.425), 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.” 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.

On May 30, 2024, the Commission convened a Workshop to continue discussions related to reporting metric calculations and definitions. During the workshop, Staff announced an opportunity to submit additional comments by June 4, 2024.

As such, PSE provides the following supplemental comments to PSE’s comments filed on May 17, 2024 based on the questions and discussions in the Workshop.

Comments

1. PSE respectfully requests that in its amended policy statement the Commission include guidance about how any final determined metrics in Phase 1 of this proceeding should be considered and/or used by utilities in the context of currently pending general rate case (GRC) metric considerations.
2. PSE continues to believe, and it was raised by the Commission and some parties during the Workshop, that some of the Commission's preferred reported metrics in the Interim Policy Statement as written currently and overall may not be appropriate to become performance incentive metrics for utilities. In the Interim Policy Statement, the Commission acknowledged this as well "that not all metrics will advance beyond the reported metrics stage."¹ Again, it may be useful to outline objectives for each metric to better understand how the metrics will be used and the underlying purpose for each. In other words, who is the audience for the metric and what is it intended to help them understand? Overall, metrics should be used to measure intended outcomes rather than just gather and report on data.
3. Regarding the **Percent of Customers in Arrears with Arrearage Management Plans (AMP) (Metric 11)**: The Commission raised a question during the May 30, 2024 Workshop about whether utilities "can measure how long it takes customers to sign up for an AMP once they are in arrears." This question stemmed from comments by The Energy Project (TEP):

"It is not only important that low-income customers in arrears are in an Arrearage Management Plan, but it is important to measure how long it took the customer and utility to get the customer into an AMP. This additional information will help the utility, the Commission, and interested parties evaluate the success of the utility's efforts to enroll customers into AMPs. TEP does not anticipate that tracking the number of days a customer is in arrears will be administratively burdensome as it is our understanding the utilities already track this information."²

PSE currently administers a temporary AMP (since October 1, 2023) which provides \$500 of arrearage relief funding to customers receiving PSE HELP. PSE has been working with its Low Income Advisory Committee (LIAC) on developing program design for PSE's long-term Arrearage Management Plan, slated to launch on October 1, 2024. In joint collaboration

¹ See *id.*, at para 30.

² U-210590, *The Energy Project's Eighth Comments on PBR and UTC's Interim Policy Statement*, submitted on May 17, 2024, page 7.

with PSE's LIAC AMP working group, PSE determined that a customer will qualify and can apply for the long-term AMP as soon as they have arrearages. PSE plans to set up its systems to auto-approve³ AMP applications as soon as customers become eligible, which is when a customer has at least \$300 in arrearages and the customer is 30 days past-due. Additionally, a customer who is eligible at the time of the application will have to wait until they have received their PSE HELP pledge (which has variability in time). A customer who is not eligible for AMP at the time they receive their PSE HELP pledge, but becomes eligible later, should be identified as being eligible and put into the program within about a week of becoming eligible. PSE's automated system is going to continually check for newly eligible customers, and each customer with an application will be checked once weekly. Therefore, AMP eligibility will depend upon how long it takes the agencies to get the PSE HELP pledge applications completed and pledges posted. In summary, for PSE's long-term AMP, the "how long it takes" measurement will be complicated by the four pieces of eligibility criteria (have at minimum a \$300 arrearage, be 30 days past-due, have received a HELP pledge, and signed AMP terms and conditions), the fact that these factors can all be "met" on unique timelines, and will be reliant on both the customer and agency actions.

Therefore, PSE would need clarification and clear definition for the "starting time" and "ending time" for measuring "how long it takes customers to sign up for an AMP once they are in arrears." PSE interprets that the intent would be to measure from the time customers are eligible for the AMP to the time they get enrolled in the AMP. So, in the context of PSE's long-term AMP, would PSE "start counting" when customers meets all four long-term AMP eligibility criteria, which includes the customer taking action to apply?

4. Regarding the **Average Energy Burden (Metric 13)**: PSE opposes the proposal discussed during the Workshop to use a 3% threshold for single-fuel utility customers to determine whether they are energy-burdened. Currently, PSE uses the high energy burden threshold of 6% for all its customers: gas only, electric only, and dual fuel customers. PSE's energy burden analysis is able to calculate an estimate of PSE's customers' **total** energy costs, which

³ The automation for approving AMP applications as customers become eligible will be run in a batch process, such that AMP applications in a status of "ineligible" are checked by the system once every 7 days. Reaching this point where a customer's application is picked up on the batch process assumes that the customer applied for and is still eligible for BDR and PSE HELP, customer has had PSE HELP pledged to their account, and customer has an arrearage of at least \$300 and 30 days old. The goal is that every application is checked weekly.

is what is used in the definition of energy burden per the Clean Energy Transformation Act (CETA) per RCW 19.405.020(17): the share of annual household income used to pay annual home energy bills. Also, WAC 480-100-065 defines the high energy burden threshold of 6%: “energy assistance need” means the amount of energy assistance necessary to achieve an energy burden equal to six percent for utility customers. PSE is able to calculate its customers’ total home energy costs (not just from PSE bills) by using the U.S. Department of Energy’s Low-Income Energy Affordability Data (LEAD) Tool data for estimating any non-PSE utility bills and any non-utility energy bills. Please see PSE’s 2022 Energy Burden Analysis which PSE filed in its 2024 GRC for more information.⁴

Furthermore, even if the Commission requires PSE to change its reporting using only PSE’s billed amounts, PSE still believes it is inappropriate to use a 3% energy burden threshold for a single-fuel customer because the proportion of energy needs served by a customer will vary and much will be determined by the customer’s source of heating. For example, consider a PSE dual-fuel customer going all electric (e.g., changing their heating from gas to electric source) and becoming an electric only customer – it would be inappropriate to change the evaluation of their energy burden from 6% to 3% high energy burden threshold simply because they became a single-fuel user.

PSE recommends that the 6% threshold remain in place until further technical conferences are held to consider this issue more thoroughly. One example of a complicated issue that warrants more thoughtful consideration on a state or even national level is whether the current 6% threshold for high energy burden will need to be increased to consider electric vehicle usage, which is moving transportation burden of customers into the customers’ energy bills and energy burden.

5. Regarding the metric **Revenues associated with riders or other mechanisms outside of the MYRP (TEP Proposed)**, during the Workshop TEP explained that this metric was requested as an additional metric of affordability, however, with the clarification that the Commission ordered metrics from PSE and Avista’s last general rate cases^{5,6} will be added to the final

⁴ Docket UE-240004/UG-240005, the revised second exhibit to the revised direct prefiled testimony of Birud D. Jhaveri BDJ-1Tr, Exhibit BDJ-3r (filed March 4, 2024), PSE’s 2022 Energy Burden Analysis.

⁵ UE-220066 et al. Commission Final Order 24/10 (December 22, 2022) on PSE’s 2022 GRC, generally.

⁶ UE-220053 et al. Commission Final Order 10/04 (December 12, 2022) on Avista’s 2022 GRC, generally.

metrics list, PSE believes there is a sufficient number of other affordability metrics which are more effective at gauging customer affordability. As discussed in PSE's previous comments on May 17, this proposed metric is complicated, does not clearly indicate linkages to affordability, and the calculation of the metric as written currently is incorrect as it proposes to divide the revenues associated with riders/trackers by MYRP revenues. If this metric is kept, PSE recommends correcting the calculation of the metric by using Total Revenues in the denominator.

6. Regarding the metric **Customers Who Participate in One or More Bill Assistance Programs (Metric 20)**, PSE agrees with comments of TEP that this metric should not only measure the number of customers, but should also measure the efficacy of energy assistance programs to lower energy burden. As PSE stated in previous comments on May 17, PSE proposed in its 2024 GRC an **Energy Burden Efficacy metric**. This proposed metric calculates the median percentage reduction in energy burden from energy assistance, among high energy burden customers who receive energy assistance.⁷ This would measure PSE's performance in reducing the energy burden of those customers that are provided the benefit of energy assistance. The Energy Burden Efficacy metric would take into account the pre-versus post-assistance energy burden. PSE considers this a sentinel metric in assessing whether PSE is equitably distributing this energy benefit and helping to lessen the economic pressure of being in an energy-burdened status.
7. Regarding the **Supplier Diversity (Metric 22)** metric, "other marginalized group" is currently an option for self-declaration in PSE's processes by using the Washington State Office of Minority and Women's Business Enterprises (OMWBE)'s definition for the classification of "socially and economically disadvantaged" business enterprises (SEDBEs). PSE disagrees with the suggestion to replace the more inclusive category of "other marginalized group" with "tribal."
Additionally, in PSE's previous comments on May 17, to ensure reporting consistency among utilities/agencies, PSE requested clarification language on "other marginalized groups" and confirmation that "self-identify" would apply to any business enterprise that

⁷ For more information about PSE's proposed energy burden efficacy metric, see the Prefiled Direct Testimony of Troy A. Hutson, Exh. TAH-1T, filed in PSE's 2024 GRC (UE-240004 et al) on February 15, 2024, at pp. 41-46.

holds a valid certification. PSE assumes any supplier that is certified by a council or third-party agency that aligns to the OMWBE's SEDBE requirements would be included in the self-identification label and PSE will not exclude certified suppliers from the calculation of "other marginalized group." If the Commission prefers a narrower scope to include only those "other marginalized group" suppliers that are certified by the OMWBE, PSE has the ability to focus reporting in that way.

Typically, verification of such ownership statuses happens by certifying agencies, and PSE relies on them to confirm business owner status across designations. Therefore, PSE would recommend that the Commission include in its amended policy statement specific criteria that PSE and other utilities would ask businesses to self-certify against or attest to for the designations, again to ensure greater consistency in reporting.

8. Regarding the metric **Equity in DER Program Spending (Metric 26)**, as discussed during the Workshop, PSE is unclear how individual DER programs that do not offer customer incentives or equipment investments by PSE (such as net metering) would measure "program spend." Programs without clear utility investment might be better measured through the metric that counts customer participation. Another question PSE has when counting "DER program spend," would be whether non-customer/ratepayer funding sources (such as from the Department of Commerce) should be counted – and if not, this would be another example of where a spend-based metric would not accurately reflect DR/DER/Renewable Energy benefits flowing to Named Communities. In summary, PSE instead recommends the metric PSE proposed in its 2024 GRC⁸, while removing from it net metering and allowing for reporting on non-customer/ratepayer funding sources obtained by the utility to cover program costs.

⁸ See PSE's Comments in this docket from May 17, 2024.

Conclusion and Contacts

PSE appreciates the opportunity to provide these supplemental comments. Please contact Kelima Yakupova, State and Regional Policy Consultant, at Kelima.Yakupova@pse.com or (425) 462-3051, for additional information about these comments. If you have other questions, please contact me.

Sincerely,

/s/ Wendy Gerlitz

Wendy Gerlitz
Director, Regulatory Policy
Puget Sound Energy
PO Box 97034, BEL10W
Bellevue, WA 98009-9734
425-462-3051
Wendy.Gerlitz@pse.com

cc: Tad O'Neill, Public Counsel