



NW Energy Coalition

June 13, 2022

Amanda Maxwell
 Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop SE
 Lacey, WA 98503

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 UTIL. AND TRANSP.
 COMMISSION

06/13/22 15:55

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Re: Docket U-210590, Notice of Opportunity to Comment on Commission proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking (Phase 1 – Performance Metrics) - Second Set of Comments

Dear Ms. Maxwell:

The NW Energy Coalition appreciates the opportunity to comment on Phase 1 of the Utilities and Transportation Commission’s (UTC or Commission) proceeding to develop a policy statement addressing alternatives to traditional cost of service rulemaking. The NW Energy Coalition is a public interest organization focused on ensuring clean and affordable energy for all customers, working across the Pacific Northwest.

We provide these comments in response to the notice; our past comments in this docket can also provide some background on our perspectives.

1. Please provide a list of your priority regulatory goals, desired outcomes, and a rationale for including those, using the table format illustrated below.

| Regulatory Goal | Desired Outcome | Rationale |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clean power and heat | <ul style="list-style-type: none"> • Energy services do not increase greenhouse gas emissions or criteria pollutants. • Energy services help customers reduce personal environmental impact. • Energy services do not result in poor public health outcomes. • Energy services contribute to cleaner indoor air quality. | State laws (e.g. the Clean Energy Transformation Act, the Climate Commitment Act, the public interest standard under which the UTC regulates) require that the utilities and the UTC move toward cleaner source of energy, reduce greenhouse gases, and consider the environmental impact of these services on the state and its residents. |

| Regulatory Goal | Desired Outcome | Rationale |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Affordable energy service | <p><i>Ultimate Outcome</i></p> <ul style="list-style-type: none"> • Customers are not energy burdened (i.e., no more than 6% of household income is spent on energy bills). <p><i>Interim Outcomes</i></p> <ul style="list-style-type: none"> • There is sufficient programming and programming dollars to serve customers in need. • Customers are aware of energy assistance programs. • Customers seeking energy assistance are not at risk of disconnection. • Energy investments are made within the parameters of lowest reasonable cost and <u>risk</u> to customers. | <p>The Clean Energy Transformation Act has provided direction that customers should not be energy burdened. While the ultimate achievement of that outcome will take years, there are interim outcomes that should be pursued by regulation to achieve this ultimate goal.</p> |
| Reliable energy service | <ul style="list-style-type: none"> • Customers do not face unreasonable outages (in frequency or duration). • Customers do not face outages disproportionately different from other customers. | <p>There are existing metrics that utilities report on to indicate the experience of reliability for customers. These could be expanded to metrics that examine geographic differences within a service territory.</p> |

| Regulatory Goal | Desired Outcome | Rationale |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equitable access to energy service | <ul style="list-style-type: none"> • Customers have access to energy efficiency, demand response, and other distributed energy resource programs and do not face unreasonable barriers to participating. • Named communities do not have worse service than other areas. | <ul style="list-style-type: none"> • Energy services does not mean just the delivery of power or gas to a home, but should also include the other services a utility controls, such as energy efficiency programs, demand response programs, and distributed energy resources that help customers better control their energy use and bills. • CETA and other laws regarding the public interest indicate the UTC should be focusing regulation to help serve communities that have been disproportionately underserved in the past (i.e., “named communities”). |
| Transparent energy service | <ul style="list-style-type: none"> • Customers are satisfied with their energy provider. • Customers understand what energy services are available to them. • Customers understand how they can affect their energy bills. | <ul style="list-style-type: none"> • Customers should understand their energy bill and what energy services are available to them in order to be able to effect control over bills. |

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

Current regulatory mechanisms are not sufficient to meet the above goals and outcomes. Traditional cost of service regulation has encouraged large capital investments in the form of the development and ownership of large resources (often fossil resources) and sometimes the building of transmission and distribution system additions. The outcomes that traditional cost of service regulation facilitate are generally what is in the best interest of utilities and its shareholders or owners, not necessarily what is in the best interest of customers and the outcomes they experience, which is the focus of the table above.

The UTC does have regulatory mechanisms available and in use that try to overcome some of the consequences of cost of service regulation:

- Multiyear rate plans or rate plan “stay outs” can encourage utility cost management and careful capital investment. However, the use of riders and other tariffs that fall outside of these general rate cases can dilute the power of these multiyear rate plans. In

addition, multiyear rate plans without sufficient performance metrics will focus a utility only on cost containment, potentially at the expense of customers.

- Decoupling mechanisms have been successfully used in Washington to reduce the throughput incentive a utility has to sell more power and not focus as much on energy efficiency programming. Moving toward a more performance-based regulatory system may mean that the decoupling mechanisms need to evolve, but that should be a conversation as a part of this docket.
- Performance metrics, scorecards, and penalty provisions have been used to measure and incentivize better reliability. As discussed in this docket and elsewhere, there are other areas that we could use these kinds of tools, such as incentivizing greater use of demand-side tools, better load management, and facilitating better customer experiences. However, we will need to not just consider penalties, but also incentives if we are to move more fully away from cost of service regulation and toward true performance-based regulation.

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.*

We will reiterate our comments from after the April 19, 2022 workshop here:

- Metrics should be understandable to customers and the general public.
- If a metric is incentivized, it should be controllable by utility and not duplicative of other requirements.
- There is a need for some comparability amongst utilities – there should be some regulatory consistency.
- Metrics should have an indication of directionality – what does “improvement” look like? What direction should the metric be moving in?

In addition, we agree with the principles listed above in the question. In particular, “outcomes-based” is very important for most of the types of outcomes we want to encourage. For example, if the outcome we wanted to achieve was “Customers are not hungry”, measuring the amount of food a company purchased wouldn’t, by itself, be a sufficient metric. And if there was an incentive tied to that metric, we might find ourselves allowing a company to earn a return on the purchase of food that is never used to the benefit of customers.

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?

Not at this time.

Thank you for the opportunity to comment.

Best,

/s/

Amy Wheelless
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NW Energy Coalition