Service Date: August 2, 2024

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making	DOCKET U-210590 POLICY STATEMENT ADDRESSING INITIAL REPORTED PERFORMANCE METRICS

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1 Beginning January 1, 2022, Revised Code of Washington (RCW) 80.28.425 (MYRP Statute) requires electric and natural gas companies regulated by the Washington Utilities and Transportation Commission (Commission) to include in each general rate case filing a multiyear rate plan (MYRP). The statute further requires the Commission to determine a set of performance measures that will be used to assess a utility operating under a MYRP.

2 To that end, the Legislature directed the Commission, in Section 1 of Engrossed Substitute Senate Bill 5295,[1] to conduct a proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance-based measures or goals, targets, performance incentives, and penalty mechanisms. The Legislature further directed the Commission to consider a number of factors as part of such a proceeding, <u>including, but not limited to</u>, lowest reasonable cost planning, affordability, increases in energy burden, cost of service, customer satisfaction and engagement, service reliability, clean energy or renewable procurement, conservation acquisition, demand side management expansion, rate stability, timely execution of competitive procurement practices, attainment of state energy and emissions reduction policies, rapid integration of renewable energy resources, and fair compensation of utility employees.

3 Pursuant to RCW 34.05.230 and WAC 480-07-920, the Commission may issue a policy statement, "to advise the public of its current opinions, approaches, and likely courses of action…" RCW 34.05.230(1). On July 30, 2021, the Commission opened Docket U-210590 to initiate this proceeding.

[1] Laws of 2021, ch. 188. Section 1 of the bill was not codified in Chapter 80.28 RCW.

4 On December 30, 2021, the Commission provided an update to the Legislature on the progress of the proceeding to date, as well as its expected duration. The update included an appendix containing a proposed workplan consisting of five phases over the course of several years.[2]

5 During the ensuing year (2022), the Commission collaborated with the Regulatory Assistance Project (RAP) culminating in a briefing paper covering best practices and considerations as the Commission prepared to engage with the public.[3] Additionally, the Commission contracted with Great Plains Institute[4] to facilitate the extensive public participation and incorporate comments from those engagements to define regulatory goals, desired outcomes, and design principles, and to identify related metrics[5] as part of Phase 1.[6]

6 On January 12, 2023, the Commission issued a notice temporarily postponing its activities in this Docket given the press of business before the Commission, and the resources necessary to consider issues and fiscal impacts from proposals in the 2023 legislative session.[7]

7 On December 13, 2023, the Commission issued a notice resuming work in this docket and seeking further public engagement and collaboration to refine necessary definitions

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[2] UTC Legislative Report (Dec. 30, 2021). Available at https://apiproxy.utc.wa.gov/cases/GetDocument?docID=30&year=2021&docketNumber=210590 ; and https://apiproxy.utc.wa.gov/cases/GetDocument?docID=29&year=2021&docketNumber=210590 .

[3] Elaine Prause & Jessica Shipley, *Performance-Based Regulation: Considerations for the Washington Utilities and Transportation Commission*, Regulatory Assistance Project (2022), Available at https://apiproxy.utc.wa.gov/cases/GetDocument?docID=35&year=2021&docketNumber=210590 .

[4] A Sole Source Contract (Contract 23-SS-39) was executed and posted to the WEBS application and UTC website for public review on Mar. 23, 2022, https://www.utc.wa.gov/search/contract (last visited Mar. 25, 2024).

[5] The Commission uses metrics and performance measures (measures) interchangeably.

[6] Three workshops were held on: Apr. 19, July 25, and Nov. 7, 2022. Notice for comments were issued on May 2, Aug. 6, and Nov. 30, 2022; and Jan. 5 and Dec. 13, 2023.

[7] During the 2023 legislative session, the Legislature considered several bills with potential impact on how the Commission regulates certain aspects of utility operations (*e.g.*, ESHB 1329 Preventing utility shutoffs for nonpayment during extreme heat, 2SHB 1032 Mitigating the risk of wildfires through electric utility planning, SSB 5165 Concerning electric power system transmission planning, and ESHB 1589 Supporting Washington's clean energy economy and transition to a clean, affordable, and reliable energy future).

and calculations as suggested by commenters in response to the notice issued on November 30, 2022.

8 On April 12, 2024, the Commission issued an interim policy statement providing its general guidance and opinions of Performance-based regulation (PBR), and establishing guiding principles, goals, and a preferred set of metrics. However, the Commission agreed with docket participants that more discussion was needed to define certain terms and calculations for those metrics. Subsequently, on April 18, 2024, the Commission issued a Notice of Workshop and Opportunity to Comment. The Commission received written comments from Avista Corporation dba Avista Utilities (Avista), Cascade Natural Gas Corporation (Cascade), NW Energy Coalition (NWEC), Renewable Northwest (RNW), The Public Counsel Unit of the Washington Attorney General's Office (Public Counsel), PacifiCorp dba Pacific Power & Light Company (PacifiCorp), Northwest Natural Gas Company (NW Natural), Puget Sound Energy (PSE), and The Energy Project (TEP).

9 On May 28, 2024, the Commission held a workshop to discuss the unresolved metric definitions and calculations and hear feedback from parties related to submitted comments on these issues. Following this workshop, supplemental comments were received from Avista, NWEC, PSE, and TEP.

II. STATEMENT OF COMMISSION POLICY

10 The Commission's Initial Reported Performance Metrics are listed in Section III below and in Appendix A. As a preliminary matter, however, the Commission addresses here several outstanding issues and explains the bases for declining requests to include additional metrics in this policy statement. In doing so, we reiterate our view that a comprehensive PBR framework cannot be established with finality at this juncture. Adjustments will be necessary as we continue the work toward a more efficient, flexible, and robust regulatory framework that meets the Commission's statutory obligations and can achieve the PBR goals and objectives established to date and in the future.

11 First, we address the desire of some commenters to limit the reporting of metric, or metric data, that may be reported in other dockets or proceedings. While the Commission shares the goal of efficiency in reporting, this places the burden on the Commission, participating parties, and those that may wish to follow this proceeding without formal participation to understand when and where the various metric data is housed. This concern is also supported by a utility comment indicating that not all data is appropriate to post on their external facing website for various reasons. Therefore, until such time as the Commission completes Phase 2 of this proceeding, which will address reporting, and obtains the resources to develop its own external PBR website, any metric data within

this docket is expected to be reported as an appendix, or appendices, to the annual Commission Basis Reports (CBR).[8] Commission policy staff will then submit a notice to this docket with information and links to each utility CBR with reference to the appropriate appendix for the required metrics.

12 Second, the initial reported performance metrics discussed within this policy statement are the culmination of the docket participants' collaborative efforts. The Commission provides limited modification to select metrics and provides its rationale for making such adjustments. The Commission also provides a brief purpose statement for each metric, and notes that our purpose statement may differ from that of the party that originally proposed the metric. Moreover, subsequent data analysis may lead to additional inquiry, requests for supplemental data through modified metrics, or wholly different metrics to most appropriately measure utility performance for a certain goal or outcome.

13 Third, we address the request to define the term "Named Communities." The Commission understood that docket participants were utilizing this term as shorthand combining "Highly Impacted Communities" and "Vulnerable Populations." This perception is further supported by the distinct use of "low-income customers" as a separate component in several metrics.[9] Therefore, for the purpose of this PBR docket, the term Named Communities shall include both Highly Impacted Communities and Vulnerable Populations as defined in the Clean Energy Transformation Act (CETA) of 2019.[10] We expect utilities to continue updating data reflecting Vulnerable Populations as their assessments of vulnerability factors evolve.

14 Fourth, we confirm the Commission's preference for the use of census tracts over zip codes within PBR metrics. However, as indicated in our Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms (Interim PBR Policy Statement) issued on April 12, 2024,[11] we

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[8] Commission Basis Reports are required by WAC 480-100-257 (electric) and 480-90-257 (natural gas). The reports are due to the Commission within four months of the end of a utility's fiscal year. Currently, all utilities file by April 30.

[9] We recognize that there may be significant overlap of the three populations.

[10] RCW 19.405.020 defines both terms. Highly impacted community as a community designated by the department of health based on cumulative impact analysis in RCW 19.405.120 or a community located in census tracts that are fully or partially on "Indian Country" as defined in 18 U.S.C. Sec. 1151. Vulnerable populations means communities that experience a disproportionate cumulative risk from environmental burdens due to: (a) adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguistic isolation; and (b) sensitivity factors, such as low birth weight and higher rates of hospitalization.

[11] The Interim PBR Policy Statement is available on the Commission's website in this docket.

understand that not all utility information systems currently support data tracking or reporting at the census tract level. Any utility unable to track or report data at the census tract level must provide a narrative with their annual metric submissions that provides the Commission and interested persons with an update on the timeframe for that capability.

15 Fifth, when submitting PBR metrics, the Commission encourages utilities to provide numerical data, visual data, and the narratives necessary to best explain underlying assumptions or demonstrate outcomes. While in certain metrics the Commission provides an explicit preference for certain methods, this should not be interpreted as a restriction. For example, the Commission requests certain metrics be accompanied by heat maps using the Washington State Department of Health Disparities Map (Department Health Disparities Map)[12] or the Climate and Economic Justice Screening Tool (EJ40 Map).[13] This in no way limits a utility from also providing a narrative to further describe assumptions or events that impacted the data or outcome.

16 Next, we address requests from RNW, NWEC, and TEP to include certain draft or proposed metrics not identified in the Commission's Interim PBR Policy Statement. Specifically, these metrics were related to the Average Customer Bill, Customer Disconnections and Reconnections, Non-Wire and Non-Pipeline Alternatives, and Grid Enhancing Technologies (GETs). The Commission declines to incorporate these metrics, except for the Average Customer Bill, into our initial reported performance metrics for various reasons as discussed below. However, we reiterate our position from the Interim PBR Policy Statement that parties may propose additional metrics within the context of multi-year rate plan proceedings for further consideration.

17 During the May 28 Workshop, TEP expressed that the Average Customer Bill metric is necessary for evaluation of rate affordability. While we agree this is a valid metric, we do not agree that on its own the data provides direct insight into affordability. There appears to be confusion regarding the inclusion in the Interim Policy Statement of the Commission ordered metrics in previous general rate proceedings. We explicitly include those metrics within this policy statement and thereby resolve TEP's request to maintain this metric.

18 Both TEP and NWEC contend that the Disconnections and Reconnections metric should be included at this time. This is a metric currently being reported in other filings,

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[12] Washington State Department of Health Disparity Map, https://doh.wa.gov/data-and-statistical-reports/washington-tracking-network-wtn/washington-environmental-health-disparities-map.

[13] Climate and Economic Justice Screening Tool, https://www.arcgis.com/home/item.html?id=ee9ddbc95520442482cd511f9170663a, last visited June 21, 2024.

specifically the COVID Docket (U-200281)[14] and the electric utility Clean Energy Implementation Plans (CEIPs). The COVID docket is expected to remain in force until 30 days after completion of the Commission's rulemaking docket (U-210800) Currently, that rulemaking is not anticipated to resume until 2025. Again, we are concerned about the number of metrics and quantity of data for this initial round of reported metrics. Further, the PBR docket is not expected to serve as the sole proceeding for considering utility metrics. For now, data related to disconnections and reconnections will be available in the COVID and CEIP dockets.

19 The inclusion of the non-pipeline alternatives (NPA) and non-wires solution (NWS) spending metric was requested by NWEC in its May 17 comments. While the Commission has not adopted a formal definition of NPAs or NWSs, we acknowledge the desire to defer, reduce, or remove the need to construct or upgrade transmission and distribution components of the system where more cost- or environmentally efficient alternatives are available. Alternatives may include energy efficiency, demand response, distributed energy resources, and microgrids, among others.[15] Some of this data is being captured within other metrics we adopt in this policy statement. Because, as we have stated our intent to adopt a more limited set of metrics as we develop more experience with the metrics and data necessary to report on the metrics, we decline to include the NPA and NWS spending metrics at this time.

20 The Commission appreciates RNW's comprehensive response in its May 17 comments related to its request to implement a GETs metric. This is an ideal illustration of the process envisioned by the Commission in its Interim PBR Policy Statement for promoting additional metrics through a general rate proceeding. We agree that GETs can provide numerous benefits at both the transmission and distribution system level. However, due to a lack of time and resources to develop fully a metric through the collaborative process of this docket, we decline to include it within this policy statement, but commit to making this proposed metric a priority for the next metric iteration. In the meantime, the Commission expresses here our explicit preference to promote GETs where appropriate, as GETs are specifically identified by statute as an element in Integrated Resource Plans (IRPs), and thus CEIPs.[16] Extensive time and resources will be

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[14] On a monthly basis utilities are required to provide arrearage data and customer assistance data. On a quarterly basis, utilities are required to provide more granular data relating to disconnections, fees, bill assistance, and arrearages at the zip-code level.

[15] The Non-Wires Solutions Implementation Playbook (2018), retrieved from The Non-Wires Solutions Implementation Playbook - RMI. Non-Pipeline Alternatives: A Regulatory Framework and a Case Study of Colorado (2023), retrieved from Not Just A Pipe Dream: Non-Pipeline Alternative Framework, Analysis and Experiences | Energy Markets & Policy (lbl.gov).

[16] RCW 19.280.030(1)(f).

employed during upcoming IRPs and CEIP proceedings to examine how utilities may cost-effectively deploy such technologies.

21 Finally, we address the request from PSE to utilize several metrics proposed in their 2024 general rate proceeding in lieu of the corresponding metrics in this docket. We are not inclined either to implement a metric that has not been vetted by a collaborative process nor to differentiate metrics among utilities at this time. The Commission does not foreclose that possibility in the future but is hesitant to do so before the first PBR metric data is analyzed for its utility comparability benefits. This decision does not imply any predetermined judgment of the metrics identified within PSE's 2024 general rate proceeding, and those metrics will be decided based on the evidence in that record.

III. INITIAL REPORTED PERFORMANCE METRICS

22 The Commission Initial Reported Performance Metrics, along with a comparison to the November 7 Draft Metrics, are provided in Appendix A. We address each metric below to provide guidance in response to feedback received through this proceeding. Each metric is designated as applying to electric, natural gas, or both. Additional clarification or considerations are provided where necessary. Further, the Commission provides its preliminary purpose for each metric.

A. Goal 1 – Resilient, reliable, and customer-focused distribution system

Equity in Reliability: length of power outages [Electric]
Average and median length (in minutes) of power outages per year, separately calculating Named and Non-named Communities reporting with and without major event days (MEDs).

23 For this metric, electric utilities will report in accordance with the Institute of Electrical and Electronics Engineers (IEEE) Standard 1366 the data related to Major Event Days (MEDs). Specifically, outages are reportable with a duration of greater than five minutes. These outages are expected to be based on individual customers and not on the system as a whole.

24 *Purpose:* This metric is intended to obtain baseline data for potential targets. Additionally, the data will help determine whether Named Communities are disproportionately impacted either under normal operations or during major events.

Natural Gas emergency response time [Natural Gas]
Average and median length (in minutes) from customer call to arrival of field technician in response to natural gas system emergency, separately reported for Named and Non-named Communities.

25 While this metric was not originally included in the Commission preferred metrics, we agreed with TEP that it is appropriate to obtain baseline data for natural gas emergency responses. However, due to the nature of the natural gas system, the length of a natural gas outage is not necessarily within the utility's control, as evidenced by the outage due to a pipeline rupture in the Avista service territory.[17] However, the utility controls the dispatch of its field technicians, and this is an appropriate activity to confirm the utility's performance.

26 *Purpose:* This metric is intended to gather baseline data to determine if a performance metric is appropriate. Further, the metric may help identify if Named Communities receive disparate response times.

Historically Worst Performing Circuits [Electric]
The 10 worst performing circuits in any given year separately by both frequency and duration, reported both with and without MEDs and identifying circuits that serve Named Communities. In addition, of the 10 worst performing circuits (separately by frequency and duration), the number of years over the past five years that a circuit has appeared on the list.

27 The Commission confirms that identification of the circuit is consistent with the System Average Interruption Data Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) methodology in conforming to the IEEE Standard 1366. Further, to address the concern related to future changes to methodology and reporting year-over-year information, this may be undertaken as the need arises and may require a simple narrative to identify when and where a methodological change needs to be included for data interpretation.

28 *Purpose:* This metric is intended to provide transparency in utility planning to address the worst performing circuits within the service territory. Further, by including the identification of circuits that serve Named Communities, the utilities and interested parties may be able to propose solutions that prioritize certain circuits for equity purposes.

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[17] Avista begins restoring gas to customers after historic Palouse pipeline rupture | The Spokesman-Review (Nov. 10, 2023), last visited July 18, 2024.

***Customers Experiencing Multiple Interruptions (CEMI) for Named and Non-Named Communities [Electric*]

Average number of outages for customers experiencing multiple interruptions (grouped by those experiencing 1-4 interruptions, 5-8 interruptions, and more than nine interruptions) calculated as the total number of customers with sustained interruptions of greater than five minutes divided by the total number of customers served. Provide this calculation without MEDs for the service territory as a whole and separately for Named Communities.

29 As written, this metric does not provide locational data that may be helpful to the Commission and interested parties. The Commission requests electric utilities to provide this information both in data format and visually (*e.g.*, heat mapping) by overlapping the data with the Department of Health Disparities Map or EJ40 map.

30 *Purpose:* This metric is intended to obtain baseline data, and to help determine whether Named Communities are disproportionately impacted with a higher proportion of those customers experiencing multiple outages.

Customers Experiencing Long Duration Outages (CELID) for Named and Non-named Communities [Electric]

Number of customers experiencing more than eight hours of consecutive interruption per year, providing separate calculations without MEDs for the service territory as a whole and separately for Named Communities.

31 Participants provided varying ranges for reporting within this metric. As the Commission considered the options and how those ranges might provide insight for the calculation as originally proposed, we do not believe the resulting percentages would be statistically significant or actionable. Therefore, the Commission modifies the metric to measure customer outages of greater than eight hours rather than a percentage of total customers experiencing outages of varying lengths. This calculation is not intended to capture an aggregate of eight hours over a year but to capture data from single events which are long in duration. Further, this metric does not provide locational data that may be helpful to the Commission and interested parties. The Commission requests electric utilities to provide this information both in data format and visually (*e.g.*, heat map) by overlapping the data with the Department of Health Disparities Map or EJ40 map.

32 *Purpose:* This metric is intended to obtain baseline data to identify potential areas of concern or focus. Additionally, the data will help determine whether Named Communities or other geographical areas are experiencing a disproportionate share of long duration outages.

B. Goal 2 – Customer Affordability

Arrearages per Month [Electric and Natural Gas]
Number of customers in arrears by period and total amount of arrearages by month, by class, measured by census tract to include 30+, 60+, and 90+ days in arrears for total company, and electric and natural gas separately for dual fuel utilities.

33 The number of customers in arrears should be reported only once (in the greatest period) and the total dollars associated with those customers separated by period (30+, 60+, 90+ days). For example, a customer that is 61 days late will be reported once in the 60+ day period, their total arrearages will be separated into the amount that is 30-59 days past due and the remainder reported in the 60+ category.

34 While we appreciate that a dual-fuel customer only receives a single bill, the Commission believes it is important, to understand the significance of each fuel type contained within the customer arrearage data, especially given the legislative mandates of CETA and the Climate Commitment Act (CCA) of 2021. Further, while this data is currently reported under the COVID docket in U-200281, the requirement for that reporting will end 30 days after completion of the Disconnection rulemaking in docket U-210800. We believe this data will be valuable in analyzing both the affordability of utility rates during the transition to clean energy and the effectiveness of utility assistance programs and outreach.

35 *Purpose:* Data provided by this metric will provide transparency in both the dollar amount of the arrearage and the number of customers that may be unable to meet their energy financial obligations. Further this data will help identify areas for potential focused bill assistance outreach and programs and potentially evaluate such targeted efforts and provide insight into affordability of utility rates.

Percentage of customers in arrears with Arrearage Management Plans (AMP) [Electric and Natural Gas]
By census tract and quarterly, the number of residential customers in arrears with arrearage management plans divided by total customers in arrears.

36 First, the Commission recognizes that not all utilities currently have an AMP, and those utilities will simply not have applicable data to report for this metric. However, a utility without an AMP may want to consider developing such a program if it is interested in potential future AMP-related incentives.

37 Additionally, we remove the reporting periods (30+, 60+, and 90+ days) from the reporting on this metric. While the Commission understands TEP and Public Counsel's concern about the number of customers successfully completing an AMP, we are not convinced the inclusion of the proposed timeframes will inherently provide that information. This may be a future metric discussion once AMPs are beyond the implementation period.

38 Finally, in written comments and at the May 28 Workshop, TEP raised the possibility of several metric variations. TEP expressed interest in an alternative (or an additional) metric to measure the time it takes a utility to enroll customers from the time they are eligible or request participation. In response, several utilities raised concerns regarding system capabilities to track such information. Avista noted that the response time may be outside its control, such as when the request comes through a Community Action Agency. Therefore, we decline to include this metric variation at this nascent stage of AMPs, as we are uncertain if utilities can easily obtain the data or if the data is actionable (under significant utility control).

39 *Purpose:* This metric is intended to gather baseline data for program uptake as AMPs are being initiated. We expect modifications to this metric as programs mature.

Average Energy Burden [Electric and Natural Gas]
Annual residential bill divided by area median income by census tract for all customers, comparing outcomes in Named and Non-named Communities. For dual fuel utilities, electric and natural gas service should be stated separately calculated both before and after energy assistance. Also provide the number and percentage of customers experiencing high energy burden by census tract.

40 In this metric, the Commission considers energy assistance to mean all energy assistance programs whether customer-funded or provided from other sources.

41 The primary issue in finalizing this metric was how to measure high energy burden for single fuel customers. While we appreciate TEP's preliminary proposal based on Avista and PSE data, we are hesitant to rely on that recommendation without further analysis and feedback from other docket participants. Additionally, we imagine data sharing agreements between UTC-regulated and other utility providers would likely be unsuccessful, costly, or insufficient to provide complete energy burden data. Therefore, until more analysis is completed, or a more universal regulatory methodology is determined, the Commission defines high energy burden as greater than 6 percent for both single and dual fuel customers. However, utilities should utilize the Department of Energy's LEAD tool,[18] or other easily verifiable data as a proxy for its single fuel customers.

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[18] Department of Energy's LEAD tool is available at [LEAD Tool | Department of Energy](#).

42 *Purpose:* This metric will provide transparency related to the average utility bill that is also comparable across utilities. Further, with the additional calculation of before and after energy assistance, this metric can provide insight into the effectiveness of bill assistance programs which may lead to a future target metric. Finally, by reporting at the census tract level, the data may provide locational data for targeted utility outreach for bill assistance programs and to set baseline data for future targets.

Net Benefits of Distributed Energy Resources (DERs) [Electric]
Net present value of benefits and cost-effectiveness ratio of DERs as measured through a Commission approved cost-benefit analysis.

43 During the May 28 Workshop, the Commission heard general consensus that use of the modified Total Resource Cost (TRC) test and the Utility Cost Test (UCT) are appropriate until the investigation in Docket UE-210804 to develop a UTC jurisdictional cost-effectiveness test for DERs is resolved. Further, there was consensus to use the CETA definition for DER.[19] We clarify here that the CETA definition of DER will be used for all DER-related metrics.

44 While there was a utility request to report this metric in aggregate as the CEIPs provide program level data, we respectfully request the same program-level data be reported in the PBR metric at this time. As stated in the introduction of this policy statement, we believe that PBR docket participants and the public should not have to research when and where to track the PBR metrics through multiple dockets or other sources.

45 Finally, the Commission declines to define DER benefits for the sole purpose of PBR metrics within this policy statement. Rather, this should be accomplished through the cost-effectiveness docket in UE-210804. That docket contains a straw proposal related to DER benefits for utilities to consider for reporting on this metric.[20] Further, the Commission expects each utility to provide a narrative describing the benefits utilized in their calculation by DER program as the benefits included are necessarily dependent on the DER use case.

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[19] RCW 19.405.020 defines a distributed energy resource as a "nonemitting electric generation or renewable resource or program that reduces electric demand, manages the level or timing of electricity consumption, or provides storage, electric energy, capacity, or ancillary services to an electric utility and that is located on the distributed system, any subsystem of the distribution system, or behind the customer meter, including conservation and energy efficiency."

[20] The straw proposal can be retrieved from the Commission's website.

46 *Purpose:* This metric is expected to provide baseline data related to DER benefits. Combined with other DER metrics, the Commission expects a more holistic picture of how DERs are providing benefits and what type of benefits are realized.

47 During the May 28 workshop, there was discussion about including demand response programs for natural gas utilities within this metric. However, the details and definitions of this metric make a combined metric challenging, and we find that a separate metric may be more appropriate. Further, while the Commission finds great value in natural gas demand response programs, we believe more consideration is needed before developing a metric to evaluate the benefits of such programs. Specifically, the Commission would need to clarify what type of programs are included in a definition of demand response and identification of qualifying benefits. Therefore, this metric will be considered in the next iteration of metrics.

Distribution Energy Resource Availability and Utilization [Electric]
Annual energy (MWh) produced, consumed, or discharged from dispatchable distributed energy resources (DERs) by program; Annual capacity (MW) from DERs by program; and aggregated annual capacity of DERs providing additional grid services through utility programs.

48 The Commission accepts, with some modification, NWECs proposed revised metric submitted in their comments filed on June 4, 2024. We modify the metric to include the term "dispatchable" as discussed during the workshop, rather than "all applicable" as submitted in comments, to provide specificity for utility reporting. Additionally, we specify the granularity of reporting for each portion of the metric to enhance the visibility of DER program effectiveness.[21] This revised metric better captures the intent of this metric's purpose as discussed below.

49 Further, we appreciate NWEC's additional metric language to capture additional grid services provided by DERs for a more holistic view of DER utilization. The Commission requests that utilities provide a narrative response when reporting this metric to discuss the specific grid services benefits supported by DERs during the reporting period.

50 *Purpose:* This metric will provide greater visibility and understanding of the availability of DERs to both mitigate the rate impacts to meet customer energy demand and support grid reliability. Additionally, this data in combination with DER equity metrics in Goal 3 will provide a more holistic picture to advance the equitable distribution of benefits associated with DERs for Named Communities.

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[21] The utilities have discretion in determining what constitutes a DER program to allow for necessary flexibility. For example, utilization of an aggregator for Virtual Power Plants.

Utility Assistance Program Effectiveness [Electric and Natural Gas]
On an annual basis, utility customer-funded assistance funds dispersed divided by total available customer-funded assistance received, as well as the percentage of estimated low-income needs met with dispersed funds.

51 The utilities expressed concern at the May 28 workshop regarding using "annual budgets" as the denominator in the calculation as they claim no budgets for assistance programs exist. The Commission adjusts the metric to acknowledge this concern and instead uses the total customer-funded assistance received as the basis for the calculation. Relatedly, the term "spent" is replaced by "dispersed" to recognize these funds are not a utility spend. This revised calculation better reflects both the proportion of funds being dispersed and the effect on the estimated need. We also explicitly provide this metric does not include funds received through voluntary donations.

52 Further, the Commission desires additional context beyond the draft metric language to provide a sense of the need met by these assistance funds. Therefore, we include the percentage of low-income needs met with the dispersed funds. The Commission is not establishing a specific methodology for estimating the number of low-income households within a service territory in this docket. We leave this decision to the utility in collaboration with its appropriate advisory groups. However, the utility must provide a narrative in its reporting as to the determined methodology. This methodology must remain consistent for all PBR metrics that include the term "estimated low-income" as part of the data or calculation.

53 *Purpose:* This set of metrics will provide baseline data to better evaluate the effectiveness of utility actions to get funding to those in need, and better understand the effect on the estimated need.

Customers who participate in one or more bill assistance programs [Electric and Natural Gas]
The number and percentage of estimated low-income customers who participate in one or more customer-funded energy assistance programs that actively lowers energy burden, both aggregated and by census tract; and separately the number and percentage of estimated low-income population enrolled in a utility bill discount program and total amount of discount applied annually.

54 In the Commission's Notice of Opportunity to File Written Comments issued on April 18, 2024, the Commission received feedback in support of an alternative metric or alternative language, and concerns regarding the inclusion of the term "vetted" when determining an estimated number of low-income customers.[22] During the May 28, 2024, workshop, Commission Policy Staff presented two alternatives for discussion based on recommendations made by Avista and TEP in their written comments filed on May 4, 2024. No party provided verbal comment at the workshop due to the limited time for consideration, and only TEP and NWEC responded with their preferred alternatives in subsequent written comment.

55 The Commission clarifies this metric is intended to provide information that compares actual participation against the estimated low-income population within a utility's service territory.[23] Therefore, in reporting this metric, utilities should use the same methodology for estimating the low-income population as previous discussed.

56 Finally, the Commission is interested in obtaining information to assess the uptake and impact of implemented bill discount programs. We recognize that some utilities have not established a bill discount program and we do not require this reporting for those utilities. However, as baseline data is received and potential incentives established, utilities without such a program would forgo those financial opportunities.

57 *Purpose:* This metric will allow baseline data for tracking low-income assistance program penetration over time and provide geographical data for analysis that may identify areas for more targeted outreach.

Annual utility revenues and rate impacts [Electric and Natural Gas]
Annual revenue from base rates approved in most recent MYRP by customer class; total incremental or decremental revenue from all approved rate adjustments, excluding those authorized by the MYRP, occurring during the reporting year separated by schedule and customer class providing the calendar month and percentage of the change for each schedule;[24] and annual net billed revenue by schedule.

58 The Commission revises the title of this metric from "Revenues associated with riders or other mechanisms outside of the MYRP," to the above for two reasons. First, some commenters expressed concern regarding what constitutes a rider and the timing of rate impacts that occur throughout the year. Second, while we understand TEP's intention to understand better the impacts of revenues collected through a variety of regulatory

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[22] We resolve the issue of requiring the estimated number of low-income customers being vetted by allowing the utilities to collaborate with their advisory councils to determine an appropriate methodology as previously provided in this policy statement.

[23] The term "eligible" has been replaced by "estimated" for consistency with other metrics.

[24] The percentage of the change should be reported as the net customer bill impact rather than the percentage change of the schedule.

mechanisms, the Commission believes after further consideration that additional data is required to provide better transparency in utility rates.

59 This revised metric eliminates the ambiguity of the term "rider" as all revenues must be collected through schedules and changes to those schedules must be approved by the Commission. This includes other adjudicative proceedings that may result in a change to customers rates, such as Power Cost Only Rate Cases or Limited Issue Rate Filings.[25] While the Commission is cognizant of the rate changes that occur during the year, it is important to provide and present the cumulative impact of those changes in a transparent fashion.

60 Further, by reporting this metric as part of the annual CBR filing on a calendar year basis, there is no need to forecast impacts of tariff schedule changes, nor is there a need to normalize or annualize data. This metric simply reports the revenue information on a year-by-year basis. There also may need to be utility narrative about what this data represents. For example, it is important to be clear that the portion of the metric that provides billed revenue by schedule is just that -- billed but not necessarily received from customers by the utilities. Again, this is another metric for which utilities are encouraged to provide narrative so that the Commission and interested persons or parties understand how the data can be appropriately used in various analyses.

61 Finally, the Commission responds to utilities' concerns regarding the use of this metric for evaluating utility performance. We agree that this metric, on its own, is not necessarily a direct indication of utility performance. However, this data is necessary to understand how rates are changing over time. Further, the combined analysis with other metric data or other utility filings may lead to better informed proposals or decision making by utilities, interested parties and the Commission.

62 *Purpose:* This metric provides transparency in utility rates and revenues and allows the Commission, parties, and the public to understand better the combined rate impacts experienced within a calendar year and the incremental impact for each rate adjustment within the year. Additionally, this metric provides the type of raw data needed to supplement affordability analysis.

C. Goal 3 – Advancing Equity in Utility Operations

Workforce Diversity [Electric and Natural Gas]

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[25] Utilities should report these types of incremental changes as separate line items. More specifically, even if a utility is authorized to file a Power Cost Only Rate Case as part of a MYRP, the utility should report the incremental outcome of that PCORC as a separate line item for the purposes of this metric.

Percentage of employees and senior management (separately identifying: (a) C-suite employees, (b) directors and employees more senior than directors, and (c) the remaining workforce) who identify as: (i) a person of color; and/or (ii) a woman or non-binary; Percentage of total employees that opt out from providing information either through HR data or surveys.

63 Utilities expressed concern that this metric could compromise protection of personal employee information. However, we believe this concern is addressed by aggregating data by percentage rather than number of individual positions within a group. If information is not available through HR systems or processes, companies could conduct anonymous surveys without collecting personally identifying information. The companies could also alleviate this concern by providing an opt-out procedure.

64 The Commission adopts PSE's recommendation, as provided in their May 17 comments, to include a third category to capture the remaining workforce within this metric. The added category provides a total company perspective to this equity metric.

65 *Purpose:* This metric provides transparency for equity purposes and allows the Commission, the utilities, and interested parties to monitor workforce trends and progress. While some comments were received that questioned whether this metric could move beyond a reported metric, the Commission agrees with NWEC that this baseline data is necessary to address "challenges in achieving goals that reverse historic trends of who is in this field and who leads it."[26] Further, we agree that this information can also be used to benchmark across utilities or by the demographics of a utility's service area.

Supplier Diversity [Electric and Natural Gas]
Percentage of suppliers that self-identify as owned by people of color, women, veteran, and other marginalized groups, and total dollar amount and percentage of total company spend to those suppliers.

66 First, we address the Commission's intent behind the term "self-identify" within this metric. This term indicates any supplier that either qualifies through certification from OMWBE, another state or federal certification program, or through an attestation or utility questionnaire that is completed by the supplier indicating they would otherwise qualify as a diverse supplier.

67 Second, we retain the term "other marginalized groups" as a qualifying group. However, after consideration of both written and verbal comments, the Commission declines to adopt a definition that may inadvertently, and arbitrarily, exclude a supplier. Instead, the

[26] NWEC comments submitted June 4, 2024, at page 4.

Commission directs utilities to work with their Equity Advisory Groups to determine a process, definition, and/or qualification for suppliers to be classified as part of a marginalized group. This puts the decision with the EAG and utility for each respective service territory. This may result in differing criteria across the utilities, but we believe this is acceptable based on the collaborative decision. Utilities should include the outcome of that decision-making process in their narratives when reporting this metric.

68 Finally, we include women and veteran-owned businesses in this metric. These terms were inadvertently excluded from the metric language in the Commission's Notice of Workshop and Opportunity to Comment issued on April 18, 2024.

69 *Purpose:* This metric is intended to obtain baseline data, track the extent diverse suppliers are utilized by the utilities and the amount of utility spending benefiting diverse suppliers enabling setting targets in future PBR process.

Equity in Distributed Energy Resource Programs [Electric]
Number of customers in Named Communities or low-income customers enrolled in each utility DER program (providing a separate calculation for energy efficiency, electric transportation, net metering, and demand response) divided by total customers enrolled in each program.

70 The Commission makes two significant changes to this metric. First, the second portion of the draft metric (*i.e.*, number of customers enrolled divided by number of eligible customers) is removed for the initial reported metric. The utilities raised concerns that not all programs have enrollment caps which renders the metric moot for those programs. Parties may either pursue an alternative through a MYRP proceeding or future process in this docket if they consider DER program enrollment a meaningful metric to evaluate utility performance.

71 Second, we remove the "directly benefiting from" language from the calculation in this metric. Following the workshop, the Commission received no further comments clarifying how we might define this phrase. Additional discussion and process, both within and outside this docket,[27] may provide direction for including such language in future iterations of the metric. Alternatively, it may be appropriate to consider a separate metric to evaluate the community benefits from distributed energy resources.

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[27] The 2023-2025 Supplemental Operating Budget (SB 5950 and HB 2104) contains a proviso for the Department of Commerce to contract with the Washington State Academy of Sciences to conduct a study to determine the value of solar. Further, the Commission's cost effectiveness docket (UE-210804) will also provide additional guidance on calculating the benefits of DERs.

72 Finally, we address Avista's concern regarding the inclusion of net metering as a DER program. Avista provided verbal comment at the May 28 workshop that net metering is legislatively required and should not be considered a utility program. We decline to remove net metering or replace it with the term 'renewables' at this time. While net metering began as a legislative mandate, that does not relieve the utilities from their obligation to ensure equity in program enrollment as CETA also mandates that all customers receive both energy and non-energy benefits from the transition to clean energy. Indeed, many actions required by utilities are due to legislative mandates, state policy, or regulatory obligations. PBR is intended in part to track performance in meeting these obligations.

73 *Purpose:* This metric is intended to provide baseline data to evaluate for equity purposes whether DER programs are reaching low-income customers or those in Named Communities. The year-over-year data will help track the effectiveness of community outreach of these programs and hopefully through those conversations, identify opportunities to structure programs to enable balanced enrollment given a utilities service area customer composition.

Equity in Distributed Energy Resource Program Spending [Electric]
Separately calculated percentage of utility spending on demand response and distributed energy resources (energy efficiency, electric transportation, and renewables) that benefit Named Communities as compared to Non-named Communities.

74 In comments received responding to the Commission's Notice issued on April 18, 2024, participating parties did not express concern for this metric as applicable to electric utilities. As with other DER-related metrics, the Commission will hold a comparable natural gas demand response metric for further discussion.

75 Avista expressed the same concern related to net metering for this metric during the workshop held on May 28, 2024, and was supported by NWEC and PSE's written comments received June 4, 2024. While we do not necessarily agree that net metering is not a utility program as argued by Avista, we recognize that there is no utility spend but rather a credit on a customer's bill. Similarly, funding received from other sources (such as from the Department of Commerce) are also not utility spend and therefore are not included in this metric. This metric is not measuring all funds that support DER but ensuring that utility funds are equitably dispersed for equity purposes. Again, these are initial metrics and if the Commission, utilities, and interested parties determine a wider view of DER funding is necessary, the metric may be revised in the next iteration of metric design.

76 Finally, we appreciate PacifiCorp's comments filed on May 17, 2024, regarding distribution circuits that may not easily be delineated between Named and Non-named Communities. To better capture the benefits to Named Communities, the utilities may assign a proportional share of benefits to Named Communities based on the number of qualifying customers served by that distribution circuit. We understand this is imperfect data and requires additional utility effort. However, it is important for utilities and the Commission to begin working toward this deeper understanding of how and where to prioritize future efforts to meet our equity policy goals and mandates.

77 *Purpose:* This metric is intended to gather baseline data for utility spending in DERs through an equity lens. The DER metrics, in aggregate, are expected to provide deeper insights into where and to whom benefits are being accrued. The Commission anticipates focus and analysis of this data will elicit proposals and opportunity for a comprehensive DER-related performance incentive.

D. Commission-Ordered MYRP Metrics

Commission-Ordered Performance Metrics Pursuant to RCW 80.28.425(7) [Electric and Natural Gas]

78 The Commission must by law "determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan."[28] The Commission finds the metrics listed below regarding operational efficiency, company earnings, affordability, and energy burden are foundational to the evaluation of utility performance.[29] As such, we expect utilities to continue reporting on these metrics annually.[30]

79 *Operational Efficiency Metrics:* (1) O&M total expense divided by operating revenue; (2) Operating revenue divided by Average of Monthly Averages (AMA) total rate base and Operating revenue divided by End of Period total rate base; (3) Current Assets divided by Current Liabilities.

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[28] RCW 80.28.425(7).

[29] For the affordability and energy burden metrics, the Commission removes the requirement to report by both census tract and zip code. The Commission only requires reporting by census tract. However, utilities that do not currently possess the ability to report by census tract must provide an update on enabling the appropriate technology and the cost to do so as previously outlined within this policy statement. This change will be codified in the current or future GRC orders for utilities with these required metrics.

[30] We do not repeat the purpose for each metric within this policy statement. Please refer to Appendix A for more detailed information about the purpose and required calculations for these metrics.

80 *Earnings Metrics:* (1) Net Income divided by Operating Revenue; (2) Retained Earnings divided by Total Equity.

81 *Affordability Metric:* Average Annual Bill Impacts.

82 *Energy Burden Metric:* Average Annual Bill divided by Median Income by Census Tract.

IV. CONCLUSION

83 The Commission expresses its sincere appreciation to all participants in this docket to date. The written comments and workshop discussions demonstrate the complexities, challenges, and opportunities that PBR offers. While we look forward to the next steps in establishing the foundation for PBR in Washington state, we remain cognizant of the resources required to complete such a historic shift in utility regulation. We are encouraged by recent progress in this docket, and while we focus on other regulatory proceedings before the Commission for the remainder of the calendar year, we look forward to meaningful engagement and advancing these efforts in 2025.

84 The Commission issues this Policy Statement pursuant to RCW 34.05.230 and WAC 480-07-920. This statement contains guidance related to performance-based measures as required by Engrossed Substitute Senate Bill 5295. This Policy Statement does not constitute an order binding upon either the Commission or the parties that may come before it in future activities within this docket or formal proceedings, nor is this Policy Statement an enforceable rule.

DATED at Lacey, Washington, and effective August 2, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

MILT H. DOUMIT, Commissioner