## **Summary of Stakeholder Comments in U-210590**

Comments submitted by April 27, 2022

## U-210590 comment summary highlights

- Avista recommends that the Commission treat all utilities and operations individually by not taking a "one-size-fits-all" approach when determining metrics. The Company also stresses that numerous reports related to service, social, and economic issues are already provided to the Commission. The Commission should examine where these existing reports can be leveraged for use in PBR.
- CNG agrees with the comments filed by Avista and PSE on April 22, 2022, and April 27, 2022, respectively.
- NIPPC recommends that the Commission provide guidance on RCW 80.28.410(2)(b), which allows utilities to earn a rate of return on PPAs. NIPCC recommends that the Commission add this issue to the Draft Work Plan because it is related to PBR even though this request is not responsive to the questions asked below.
- NWEC asserts that customers should have access to safe and reliable services. It provides three examples of goals, pointing out that some of the mechanisms used for PBR are already used and available in Washington and that the current approach does not incentivize innovation. Most useful information for the public should be comprehensive, easily accessible on the UTC website, regularly updated, and with little jargon.
- PSE recommends that the Commission explore different approaches to compensating utilities, such as looking to service industries and providing for pilot programs; however, PSE does not mention performance-based compensation. PSE also notes that the RCW chapter 80.28 allows for an incentive rate of return on investments in electric vehicle supply equipment and a rate of return on PPAs, but these have not been executed yet by the Commission.
- Public Counsel suggests that clarity and equity should be the guiding principles of performance-based ratemaking. It recommended a series of metrics for consideration and discussion. The Commission should consider ways to provide easy to understand and accessible information.
- Washington Clean Energy Coalition urges the UTC to use performance-based regulation to speed the transition to 100% clean energy as soon as possible.
- TEP states that the ultimate purpose of regulation is to protect customers and the public interest. TEP reminds the Commission that the public interest has been expanded to include societal outcomes including "environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity."

## 1. What goals and outcomes should be pursued through regulation in Washington?<sup>1</sup>

Party	Summary of position
Avista	<ul> <li>Avista advocates for limiting the scope or creating boundaries around the number of goals and outcomes that can be pursued in Washington.</li> <li>Recommends metrics around: Safety, Affordability, Utility Performance, Reliability, Customer Experience, Utility Financial Performance.</li> <li>Avista did not differentiate by goals vs. outcomes.</li> <li>Focus on measures and metrics not already tied to existing mechanisms.</li> <li>Additional comments offered but not directly responsive to the question:         <ul> <li>Avista re-iterates its position that each IOU is "unique". Examples:</li> <li>"The goalshould take into account the unique nature of each utility"</li> <li>"We would remind the Commissionthat a distinct set of criteria could not be uniformly applied to the utilities, given the unique nature of their respective systems."</li> <li>"It is important for the Commission and parties to recognize that the utilities are not homogenous".</li> </ul> </li> </ul>
Cascade	Emphasizes overall outcomes related to safety, customer experience, affordability, utility performance and utility financial performance as "guideposts."

<sup>&</sup>lt;sup>1</sup> Example for workshop discussion:

Regulatory Goal	Desired Outcome
Improve Utility Performance	Improved Reliability (e.g., Reduced customer outages; Reduced disruption frequency and duration disruption in neighborhoods of color)

Party	Summary of position
NW Energy Coalition	<ul> <li>Goals for consideration:</li> <li>Provision of equitable and universal service (equitable access to affordability and clean energy programs, and an affordable and reliable service),</li> <li>Minimized environmental impacts and greenhouse gas emissions reductions, and</li> <li>Understandable (readable) provision of affordable energy services.</li> </ul>
	<ul> <li>Additional comments offered but not directly responsive to the question:</li> <li>Customers should have safe and equitable access to energy and should have understanding and control of their energy bills.</li> <li>Companies should have an opportunity to earn a profit, if such services are provided with minimal environmental impacts and are serving the best interests of customers.</li> </ul>
Northwest & Intermountain Power Producers Coalition	Comments offered but not directly responsive to the question:  The Commission should seek to reduce "utility ownership bias" by providing guidance on the rate of return utilities may earn on PPAs.
Public Counsel	The goal should be to provide clarity and guidance to stakeholders regarding how performance-based regulation will take place in Washington. The regulatory goals include:  • Affordability: bill stability, affordability compared to other goods, return on equity commensurable with market conditions.  • Utility cost control: least cost resources, cost-effectiveness methodology, prudent and efficient utility management.  • Reliability: high reliability at reasonable costs, measure service quality in different metrics, equal levels of service for vulnerable populations, demonstrated improvements in reliability, reduction in outages.

Party	Summary of position	
	<ul><li>Community equity and engagemen communities.</li><li>Capital market access: utility's final</li></ul>	ety, reduction in utility-caused wildfires. t: benefit-cost sharing, engagement of ancial integrity. blicy goals: achieve state's energy policy
PSE	for their utilities; state policies regarding cannot the goals outlined in Section 1 of S.B.  Additional comments offered but not direct  • PSE notes it is important for utilities to earn their authorized rate of returns.	es to recover the costs of meeting goals and rn.  zation" of goals will be essential to well-
The Energy Project	Regulatory Goal	Desired Outcome
	Provide Affordable Service - key pillar of regulation is the provision of affordable service to customers	Increased reasonable bills for all customers (e.g., regulation should result in reasonable bills particularly for low-income customers whose bills are disproportionately unreasonable)  Reduced energy burdens for all customers (e.g., bills should reduce energy burdens particularly for low-income customers who spend a disproportionate amount of their income on energy bills)  Reduced economic harm to customers (e.g.,

Party	Summary of position
	Assessing utility services should not cause economic harm to customers particularly vulnerable and low-income populations)  Increase efficient use of grid investments and distributed energy resources (e.g., Regulation should ensure that utilities efficiently use all available assets, including DERs, to provide customers service)
	Provide Equitable Service - Commission should establish that equity is a central goal for regulation in Washington  Reduced to No disparity in the quality of service (e.g., Named communities² should receive the same quality of service as other customers)  Increased distributed energy resources serve hard-to-reach customers (e.g., Regulation should ensure that hard-to-reach customers and named communities have access to, and are served by, all forms of DERs in the same way as other customers)  Increased universal access to affordable clean energy (e.g., Universal access is a key pillar of regulation therefore all homes in Washington should have access to affordable clean energy)  Increased equity promoted in utility
	operations and investments (e.g., All utility activities should promote equity including - service to customers, investments made, human resources, contractor hiring, and interaction with their communities)

<sup>&</sup>lt;sup>2</sup> These are vulnerable populations and highly impacted communities, for more see RCW 19.405.020(23); RCW 19.405.020(40).

Party	Summary of position	
	Advance Societal Outcomes – Commission should establish that advancing societal outcomes is a central goal of regulation RCW 80.28.425(1)	Reduced utility plant and facilities adverse impact on residents' health (e.g., utility operations should not harm Washingtonians or our neighbors)
		Reduced pollution burden and pollution exposure (e.g., eliminating pollution exposure directly attributable to utility operations, track pollution burdens in our communities, and promote the reduction of those burdens)
		Reduced greenhouse gas emissions <sup>3</sup>
	Satisfy Customer Needs – Regulation should aim to satisfy customers' needs	Increased reliable service (e.g., customers' reliable service tracked through reliability metrics are often used to grade utility service) <sup>4</sup>
		Increased positive customer service interactions (e.g., positive experiences tracked through customer service metrics) <sup>5</sup>
Washington Clean Energy Coalition	Provided no regulatory goals.	-
	Outcomes:	
	o Accelerate zero (not net z	ero) greenhouse gas emissions before 2045.

<sup>&</sup>lt;sup>3</sup> See, *e.g.*, RCW 80.28.425(1); RCW 19.405.040(1) ("It is the policy of the state that all retail sales of electricity to Washington retail electric customers be greenhouse gas neutral by January 1, 2030."); Senate Bill 5092 (2021), Sec. 143(4) (funding the commission to examine pathways for investor-owned utilities to reduce greenhouse gas emissions, including "How natural gas utilities can decarbonize"); RCW 70A.45.020.

<sup>&</sup>lt;sup>4</sup> See, *e.g.*, WA Util. and Transp. Comm., *Annual Reliability Reports of Electric Companies*, <a href="https://www.utc.wa.gov/regulated-industries/utilities/energy/infrastructure-and-energy-planning/annual-reliability-reports-electric-companies">https://www.utc.wa.gov/regulated-industries/utilities/energy/infrastructure-and-energy-planning/annual-reliability-reports-electric-companies">https://www.utc.wa.gov/regulated-industries/utilities/energy/infrastructure-and-energy-planning/annual-reliability-reports-electric-companies</a> (accessed April 25, 2022).

<sup>&</sup>lt;sup>5</sup> See, *e.g.*, Dkt. UE-072300, Puget Sound Energy 2021 Service Quality and Electric Service Reliability Report, at 19-42 (March 29, 2022) (discussing customer satisfaction metrics).

Party	Summary of position
	<ul> <li>Speed the transition to clean energy for both electric and gas utilities.</li> <li>Create outcomes where conservation and energy efficiency is a win-win for both utilities and customers (reduced energy demand and carbon emissions, improved energy resilience, lower customer bills, and less infrastructure built).</li> <li>Attention to equity issues to create fair outcomes.</li> <li>Increase distributed energy resources and local storage.</li> <li>Additional comments offered but not directly responsive to the question:</li> <li>Require transparent sharable data and provide different energy cost sources (i.e. Lazard's)</li> <li>Require utilities to define "cost effectiveness" by employing a low discount rate.</li> </ul>
Walmart	<ul> <li>Did not respond directly to the question.</li> <li>Additional comments offered but not directly responsive to the question:</li> <li>Recommends that PBR should not reward utilities for meeting goals that are inherent in the utility's current responsibility to provide safe and reliable service.</li> <li>For each proposed regulatory goal, the Commission should ask which outcomes exceed a utility's current legal responsibilities, are shown to benefit customers, are clearly identifiable, and can be quantitatively measured.</li> </ul>

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

Party	Summary of position
Avista	Avista writes that a utility's performance is a function of load growth and expenditure
	(including investments + expenses) management. When these become out of balance, a
	GRC is filed.
	Additional comments offered but not directly responsive to the question:
	• Avista notes that it already provides a number of reports and data related to service,
	social, and economic issues facing the company and its customers
	The Commission could choose to investigate and remediate issues that arise from
	this existing reporting.
Cascade	Did not respond directly to the question.
NW Energy Coalition	Traditional cost of service regulation encourages large capital investments and
	incentivizes ownership of such investments. In some cases, investment needs could be
	better served by purchased power, distributed resources, and/or non-wires alternatives,
	but there's not an incentive to be innovative or risk taking and instead make the
	"prudent" decision. Utilities have been more hesitant to take up activities that differ
	from the traditional conservation acquisition measures or measures where the impacts
	cannot be directly or immediately "acquired" by the utility.
	Two important points are made on SB 5295:
	1. SB 5295 has set up "a cart before the horse" situation regarding performance-
	based regulation (PBR) and multi-year rate plans (MYRPs), meaning that
	"[T]he Commission and stakeholders must review the merits of PBR
	applications before they have established a common basis for evaluation."

<sup>&</sup>lt;sup>6</sup> Wilson, Gennelle; Felder, Cory, and Gold, Rachel. "States Moving Swiftly on Performance-Based Regulation to Achieve Policy Priorities." March 31, 2022. https://rmi.org/states-move-swiftly-on-performance-based-regulationto-achieve-policy-priorities/

Party	Summary of position
	2. But mechanisms commonly used in PBR, such as MYRP, decoupling; earnings sharing mechanisms, performance metrics, have already been used and are available for use in Washington.
Northwest & Intermountain Power Producers Coalition	Did not respond directly to the question.
Public Counsel	<ul> <li>Washington state has hybrid ratemaking approach that follows cost-of-service regulation and other tracking mechanisms, while allowing other regulatory tools such as decoupling with earning sharing that prevent ratepayers from paying rates that result in excessive profits. However, utilities may not seek to reduce costs to avoid overearnings. Incentives exist to increase rate base as long as the rate of return exceed the market cost of capital.</li> <li>The current structure of incentives favors capital investments over operational expenses, utility owned solutions over third-party solutions, "tried and true" solutions over innovation, make additional investments and request rate relief when costs exceed revenues. Heavy reliance on regulatory oversight that will continue with the transition to another style of ratemaking, but key tracking metrics will facilitate greater transparency into not only what the utility has spent, but also whether customers are receiving value for their money.</li> </ul>
PSE	<ul> <li>Its performance is currently incentivized by statutes, periodic rate cases, decoupling mechanisms, pilot programs, and PIMS for reliability, customer service quality, safety, and demand side management. The Commission has also approved MYRPs for PSE on two prior occasions.</li> <li>The current regulatory approach emphasizes traditional incentives for the utility to benefit from investing in capital.</li> </ul>

Party	Summary of position
	<ul> <li>PSE argues that, to date, an over-reliance on "penalty" mechanisms and compliance contributes to an environment where "doing the bare minimum is all that can be supported." Positive financial incentives have been relatively limited.</li> <li>Additional comments offered but not directly responsive to the question:</li> <li>PSE submits that a focus on ensuring the lowest possible rates for all customers stifles utilities' ability to achieve important policy goals.</li> <li>PSE recommends that the Commission explore different approaches to compensating utilities, such as looking to service industries and providing for pilot programs. PSE also notes that the RCW chapter 80.28 allows for an incentive rate of return on investments in electric vehicle supply equipment and a return on PPAs, but these have not been executed yet by the Commission.</li> </ul>
The Energy Project	Did not respond directly to the question.
The Energy Project	Did not respond directly to the question.
Washington Clean Energy Coalition	Primary goal of IOUs is to maximize returns to investor which incentivizes IOUs to:  • Maximize infrastructure investments, which leads to profitable investments instead of investments that prioritize customers and the environmental, like PSE's  • Energize Eastside,  • Tacoma LNG plant, and  • Building a new "peaker" plant (PSE IRP).
Walmart	Did not respond directly to the question.

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

Party	Summary of position
Avista	<ul> <li>Under the current regulatory framework, performance is measured through numerous monthly, quarterly, annual, biannual, and ad hoc reporting requirements.         <ul> <li>These include reports related to: Customer Service Guarantees, Service Quality Measures, reliability, energy efficiency, energy assistance, the Energy Independence Act, power supply, IRP's, transportation electrification, CETA, CEIP's, and wildfire resiliency plans.</li> </ul> </li> <li>Avista notes that the Commission could take any of these items and create an incentive or penalty around it.         <ul> <li>Additional comments offered but not directly responsive to the question:</li> <li>The Commission should be keenly interested in regulated utilities earning its authorized returns, because it allows the utilities to attract capital on reasonable and boosts the Company's credit rating.</li> </ul> </li> </ul>
Cascade	Did not respond directly to the question.
NW Energy Coalition	NWEC is most interested in information related to renewable energy acquisition, energy efficiency achievement, SQIs, financial information, annual statistics, and more recently, the information that has been reported in Docket U-200281 related to COVID impacts on customers. NWEC is also interested in further metrics that will be reported as part of the electric utilities' Clean Energy Implementation Plans (CEIPs). Most useful information for the public should be comprehensive, easily accessible on the UTC website, regularly updated, and with little jargon.
Northwest & Intermountain Power Producers Coalition	Did not respond directly to the question.

Party	Summary of position
Public Counsel	The current regulatory framework measures utility performance primarily in terms of service quality and reliability. Public Counsel intends to develop proposals for additional reporting metrics to help improve transparency and a holistic view of utility performance. PC provided the following potential metrics to help start the discussion:  • Affordability: average energy burden, percentage increases in energy bills, annual variation in energy bills, ratio of customers on arrearage.  • Utility Cost Control: energy produced by DS and non-utility resources, average cost of DS and non- utility renewables, savings from utilization of cost-effective non-wires solutions.  • Reliability: Equity, SAIDI and SAIFI in highly impacted communities, cost/benefit of reliability improvements, metrics for worst performing circuits, and other specific interruption and reliability metrics.  • Safety: distribution network incidents, utility-caused wildfires metrics and associated costs.
	Community equity and engagement: metrics of customers participating in energy efficiency and conservation and utility engagement of communities.
PSE	PSE notes that it provides reports to the Commission on numerous areas of its operations. PSE suggests that the continuing value of these reports is sometimes unclear.
	<ul> <li>Additional comments offered but not directly responsive to the question:</li> <li>PSE explains that it has incorporated input from stakeholders and proposed relevant performance metrics in its pending general rate case. These performance metrics address issues such as system interruptions, peak load management, electric vehicle charging, new metering technologies, and equity.</li> </ul>
The Energy Project	Did not respond directly to the question.

Party	Summary of position
Washington Clean Energy Coalition	Did not respond directly to the question.  Additional comments offered but not directly responsive to the question:
	<ul> <li>The commenter requests the Commission:</li> <li>Reduce Washington's carbon emissions and to do so with the appropriate attention to transition planning and equity issues.</li> <li>Require IOUs to report their compliance with state legislation to reduce emissions as compared to municipalities and other non-regulated entities.</li> <li>IOUs shouldn't be allowed to mislead the public by advocating against mitigating fossil fuels or using confusing terminology.</li> <li>the Commission should track greenhouse gas emissions by IOUs.</li> <li>the Commission should track IOU's abilities to shift load (i.e. water heaters) during in excessive heat event or other grid demand crisis.</li> </ul>
Walmart	Did not respond directly to the question.  Additional comments offered but not directly responsive to the question:  • The Commission should be wary of averages and baselines, and instead take a granular approach to examining utility systems and customer outcomes.  • For example, while a company's system-wide performance on SAIDI or SAIFI metrics might meet a specific benchmark, there still might be problem circuits that result in significant downtimes for specific groups of utility customers.

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?

Party	Summary of position
Avista	Given the number of possibilities, Avista is supportive of prioritizing metrics
	that are most meaningful. Not all measures and metrics are of equal importance.

Party	Summary of position
	Avista supports developing specific metrics for different utilities.
	Generally, Avista supports the following:
	<ul> <li>Experience with the metrics</li> </ul>
	o Transparent metrics
	o Periodic reports
	o Openness to change
	<ul> <li>Commitment to timeline</li> </ul>
	Clear value to public understanding
	However, Avista is most concerned how the Commission will limit or constrain
	the total number of metrics to include during Phase 1.
Cascade	Metrics should be relevant, controllable, targeted, efficient, prioritized, clear,
	comparable, quantifiable, verifiable, and adaptive with time.
NW Energy Coalition	Principles that NWEC recommends for metric design include:
	Metrics should be understandable to customers and the general public
	• If a metric is incentivized, it should be controllable by utility and not duplicative
	Comparability amongst utilities
	• Metrics should have an indication of directionality: What direction should the metric
	be moving in?
Northwest & Intermountain Power	Did not respond directly to the question.
Producers Coalition	
Public Counsel	Equity must guide metric design. PC recommends that data for each metric be
	collected in a way that does not obscure differences between system-wide average
	outcomes and outcomes for customers in low-income, highly-impacted, and vulnerable
	communities. PC also recommends standardization of metric definitions and
	measurements. Not all metrics should be converted to PIMs with financial incentives.

Party	Summary of position
	Metrics should be a useful tool for monitoring key energy policy objectives, and not for
	the sole purpose of PIMs.
	Penalties should address shortcomings in utilities' core responsibilities. Incentives may
	be appropriate if they motivate actions that provide net benefit to customers. Incentives
	should address items that the utility would not be expected to undertake absent
	an incentive. Goals should be set that are measurable and actionable. Finally, the
	Commission should consider unintended consequences of an incentive.
PSE	PSE recommends that that metrics should be:
	(a) relevant and clearly linked to goals of regulation,
	(b) well within the control of the utility,
	(c) targeted to areas of special concern,
	(d) efficient and limited in number,
	(e) prioritized,
	(f) comparable between utilities,
	(g) clear,
	(h) quantifiable,
	(i) verifiable, and
	(j) adaptive. Adaptive metrics would be revisited every five years to ensure continued
	usefulness.
The Energy Project	Did not respond directly to the question.
Washington Clean Energy Coalition	Did not respond directly to the question.
	Additional comments offered but not directly responsive to the question:
	<ul> <li>Require transparency in all planning documents Which includes all variables</li> </ul>
	and cost assumptions.
	<ul> <li>Expand the transparency to the public.</li> </ul>

Party	Summary of position
	<ul> <li>Plans submitted to the Commission should compare "best plans" from IOU's from other states to reveal possibilities that may have been overlooked.</li> <li>Require definition for "cost effectiveness."</li> </ul>
Walmart	Did not respond directly to the question.

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

Party	Summary of position
Avista	Did not respond directly to the question.
	Additional comments offered but not directly responsive to the question:
	Avista encourages the Commission to reflect upon all of the information that is
	already provided by the utilities, and if that information is actually useful.
	Avista recommends that the Commission develop common terminology for use
	in this proceeding.
	Avista also recommends that the Commission define the goals of PBR.
Cascade	Did not respond directly to the question.
NW Energy Coalition	Did not respond directly to the question.
	Additional comments offered but not directly responsive to the question:
	Synthesize the information the Commission receives in reporting, in a way that
	is useful to customers and stakeholder groups.
	Identify procedures to streamline reporting and regulatory processing of the
	data.
	Determine if gas and electric utilities should be treated differently.

Party	Summary of position
	Identify amounts of incentive to appropriately encourage desired results.
Northwest & Intermountain Power	Did not respond directly to the question.
Producers Coalition	Additional comments offered but not directly responsive to the question:
	NIPPC recommends that the Commission should address the rate of return on PPAs, as
	provided by RCW 80.28.410(2)(b). The Commission has not yet issued rules or
	provided guidance as to what PPAs are eligible, what the standards will be for allowing
	a rate of return, or what the rate of return might be. NIPCC explains that earning a
	return on PPAs relates to alternatives to traditional cost of service ratemaking and
	implicates the factors the legislature directed the Commission to consider when
	implementing PBR. The Commission should add this issue to the PBR proceeding
	Draft Work Plan.
Public Counsel	The Commission should discuss what tools could be used to present metric data in the
	most easily-accessible, efficient, and transparent manner possible (e.g., utilities hosting
	a webpage that provides data dashboards with access to underlying data and links to
	reports filed in various dockets). PC also suggests that the workgroup discuss what data
	are or are not readily available, and what level of effort might be required to provide
	data that are not readily available.
PSE	<ul> <li>The Commission should outline areas where commenters agree on goals,</li> </ul>
	outcomes, or metric design principles. The Commission should highlight areas
	of disagreement for future discussion.
	<ul> <li>PSE also recommends that the Commission ask questions regarding the</li> </ul>
	prioritization or relative importance of goals and outcomes in the next round of
	comments.
The Energy Project	Did not respond directly to the question.
Washington Clean Energy Coalition	How can the Commission ensure greater data transparency from IOUs?

Party	Summary of position
Party	<ul> <li>Summary of position</li> <li>Additional comments offered but not directly responsive to the question:</li> <li>What are the fastest and most efficient ways IOUs can reduce their greenhouse gas emissions to reduce Washington's contribution to global warming and the deadly effects it is having on our planet?</li> <li>How can the Commission encourage greater distributed energy and storage to achieve the goal of greater energy resiliency and lower costs?</li> <li>How can the Commission assure that IOUs are building in the "social cost of greenhouse gasses" into all of their planning, with the desired outcome of disincentivizing fossil energy sources?</li> <li>How can the Commission demand that IOUs use updated "Social costs of greenhouse gasses" as published by recognized agencies such as the International Panel on Climate Change?</li> <li>How can the Commission assure that IOUs are attending to equity issues in their planning?</li> </ul>
Wolmout	Does the Commission need changes in Washington State law to properly carry out their new mission of reducing greenhouse gas emissions?  Did not respond directly to the question.
Walmart	Did not respond directly to the question.