



STATE OF WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

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May 5, 2025

**NOTICE OF WORKSHOP AND OPPORTUNITY TO COMMENT**  
(Comments due by 5 p.m., Friday, June 6, 2025)

Hybrid Workshop  
Tuesday, June 17, 2025  
9 a.m. until noon

By phone: +12532158782,,84815913921#,,, \*535919# US (Tacoma)

+12532050468,,84815913921#,,, \*535919# US

Meeting ID: 848 1591 3921

Passcode: 535919

To join via Zoom, [click here](#).

Re: Related to the Commission's proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making. Docket U-210590

TO ALL INTERESTED PERSONS:

In 2021, the Washington State Legislature passed Engrossed Substitute Senate Bill 5295. Section 1<sup>1</sup> of this bill directs the Commission to conduct a proceeding to develop a policy statement addressing performance-based measures as an alternative to traditional cost of service ratemaking for energy utilities, including goals, targets, performance incentives, and penalty mechanisms associated with the measures.

The Commission developed a 5-Phase work plan, sought participant feedback, and initiated Phase 1-Performance Metrics. In Phase 1, the Commission engaged in extensive public participation and incorporated resulting comments to define regulatory goals, desired outcomes, design principles, and identify related metrics.

On April 12, 2024, the Commission issued an interim policy statement providing its general guidance and opinions on Performance-Based Regulation (PBR) and establishing guiding

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<sup>1</sup> Laws of 2021, ch. 188. Section 1 of the bill was not codified in Chapter 80.28 RCW.

principles, goals, and a preferred set of metrics.<sup>2</sup> The policy statement also provided an interim process for proposing, amending, or terminating metrics.

On August 2, 2024, the Commission issued a second policy statement establishing an initial set of performance metrics for reporting purposes only.<sup>3</sup> Due to the timing of the second policy statement and concurrent rate proceedings for multiple utilities, the Commission anticipates the utilities will report on those initial metrics for calendar year 2025 with their respective Commission Basis Reports<sup>4</sup> in April of 2026.

The Commission now commences Phase 2 of this proceeding. The Commission intends to use Phase 2 to evaluate next steps with input and discussion from interested participants to guide the Commission's aims for Phases 3, 4, and 5.

## NOTICE OF WORKSHOP

The Commission will convene a workshop on Tuesday, June 17, 2025, beginning at 9 a.m. and ending at noon (12 p.m.) to discuss the following topics:

- PBR docket level-setting: The Commission will share the docket's current status and the work accomplished so far to support effective collaboration.
- Review the updated work plan: The Commission seeks input to better understand the needs and priorities for Phases 3, 4, and 5 of this proceeding. The updated and original work plans are attached to this Notice as Appendix A. Please note that the timeline beyond early 2026 is currently unestablished in anticipation of multiple rate case filings in early 2026.
- Principles and expectations for performance incentive mechanisms (PIMs): This workshop will also focus on best practices and foundational principles for developing PIMs. The Commission will not establish PIMs at this stage.

## WRITTEN COMMENTS

The Commission requests that interested persons provide feedback based on the questions below to help guide the discussion during the workshop and inform the forthcoming policy statement.

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<sup>2</sup> *In re Commission Proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures*, Docket U-210590, Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms, (Apr. 12, 2024), available on the Commission's website in [this docket](#).

<sup>3</sup> *In re Commission Proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures*, Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics (Aug. 2, 2024), available on the Commission's website in [this docket](#).

<sup>4</sup> Commission Basis Reports are required by WAC 480-100-257 (electric) and 480-90-257 (natural gas). The reports are due to the Commission within four months of the end of a utility's fiscal year. Currently, all utilities file by April 30.

1. As outlined in Appendix A, the Commission will continue developing this proceeding in multiple phases over several years. Phase 1 is complete, and the Commission anticipates Phase 2 concluding in early 2026.
  - Phase 3 will address cost containment strategies, leveraging lessons learned from existing PBR reporting mechanisms to identify adjustments and establish the extent to which utilities' revenues should be subject to PBR mechanisms.
  - Phase 4 will focus on establishing missing metrics for Goal 4-Environmental Improvements and developing PIMs while considering the need for utility-specific metrics. Additionally, Phase 4 will offer an opportunity to revise existing metrics and reporting processes as necessary, considering the interplay between existing mechanisms and PIMs.
  - Phase 5 will entail a program evaluation of PBR mechanisms and establish a continuous improvement process to pair PBR with traditional cost of service ratemaking in a hybrid mode.

In addition to the general feedback interested persons wish to offer on the updated Work Plan, the Commission encourages participants to focus their input on the following questions:

- Do you have thoughts, concerns, or suggestions on the proposed scope and order of Phases 3, 4, and 5?
  - Are there any additional topics the Commission should consider addressing in Phases 3, 4, and 5?
  - Are there any additional phases the Commission should consider?
2. As stated in the "Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms" issued on April 12, 2024 (Interim PBR Policy Statement), PIMs tie utility performance to a portion of revenue. Additionally, the Commission believes that PIMs that offer monetary rewards should recognize exemplary performance or incentivize innovative solutions toward the state's energy sector goals.<sup>5</sup>

While the Commission will not establish specific PIMs in Phase 2 of this proceeding, we seek to identify general guidelines and establish the foundational principles for designing PIMs. As described in the briefing paper developed in collaboration with the Regulatory Assistance Project (RAP)<sup>6</sup>, the Commission intends to use such guidelines and principles to align the stakeholders' expectations on shared objectives and inform the design of PIMs in Phase 4.

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<sup>5</sup> *In re Commission Proceeding to develop a policy statement addressing alternatives to traditional cost of service rate making, including performance measures*, Docket U-210590, Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms, (Apr. 12, 2024), available on the Commission's website in [this docket](#).

<sup>6</sup> Elaine Prause & Jessica Shipley, *Performance-Based Regulation: Considerations for the Washington Utilities and Transportation Commission*, Regulatory Assistance Project (2022), ¶ 16, available at <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=35&year=2021&docketNumber=210590>.

In addition to general feedback interested persons wish to offer to set the foundations of PIM design, we seek feedback on the following questions:

- What design principles or general guidelines should inform PIM development?
- What strategies, principles, or design elements should the Commission consider to ensure PIMs effectively support the PBR goals and outcomes established in this proceeding?
- What criteria or methodologies should the Commission consider to promote a fair balance between utilities' financial rewards and tangible customer benefits?
- What design approaches or mechanisms should the Commission consider when developing PIMs? For example, should tools such as savings sharing mechanisms, equity adders, fixed rewards or penalties, or structural variations (e.g., symmetrical vs. asymmetrical, upside-only vs. downside-only) be prioritized, and why?
- Which goals and metrics established in the Policy Statement Addressing Initial Reported Performance Metrics issued on August 2, 2024, should be prioritized when developing PIMs?

The Commission provides notice that interested persons may file comments in this docket by 5:00 p.m. on Friday, June 6, 2025.

Pursuant to WAC 480-07-250(3), written comments must be submitted in electronic form, specifically in searchable .pdf format (Adobe Acrobat or comparable software). As provided in WAC 480-07-140(5), those comments must be submitted via the Commission's web portal at [www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing). If you are unable to submit documents via the portal, you may submit your comments by email to the Commission's Records Center at [records@utc.wa.gov](mailto:records@utc.wa.gov) or by mailing an electronic copy to the Commission's Records Center on a flash drive, DVD, or compact disc that includes the filed document(s). Comment submissions should include:

- The docket number of this proceeding (Docket U-210590).
- The commenting party's name.
- The title and date of the comment or comments.

The Commission will post on its website all comments that are provided in electronic format. The website is located at <https://www.utc.wa.gov/casedocket/2021/210590>.

If you are unable to file your comments electronically, the commission will accept a paper document by mail.

If you need translation materials, please contact [records@utc.wa.gov](mailto:records@utc.wa.gov) or call (360) 664-1234.

## **STAY INFORMED OF THIS PROCEEDING**

Information related to this proceeding, including comments filed by interested persons, will be posted on the Commission's website as it becomes available. Persons filing comments will receive future communications the Commission issues in this Docket. If you do not file comments but wish to receive such information, you may contact the Commission's Records Center by telephone at (360) 664-1139 or by email at [records@utc.wa.gov](mailto:records@utc.wa.gov) and ask to be included on the mailing list for Docket U-210590.

When contacting the Commission, please refer to Docket U-210590 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

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

If you have questions regarding this proceeding or the information contained in this Notice, you may contact Cristina Narvaez, Energy Policy Advisor, at (360) 664-1229, or by email at [cristina.narvaez@utc.wa.gov](mailto:cristina.narvaez@utc.wa.gov).

JEFF KILLIP  
Executive Director and Secretary