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Washington Utilities and Transportation Commission
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Re: Docket U-210590—PacifiCorp's Comments

The Washington Utilities and Transportation Commission (Commission) requested comments in this proceeding to develop a policy statement addressing the alternatives to traditional cost of service rate making, including performance-based measures or goals, targets, performance incentives, and penalty mechanisms. PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) provides these comments in Phase 1 of this proceeding, which will establish regulatory goals, outcomes and design principles related to performance-based regulation. PacifiCorp supports performance metrics that are simple, effective, and flexible enough to be tailored to the individual circumstances of each utility.

- Please provide a list of your priority regulatory goals, desired outcomes, and a rationale for including those, including the table format illustrated below. Your suggested regulatory goals should align to the Commissions' 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 a utility performance to achieve that goal. Please include a rationale for the goals and the outcomes, as applicable.***

As requested by the Commission, PacifiCorp provides a list of regulatory goals and desired outcomes in the appropriate table format. These regulatory goals have been derived from the core principles that are used by PacifiCorp to guide business decisions.

Regulatory Goal	Desired Outcome	Rationale
Customer Service	<ul style="list-style-type: none"> Ensuring low costs (as compared to national averages) for customers Addressing customer concerns (assessing customer service metrics like complaints and response time for customers) 	PacifiCorp remains committed to provide a high-level of customer service to our customers to ensure they have safe, reliable service at reasonable rates

Environmental Stewardship	<ul style="list-style-type: none"> • Cost-effective conservation • Integrated Resource Plan (IRP) driven non-emitting resource acquisitions 	Supporting investment in conservation and non-emitting resources advances Washington state policy goals
Operational Excellence	<ul style="list-style-type: none"> • Consistent and reliable power for customers • Minimizing Administrative and General costs of revenue requirement 	Ensuring a high quality of service, while minimizing overhead costs supports providing safe, reliable service at reasonable rates for customers
Employee Commitment	<ul style="list-style-type: none"> • Provide livable-wage jobs in the Company’s service area • Employ a diverse workforce 	The Company needs to attract and retain high-quality employees in order to meet its goals to provide safe, reliable service at reasonable rates for customers
Safety	<ul style="list-style-type: none"> • Maintain a very low level of recordable incidents and preventable vehicle accidents as compared to industry peers 	Supporting a strong safety culture promotes good outcomes for customers, employees, and the Company
Financial Health	<ul style="list-style-type: none"> • Maintain a high-quality bond rating with agencies 	Supporting the financial health and integrity of the utility ensures that the utility has access to lower cost capital in order to make necessary investments at the lowest cost for customers.

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

Current regulatory mechanisms have been developed and refined over the past century. While the technology, means, and methods of providing electricity service have significantly advanced over that time, the goals have remained remarkably consistent. As PacifiCorp noted in a regulatory filing before the Federal Power Commission in 1938 that “[i]t has been the policy of the company since its organization in 1910 to make effective the lowest possible rates consistent with good service and sound operating practices.”¹ In general, the current

¹ PACIFIC POWER & LIGHT COMPANY, RECLASSIFICATION OF ELECTRIC PLANT STATEMENTS A TO I INCLUSIVE 20 (1938).

process of ratemaking provides significant support to continue to allow utilities to achieve these goals. However, there remain opportunities to improve the mechanisms to better enable utilities to meet the challenges that are faced today and provide the highest level of service for customers.

When discussing performance-based ratemaking, it is essential that tailored and achievable metrics be used to ensure that an appropriate mechanism is created. Additionally, it is important to ensure that any new mechanism is balanced and provides equal incentives to encourage high utility performance instead of solely penalizing utilities for failing to achieve specific targets.

3. *PacifiCorp's Comments on the Specific Metric Design Principles identified in the Notice:*

- a. Outcomes-Based:** While PacifiCorp generally supports an outcomes-based approach to metric design principles, it is necessary that the metrics be both achievable and reasonably within the control of the utility. An outcome-based metric that is not achievable or that is developed using a one-size fits all approach to all utilities could unduly penalize utilities and fail to provide rewards for exemplary performance. Similarly, metrics that depend on factors outside the control of the utility may create inequities that do not support the utility or customers.
- b. Non-Duplicative:** PacifiCorp agrees that metrics should be non-duplicative.
- c. Clear, measurable, verifiable:** PacifiCorp also agrees that metrics should be clear, measurable, and verifiable. PacifiCorp believes these goals can be met by using metrics that are transparent and already provided through existing regulatory processes, where staff and stakeholders have experience assessing and verifying the metrics. The development of new metrics or the collection of new metrics by a third-party can increase the administrative burden and cost for the Company, customers, and stakeholders.
- d. Evaluated regularly:** PacifiCorp additionally agrees that the metrics should be evaluated regularly. However, this evaluation should be efficient and occur on a timescale that is consistent with the internal processes of the utilities. This is necessary to be able to show measurable improvement in metrics. Additionally, evaluation should be structured in a manner that eases the administrative burden both for compliance by the utility and evaluation by the Commission.

Conclusion

PacifiCorp has continually supported the core principle of providing safe and reliable service with affordable rates. PacifiCorp supports the use of new regulatory mechanisms to the extent they help the Company meet these goals.

PacifiCorp remains committed to extensively participating in this proceeding and working with the Commission and stakeholders through this process. PacifiCorp further appreciates the continued opportunity to provide written comments as this proceeding continues.

Sincerely,

 /s/

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