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January 27, 2021

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *Washington Utilities and Transportation Commission v. Puget Sound Energy*, Dockets
UE-190529, UG-190530, UE-190274, UG-190275, UE-190991, UG-190992, UE-
171225, and UG-171226 (*Consolidated*)

To Mark L Johnson,

On July 8, 2020, the Washington Utilities and Transportation Commission (Commission) entered Order 08 in Dockets UE-190529 and UG-190530 (consolidated), Final Order Rejecting Tariff Sheets; and Authorizing Tariff Filings, in these dockets (Order 08). Order 08, among other things, required Puget Sound Energy (PSE) to file a report within 90 days of the effective date of Order 08 regarding its Conjunctive Demand Service Option Pilot Program (CDSO Pilot).¹ Order 08 requires PSE to undertake the following in its CDSO Pilot Report:²

1. Incorporate elements of Staff's pricing pilot proposal.
2. Use Staff's design and evaluation elements as general guidelines.
3. Provide more detail on the pros and cons of the Pilot.
4. Discuss how the Company envisions expanding the Pilot over time.

On July 20, 2020, PSE filed a Motion for Clarification. On July 31, 2020, the Commission entered Order 10 in the above dockets, Granting Motion for Clarification (Order 10). PSE did not ask for clarification of any issues relating to the CDSO Pilot, and Order 10 did not revise any related compliance deadlines. On August 10, 2020, the Commission entered Order 11 in the above dockets, Granting Motion for Extension, and authorizing PSE to file revised tariff sheets within 10 business days of a final ruling in King County Superior Court involving a discrete tax

¹ Order 08 at ¶ 789.

² *Id.*

issue in the Commission's Order 08.³ (Order 11). The Court's ruling was entered October 7, 2020, and PSE timely filed revised tariff sheets on September 23, 2020.

On January 13, 2021, PSE filed a "Report Addressing PSE's Electric Conjunctive Demand Service Option and the Design and Evaluation Elements in Staff's Pricing Pilot Proposal."

Timeliness

Order 08 required the CDSO Pilot Report to be filed within 90 days of the effective date of Order 08, which was July 8, 2020. However, Order 11 extended the compliance filing deadline for Order 08 to September 23, 2020. Order 12, entered October 14, 2020, is the last final order in this proceeding. The table below calculates three 90 day "windows" based upon each of these orders:

Order No.	Effective Date	90 Day "window"	Difference from CDSO Pilot January 14 th Filing Date
08	July 8, 2020	October 6, 2020	(100) Days
11	August 10, 2020	November 9, 2020	(66) Days
12	October 14, 2020	January 12, 2021	(2) Day

As discussed in the Company cover letter, PSE reached out to Staff on October 9th, 2020 for feedback. Staff responded that it had serious concerns and requested a phone call to review the document. Staff then provided to PSE publicly available materials from its conversation with PacifiCorp about pricing pilots. The Company did not reply. No other communication occurred between Staff and the Company about the content or timing of the CDSO Pricing Pilot until Staff reached out to the Company informally on January 12th.

CDSO Pilot Report – Other Compliance Items

Per Order 08, the CDSO Pilot Report should address four specific topics. Staff has reviewed the CDSO Pilot Report for each item.

1. Incorporate elements of Staff's pricing pilot proposal.

Staff believes the Company has largely failed to incorporate Staff's proposed pricing pilot elements into the report in a meaningful fashion. Staff's proposed elements for the CDSO Pilot Report include:

³ See Order 11 at ¶ 7.

“Who is the target audience? What is the pricing pilot trying to measure? What will benefits be measured against? How will customer education and outreach be conducted?”⁴

Staff has reviewed the CDSO Pilot for each of these items, but the report’s organization makes it difficult to determine whether these items were incorporated per Order 08. In general:

- There is no direct mention of a target audience in the report except through an obscure reference in the statical analysis section to “targeted schedules.”⁵ Divining from the stated purpose of the CDSO Pilot Report, it appears that both “general commercial and industrial electric customers” as well as “electric vehicle-related electric usage customers” are the intended audience.⁶ Combining these two groups into a single monitoring and reporting plan, or even a single pilot, could result in significant confusion when trying to interpret the results.
- It appears the Company has directly proposed to track only two measurements: reduced billed demand and shifted load (however more measures appear in other sections of the CDSO Pilot Report).⁷ Significantly more data is necessary to ensure a successful pilot such as customer satisfaction, impacts on local infrastructure, avoided emissions, costs of metering, etc. Further, the Company has failed to provide the context for understanding these metrics. For example, how are they related to the purpose of the pilot and how will the measures be used to determine success?
- The cost-benefit section is a confusing jumble of multiple, unidentified measures and goals that lacks any clear statement tying the metrics to the pilot’s purpose, how they will be used and judged, or in what manner they will be tracked.
- To measure customer satisfaction the Company appears to rely solely on its existing business service’s relationships which functions on a case-to-case basis. While this may measure the customer satisfaction of an individual customer, a framework for the collection and analysis of aggregate data from the CDSO appears to be entirely missing. Without such a framework, there can be no uniform measures from which to judge results or understand the impacts of the CDSO Pilot on customers not taking part in the pilot.

Staff is extremely concerned with the overall quality of the CDSO Pilot Report. As a result, Staff recommends the Commission find the Company not in compliance with this item.

2. Use Staff’s design and evaluation elements as general guidelines.

⁴ Order 08 at ¶ 585.

⁵ CDSO Pilot Report at Page 5.

⁶ *Ibid* at Page 1.

⁷ For example, Page 5 of the CDSO Pilot Report proposing tracking customer bill impacts, customer education, enrollment, and general understanding.

Staff provided significant testimony on the design and evaluation of pricing pilots in its responsive testimony along with over 1000 pages of supporting exhibits.⁸ Order 08 required PSE to “apply[] those elements” in Staff’s pricing pilot proposal that “it deems relevant and provid[e] discussion for those that the Company deems have little or no application to this particular Pilot.”⁹ The Company’s compliance filing incorporates Staff’s proposed design and evaluation elements, along with the supporting research, in a haphazard, incongruent manner yielding a highly confused and indecipherable proposal. For example:

- The Company misinterprets the S.M.A.R.T goal acronym by providing individual responses to each letter.¹⁰ This is an incorrect application of Staff’s testimony to ensure that a pricing pilot has “clear, defined, and identifiable results.”¹¹ S.M.A.R.T. is a generally accepted framework for ensuring an individual goal is itself *specific, measurable, achievable, realistic, and timebound*.¹² The Company’s stated purpose reflects only some of these elements and presents them in a distorted fashion. The added documentation does not appear to solve this problem and introduces different, sometimes conflicting, goals, metrics, and operational procedures.¹³ The situation is further frustrated by the combination of two separate, distinct purposes for the CDSO Pilot in general, with one related to cost of service and the other to electric vehicle charging.¹⁴ Without a clear, coherent purpose the goals section bounces back and forth with little clarity or rational relationship to the CDSO Pilot as a whole.
- The CDSO Pilot Report is neither practical nor understandable. Staff is an experienced consumer of tariff language and ratemaking theory, yet Staff is unable to understand with any clarity how the Company’s proposal would affect customers, serve the public interest, achieve its stated results, or yield a broader rate offering. This is fundamentally at odds with the need for pricing pilots to be transparent and accessible to both customers and regulators.
- The Company is dismissive of internal validity, stating:

WUTC Staff’s requirement that pricing pilots have “internal validity” is not well suited to this particular pilot, as every participating customer is likely to have a unique set of circumstances that makes it less likely that one could conduct a “statistical extrapolation” of results to some larger population of customers.¹⁵

⁸ See generally Ball, Exh. JLB-1T at 36-61.

⁹ Order 08 at ¶ 596.

¹⁰ CDSO Pilot Report at Pages 1-2.

¹¹ Ball, Exh. JLB-1T at 55:7-8.

¹² See generally https://en.wikipedia.org/wiki/SMART_criteria

¹³ For example, on Page 5 of the CDSO Pilot Report the Company mentions barriers to expansion under the topic of costs and benefits, noting that examining barriers to expansion of the pilot could also include evaluation of future customer feedback. It is unclear how this information would be tracked, what measures would be used, and how they support the proposed purpose of the CDSO Pilot itself.

¹⁴ CDSO Pilot Report at Page 1.

¹⁵ *Ibid.* at Page 3.

PSE's flippant disregard for sound statistical modelling is contradicted by the CDSO Pilot Report itself where the Company states that it "could definitely envision an expanding [sic] offering of the CDSO Pilot to more vehicle electrification related customer sites."¹⁶ Internal validity exists to ensure an expansion is conducted in a statistically sound manner. Expanding a rate design construct to new customers requires at least some understanding of how it will affect those new customers. If the CDSO Pilot itself is not conducted in a way to provide information on expanding the rate offering, then what exactly is the purpose of limiting the CDSO Pilot to a select group of customers?

The above discussion just a few of the areas where the CDSO Pilot Report has failed to incorporate Staff's proposed design and evaluation elements. As a result, Staff recommends the Commission find the Company not in compliance with this item.

3. Provide more detail on the pros and cons of the Pilot.

The Company has supplied a list of various pros and cons in the CDSO Pilot Report.¹⁷ While this list is based on multiple faulty assumptions and does not remedy the issues with the previous two compliance items, it is a "list." Therefore, Staff recommends the Commission find the Company in compliance with this item.

4. Discuss how the Company envisions expanding the Pilot over time.

The Company's CDSO Pilot Report on possible future expansion consists of two sentences in a single paragraph.¹⁸ The Company has failed to provide a reasonable response with any clarity on the future of the CDSO Pilot. As a result, Staff recommends the Commission find the Company not in compliance with this item.

Staff Recommendation on Compliance

Commission Staff has reviewed PSE's CDSO Pilot Report and recommends the Commission find that the Company has failed to comply with the requirement of Order 08 to file a report within 90 days addressing each of the items enumerated in paragraph 596 of the order. PSE has not addressed three of the four items identified in paragraph 596, which renders the report non-compliant with Order 08.

Compliance Item	Staff Recommendation
Incorporate elements of Staff's pricing pilot proposal.	Not in Compliance with Order 08

¹⁶ *Ibid.* at Page 7.

¹⁷ *Ibid.* at Page 6-7.

¹⁸ *Ibid.* at Page 7.

Use Staff's design and evaluation elements as general guidelines.	Not in Compliance with Order 08
Provide more detail on the pros and cons of the Pilot.	Complies with Order 08
Discuss how the Company envisions expanding the Pilot over-time.	Not in Compliance with Order 08

Sincerely,

Jason Ball
Deputy Assistant Director, Energy Regulation