



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-7166
www.cngc.com

June 13, 2022

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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UTIL. AND TRANSP.
COMMISSION

Re: Docket UG-210590 - Relating to the Commission’s proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making.

Dear Ms. Maxwell:

Cascade Natural Gas Corporation (“Cascade” or “Company”) hereby submits the following written comments to the Washington Utilities and Transportation Commission (“Commission”) in regard to Phase 1 of Docket U-210590 and in response to the May 2, 2022, Notice of Opportunity (“Notice”) that seeks public comments related to developing and articulating regulatory goals, desired outcomes, and design principles. Specifically, the Commission seeks comments to the following questions:

- 1. Please provide a list of your priority regulatory goals, desired outcomes, and a rationale for including those, using a table format. Your suggested regulatory goals should align to the Commission’s statutory authority with respect to utility regulation in Washington. For each Regulatory Goal, there should be one or more desired outcomes that reflect what is desired from utility performance to achieve that goal. Please include a rationale for the goals and the outcomes, as applicable.

Regulatory Goal	Desired Outcome	Rationale
Service Quality	Improved reliability through reduced customer outages.	Good data and metrics exist, and stakeholders understand.
	Equitable reliability through reduced restoration times for marginalized communities.	Core function of the utility. Under-performance has strong negative outcomes.
	Measure level of customers’ satisfaction with service.	Several factors influence customers’ satisfaction and must measure the important

		factors to customers as well as their satisfaction.
Safety	To protect customers, employees, frontline workers, and infrastructure from the inherent dangers, catastrophes, and injuries within the utility sector.	<p>Good data and metrics exist, and stakeholders understand.</p> <p>Core function of the utility.</p> <p>Adhere to and comply with OSHA standards and other safety policies.</p> <p>Communication of safety hazards and labeling to personnel, community, and customers.</p> <p>Meet or exceed stated response time for emergencies.</p>
Financial Health	Maintain a viable utility and overall health of the system.	<p>Good data and metrics exist, and stakeholders understand.</p> <p>Core function of the utility.</p> <p>A utility's overall financial health can help ensure its current and future ability to provide reliable service to customers.</p>
Integrated Resource Plans	Long-range resource planning.	<p>Good data and metrics exist, and stakeholders understand.</p> <p>Core function of the utility.</p> <p>Know resource requirements, emissions, and future capital needed.</p>
Conservation	Increase cost-effective conservation saving achievements while reducing the incentive to sell more volumes.	<p>Good data and metrics exist, and stakeholders understand.</p> <p>Core function of the utility.</p> <p>Two-year conservation targets and plans to achieve targets by customer segment.</p>

Affordability	Affordability of services for all.	<p>Decoupling to address the throughput incentive.</p> <p>Cost allocation, fairness, and price-signals.</p> <p>Declining average customer demand, increasing critical infrastructure investments, and affordability challenges.</p> <p>Unused funds to help weatherization and potential low-income customers.</p>
Environmental Stewards	Continuous improvement of environmental performance, a commitment to efficient use of natural resources, and protection of ecosystems.	The responsible use and protection of the natural environment through conservation and sustainable practices to enhance ecosystem resilience and human well-being.

2. *How well do current regulatory mechanisms accomplish goals and outcomes you listed above? Please share specific reasons for your answer.*

Currently, the regulatory mechanisms in place accomplish the goals and outcomes that they are meant to influence related to the utility's performance.

For example, a CRM (cost recovery mechanism) influences the goal of replacing hazardous pipeline and other safety related items by providing and encouraging investment and enhanced safety performance standards while a conservation mechanism influences the utility's efficiency, increased environmental quality, and effectiveness of energy utilization. A decoupling mechanism also removes any disincentive there may be to investing in conservation. All of these efforts lead to certain performance practices, service quality measures, and reporting.

3. *Workshop 1, held on April 19, 2022, featured some discussion of metric design principles, which would be used as guidance to develop metrics to measure utility performance against the goals and outcomes. Please provide any specific metric design principles you would like the Commission to use when it adopts metrics, and why. Please also comment on whether the Commission should use the metric design principles listed below:*
- a. *Outcomes-based: track outputs or outcomes, not inputs.*
 - b. *Non-duplicative: avoid any overlap of reward or penalty for legal or regulatory requirements*

- c. *Clear, measurable, and verifiable: base metrics on easy-to-acquire data that can be verified — or even collected — by a third party.*
- d. *Evaluated regularly: revisit the effectiveness of metrics and incentives on regular intervals with the expectation that adjustments may be made.*

The Commission should use the metric design principles of clear, measurable, verifiable, non-duplicative, and outcomes-based or SMART design goals. By setting successful goals that have specific, measurable, achievable, realistic, and timely metric design principles, then this method helps push the Commission and the utility further, gives a sense of direction, and helps organize and reach those goals.

Metrics are proxies for something you value and are important because they help you track progress toward your goals and make important business decisions. Thus, if a metric can't be measured throughout the entire time period, then it can't be used retrospectively, and a good metric needs to be movable. If the Commission or utility can't influence it, a metric is useless both prospectively and retrospectively. While metrics are numbers that share important information about a process under question, they can also provide accurate measurements about how the process is functioning and can provide suggested improvements. They provide important information about a business' performance in key areas so informed decisions can be made in establishing pathways to reach identified goals; however, it's important that organizations select their performance metrics and focus on these areas because these metrics help guide and gauge an organization's success.

- 4. *Are there any additional considerations you would like to raise for the Commission related to regulatory goals, desired outcomes, and metric design principles, beyond what you have already shared in Workshop 1, held on April 19, 2022, and in response to the questions above?*

Cascade agrees with the previously written comments submitted in this docket by Avista Corporation and Puget Sound Energy in their comments dated June 10, 2022, and June 13, 2022, respectively; otherwise, Cascade has nothing further to raise at this time.

If you have any questions, please contact me at (509) 734-4549.

Sincerely,

/s/ Christopher Mickelson

Christopher Mickelson
Manager, Regulatory Affairs II
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166
christopher.mickelson@cngc.com