How it works – Interagency Policy Team Meeting

July 28, 2022
How the Commission is Working on Equity

Deborah Reynolds, Deputy Director, Energy
Mission:

“to protect the people of Washington by ensuring that investor-owned utility and transportation services are safe, available, reliable, and fairly priced.”
IOU – Investor-Owned Utility

A utility that is owned by a board of investors, not a local government or other public entity.
COU – Consumer-Owned Utility

A utility owned by a public group of consumers, like a cooperative. The UTC does not oversee consumer-owned utilities.
Mission:

Needs of regulated companies

Needs of customers
Unlike most state agencies, the commission often functions like a court of law, it rules on cases brought before it.
Proceedings

Increase Revenue

Build New Infrastructure

Changes in Service Policies
Proceedings

Like a court of law, the commission cannot make judgments without any input, purely on personal opinion.

• Evidence
  • Expert Testimony
  • Company Records or Data
  • Statements from the Public
Vocab Stop

Tariff

A utility’s schedule of rates or charges. Utilities must submit tariff changes to the UTC for approval.
A regulatory proceeding to review a new tariff revision a utility files with the commission. A general rate case can take up to 11 months.
Why Do IOUs Need Our Regulation?

Monopolies - Only one company provides a specific service in a specific area.
Utilities we regulate
Electric and Natural Gas Companies

• We regulate investor-owned utilities
  • RCW 80.01.040(3)
  • RCW 80.04.010(definitions)

• De facto service areas
“The fundamental economic goal of regulation is straightforward: to mimic a competitive market outcome, even when the underlying market is not competitive.”
PacifiCorp d/b/a Pacific Power & Light (electric only)
Cascade Natural Gas Corporation
Northwest Natural Gas Company
Types of Commission Proceedings
Open Meetings

• Every other Thursday
• Virtual open meetings
The Commission’s rules are in WAC Title 480

For example, the Carbon and Electricity Markets Rulemaking in Docket UE-210183
Adjudications

- A trial-like proceeding
- Administrative law judge presides
- Pre-filed, written testimony
- Primarily for cross-examination
Vocab Stop

Ex Parte Communications

A provision in the Administrative Procedures Act:

• Bans the commissioners and judge from communicating, directly or indirectly, about any contested issue in the case with anyone participating in the case on behalf of an interested party.
Rules of Engagement
Can UTC employees all work together?

- About 150 employees
- Largest division: Regulatory Services
- **Staff makes recommendations, but the commission does not have to agree with them**

Rulemakings

Open Meetings
Are there times when UTC staff cannot all work together, or with commissioners?

- Rule: *ex parte* communication
- UTC staff are considered a party to the case
- Commissioners can still talk to ALJs and some policy advisors

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**Adjudications**

- Commissioners
- Administrative Law Judges
- Policy Advisors

**Regulatory Services**

- Consumer Protection
(A Few) Major Current Issues
Clean Energy and Equity

- Clean Energy Transformation Act, or “CETA”:
  - RCW 19.405
  - Coal free by 2026
  - Carbon-neutral by 2030
  - Carbon-free by 2045
  - Customer benefit and equity mandates
  - Energy Transformation Projects
Clean Energy and Equity con.

• Clean Energy Transformation Act, or “CETA”:
  • Developed definition in WAC 480-100-605
  • "Equitable distribution" means a fair and just, but not necessarily equal, allocation of benefits and burdens from the utility's transition to clean energy. Equitable distribution is based on disparities in current conditions.
Clean Energy and Equity con.

- Clean Energy Transformation Act, or “CETA”:
  - Vulnerable populations" means communities that experience a disproportionate cumulative risk from environmental burdens due to: Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguistic isolation; and sensitivity factors, such as low birth weight and higher rates of hospitalization.
  - "Highly impacted community" means a community designated by the department of health based on the cumulative impact analysis required by RCW 19.405.140 or a community located in census tracts that are fully or partially on "Indian country," as defined in 18 U.S.C. Sec. 1151.
Clean Energy and Equity con.

• Purchases of Electricity Rules WAC 480-107
  • IOUs must use a request for proposals (RFP) to solicit bids for energy resources, including resources that may contribute to equitable distribution of benefits
  • IOUs must reach out to nonprofit organizations and under-represented bidders
Clean Energy and Equity con.

• Purchases of Electricity Rules WAC 480-107
  • RFPs must request information identifying energy and nonenergy benefits or burdens to highly impacted communities and vulnerable populations, short-term and long-term public health impacts, environmental impacts, resiliency and energy security impacts, or other information that may be relevant to identifying the costs and benefits of each bid
Clean Energy and Equity con.

- Climate Commitment Act, or “Cap and Invest”:
  - Electric utilities marginally affected
  - Gas utilities have compliance obligation
  - Equity mandates
Participatory Funding

RCW 80.28.430

Provides funding opportunities for organizations representing customer interests to advocate in energy proceedings

Electric and natural gas proceedings

Policy Statement includes

- Guidelines for receiving funding
- Funding caps
- At least one-third reserved for prioritized organizations
- First year of funding is a learning opportunity
- Continued outreach and engagement with prioritized organizations
- Administrative process outline
Regulatory Transformation and Equity

A 2021 law requires the UTC to look at how we regulate utilities, including multiyear rate plans, performance measures to assess utility performance, and alternative ratemaking to traditional cost-of-service.

Allows the UTC to consider equity in its determination of the public interest.

This type of regulation is known as “performance-based regulation,” or PBR, and is different from traditional cost-of-service rate-making.

Follow along in Docket U-210590. This is currently a five-phase project that will last through 2025.
Consumer Protection

The UTC has an on-going role protecting consumers through its day-to-day business and in emerging issues.

• Covid-19 assistance:
  • Disconnections due to nonpayment prohibited through Sept. 30, 2021
  • Additional consumer protections continued through March 2022

• “Notice and Disconnections” rulemaking:
  • Docket U-210800
  • Evaluate whether commission should update its existing credit and collection rules to protect consumers more equitably
  • Late fees, deposits suspended
Agency Transformation and Equity

• **Pro-equity, anti-racism:** Alongside the Office of Equity, UTC is integrating a pro-equity, anti-racism approach into our processes, planning, and values.

• **Regulatory fees and financial stability:** The 2022 Legislature approved an agency bill to increase our regulatory fees in the energy utility sector (for the first time in many years).
The commission does **not** regulate:

- PUDs (Public Utility Districts)
- City government owned utility companies (Seattle City Light, Tacoma Power)
- Broadband
- Cellular telecommunications service
Thank You!