



Washington Utilities and Transportation Commission Docket U-210590

Stakeholder Workshop #1 Summary

April 19, 2022 | 9:30 am to 5:00 pm PT

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Meeting Summary

On April 19, 2022, the Washington Utilities and Transportation Commission (UTC) convened stakeholders for the first of a series of meetings taking place to complement UTC Docket 210590, a proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures or goals, targets, performance incentives, and penalty mechanisms for the state’s investor-owned electric and natural gas utilities. **This document summarizes key discussion points from the meeting and provides a list of attendees and anonymized meeting notes.**¹

The meeting was held virtually from 9:30am to 5:00pm PT. There were approximately 70 stakeholders who attended; the full list of attendees is attached to this report. The meeting was noticed in Docket 210590 and all interested parties were welcome to attend.

The meeting series is being convened by the UTC, with technical support from the Regulatory Assistance Project (RAP) and facilitation support from the Great Plains Institute (GPI).

BACKGROUND

Across the United States, many utility regulatory commissions are considering performance-based regulation – a catch-all term for a variety of regulatory tools – as a way to align utility performance with the public interest. This is happening against a backdrop of transformation in the energy sector from both a technology and a policy perspective. Energy systems that were built to deliver the one-way flow of electricity from large, continuous generation power plants to end users are being challenged to incorporate both intermittent and distributed energy resources. Meanwhile, the definition of what constitutes the public interest is evolving from the traditional concepts of safe, reliable, and affordable to include new concepts such as reducing greenhouse gas emissions, fostering customer choice, and ensuring equitable impacts and outcomes.

In Washington, Section 1 of Engrossed Substitute Senate Bill 5295 (SB 5295), approved in May 2021, directed the UTC to “conduct a proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures or goals, targets, performance incentives, and penalty mechanisms.”²

SB 5295 further directed the UTC to, as part of its proceeding, “allow for participation and consultation with regulated utilities, the attorney general's office, and other interested stakeholders including, but not limited to, residential, industrial, commercial, and low-income customers and organizations, as well as environmental or community organizations and stakeholders.”

¹ The notes have been anonymized to facilitate a learning environment and to allow meeting participants to speak freely during meetings without concern of their comments being formally attributed to them in Docket 21090; accordingly, parties will have the opportunity to formally submit their comments in writing after each meeting.

² See RCW 80.28.425 (2021 c 188 Sec. 1).

In addition, SB 5295 stipulates that the UTC's proceeding must consider, but not be limited to, the following factors:

- 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.

Importantly, SB 5295 also required that, beginning January 1, 2022, all electric and gas utilities must submit proposals for multiyear rate plans in every general rate case. The performance measures or goals, targets, and associated incentives or penalties that are to be developed through the UTC's proceeding will be used to assess and influence utility performance under these multiyear rate plans if they are approved by the UTC.

THIS PROCEEDING

The UTC opened Docket 210590 in response to SB 5295 and subsequently issued a notice for comment on a proposed workplan for the proceeding on October 11, 2021, followed by issuance of an updated workplan in response to comments on January 27, 2022. The workplan is broken into 5 phases, shown in Table 1 below, that are expected to take place from 2022 through 2025, with continuous review and improvement thereafter.

The first phase of the workplan, which is planned to take place through March 2023, seeks to establish regulatory goals, desired outcomes, metric design principles, and utility performance metrics or measures that are in alignment with the goals, outcomes, and principles. Importantly, consideration of incentives or penalties that may be attached to metrics will not be considered until Phase 3 of the process.

Table 1. Work Plan Phases

PHASE AND SCOPE	ANTICIPATED DATE
<p>Phase 1 – Performance Metrics</p> <ul style="list-style-type: none"> A. Identify regulatory goals, desired outcomes, and principles for metric design B. Identify performance metrics 	<p>October 2021 – March 2023</p>
<p>Phase 2A – Reporting and Review</p> <ul style="list-style-type: none"> A. Establish utility-specific performance metrics B. Establish reporting and review process 	<p>April 2023 – December 2023</p>
<p>Phase 2B – Multiyear Rate Plans (MYRP) Revenue Adjustment Mechanisms</p> <ul style="list-style-type: none"> A. Identify approaches to utility cost containment B. Identify principles for designing revenue adjustments within multiyear rate plans C. Reexamine existing mechanisms (e.g., decoupling mechanisms, power cost adjustments, cost recovery mechanisms, etc.) 	<p>April 2023 – March 2024</p>
<p>Phase 3 – Performance Incentive Mechanisms (PIMs)</p> <ul style="list-style-type: none"> A. Identify performance baselines, performance targets B. Identify guidelines for PIM development C. Establish incentive/penalty mechanisms D. Examine interplay between existing mechanisms, MYRPs, performance metrics, and PIMs 	<p>January 2024 – December 2024</p>
<p>Phase 4 – Alternatives to Traditional Cost-of-Service Regulation</p> <ul style="list-style-type: none"> A. Educational/level-setting webinar alternatives to traditional cost-of-service regulation B. Identify alternatives to traditional cost-of-service regulation C. Consider the merits and prospects for alternative forms of regulation for regulated utilities in Washington State 	<p>January 2025 – December 2025</p>
<p>Phase 5 – Continuous Policy Process</p> <ul style="list-style-type: none"> A. Establish a continuous process for re-evaluating/improving Commission policy on performance-based ratemaking and other alternative forms of regulation B. Continuously reevaluate regulatory objectives C. Continuously reevaluate metrics, targets, and incentive mechanisms 	<p>January 2025 – ongoing</p>

MEETING OBJECTIVES

The first step in the proceeding is to establish a draft set of regulatory goals, desired outcomes, and metric design principles that can collectively inform the development of performance metrics or measures. Accordingly, this first meeting was focused on the following objectives:

- Building a shared understanding of the overall proceeding and series of stakeholder meetings to complement it.
- Building a shared understanding of the basic concepts of performance-based regulation and examples of how it has been implemented in other states.
- Soliciting initial stakeholder comments on how the current regulatory framework influences, incentivizes, and measures utility performance.
- Soliciting stakeholder input and ideas on regulatory goals, desired outcomes, and metric design principles.

AGENDA SUMMARY

Part 1 – Level Setting: The meeting commenced with a series of level-setting remarks and presentations, including the following:

- Opening remarks from UTC Chair Dave Danner and Commissioner Ann Rendahl
- Presentation from Melissa Cheesman of the UTC on the scope and expectations for phase 1 of the proceeding.
- Presentation from Jessica Shipley, Camille Kadoch, and Rick Weston of RAP on the basic concepts of performance-based regulation and examples of how it has been implemented in other states.

Part 2 – Facilitated Discussion: The remainder of the meeting was committed to facilitated discussion amongst stakeholders on the following five questions:

1. What goals and outcomes should be pursued through regulation in Washington?
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?
3. In what ways does the Commission's current regulatory framework (i.e., hybrid traditional cost of service regulation) measure utility performance? What additional performance measures should the Commission be tracking?
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?
5. What questions should the Commission ask related to regulatory goals, desired outcomes, and metric design principles for the next comment period?

Given that this was an initial meeting, to be followed by two comment periods, facilitators chose to use an open discussion format for all questions. Details from each section of the agenda are included in the meeting notes below.

Meeting Notes

NOTE: Meeting notes are organized in an alphanumeric format for organizational and reference purposes only; the format does not indicate any ranking or prioritization of items unless otherwise noted.

I. Level-Setting

1. **Opening remarks from UTC Chair Dave Danner and Commissioner Ann Rendahl**
2. **Presentation from Melissa Cheesman of the UTC on the scope and expectations for phase 1 of the proceeding.**

- a. Slight change to agenda – timing updated, but no substantive changes.
- b. Responses to facilitated questions may include information from Avista and PSC's rate cases, so Commission has issued an ex parte notice, but stakeholders are reminded to keep the conversation focused on the issues at hand, not on litigated issues.
- c. Work plan overview
 - i. This is phase 1 of a multi-year process. This phase is focused on regulatory goals, outcomes, metric principles, and performance metrics.
 - ii. Establishing targets and incentive mechanisms are not part of this phase of the process.
 - iii. PBR is an iterative process that requires ongoing evaluation and modification as needed.
 - iv. Feedback during these meetings will be used to shape and inform the resulting policy statement; however stakeholders are welcome to change and update their thinking throughout the process.
 - v. Overall process is planned for 5 years, but that plan will be flexible and may be updated as needed to achieve the overall goals.
- d. Comment periods
 - i. This meeting will be followed by the opportunity for parties to submit comments clarifying or adding to their remarks from the meeting; those are due by April 27th.
 - ii. There will then be an additional comment period (notice expected May 2nd) asking parties to identify regulatory goals, desired outcomes, and metric design principles for the UTC to consider. This will be followed by a workshop to consider the feedback submitted in the comment periods.
- e. Q&A
 - i. Is the final output of this process, beyond a policy statement, still in the works?
 1. Yes, consideration of actual changes to ratemaking would occur in Phase 4 (planned for 2025).
 - ii. Comment: If there are places to bring in lessons learned from other states, would appreciate that.

3. **Presentation from Jessica Shipley, Camille Kadoch, and Rick Weston of RAP on the basic concepts of performance-based regulation and examples of how it has been implemented in other states.**
 - a. Overview
 - i. Bulk of the presentation is around designing performance metrics. We also have examples from 2 states that are relevant to Washington.
 - b. Brief review of traditional cost-of-service (COS) regulation
 - i. Basics on cost of service
 1. Regulator sets prices that are sufficient for utilities to recover their costs for serving customers as well as a fair opportunity for earning a reasonable return on investment.
 2. Ensure prices are just and reasonable.
 3. Focused on inputs rather than outputs or outcomes.
 4. Sets prices, not revenues. Revenue is allowed to fluctuate during the rate period. Where revenue decoupling is in place, the revenue is set in the rate case and then prices are adjusted to achieve the specified level of revenue.
 - ii. “All regulation is incentive regulation” – Peter Bradford.
 1. There are incentives embedded in all of our regulatory tools, and those incentives may not necessarily be aligned with desired outputs and outcomes of utility regulation. Traditional COS incentives typically include the following:
 - a. Build and own capital assets, as well as to cut expenses between rate cases to increase short-term revenue,
 - b. Increase electricity usage and prevent actions that reduce sales.
 - c. Focus on inputs, not outputs
 - d. Avoid disallowances by the regulator, which results in conservatism rather than innovation
 - e. Institutional inertia of both utilities and regulators.
 - c. Performance-based regulation (PBR)
 - i. Framework that tries to connect goals, targets, and achievement of objectives to utility performance and compensation.
 1. Typically includes revenue adjustment mechanisms (i.e., decoupling) and performance incentive mechanisms (financial rewards or penalties)
 2. Also often includes performance metrics.
 - ii. PBR may help overcome bad outcomes
 1. Not doing good things that are not profitable under traditional COS
 2. Doing things that are profitable, but are not desired.
 3. Hiding incentives to do things that are not desired.
 - iii. Typical components of PBR
 1. Multi-year rate plans for cost containment and rate stability.
 2. Decoupling to address the throughput incentive

3. Earnings sharing mechanisms
 4. Performance linked to outcomes, perhaps with financial incentives.
 5. NOTE: Not all of these will be present in every PBR approach.
- d. Designing performance metrics
- i. Setting goals – usually reflect public policy priorities in the regulator’s jurisdiction. Should articulate the outcomes we’re seeking (e.g., affordability, reliability). Tend to be very high level, without details on how to measure or how to achieve them.
 - ii. Understand current incentives
 1. What is the status quo with regard to incentives?
 2. How does the current regulatory structure motivate or not motivate achievement of these goals?
 3. What aspects of performance are currently tracked and reported?
 - iii. Develop measurable performance outcomes
 1. Measure achievement of the goals. Examples...
 - a. Declining customer bills
 - b. Reduced customer outages
 - iv. Create metrics
 1. Measure the outcomes clearly and without controversy. Examples...
 - a. Average monthly bills for residential customers
 - b. Frequency and duration of customer outages
 - v. Establish performance targets
 1. NOTE: This is beyond the scope of Phase 1, but worth acknowledging that metrics ultimately need targets to assess performance.
 - vi. Performance tracking – types of metrics:
 1. Reported metrics -- Not all metrics lead to performance incentives, some are simply tracked and published for informational and transparency purposes.
 2. Scorecard metrics -- Performance between similar utilities (or for a utility against its past performance) can also be compared to one another.
 3. Performance incentive mechanisms (PIMs) -- Metrics with performance incentive mechanisms tied to them
 - vii. Metric design considerations
 1. Outcomes-based: track outputs or outcomes, not inputs.
 2. Non-duplicative: avoid any overlap of reward or penalty for legal or regulatory requirements
 3. Clear, measurable, and verifiable: base metrics on easy-to-acquire data that can be verified — or even collected — by a third party.

4. Evaluated regularly: revisit the effectiveness of metrics and incentives on regular intervals with the expectation that adjustments may be made.
 5. Focus on outcomes subject to utility influence
 6. Data are accessible and transparent
 7. Not all metrics need/should be associated with financial mechanisms
 - viii. Additional considerations
 1. Performance targets and incentive mechanisms can be added, but do not have to be added.
 2. This is an iterative process that should be completed, repeated, and revised as needed.
4. Examples of frameworks and metrics from Hawaii and Illinois
- a. Hawaii PBR goals and outcomes
 - i. Had a multi-phase approach, beginning in 2018 with workshops and ending with an order in 2021.
 - ii. Adopted guiding principles, then regulatory goals, and then regulatory outcomes categorized into traditional and emergent.
 - iii. Metrics are all categorized under one of the outcomes, but not all outcomes have metrics associated with them. The commission chose to address some outcomes in other ways, not necessarily a metric or outcome.
 - b. Hawaii performance metrics
 - i. Some have incentives attached to them.
 - ii. A few worth noting...
 1. Time and cost to connect for DER systems <100kW
 2. Percent and total MW of DER capable of providing grid services.
 - iii. Getting down to this level of details and specificity so that everybody knows what is going to be tracked and discuss performance on them with respect to the higher-level goals and outcomes.
 - c. Illinois Climate and Equitable Jobs ACT (CEJA) – PBR objective themes.
 - i. CEJA has a long list of objectives that speak to a handful of key themes.
 - ii. Commission required to implement some pure tracking metrics without incentives, both to improve measurement and to consider future incentives.
 - iii. 8 areas for incentive metrics in the first round
 - d. Customer service delivery example:
 - i. Suggested metrics
 1. Energy burden by demography
 2. Reduction in total arrearages by zip code/census tract level
 - e. Key take-aways
 - i. Defining goals and objectives will help inform the rest of your PBR process

- ii. Choosing and designing metrics can be challenging – focus on connecting to your goals and desired outcomes
- iii. Tracking metrics can help establish a baseline, which can lead to performance incentives in the future
- iv. Ask what could go wrong or what could be an unintended consequence
- v. Build in systems and processes for evaluation and improvement

5. Q&A

- a. It seems that there are some themes throughout the country in talking about performance-based regulation, including reliability and affordability. Illinois had a focus on equity and environmental justice. Are you seeing additional themes in PBR throughout the country?
 - i. DER utilization and peak demand reduction – areas that the utility is not inherently incentivized to prioritize.
 - ii. Whether PBR can help accelerate achievement of clean energy and/or greenhouse gas (GHG) reduction goals (where not mandated).
 - iii. Illinois has required supplier diversity
 - iv. DER interconnection – times and locations
 - v. Equity is now included in the public interest in Washington, along with other newly added factors, to the extent they impact rates, services, and practices of gas and electric companies regulated by Washington State:
 - 1. Environmental health
 - 2. GHG emissions reductions
 - 3. Health and safety concerns
 - 4. Economic development
- b. One aspect of customer protection is equity. Interested to hear the discussion of breaking out metrics by zip codes and census tract. TEP has found zip code level data to be helpful in looking at arrearages. Are there other metrics that have been broken out with geographical granularity? And why might zip code or census level be desirable?
 - i. Illinois – this question surfaced, including data granularity.
 - ii. Hawaii – this also came up. Key question is, what level of granularity is best?
 - iii. Minnesota – two equity metrics, one on reliability and one on customer service quality.
 - iv. Important to remember that census tract or zip code overlays work well when targeted customer demographics are clustered by zip code or census tract.
 - v. Overall, seeing a trend that the metrics should be tailored to the specific jurisdiction of interest.
- c. I heard that we want to be very mindful of unintended consequences. What kind of remedial action within a multiyear rate plan (MYRP) are we thinking about, or is it just that we need to fix it at the next MYRP?
 - i. Helpful to build in some expectation of what circumstances would trigger a review of the MYRP or cancelling of an incentive or penalty.

- ii. Remember that MYRP's are intended to create some new incentives for utilities – an easy out can actually negate the intended change in incentives.
- iii. "Circuit breakers" in MYRP's are often considered. You do want a way to address issues if you go off course. There are jurisdictions that have gone way off course in the past with significant consequences.
- iv. Take-away – consider this, but also be cautious.
- d. My neighborhood had long term outages that were addressed with short term outages because they don't measure outages shorter than 5 minutes. However, there's still a problem in service quality and potential damage to electrical equipment.
 - i. Agree, you want to try and fix problems like that.
- e. I want to echo that momentary outages are a key issue. Walmart stores can take up to an hour to reboot after a momentary outage.
- f. A key takeaway from this conversation is that the engineers need to be involved in the development of the system of metrics.

II. Q1: What goals and outcomes should be pursued through regulation in Washington?

POSSIBLE GOALS AND OUTCOMES

NOTE: During the meeting, GPI staff put on screen a list of the factors that RCW 80.28.425 (from SB 5295) stipulates the UTC's proceeding must consider, re-organized by theme, as a starting point. Stakeholders had the opportunity to review these and suggest modifications or additions, with edits made live in screen. The list below is the final list as edited on screen by GPI staff.

- 1. Affordability and costs:**
 - a. lowest reasonable cost planning
 - b. affordability, bill impacts, and equity
 - c. energy burden
 - d. cost of service
 - e. rate stability
- 2. Customer satisfaction, engagement, impacts**
 - a. customer satisfaction and engagement
 - b. service reliability
 - c. holistic customer experience: easy to work with, anticipate customer needs
- 3. Clean energy and environmental impacts**
 - a. clean energy or renewable procurement
 - b. rapid integration of renewable energy resources
 - i. NWA's
 - ii. Grid enhancing technologies
 - c. energy efficiency, conservation acquisition
 - i. audits and retrofits
 - d. demand side management expansion, peak shaving

- e. attainment of state energy and emissions reduction policies
 - f. addressing environmental and public health impacts beyond GHG emissions reductions, including criteria pollutants.
- 4. Utility management**
- a. timely execution of competitive procurement practices
 - b. fair compensation of utility employees
 - c. financial health of the utility to be able to continue to attract investment at reasonable rates
 - d. safety of the system, customers, and utility employees
 - e. utility cost control, including “used and useful”
- 5. Other** (may apply to multiple items above)
- a. promoting competitive power production to lower customer costs
 - i. suggestion that competition should be deployed to the extent that it helps to achieve the desired goals/outcomes, not that it’s a desired outcome by itself.
 - b. equitable distribution of benefits to customers

CONSIDERATIONS FOR METRICS AND/OR PIMS:

NOTE: In addition to the list above, stakeholders provided several comments that are not necessarily regulatory goals or desired outcomes of utility performance, but suggested guidance for developing metrics. These were captured separately on-screen, in the list below:

1. Prioritization – seek a manageable number of metrics
2. Focus on reportable metrics
3. Parking lot of potential future metrics to consider as needed
4. Focus on things that are not already a performance measure
5. Utilities are not homogenous – service territory (customers and geography), system characteristics, etc.
 - a. How should PBR be applied? Same to all utilities, or different, and what are the necessary differences?
6. Can be understood and vetted by the public
7. Minimizing administrative burden on utilities and regulators
8. Reasonably within utility’s control
9. Fair balancing of risks and rewards
10. Consider separate tracks for gas and electric utilities (similar to cost of service)
11. Equity -- metrics should consider health impacts on underrepresented communities and impacts on cultural communities and values (e.g., disparate impact on indigenous people/land/economies/neighborhoods).
12. May make sense to separately track equity impacts for all or specific metrics.

III. Q2: What are the current regulatory mechanisms, approaches, or processes that are currently influencing or incentivizing utility performance? What behaviors or achievements are currently incentivized?

NOTE: The notes below represent the comments shared in response to this question during the meeting. GPI staff have anonymized the comments and re-organized them into themes.

1. General Comments on Current State

- a. Laws in place to protect the environment.
- b. Lots of reporting that occurs
- c. See it as valuable to put customers first, respect the environment, and keep costs low.
- d. Utilities have different customer bases, service bases, and corporate cultures.
- e. Utilities extremely hostile to ratepayers and rule of law. Good at manipulating UTC to decide on the benefit of utilities. IOU exists for the benefit of stockholders, not for ratepayers. They tend to lawyer up and inhibit transparency.
- f. Policy is pushing more
- g. Public health costs not factored into the equation
- h. When we have discussions around incentives, they become around how much is needed to get the utility to respond, and normally find that the juice isn't worth the squeeze.
- i. Have opportunities to share what we've done to keep our costs low.
- j. Believe the traditional ratemaking model has encouraged us to facilitate low cost, reliable, and increasingly clean energy for our customers.
- k. Commission has dabbled in PBR for decades, including MYRP's and decoupling.
- l. Do have a MYRP, but do not have decoupling and do not have an earnings test.
- m. No shared savings programs for PSE.
- n. Some utilities have submitted MYRP's that are voluntary

2. Ratemaking, Financial Incentives, Cost Control

- a. Ratemaking model we're currently under – balancing of loads, costs, expenditures. That drives a lot with respect to utility cost controls
- b. Financial incentive is to build, but clear and strict rules that make the playing field as level as possible, such that the utility needs to compete with purchasing from independent power producers. If utility selects own resources over cheaper alternative, run risk of not recovering costs.
- c. Incentive for utilities to build unnecessary infrastructure.
- d. There's definitely incentive to make capital investments.
- e. What are the incentives for privately owned utilities, to their stockholders? Or how do the stockholders currently influence how utilities perform?
- f. ROE and the return on capital is a large influence. Pose that before we talk about layers on top of that, need to talk about how we set that. There are different things that push that number around. With a hybridized approach to ratemaking, need to talk more about how ROE is set.
- g. Generally moving more towards a service-oriented framework as an industry, moving away from self-build and purchasing towards RFP's for services.
 - i. There are other service-based industries that have learned how to be profitable without being based on capital-heavy operations. The question is, how do you appropriately price services for utilities being asked to move away from a rate based mindset to more outcomes oriented.

3. Energy Efficiency and Decoupling

- a. Penalties with missing efficiency targets
- b. Decoupling mechanisms – need to exceed targets, or subject to penalty
 - i. Electric and gas. Revenue per customer decoupling mechanism. Set a base level in rate case of revenue to be recovered from each customer. Deviations are trued up annually. Purpose is to remove disincentive towards energy efficiency and distributed generation. Also incentive of throughput for the sake of growing earnings.
 - ii. In second 5-year tranche of decoupling.
 - iii. Earnings test to prevent over-earning – to the extent that happens, the overage is shared with customers.
- c. Energy efficiency earnings test
- d. Earnings test is a limit, but not a floor.
- e. PSE had an incentive mechanism for efficiency, and the commission walked away from it. Had to lose money just to get the incentive. That led to support for decoupling.
- f. Decoupling earnings test doesn't always work the best with a multi-jurisdictional utility. Not sure it incentivizes to do anything different.
- g. Geotargeted energy efficiency – identify low pressure areas of system, and target efficiency to drive down consumption in those areas. Considering if this can be rate based to incentivize utilities to do it.
- h. Conservation programs – lots of utilities have experience with this, and lots of regulatory structures. Though less of a framework for things like demand response and electrification.

4. Service Quality

- a. Service quality measures, with a penalty on the utility paid for by shareholders and allocated to customers.
 - i. Several cases back agreed to a list of measures that speak to meeting customer commitments, with a penalty, and then robust reporting done on an annual basis (SAIFI, SAIDI, etc.)
- b. Operating under SQI's for along time. These are universally penalty-only. Very compliance-driven – must do the minimum, but no reward for going above and beyond.
- c. SQI's are a form of PIM's.

5. Customer Engagement

- a. See value in working with and partnering with communities, and that helps to drive behavior.
- b. I agree that proprietary info that consumers can't see in tariff or rate proceedings is a problem.
- c. Want to put the customer in everything that we do.

6. Innovation

- a. Current regulation leads to a conservative mindset because the incentives are not there.

- i. Goals – emphasis has traditionally been on affordability. There are customers clamoring to do more, but there is not the financial backing for that.
 - ii. Don't see a lot of pilots in the current environment.
 - iii. Have an untested incentive mechanism for PPA's. Not sure what we'd get, and feel an adverse outcome would be problematic from a financial standpoint. Waiting for a safe way to do this.
- b. Disagree that utilities are incentivized to be conservative. Have done things that are the right thing for customers, and see that as valuable long-term. Also easier to show that costs are prudent.
 - c. Pilots are happening, but how do we move to full scale implementation?

7. Electrification and Thermal Energy Decarbonization

- a. RCW 80.283.360 - incentive for transportation electrification investments
 - i. 2 percent kicker on ROE to incentivize capital investment to encourage expansion of electric vehicles.
- b. Utilities incentivized to retain customers, even if it may be in customer's best interest to fuel switch.
- c. Renewable natural gas – have learned a lot about it. Don't necessarily outright oppose it, but state energy strategy says least cost alternative is to electrify and use energy efficiency. See a dynamic around this where utilities are incentivized to pursue RNG. Need to update this.

8. Distribution Planning and Non-Wires Alternatives

- a. Do you have an incentive or requirement that you justify wires expenditures?
- b. The Commission has been pressing for more work on distribution planning. The incentive is a prudence disallowance (a penalty approach). Assumption that you should be doing what's in the best interest of customers.
- c. Seems worth looking at non-wires alternatives.

9. Clean Energy Transformation Act (CETA)

- a. Utilities on a cost-plus basis are incentivized to spend money, not necessarily productively. With the CETA 2 percent off ramp, there's an incentive to hit the 2 percent cap unproductively.
- b. Return on PPA incentive mechanism under CETA. Agree that it's not entirely clear how this will work out. Hope it will be addressed in this docket.
 - i. Language is intended to drive competition and reduce costs for customers. Utilities get a return on investments, not typically on expenses including PPA payments. So they earn more to build something themselves than they do from buying the same thing from others. This leads to higher costs and higher risk exposure to customers than what is fair, just and reasonable. Strongly support existing competitive procurement rules, but these things balance each other out. Rules aim to create level playing field, but don't address the incentive to earn a higher return on capital investment. This can lead to gaming.

10. Suggestions

- a. Could be some legislative mandates that have passed where you won't need PBR, and rulemakings on emissions controls. Not sure how that would play into this docket.
- b. Suggest to consider targeted incentives for underused practices, including...
 - i. Pilot programs
 - ii. Going out of your way to track costs
 - iii. Capitalizing O&M expenses, AKA Totex approach
 - iv. ROE premium to capitalized costs
- c. Need for more process.

11. Clarifying questions

- a. What is a PPA?
 - i. Power purchase agreements - where a utility purchases power instead of building power (simply put)
- b. What is the Energy Imbalance Market (EIM)?
 - i. It's a market that a number of utilities and different entities across the west participate in. It's a 5-minute market that optimizes balance of electricity supply and demand.
 - ii. This is the best EIM 101 I've seen, specific to Seattle City Light joining or not, but in case it's interesting to those who want to know more:
<https://sccinsight.com/2017/05/21/seattle-city-light-join-energy-imbalance-market/>

IV. Q3: In what ways does the Commission's current regulatory framework (i.e., hybrid traditional cost of service regulation) measure utility performance? What additional performance measures should the Commission be tracking?

NOTE: The notes below represent the comments shared in response to this question during the meeting. GPI staff have anonymized the comments and re-organized them into themes.

1. Current Measurement Mechanisms

- a. Results of operations – most common. Global summary filed on annual basis. Shows ROR, cost of service, etc. Cornerstone of ratemaking. Shows how utility did financially in prior year.
- b. Phone response time
- c. Field service
- d. Customer complaints to Commission
- e. Response time for electric and natural gas emergencies
- f. Reliability metrics – SAIFI, SAIDI, CAIFI, MAIDI, etc.
- g. Energy efficiency
- h. Energy assistance
- i. Energy independence act – 1937 (precursor to CETA)
- j. Power supply and emissions intensity reporting
- k. Integrated resource planning

- l. Transportation electrification
- m. CETA and clean energy implementation plans
- n. Wildfire resiliency plans and related metrics

2. Usefulness of Reporting

- a. Do a tremendous amount of reporting already. This is a great opportunity to evaluate that and make sure the reporting is useful and valuable.
- b. What is the use that's being made of this data?
 - i. At one point, staff started going through the process of looking at all reports utilities file, and does anybody actually do anything with it? See value in that, and then identifying how we prioritize all of it.
 - 1. Is there something more than that you're looking for?
 - 2. Not necessarily, just to make sure we're making use of existing information that's being reported.
- c. Are we preparing reports that are of value? Should be asking, what is the benefit provided for it.
- d. Need to understand our goals before we understand what metrics are applicable to those goals.

3. Public Access to Reported Information

- a. Love data and information, but some amount of synthesis and scorecard reporting is useful for the more general customer. Would like to hear more from the regulatory perspective what information goes into their decisions.
- b. There used to be information readily available on the commission website, not sure if that's still there.
- c. Have seen some jurisdictions like Hawaii take all of their tracking metrics and put them on the commission's website in a way that's very transparent and accessible (e.g., download spreadsheets, generate graphs, etc.)
- d. The commission used to publish more metrics – that data is no longer available because of workload. Took a lot of work to put that information into an accessible format. However, looking at using more modern forms of data integration. Those projects are underway to get back to being able to publish summary statistics. The information is still available, but we don't publish the summaries anymore.

4. Other

- a. There isn't typically a routine period of time for reporting on anything, usually ad-hoc in response to a commission notice.
- b. Leading up to rate case filing lots of discussion about metrics and data available.
- c. Diversity within your own company or supplier diversity – are those recorded or reported on now?
 - i. Don't think in any regular fashion. Interested in this particular area.
- d. What are the relevant metrics for this context?
- e. Measures need to be open, honest, unbiased, and not gamed.
 - i. Example – outages for local transmission line and the numbers being reported to the UTC don't seem accurate.
- f. TEP's analysis of the utilities zip code-level' arrearage reporting is available in U-200281

V. Q4: What metric design principles would need to be considered to develop metrics in order to determine which utility behaviors or achievements should be incentivized?

NOTE: During the meeting, GPI staff put on screen a list of the metric design principles that RAP had included in their report titled “Performance-Based Regulation: Considerations for the Washington Utilities and Transportation Commission,” filed in Docket 210590 on March 2, 2022.³ Stakeholders had the opportunity to review the design principles and suggest modifications or additions, with edits made live in screen. The list below is the final list as edited on screen by GPI staff.

- 1. Outcomes-based:**
 - a. Track outputs or outcomes, not inputs.
 - b. Ensure that metrics are tied to the goals and outcomes, and that the desired outcome is adequately and wholly being measured.
- 2. Non-duplicative:**
 - a. Avoid any overlap of reward or penalty for legal or regulatory requirements
- 3. Clear, measurable, and verifiable:**
 - a. Base metrics on easy-to-acquire data that can be verified — or even collected — by a third party.
 - b. Can be understood and vetted by the public
 - c. Source data is available and accessible
 - d. Clarity of purpose (we know why we’re tracking something)
- 4. Evaluated regularly:**
 - a. Revisit the effectiveness of metrics and incentives on regular intervals with the expectation that adjustments may be made.
- 5. Reasonably within utility’s control**
 - a. Note: This may not be necessary for “tracking” metrics. For example, there may be things outside of utility’s control that are worth knowing for managing risk.
 - b. Be clear about metrics that are not within utility’s control, but being tracked anyways.
- 6. Additional metric design/development considerations:**
 - a. Seek a manageable number of metrics, given limited resources for reporting and evaluation
 - b. Focus on reportable metrics
 - c. Focus on things that are not already a performance measure
 - d. Consider a parking lot of potential future metrics to develop as needed
 - e. Minimize administrative burden on utilities and regulators

³ See pages 17-18.

- f. Utility differences in service territory (customers and geography) and system characteristics
- g. Differences for gas versus electric utilities
- h. Equity and health impacts on underrepresented communities and impacts on cultural communities and values (e.g., disparate impact on indigenous people/land/economies/neighborhoods).
 - i. May make sense to separately track equity impacts for all or specific metrics.
- i. Especially for metrics with incentives/penalties, important to understand benefits and costs
- j. Metrics can be useful even if they won't have PIMs attached to them
- k. Consider GHG emissions impacts of all metrics
- l. Avoid conflicting metrics

VI. Q5: What questions should the Commission ask related to regulatory goals, desired outcomes, and metric design principles for the next comment period?

PROPOSED QUESTIONS

NOTE: The following questions were shared on-screen for participants to react to in answering this question.

1. Are there any additional considerations you would like to raise for the Commission related to regulatory goals and desired outcomes, beyond what you have already shared in Workshop 1 and subsequent comments?
2. Please provide a list of your priority regulatory goals, desired outcomes, and a rationale for including those, using the following format:

Regulatory Goal	Desired Outcome	Rationale
<i>Improve Utility Performance</i>	<i>Improved Reliability through reduced customer outages</i>	<ul style="list-style-type: none"> - <i>good data and metrics exist currently</i> - <i>reliability is a core function of the electric system and we want to make sure it is maintained even while accomplishing other goals</i> - <i>under performance has strong negative outcomes for society</i> - <i>all IOUs should be held to a similar standard</i> - <i>organize data to track reliability disparities among various communities</i>

3. Workshop 1 featured some discussion of metric design principles. Please provide any general comments and any specific metric design principles would you like the Commission to consider.

COMMENTS

NOTE: These are the responses that participants shared in response to the sample questions above.

1. Would like to see a win-win for consumers and the utilities
2. Would like for the public to be able to see where the dollars are being spent
3. Don't know what the reporting is for utilities. Know that sometimes questions can be asked or surveys can be done, and the results depend on the specific questions that are asked.
4. Need to ensure that we're seeing the full picture in terms of metrics and reporting.

Meeting Attendee List

Note: The meeting attendance export from Zoom only listed names, so we have only included names here, as listed in the report.

- Aaron Tam
- Alex Evans
- Alex Kronauer
- Alex Tellez
- Alicia Noriega
- Amy Wheelless
- Andrew Rector
- Ann Paisner
- Ann Rendahl
- Ariel Son
- Betty Erdahl
- Brad Lovaas
- Brett Rendina
- Brian Tyson
- Brice Hartman
- Bruce Martin
- Camille Kadoch
- Cathryn Chudy
- Colton Misono
- Connie Beauvais
- Courtney Blodgett
- David Siddiqui
- Doug Scott
- DTSteel
- Elizabeth O'Connell
- Emily Lammert
- Eric Nelsen
- Hanna Navarro
- Heather Moline
- Jackie Truelove
- Jacob.Darrington
- Jason Ball
- Jason Ball
- Jennifer Cameron-Rulkowski
- Jessica Shipley
- John Rothlin
- John Seng
- Joni Sliger
- JSpooner
- Justin Baldwin-Bonney
- Kathi Scanlan
- Katie Ware
- Kelima Yakupova
- Kelly Hall
- Kevin McVay
- kristen
- Kristen Jenkins
- Lauren McCloy
- Lisa Gafken
- Lora Bourdo
- Mark Newton Lowry
- Melissa Cheesman
- Melissa Whited
- Mike
- Mike Howard
- Mike Schoepp
- Molly Brewer
- Natalie Roberts
- Pam Anderson
- Paul Schmidt
- Peter
- Rick Weston
- Robert Wyman
- Ryan Dolney
- Ryan Smith
- Shay Bauman
- Shelley McCoy
- Stacy Smith
- Stephanie Chase
- Susan Free
- Trevor Drake
- Vicki Baldwin
- Virginia Lohr
- Yochi Zakai
- Zach
- Zach Harris
- Zach Kravitz
- Zeia Lomax
- Zella West
- Phone attendee 1
- Phone attendee 2
- Phone attendee 3
- Phone attendee 4
- Phone attendee 5
- Phone attendee 6
- Phone attendee 7
- Phone attendee 8
- Phone attendee 9
- Phone attendee 10
- Phone attendee 11