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April 22, 2022

Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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UTIL. AND TRANSP.
COMMISSION

RE: Docket U-210590 - Avista's Responses Related to Performance Metrics – Phase 1

Dear Ms. Maxwell:

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Virtual Workshop (Notice) issued in Docket U-210590 on April 7, 2022, regarding the development of a "policy statement addressing alternatives to traditional cost of service ratemaking". Avista appreciates the opportunity to provide the following responses, supplementing our oral responses given at the April 19, 2022 virtual workshop.

1. What goals and outcomes should be pursued through regulation in Washington?

This is a complex question, as is the effort the Commission and parties are undertaking in this Docket. A theme throughout these comments, and as shared at the workshop, is one of prioritization. In thinking about this question, there are a tremendous number of goals and outcomes that are pursued in Washington regulation. For purposes of Phase 1 of this proceeding, perhaps we collectively find a way to narrow the focus, or create a set of boundaries, so that meaningful progress can be made in an environment of data overload and the ability to assimilate data (as discussed later in our comments).

To that end, for Avista, there are several areas of our operations that should be at the forefront of performance metrics. Those broad areas include, but are not limited to:

- Safety
- Affordability
- Utility Performance
- Reliability
- Customer Experience
- Utility Financial Performance

The goal of the Commission should be to develop a Policy Statement that provides guidance on a set of performance measures or metrics that take into account the unique nature of each utility, and which is focused not only on the most important issues, but issues that can be affected through a performance metric, potentially with an incentive/penalty tied to it.

As it relates to metrics, Avista agrees with the “practical advice” shared in Regulatory Assistance Project’s “Performance Based Regulation Considerations for Washington,” who shared the following findings on p. 27:

- Focus on reportable metrics to start. As greater familiarity with the data grows, develop financial performance incentive mechanisms over time. Having a baseline of relevant data allows for greater confidence when setting utility targets and incentive or penalty levels.
- Specific areas of focus to start could include reliability, service quality, and whether the utility is investing properly in its system and operations. It is important to set a “floor” for these areas, so that in its efforts to keep costs down, the utility doesn’t endanger reliability, service quality and system investment. Initial metrics could evolve as the PBR framework development progresses.
- Stakeholder input into performance metrics that measure achievement of the articulated outcomes is critical to a robust process.
- A key task is to narrow the list of potential metrics to a manageable size that addresses Washington needs and where robust data sources are available. As many states have made significant progress in identifying and evaluating traditional as well as emerging metrics, there are many examples of metrics from which to collect ideas. Washington stakeholders will no doubt have additional metric ideas based on their understanding of the energy system and utilities, as well as their priorities for PBR.
- Where data are currently lacking, develop a list of potential “future metrics” where new data sources are discovered and tracked for future reporting value.
- For example, creating a list of ideas and data sources to track outside of a formal performance metric which may eventually become incorporated into metrics when better understood and clearly linked to performance

In addition, we believe (and RAP confirms) that the Commission should focus on measures and metrics that are not already tied to existing performance measures. For example, as noted by RAP, Avista already operates under several performance measures in terms of its power supply costs (Energy Recovery Mechanism) and its energy efficiency programs. Under those programs, in particular, there is already either a level of cost sharing or potential penalties associated with missing targets. Creating additional performance metrics around programs that already have them does not make sense. The same can be said, in our view, for the conditions and customer benefit indicators included in Avista’s Clean Energy Implementation Plan. In this proceeding it is Avista’s view that the focus should be on other areas of the business, where metrics (with or without

incentives/penalties) will drive changes in utility operations for the benefit of our customers, while also still recognizing the Commission’s role that rates are fair, just, reasonable, and sufficient, and that the utility has a fair chance to earn its Commission-authorized rate of return.

Further, on page 2 of the Commission’s April 7, 2022 Notice, one “Regulatory Goal” shown as an example is “Improve Utility Performance”. That might be a worthwhile, broad goal. The issue is that the desired outcome is “Improved Reliability”. In this example, we would remind the Commission and parties that Commission Staff undertook a thorough review of the electric IOUs reliability performance, and ultimately found that a distinct set of criteria could not be uniformly applied to the utilities, given the unique nature of their respective systems. Further, a significant amount of Avista’s investment is related to maintaining our reliability levels, and that “improved reliability” could be unreasonable from a cost perspective, and unnecessary from a customer expectation of service levels.

Finally, throughout this process it is important for the Commission and parties to recognize the utilities are not homogenous. We have very different service territories in terms of size, balance of urban and rural customers, asset constraints (Avista has a customer makeup that is 40% asset limited, income constrained, but employed – ALICE), customer sentiment and wealth, and political leanings.

2. What are the current regulatory mechanisms, approaches, or processes that are currently influencing or incentivizing utility performance? What behaviors or achievements are currently incentivized?

Broadly, the current regulatory paradigm and construct has influenced utility performance. For example, a utility’s performance is a function of growth in customers and loads, management of investment and expenditures, and when those get out of balance, the current regulatory model influences the utility to file a general rate case, in an attempt to get those items back in balance such that the utility is properly incentivized to earn its allowed rate of return.

More specifically as it relates to “processes”, as the Commission is aware, Avista already provides a significant amount of reporting to the Commission on a myriad of service-related, social, and economic issues facing the Company and our customers. Just some of those items include:

- a. Service Quality Measures – Customer Service Measures, Electric System Reliability Metrics, and Customer Service Guarantees.
- b. Electric Biennial Conservation Plan and Reporting - Two-year conservation targets and plans to achieve targets, and reports on progress.
- c. Natural Gas Biennial Conservation Plan - Two-year conservation targets and plans to achieve targets.
- d. Electric Reliability Report - IEEE reliability metrics and other reliability metrics
- e. LIRAP Report - Annual report on customers served through LIRAP program.
- f. CETA Energy Assistance Report - Assessment of programs to reduce energy burden and related information.
- g. Renewable Portfolio Standard or I-937 Report - Report detailing resources acquired to meet renewable resource obligation for the target year.
- h. Electric and Natural Gas Integrated Resource Plans - Long-range resource plan.
- i. Clean Energy Action Plan - A ten-year clean energy action plan for implementing RCW

19.405.030 through 19.405.050 at the lowest reasonable cost, and at an acceptable resource adequacy standard, that identifies the specific actions to be taken by the utility consistent with the long-range integrated resource plan.

- j. Clean Energy Implementation Plan - Four-year plan that proposes specific targets for energy efficiency, demand response, and renewable energy
- k. Clean Energy Progress Report - Informational annual clean energy progress report regarding its progress in meeting its targets during the preceding year.
- l. Clean Energy Compliance Report - Compliance report demonstrating compliance with CETA targets.
- m. Energy & Emissions Intensity Report - Report showing energy and emissions of energy delivered to customers.
- n. Transportation Electrification Report - Metrics regarding company's TE programs and efforts.

Avista also has a history with alternative ratemaking mechanism that are a part of a broad Performance Based Ratemaking package. Perhaps the most obvious mechanism is the Company's electric and natural gas decoupling mechanism. This mechanism is designed to break the mold of the traditional cost-of-service-based regulation, essentially removing the link between usage and utility earnings. Through decoupling, utilities can focus on providing rigorous energy efficiency programs to help customers, as well as help lead (and not hinder) the transition to a clean economy through deployment of distributed energy resources. Finally, it removes the incentive for utilities to encourage customers to use more of our product, simply to drive utility margins. In our view this alternative ratemaking mechanism focuses the utility on very important environmental and social causes, which may not happen otherwise.

The Company also already operates under performance measures related to its electric energy efficiency program. Under I-937 and as outlined in our Biennial Conservation Plans, Avista must meet (and actually exceed by 5%¹) its electric and natural gas targets, or otherwise face potential penalties under the law. Avista also has an existing Earnings Test associated with its electric and natural gas decoupling mechanisms. Finally, Avista also has performance measures related to its Energy Recovery Mechanism, both in terms of the deadband/sharing bands, but also as it relates to the availability of our thermal generation fleet.

Avista already provides much information to the Commission on how we are operating for the benefit of our customers. The Commission could, through stated processes or on its own volition, choose to investigate and remediate performance issues that arise from any of the reporting Avista provides. While proposals for new measures are necessary in the era of multiyear rate plans, it is important to remember that the Commission already has made use of performance measures. It is also important that the Commission and the parties first make effective use of already-existing measures and metrics.

3. In what ways does the Commission's current regulatory framework (*i.e.*, traditional cost of service regulation) measure utility performance? What additional performance measures should the Commission be tracking?

¹ As provided for when Avista received approval of its electric decoupling mechanism and continuation of its natural gas decoupling mechanism.

First, the annual Results of Operations reporting filed by the utilities should be the first place to look to see if the utility is performing well. Underpinning everything the Commission should think about as we collectively venture down the path of performance based regulation is the financial health of the utilities the Commission regulates. For Avista, in recent years, it has been unable to earn anywhere near its authorized rate of return. While we diligently manage our costs, we must invest capital and spend O&M/A&G costs in order to serve our customers and meet our obligations. With a mixture of regulatory lag and low customer growth, we have not been able to earn our allowed rate of return. While unpopular to some constituencies, the Commission should be keenly interested in having all of its regulated utilities earning, with some regularity, its authorized returns. Not only is a utility healthy when it does, it also helps to attract more capital on reasonable terms that is invested for the benefits of customers, and can serve to boost credit ratings, lowering the cost of debt paid by customers. In an era where investment is going to be significant all throughout the United States by utilities endeavoring to meet clean energy initiatives and goals, Washington should strive to have the healthiest utilities such that investment readily flows to our state.

The Commission has already made good headway in this regard, as it relates to support for multiyear rate plans. As noted in Regulatory Assistance Project’s “Performance Based Regulation Considerations for Washington”,

MYRPs can mitigate regulatory lag associated with utility investments and provide greater regulatory guidance and assurance regarding investments in new and innovative technologies to better align utility investments with energy policy goals. Some statistical studies of vertically integrated electric utilities suggest — and the fact that some utilities operate for long periods without rate cases proves — that MYRP can produce superior cost management, which is one of the primary goals of adopting such plans in those jurisdictions.²

Under the Commission’s present regulatory framework, a utility’s performance is measured through the numerous monthly, quarterly, annual, biannual, ad hoc, and other reporting requirements. Below is just a sampling of some of the reporting we track and report on to the Commission. Ultimately, the Commission could take any one, or more, of these items and create an incentive or penalty around it:

A. Customer Service Guarantees (\$50 credit for missed guarantee paid for by shareholders)

1. Electric and natural gas service appointments
2. Electric outage restoration within 24 hours of notification from customers, excluding MEDs
3. Switch on power within one business day from request
4. Provide cost estimate for new electric or natural gas supply within 10 business days
5. Investigate and respond to billing inquiries within 10 business days
6. Investigate customer-reported problems with a meter, or conduct a meter test, and report results within 20 business days
7. Provide notification at least 24 hours in advance of disconnecting service for scheduled electric interruptions

² Interestingly, RAP notes on p. 7 that the “rate case test year is typically, but not always, based on a future test year, not historical, as future test years are specifically constructed to better reflect market conditions over the MYRP term.”

B. Service Quality Measures

1. Customer Satisfaction with the Telephone Service provided by Avista's Customer Service Representatives - As part of Avista's Service Quality Measures program, the level of our customers' satisfaction with the telephone service provided by the Company's contact center will meet or exceed a benchmark of 90%. Several factors influence our customers' satisfaction with the quality of telephone service provided by our customer service representatives and contact center. We measure the importance of these factors to customers as well as their satisfaction with them each year. These factors are listed below.
 - The customer service representative handling the customer's call in a friendly, caring manner.
 - The customer service representative being informed and knowledgeable.
 - The customer service representative meeting the customer's needs promptly.
 - The customer service representative giving the customer all the information they need in one call.
 - Being connected to a customer service representative in a reasonable amount of time.
2. Customer Satisfaction with Avista's Field Service Representatives - As part of Avista's Service Quality Measures program, the level of our customers' satisfaction with the Company's field services will meet or exceed a benchmark of 90%. The quality of our field services and the satisfaction of our customers is influenced by several factors. Each year we measure the importance of these factors to our customers and their satisfaction with each aspect of our service. These factors are listed below.
 - The service representative keeping you informed of the status of your job.
 - The service representative or service crew being courteous and respectful.
 - The service representative or service crew being informed and knowledgeable.
 - The service representative or service crew leaving your property in the condition they found it.
 - The service work being completed according to the customer's expectations.
 - The overall quality of the work performed by Avista Utilities.
3. Customer Complaints made to the Commission - As part of Avista's Service Quality Measures program, the number of complaints filed by our customers with the Commission will not exceed a ratio of 0.4 complaints per 1,000 customers.³
4. Answering Our Customers' Calls Promptly - As part of Avista's Service Quality Measures program, the percentage of customer calls answered live by a customer service representative within 60 seconds will average 80% or greater.
5. Avista's Response Time for Electric Emergencies - As part of Avista's Service Quality Measures program, the average response time to an electric system emergency will not exceed 80 minutes for the year.

³ The ratio is calculated by dividing the sum of all electric and natural gas customer complaints filed with the Commission by the average monthly number of Avista customers for the year. The rate is calculated by multiplying the percentage by 1,000.

6. Avista's Response Time for Natural Gas Emergencies - As part of Avista's Service Quality Measures program, the average response time to a natural gas system emergency will not exceed 55 minutes for the year.

C. Reliability Reporting (provided annually to WUTC)

1. System Average Interruption Frequency Index (SAIFI)
2. System Average Interruption Duration Index (SAIDI)
3. Customer Average Interruption Duration Index (CAIDI)
4. Average Outage Duration
5. Average Number of Customers per Outage Event
6. Number of Outage Events
7. Total Customer Outage Hours
8. Momentary Average Interruption Frequency Index (MAIFI)
9. Customer Experiencing Multiple Interruptions (CEMI)

D. Energy Efficiency

1. Annual kWh savings by customer segment (residential, low-income, commercial) and program
2. Annual therm savings by customer segment (residential, low-income, commercial) and program
3. Cost-effectiveness of total portfolio by program and customer segment
4. # of customers served by program
5. Dollars spent by program

E. Energy Assistance

1. # of customers/households served
2. Total assistance provided
3. Average grant amount

F. Energy Independence Act (I-937)

1. Renewable Energy Credits use to comply with 15% requirement
2. All-cost effective conservation described above

G. Power Supply

1. Annual Energy & Emissions Intensity Report
 - a. MWh per Capita
 - b. MWh per Customer for residential and commercial customers
 - c. Metric Tons CO₂e for known and unknown resources service WA
 - d. % of 1990 CO₂
 - e. Metric Tons of CO₂e per MWh
2. Integrated Resource Plan
 - a. Load-Resource Balance
 - b. Annual and Cumulative Energy Efficiency Acquisitions
 - c. Clean Energy Acquisition Forecast
 - d. Greenhouse Gas Emissions Forecast

H. Natural Gas IRP

1. Load-Resource Balance
2. Emissions – lbs. GHG/MMBtu and lbs. CO₂e/MMBtu

I. Transportation Electrification

1. Utility spending, revenue and net benefits, including any monetized environmental benefits and grid benefits from load management
2. Customer satisfaction
3. Number of EVs by type (light passenger, forklifts, buses, etc.)
4. Adoption projections
5. Customer operating cost savings and avoided CO₂ emissions
6. EV load profiles for cases of uninfluenced, load management and EV rate participation
7. Electric transportation consumption (kWh) and peak load (kW), by vehicle type
8. Grid impacts integrated with System Planning including Distribution systems and the Integrated Resource Plan
9. EVSE installations, costs and % uptime
10. Stakeholder engagement
11. Benefits to low-income customers and communities
12. Detailed EV rate participation, analysis and results

J. New Reporting per CETA due biennially to Department of Commerce beginning February 2022 includes following metrics.

1. Estimated # and demographic characteristics of households served and total dollar value of assistance.
2. Estimated level of energy burden and energy assistance need amongst customers served
3. Energy efficiency potential
4. Assessment of progress towards reducing energy burden
5. Cumulative assessment of funding levels needed to meet 60% of energy assistance need by 2030 and 90% by 2050

K. Clean Energy Implementation Plan

1. Metrics Included
 - a. Interim renewable energy target
 - b. Energy Efficiency targets
 - c. Interim Demand Response targets
 - d. Clean Energy Acquisition target
2. Customer Benefit Indicators
 - a. Participation in Company Programs
 - b. Number of Households with a High Energy Burden (>6%)
 - c. Availability of Methods/Modes of Outreach and Communication
 - d. Transportation Electrification
 - e. Named Community Clean Energy
 - f. Investments in Named Communities
 - g. Energy Availability
 - h. Energy Generation Location

- i. Outdoor Air Quality
- j. Greenhouse Gas Emissions
- k. Employee Diversity
- l. Supplier Diversity
- m. Indoor Air Quality

L. Wildfire Resiliency Plan Metrics:

- 1. Pole Fires
- 2. Tree Fall-Ins
- 3. Overhead Equipment Failure
- 4. Spark Ignition Events
- 5. Tree Grow-Ins
- 6. Vegetation:
 - a. Distribution Hazard Tree – planned miles, inspected miles, mitigation miles, satellite imagery
 - b. Transmission Hazard Tree – planned miles, inspected miles, field mitigation (trees identified, and trees removed), LIDAR imagery
- 7. Infrastructure:
 - a. Transmission Pole Wood to Steel Conversion
 - b. Transmission Fire Resistant Pole Wraps
 - c. Distribution Grid Hardening

4. What metric design principles would need to be considered to develop metrics in order to determine which utility behaviors or achievements should be incentivized?

As shown in response to Question 3, there are a plethora of metrics and measures that could be developed for purposes of driving utility behavior. So, a key question would be “Is the metric or measure important enough to be prioritized over other metrics”? There is already so much data and information that is provided to the Commission and parties in multiple venues, that we collectively need to be hyper-focused on the measures that are most meaningful to a utility, as not all measures and metrics are of equal importance. As such, we must collectively prioritize. Further, there probably should be different metrics for different utilities, given the differences in our size, make-up, and service territory differences. In that scenario, especially as we collectively begin to move down a PBR road, having different metrics would allow everyone to experiment in seeing what works and what doesn’t. This process is not finite – we should and will learn and adapt.

Avista is supportive of the “Characteristics of Successful PBR Frameworks” outlined in Regulatory Assistance Project’s “Performance Based Regulation Considerations for Washington”, as discussed on p. 6. Those considerations include:

- Experience with the metrics
- Transparent metrics
- Periodic reports
- Openness to change
- Commitment to timeline
- Clear value to public understanding



In addition, through this process we must consider the costs and the benefits of measures and metrics. There are probably areas where a utility could “increase performance”, but we must also ask “at what cost”.

We would also point to a consideration put forth by RAP when speaking about Performance Incentive Mechanisms (PIM) at p. 16. Namely, “the best tactic is to design a clear and well-defined incentive and metric(s). If the metric and corresponding data required to evaluate it are difficult to measure, manipulation can be more difficult to detect”. Now this passage is related to PIMs in particular but applies to the early phase we are undertaking in this proceeding. Namely, we should gravitate towards more known, tried and true, and easily measured/understood metrics.

Again, for Avista, perhaps the most important issue for the Commission to address is not necessarily related to objectives, principles, and metrics, but perhaps to outline how it will necessarily limit or constrain the total number of metrics to include in the Phase 1 Policy Statement. We have reflected on the sheer number of reports and amount of data that we currently provide to the Commission. In short, it is quite overwhelming (as demonstrated in part in response to Question No. 3 and does not include other potential metrics that parties will raise during this proceeding). We are simply cautioning against an avalanche of new metrics at this time, before we have made good use of existing (and prioritized) metrics. In fact, in recent years the Staff of the Commission undertook good efforts to review all of the filings made by utilities to determine their genesis and their continued usefulness, in an effort to reduce the administrative burden faced by the Commission.

5. What questions should the Commission ask related to regulatory goals, desired outcomes, and metric design principles for the next comment period?

In the Company’s view, it would be important for the Commission to reflect upon all of the information that is already provided by the various utilities, and how (or if) that information is actually used in some manner. Everyone nowadays is faced with information overload, with limited means and human resources to review and synthesize the information. The capability to meaningfully assimilate the vast amount of data being furnished is an important consideration, as is prioritization. We also believe it would be good for the Commission to develop common terminology for use in this proceeding. There are metrics and measures, some incentivized or penalized, some provided simply for information.

There should be some definition around what the goal of PBR is. Is it the view of some that the Commission should set stretch targets, that are difficult to attain and may lead to unintended consequences to attain compliance, or are they reasonable to drive performance and for the utility to attain? It would be helpful for the Commission to provide initial guidance on its view related to this PBR process being more of a living laboratory, where experimentation on new measures is encouraged, rather than a static, one size fits all approach. Again, we do not believe standardization across the utilities makes sense.

Finally, based on the workshop discussion, provided below are just a handful of regulatory goals, desired outcomes, and rationale, for consideration:

Regulatory Goal	Desired Outcome	Rationale
Improve Utility Performance	Improved or Maintained Reliability (SAIFI, SAIDI, CAIDI)	Good data and metrics exist Core function of the utility Under performance is negative for customers Improvement may be unnecessary or cost prohibitive
Affordability	Deployment of All Energy Assistance annually	Too many funds unused Too many unserved potential customers
Service Quality Measures	Enhance Customer Experience	Robust Set of Measures coupled together to better serve customers Good data and metrics exist Core function of the utility
Reduce Commission Complaints	Keep Commission Complaints Low	Good data and metrics exist Core function of the utility
Customer Experience	Example - Achieve Satisfied/Very Satisfied above 90% for customer interactions with utility employees, or other Customer Experience Metric	Good data and metrics exist Core function of the utility
Wildfire Resiliency	Improvement in resiliency, both vegetation management and grid hardening	Community Safety
Technology Usage	Ensure usage of substantial technology investments for benefit of customers (AMI)	Core function of the utility
Response Time for Emergencies	Meet or exceed stated response times for electric/natural gas emergency calls	Customer Safety Core function of the utility

Again, Avista looks forward to the next chapter in Washington regulation, and the beginning of this five-year process to redefine and refine regulation in our State. If you have any questions regarding this filing, you can contact me at 509-495-8620 or patrick.ehrbar@avistacorp.com.

Sincerely,

/s/ *Patrick Ehrbar*

Patrick Ehrbar
Director of Regulatory Affairs