U-210590

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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 for Phase 2 of Performance-Based Ratemaking (PBR) **(Docket U-210590)**

Dear Director Killip:

The NW Energy Coalition (NWEC) appreciates the opportunity to submit comments in this docket in response to the Notice of Workshop and Opportunity to Comment from July 3, 2025. This is our eleventh set of comments filed in this docket.

ESTABLISHED METRIC CLARIFICATION

1. **Please provide detailed information about any established metric, definition, or calculation you believe requires clarification. The established metrics are attached as Appendix A. Additionally, please provide detailed feedback for specific metrics based on the following questions:**

   There are no currently established metrics, definitions, or calculations that NWEC requires clarification on.

   a. **What challenges have you encountered in interpreting or implementing the established metrics? (*e.g.,* clarity of definitions, internal capacity, or technical barriers)**

      The current metrics are difficult to locate on the UTC's PBR webpage. We recommend adopting a more accessible format, similar to Hawaiian Electric's

Performance Scorecard and Metrics site, to improve transparency.[1] Clear public access to utility performance data supports implementation by enabling accountability and providing reputational incentives. The Commission should also require utilities under PBR to eventually publish their scorecards and metrics on their own websites.

b. Which types of data required under the established metrics are most difficult to obtain, process, or report accurately? Please consider factors including, but not limited to, data availability, security, standardization, reliability, and timeliness, and explain your response. Feel free to include other relevant considerations.

NWEC does not have a response to this question.

c. What formats or tools for submitting compliance data have proven effective or challenging in practice?

NWEC does not have a response to this question.

d. While the Commission is not committing to developing standardized templates, would format guidance or templates be helpful for reporting on the established metrics? If so, please specify which metrics would benefit from such resources and explain your response.

As a reviewer of similar utility data (e.g., reporting in docket U-200281), we strongly recommend that the UTC provide a standardized template for PBR metric reporting and ask the utilities not to alter or modify the template individually.

In docket U-200281, the UTC provided a standardized template in which all five IOUs report the same data. They have each slightly changed the template, which has made it more challenging to analyze the data efficiently.

GOAL 4 AND GETs METRIC PROPOSALS

1. Interested parties proposed metrics for Goal 4 – *Environmental Improvements* during the policy-making process that led to the Interim Policy Statement. While the Commission did not reject the proposed metrics, it determined that further discussion was needed to evaluate utility performance in a meaningful way. The proposed Goal 4 metrics are attached as Appendix B.

[1] https://www.hawaiianelectric.com/about-us/performance-scorecards-and-metrics

a. Do any parties currently propose adopting any of the proposed Goal 4 metrics? Please explain your response.

NWEC does not recommend adopting any of the six current Goal 4 metrics in their current form. Each environmental metric from the Interim Policy Statement includes additional language and concepts from previous discussions in this docket that we think should be reconsidered. See part b below for our recommended revisions in red, which incorporate some of this language along with NWEC's own suggestions.

b. Please provide any recommended modifications to the proposed Goal 4 metrics or submit proposals for other metric language, including calculation methodology and any necessary definitions.

- **Energy-Related Air Quality Emissions:** Annual criteria air pollutant (CO, Pb, NOx, O3, PM10, PM2.5, and SO2) and toxic air pollutant (Hg) emissions associated with utility generation, transmission, and distribution operations (including customer direct use) for the following geographies:
    - Across the utility's Washington service territory
    - From resources located outside of the utility's Washington service territory, but serving load in its Washington service territory
    - By census tract within the utility's Washington service territory
    - In Named vs. Non-named Communities within the utility's Washington service territory

NWEC recommends that this metric be adopted as it speaks directly to Outcome 1 of Goal 4. We recommend it be modified as shown above to specify that it should be tracked for both resources in the utility's Washington service territory as well as resources outside of this service area that still serve its Washington customers to best reflect the air quality impacts of its energy resources.

When the Commission advances to its conversation around PIMs, we recommend that this be a reporting metric only. Because air pollutants are widely understood to impact public health, reporting them as a metric can provide meaningful transparency for the public and reputational accountability for the utility. In other words, this metric should not be tied to monetary incentives or penalties. Reporting and enforcement of criteria air pollutants

and mercury are already required under law.[2] Utilities should not be rewarded for meeting existing legal requirements, nor penalized for actions already subject to enforcement through other established processes.

- **Utility Fleet Tailpipe Emissions Reductions:** Annual ~~U~~utility vehicle fleet tailpipe emissions and other impact (*e.g.*, noise) reductions by vehicle type (light-, medium-, and heavy-duty) that ~~may/regularly (need definition; could include whole fleet)~~ operate in Named Communities, according to the utility's adoption of low- and zero-emissions vehicles, using the utility's ~~2022 (suggest different year due to COVID impacts; could use "previous year")~~ 2024 fleet composition as the baseline. ~~Report total and reduction compared to baseline?~~

  We agree with the proposed tracking of other impacts that the utility finds reasonable given available data. Noise, for example, has a health impact on both humans (e.g, cardiovascular issues, sleep disruption) and the surrounding ecosystem (e.g., wildlife communication disruption, habitat reduction).

  NWEC recommends the metric include annual tracking compared to a 2024 baseline year. A fixed baseline is helpful in tracking long-term progress, and annual data can help inform short-term actions. We recommend using 2024 as the baseline year because it is far enough removed from the impacts of the COVID-19 pandemic that parties were concerned about initially and the full year of data is already available.

  We also recommend this metric refer to a utility's whole fleet as opposed to attempting to define which vehicles "may" operate or "regularly" operate in the service area.

- **Utility ~~Electric~~ Load Management Success:** Energy and capacity of load reduced or shifted, and percent of load reduced or shifted, through load management resources~~,~~ (including storage, energy efficiency, bidirectional

[2] If a utility operates under an air operating permit, it is required to submit annual emissions reports via WEIRS, covering all specified criteria pollutants and HAPs including Hg, under WAC 173-441.

Permit conditions under WAC 173-400 ensure that monitoring, recordkeeping, and reporting of criteria and toxic emissions are enforceable.

For new or modified sources (e.g., transmission substations, backup generators), WAC 173-460 may trigger additional toxics-focused reviews and reporting.

vehicle charging, and other demand response programs and technologies ~~activities~~) conducted by the utility, by activity (e.g., demand response versus energy efficiency). ~~May need separate definitions for electric and gas. Should include management of transportation electrification loads, including bidirectional charging capabilities.~~

NWEC supports keeping a version of this metric and recommends two revisions. First, we think that it is sufficient to extend this metric to gas utilities. See suggested language revisions above. Second, we agree with prior comments that this metric should recognize "bidirectional vehicle charging" as a load management resource.

- **DER GHG Reduction:** Cumulative avoided metric tons of carbon dioxide equivalent ("MtCO2e") each year ~~Greenhouse gas reductions~~ from DER programs and technologies (energy efficiency, electric vehicle, rooftop and community solar ~~net metering~~, wind energy, heat pumps, battery storage, and demand response). ~~Reporting all programs in aggregate, or split out by program type? Method for measuring this could be difficult. Consider cumulative versus incrementally.~~

  We recommend the modified above metric based on the success of a similar metric from RMI's PIM Database: Avoided metric tons of carbon dioxide equivalent ("MtCO2e") each year from deployment of various distributed energy resource ("DER") technologies (RMI PIM Database).

  In New York, this mechanism is intended to incentivize Con Edison to reduce GHG emissions by increasing the deployment of rooftop and community solar PV, light-duty EVs, electric buses, air source heat pumps, ground source heat pumps, battery storage, ice energy storage, electric water heaters, wind energy, and voluntary renewable energy certificates. Con Ed can earn $2.086M for reaching the minimum target, $4.173M for reaching the midpoint target, and $7.648M for reaching the maximum target. The incentives are based on a straight line linear progression from the minimum to the midpoint level and from the midpoint to the maximum level.

- **Greenhouse Gas Reductions per Dollar:** Greenhouse gas reductions per dollar spent on programs and investments that reduce greenhouse gas emissions.

It is appropriate to keep this metric as it importantly assesses carbon abatement costs. At this time we don't have particular definitions or calculations to offer regarding how to track GHG reductions per dollar for different utility programs and investments. But we agree with Staff's notes from the Interim Policy Statement that this is an important issue and we welcome a proposal before finalizing the metric language.

- **Total Greenhouse Gas Emissions:** Carbon intensity by total metric tons of CO2e (~~metric tons of~~ CO2 and CO2-equivalent emissions) and CO2e/customer associated with utility generation, transmission, and distribution operations (including customer direct use), and CO2e/therm for gas utilities and in CO2e/MWh and CO2e/MW for electric utilities (dual-fuel utilities must report both separately).

  Just like our recommendation for the Goal 4 metric, "energy-related air quality emissions", we recommend that this be a reporting metric only. Because GHG emissions are widely understood to impact public health and the environment, reporting them as a metric can provide meaningful transparency for the public and reputational accountability for the utility. In other words, this metric should not be tied to monetary incentives or penalties.

2. **Interested parties proposed metrics regarding GETs during the policy-making process that led to the Policy Statement Addressing Initial Reported Performance Metrics. The Commission declined to include these metrics in the policy statement, in favor of fully developing GETs metrics through a collaborative process. The proposed GETs metrics are attached as Appendix C.**

   a. **Which Goal would be best suited to incorporate GETs metrics? Current Goals are: (1) Resilient, reliable, and customer-focused distribution system, (2) Customer affordability, (3) Advancing equity in utility operations, and (4) Environmental improvements.**

   Grid-enhancing technologies—such as dynamic line ratings, advanced power flow control devices, and advanced conductoring—directly increase grid capacity, reliability, and efficiency. The indirect benefits of this include clean energy integration and cost savings. Because GETs reduce costs for customers and are cost-effective relative to larger investments, they also help minimize rate impacts. Thus, under the existing four goals, GETs metrics are best suited under Goal (1) or Goal (2).

Under Goal (1), a GETs metric could fall under Outcomes 3 or a new outcome could be created.[3]

Under Goal (2), a GETs metric could fall under Outcome 2 or a new outcome could be created.[4]

As noted in Appendix C, RNW proposed a fifth goal dedicated to grid modernization. This is another appropriate solution for categorizing GETs metrics.

b. Do any parties currently propose adopting any of the proposed GETs metrics as provided in Appendix C? Please explain your response.

NWEC supports the adoption of RNW's proposed metric, "GETs Utilization" in Appendix C because it addresses a current gap under the Commission's existing metrics: improving grid capacity and deferring infrastructure. By linking performance incentives to renewables enabled or investments deferred, it encourages utilities to deploy GETs proactively, not just where or required or convenient. It also shifts utility focus from traditional capital spending to performance-based value creation. We see both outcomes as in the public interest.

We note that Principle 4 ("Use reasonably available and verifiable data with clearly defined calculations") from the Commission's April 12, 2024 Interim Policy Statement applies here. Deferred renewable capacity and deferred investments due to GETs must be able to be directly linked to GETs deployment.

NWEC is ambivalent about the adoption of the second proposed GETs metric, "Deployment of storage and hybrid resources". The proposed metric would track MWs of storage systems procured. It supports investment in non-wires and non-pipes solutions, and may cover a gap in tracking grid flexibility resources. However, this may be captured in existing metrics: "net benefits of distributed energy resources" and "distributed energy resource availability and utilization".

[3] Goal 1: Resilient, reliable, and customer-focused distribution system. Outcome 3: Resilient infrastructure and service, including distributed energy resources, to enable customers to maintain essential functions during times of potential outages.
[4] Goal 2: Customer Affordability. Outcome 2: Maximize utilization of cost-effective distributed energy resources and grid-enhancing technologies.

c. **Please provide any recommended modifications to the proposed GETs or submit proposals for other metric language, including calculation methodology and any necessary definitions.**

We do not have any modifications or new proposals at this time.

PBR PRINCIPLES

1. **Do any of the ideas regarding the design or methodologies for establishing PIMs raise objections or concerns? Why?**

We appreciate the Commission's summary of PBR principles and PIM design based on parties' input. We largely agree with this summarization and believe that following these principles and design elements would begin to establish a robust PBR framework, one that can be learned from and modified as we gain more experience.

2. **How important is it to engage in a review of existing mechanisms and cost containment strategies before establishing targets or scorecards for metrics (critical, important, not important)? Please explain your response.**

Performance targets and metric scorecards could be established before discussing cost containment strategies. Clear performance targets are necessary to understand what the utilities are being asked to achieve before assessing the cost implications and containment strategies. However, beginning discussion on cost containment strategies doesn't have to wait until the scorecards are finalized.

The Commission should acknowledge that while multiyear rate plans provide utilities with financial certainty and opportunities for cost savings, customers do not currently share in those benefits. To ensure fairness, cost containment mechanisms should be established so that customers also receive financial value when utilities operate more efficiently.

Additionally, as we stated in our June 6, 2025 comments, cost containment strategies should be reviewed before establishing guidelines for PIMs.

Thus, our recommended sequence of discussion in this docket is the following, noting again that scorecards do not have to be finalized before beginning discussion of cost containment strategies:

1) Define policy goals (completed)

2) Develop reporting metrics (in progress)
3) Establish targets and scorecards
4) Review and establish cost containment strategies
5) Establish PIMs for a subset of metrics
6) Implement PBR and revise

3. How do you define a core standard?

In its notice for comments, the UTC said, "some comments referred to these standards as related to activities already required in law."[5]

NWEC agrees and understands this to mean that core standards are the activities that the utilities are legally obligated to comply with under law and regulations.

4. Do you think core standards should be treated differently? If so, how and why?

As the Commission has stated, PBR is meant to align incentives with policy goals. While some of our goals are already established and required under existing laws, (and are thus "core standards"), NWEC sees PBR as a means of aligning regulatory incentives to achieve policy goals, which is distinct from simply ensuring compliance with existing regulation. Undoubtedly, utilities must continue to be held to existing compliance obligations and be subject to existing penalties. Utilities should not be subject to financial rewards through the PBR framework for achieving core standards. Blurring these lines risks undermining the purpose of performance incentives and of the law.

NWEC is not opposed to offering incentives to accelerate progress toward certain policy goals or mandates. However, we caution against doing this when incentivizing the acceleration of outcomes that utilities are already legally required to achieve increase customer costs.

5. Should PIMs addressing goals with standards already mandated by regulation, such as reliability or reduction of greenhouse gas emissions, be treated differently? If so, how and why?

If there is a case in which the Commission considers offering incentives to accelerate progress towards core standards, our hunch is that there is no one-size-fits-all recommendation that applies to every PIM.

[5] UTC Notice of Virtual Technical Workshop and Opportunity to Comment. Page 5. July 3, 2025. Docket U-210590.

For example, if the Commission established a guideline that utilities will always be financially rewarded any time they achieve a target established in law earlier than required, it may have unintended cost or risk impacts that don't outweigh the early achievement.

However, there likely are some cases in which providing a PIM addressing a core standard may be appropriate and offer benefits that outweigh the costs. Similarly, there are likely appropriate times to design a penalty for failure to achieve core standards.

6. **What policy guidance should the Commission provide for the methodologies to balance the utility incentives and customer benefits? For example, should benefit-cost analysis always be required, should the appropriate methodology be decided by the underlying metric(s) (*e.g.,* risk sharing mechanism for a resiliency PIM), or on a case-by-case basis?**

   Benefit-cost analyses (BCAs) are a robust and appropriate tool because they show us what customers are getting for investments. BCAs likely may be more useful in some instances over others, so we recommend that the Commission be flexible with when to use them and not require BCAs in every determination. Additionally, because BCAs often are faced with the challenge of accurately capturing hard-to-monetize benefits, we advise that they be thought of as an informative tool rather than a tool that the final decision should solely be based on.

UTILITY COST CONTAINMENT STRATEGIES

1. **Given the information outlined above: Please provide any feedback or recommended alternatives to the proposal addressing cost containment.**

   We like the Commission's proposal for a process to address cost containment mechanisms.

2. **Are there specific cost containment strategies you recommend be addressed during the proposed December 2025 workshop?**

   Three years ago, NWEC, Front & Centered, and Sierra Club (Joint Environmental Advocates) submitted expert witness testimony proposing a PBR framework that incorporates a rate cap as a cost containment mechanism in Puget Sound Energy's 2022 General Rate Case. See Prefiled Response Testimony of Ronald J. Binz in Dockets UE-220066/UG-220067 (July 28, 2022). We recommend that Staff incorporate this testimony into its review of cost containment strategies.

EARNING TEST INTERACTION

1. **How should PBR incentives or penalties interact with the earnings test under RCW 80.28.426(6)?**

   PIMs should be designed to avoid windfall profits to utilities above the earnings test established in statute. This would not appear to be an issue if PIM target achievement is incorporated into the revenue requirement.

RETURN ON PPAs

1. **What is the appropriate proceeding for addressing the return on PPAs? Please provide your rationale.**

   NWEC continues to believe that return on PPAs should be addressed on a case-by-case basis and depends on the facts of each case. It is therefore most appropriate to consider the return on PPAs in a general rate case.

2. **CETA allows for a range of authorized returns. What factors or situations support specific rates of return (*i.e.,* weighted cost of debt up to the full weighted cost of capital)?**

   NWEC has no response to this question.

3. **While the Commission will analyze each request for a return on PPAs under the prudency standard, what additional standards or principles should inform this analysis?**

   A return on PPA may be appropriate for the Commission to approve when the following conditions apply:
   - The project contributes meaningfully to the diversification of the utility's resource portfolio
   - The utility would have been unlikely to develop the project itself
   - The project is in the early phases of commercialization, and there are benefits to customers associated with third-party ownership of the resource. (i.e. reduction of risk, operational efficiencies, economies of scale, etc.)
   - The project is necessary to meet a short-term need but the benefits of long-term ownership of the project
   - The project has a community benefits agreement in place

4. **What data, evidence, or policy arguments should be provided for the Commission to evaluate a request for and authorize a rate of return on PPAs?**

   The purpose of the incentive rate of return was to allow the Commission to provide a means to make the utility "indifferent" as to whether it builds or buys a clean energy resource to meet its CETA obligation. It was meant to address the self-build bias that exists when a utility is allowed to earn a return on its owned resources, but not on the resources that it purchases from third parties through power purchase agreements. This conclusion is supported by the legislative record on this topic. The Commission should evaluate the testimony provided by the utility in support of a request for a return on PPA through this policy lens and determine whether the public interest would be served by providing a return on a PPA on a case-by-case basis. It may be necessary for the utility to offer an alternatives analysis in support of its request, and ultimately the utility bears the burden of demonstrating that the project is prudent and that a return on a PPA is warranted.

5. **If a PIM is established related to earning a return on a PPA, what types of utility performance outcomes should be tied to such a PIM?**

   A return on PPA could be structured as a PIM, requiring the utility/project to meet certain outcomes in order to earn the return. Outcomes could be:

   - Operational cost savings compared to a self-build option
   - Meeting or achieving permitting and construction timelines ahead of schedule
   - Achieving project delivery under budget
   - Successful negotiation of a community benefit agreement

6. **How does authorizing a return on PPAs balance encouraging utility performance outcomes while protecting customers from undue costs or risks?**

   The objective of the return on PPA should be to correct for utilities' self-build bias when doing so provides benefits to customers. It is important that the return on PPA not be a means of providing a windfall for the utility making a procurement decision that it would have made anyway.

7. **Are there existing models or practices adopted in other states that the Commission should consider when considering the appropriate rate of return? If so, please provide examples and describe any lessons learned.**

   NWEC does not have a response to this question.

Thank you for the opportunity to comment.

Respectfully,

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