BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

Relating to the Commission's Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Ratemaking	DOCKET U-210590

COMMENTS OF PUBLIC COUNSEL

August 8, 2025

I. INTRODUCTION

1. The Public Counsel Unit of the Washington Attorney General's Office (Public Counsel) files these comments in response to the Washington Utilities and Transportation Commission's (Commission) Notice of Virtual Technical Workshop and Opportunity to Comment dated July 3, 2025 (Notice). In the Notice, the Commission announced a workshop to address metric clarification issues and metrics related to environmental issues and grid enhancing technologies (GETs). Public Counsel offers the comments below regarding the questions shown in the Notice.

II. RESPONSE TO QUESTIONS

A. Established Metric Clarification

2. Public Counsel has concerns about the vagueness of some of the established metrics and would like clarification on the following:

- Arrearages per month: It is unclear whether this is meant to be total dollars or the number of accounts in arrears.
- Net benefits of Distributed Energy Resources: Are these benefits quantified in dollars, MWh, or some other unit? We believe this should be consistent across utilities.
- Utility Assistance Program Effectiveness: Does this metric refer to financial efficiency (dollars distributed to customers) or the saturation of the program to meet need?
- Named Communities: For data reported for Named Communities, utilities should separately report which census tracts (or census block groups) are a

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named community and for what reason. For example: is a certain census tract located fully or partially on tribal land? Is it a highly impacted community according to the Department of Health? Is it a vulnerable population based on income, average education level, race/ethnicity, immigration status, etc.

3. Public Counsel believes that one of the biggest issues in data collection and metrics is inconsistency between utilities and across time and that the division of metrics by particular subgroups and with geographical identifiers is inconsistent.

4. As much data as possible should be reported by the smallest possible geographical identifier, ideally census block group. This allows utilities and interested parties to look for disparities geographically, as well as by income, race or other factors by connecting the data with census data at a meaningful level of granularity. Additionally, the named communities subgroup is used only for certain variables. Ideally, all variables would be broken out for specific named communities. It would also be helpful to have known low-income individuals broken out for each metric.

B. Performance Based Ratemaking (PBR) Principles

5. Public Counsel believes that "core standards" are basic obligations of a utility to provide safe or reliable service and other obligations required under law.

6. Public Counsel reiterates the principal expressed in its earlier comments that Performance Incentive Mechanisms (PIMs) should not reward utilities for actions they would have taken anyway or for meeting basic utility obligations or other legal mandates. Providing positive incentives in these cases should not be necessary and risks skewing any incentivization system by rewarding actors for actions they are already obligated or

planning to carry out. However, penalty-based PIMs may be appropriate if the existing negative consequences for utilities of failing to meet core standards are not sufficient to ensure those obligations are being met.

7. Separately, we want to stress that financial incentives should be proportionate to a utility's level of control over the outcome and net value delivered to customers and we want to clarify that, by "control," Public Counsel means the relative control over outcomes by a utility, as opposed to utility customers. Because utilities have more information, data, and expertise than their customers, PIMs should be directed at areas that can be difficult to control, in order to incentivize utilities to exert its capacities to expand control.

8. As an example, if a utility claims that power forecast modeling over-inflates the value of natural gas generation, PIM development should recognize that utilities are in the best position to fix those forecast models to make them more accurate. In most cases, the parties with the best ability to make improvements are the utilities and development of incentives must recognize that, even if the utilities' control over an area is less than perfect.

9. Regarding the importance of reviewing existing mechanism and cost containment strategies, as Public Counsel stated in its earlier comments, a detailed review of these regulatory frameworks, particularly the way in which revenues are earned and recovered, will be critical to determining to what extent utility revenues should be subject to PIMs. Every regulatory model creates implicit financial incentives for utilities, and PIMs are

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most effective when they are designed to correct, supplement, or rebalance these incentives to better align utility behavior with public interest goals.

C. Return on Purchase Power Agreements (PPA)

10. Whether a return on a PPA is appropriate depends on its cost-effectiveness and whether the resource produces clean energy more efficiently than a utility's own resources. Because of this, appropriate returns—if any—on PPAs should be determined on a case-by-case basis during a general rate case.

11. In Consolidated Dockets UE-240004 and UG-240005, a Puget Sound Energy witness testified that credit agencies consider the cost of PPAs as debt.[1] The Commission also cited this in its Final Order 09/07.[2] Because of this, because the costs of PPAs are already recovered by the utilities as an expense and because the price of PPAs already include a return on capital for the resource owners, in cases where the Commission determines that a return on a PPA is appropriate, the Commission should apply a presumption that any return on PPA costs should not be higher that the authorized cost of debt.

12. The Commission should not apply a special prudency standard for PPAs and should apply normal prudency standards. However, even under normal standards, because of the added cost for customers who are being double-charged a return by both the owners of a resource and the company buying power, utilities should have to meet a

[1] Direct Testimony of Daniel A. Doyle, Exh. DAD-1CT at 93: 4–22, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-240004 & UG-240005 (filed Feb. 15, 2024).
[2] *Wash. Utils. & Transp. Comm'n vs. Puget Sound* Energy, Dockets UE-240004, UG-240005, UE-230810 (consol.), Order 09/07 ¶ 197 (Jan. 15, 2025).

high bar to show that a PPA is eligible for a return. Using a standard cost-benefit analysis, a utility seeking a return on a PPA should be required to show that the resource contracted for is more cost-effective than if the utility owned the resource itself and that the resource produces clean energy more efficiently than the utility's own available resources.

13. If the Commission establishes a PIM related to PPA returns, the performance outcomes should apply the same standards to ensure that a utility seeking a return on a PPA will meet these standards.

III. CONCLUSIONS

14. Public Counsel appreciates the opportunity to provide these comments regarding PBR metrics and design principles and returns on PPAs.

Dated this 8th day of August 2025.

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