



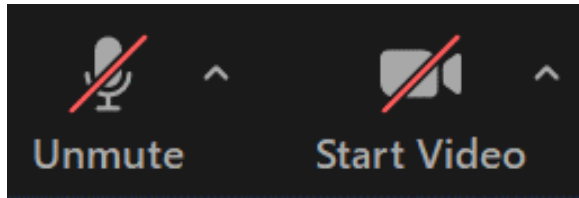
Performance Based Regulation Workshop

Docket U-210590

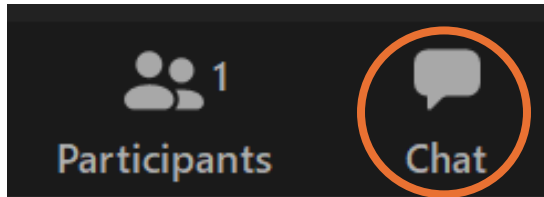
June 17, 2025

Zoom Overview

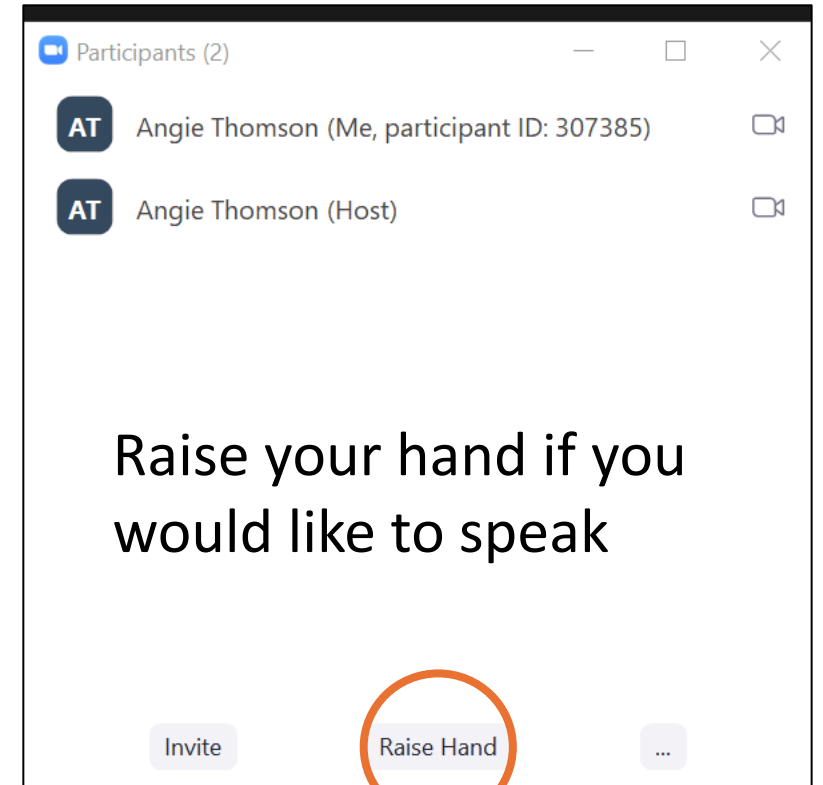
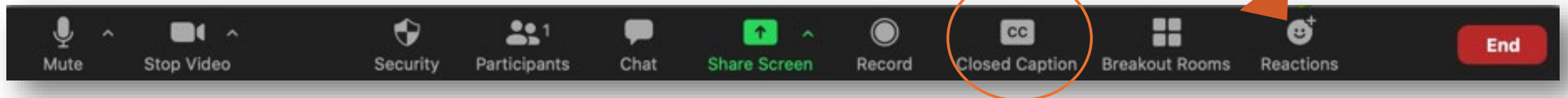
- Please mute yourself and turn off camera when not in a speaking role:



- Use chat for technical issues:



- Closed Captioning available on the control bar



Participation by Phone



- **Dial *9** to raise and lower hand
- When called on, please provide your first and last name and who you are representing (organization or member of the public)

Workshop Agenda

1. Commissioner Opening Comments
2. What is Performance Based Regulation (PBR)?
3. Chronology of the Development of PBR Guidance and Reporting Metrics
4. Commission response to general comments
5. Workplan Feedback Discussion
6. Performance Incentive Mechanism (PIM) Principles Discussion
7. Next Steps and Closing Comment

Break will occur at approximately 10:15 a.m.



Commissioner Welcome

Chair Brian Rybarik

Commissioner Ann Rendahl

Commissioner Milt Doumit



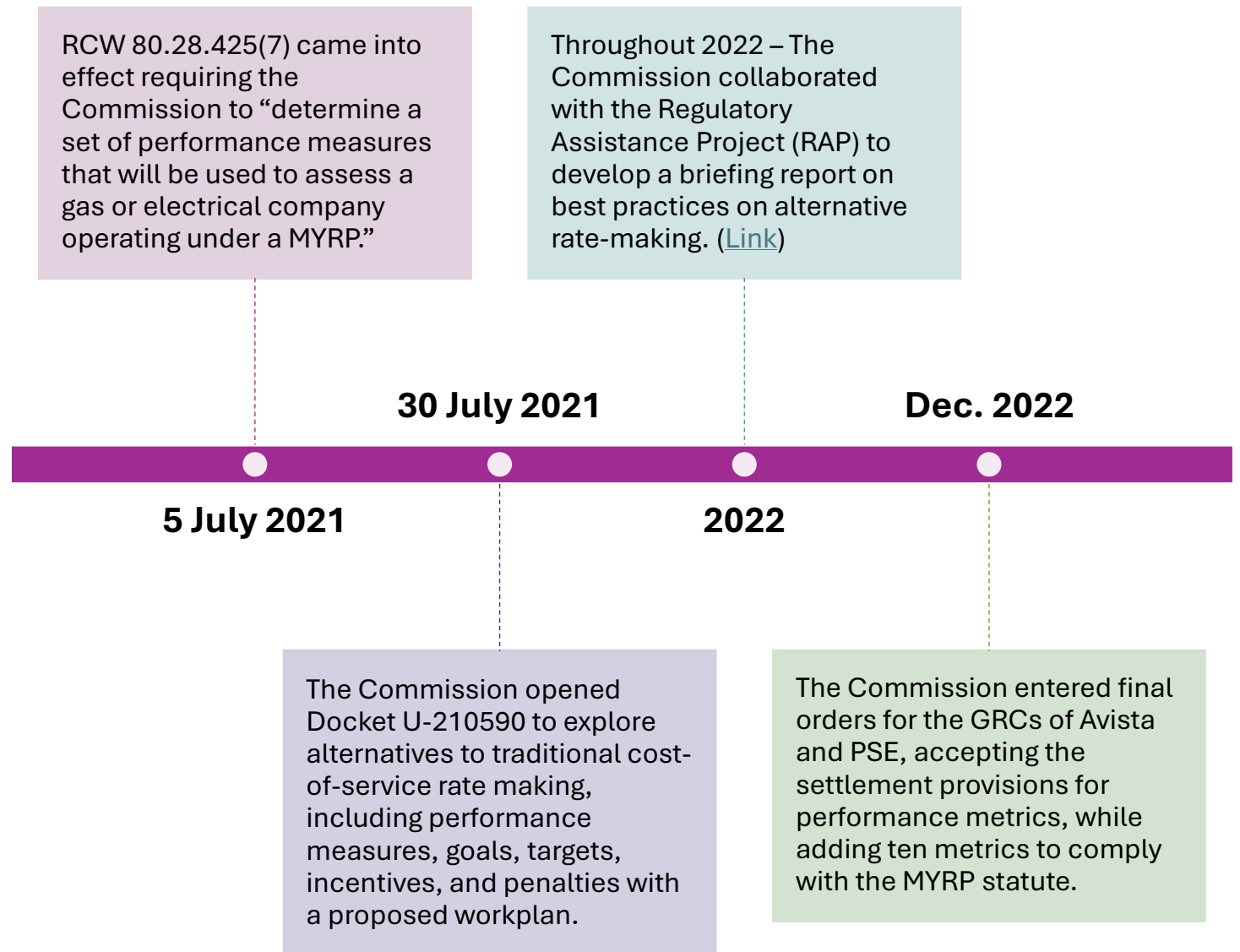
What is Performance Based Regulation?

“Performance-based regulation (PBR) is a regulatory approach that more precisely aligns utilities’ financial interests with customer and societal interests....PBR provides a regulatory framework to connect goals, targets, and measures to utility performance, executive compensation, and investor returns to strengthen value to customers.” [*RAP report at page 4.*](#)

PBR tools include mechanisms such as multi-year rate plans, decoupling, earnings adjustment mechanism, provisional rate recovery, etc.

A Chronology of Washington's Development of PBR Guidance and Reported Metrics

MYRP Legislation & Commission PBR Docket Process



PBR Docket Process (con't)

Workshops

- April 19, 2022
- July 25, 2022
- November 7, 2022
- March 28, 2024

Policy Statements Issued

- April 12, 2024
- August 2, 2024

[Link](#) to UTC Website to view all documents filed in U-210590

Policy Statements

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- **April 12, 2024** – The Commission issued an Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives and Penalty Mechanism in Docket U-210590, wherein it:
 - Accepted the four proposed goals and established seven guiding principles for metric development;
 - Identified its preferred metrics for the first three goals, narrowing the total to 16 metrics, and,
 - Declared that parties could propose new metrics or propose revisions through the MYRP process until the Reporting and Review phase was complete.
 - **August 2, 2024** – The Commission issued a Policy Statement Addressing Initial Reported Performance Metrics, wherein it:
 - Clarified the definitions and calculations of the performance metrics, including standards and data sources
 - Added Average Customer Bill to the preferred list, and
 - Stated that the performance metrics under the Interim Policy Statement should be submitted with the Commission Basis Reports in April each year.

Initial Performance Metrics as of June 12, 2025

Goal	Initial Preferred Metric Title*
1 - Resilient, reliable, and customer-focused distribution system	Equity in Reliability: length of power outages [E]
	Natural Gas emergency response time [NG]
	Historically Worst Performing Circuits [E]
	Customers Experiencing Multiple Interruptions (CEMI) for Named and Non-Named Communities [E]
	Customers Experiencing Long Duration Outages (CELID) for Named and Non-named Communities [E]
2 - Customer Affordability	Arrearages per Month [E], [NG]
	Percentage of customers in arrears with Arrearage Management Plans (AMP) [E], [NG]
	Average Energy Burden [E], [NG]
	Net Benefits of Distributed Energy Resources [E]
	Distributed Energy Resource Availability and Utilization [E]
	Utility Assistance Program Effectiveness [E], [NG]
	Customers who participate in one or more bill assistance programs [E], [NG]
	Annual utility revenues and rate impacts [E], [NG]
3 - Advancing Equity in Utility Operations	Workforce Diversity [E], [NG]
	Supplier Diversity [E], [NG]
	Equity in Distributed Energy Resource Programs [E]
	Equity in Distributed Energy Resource Program Spending [E]

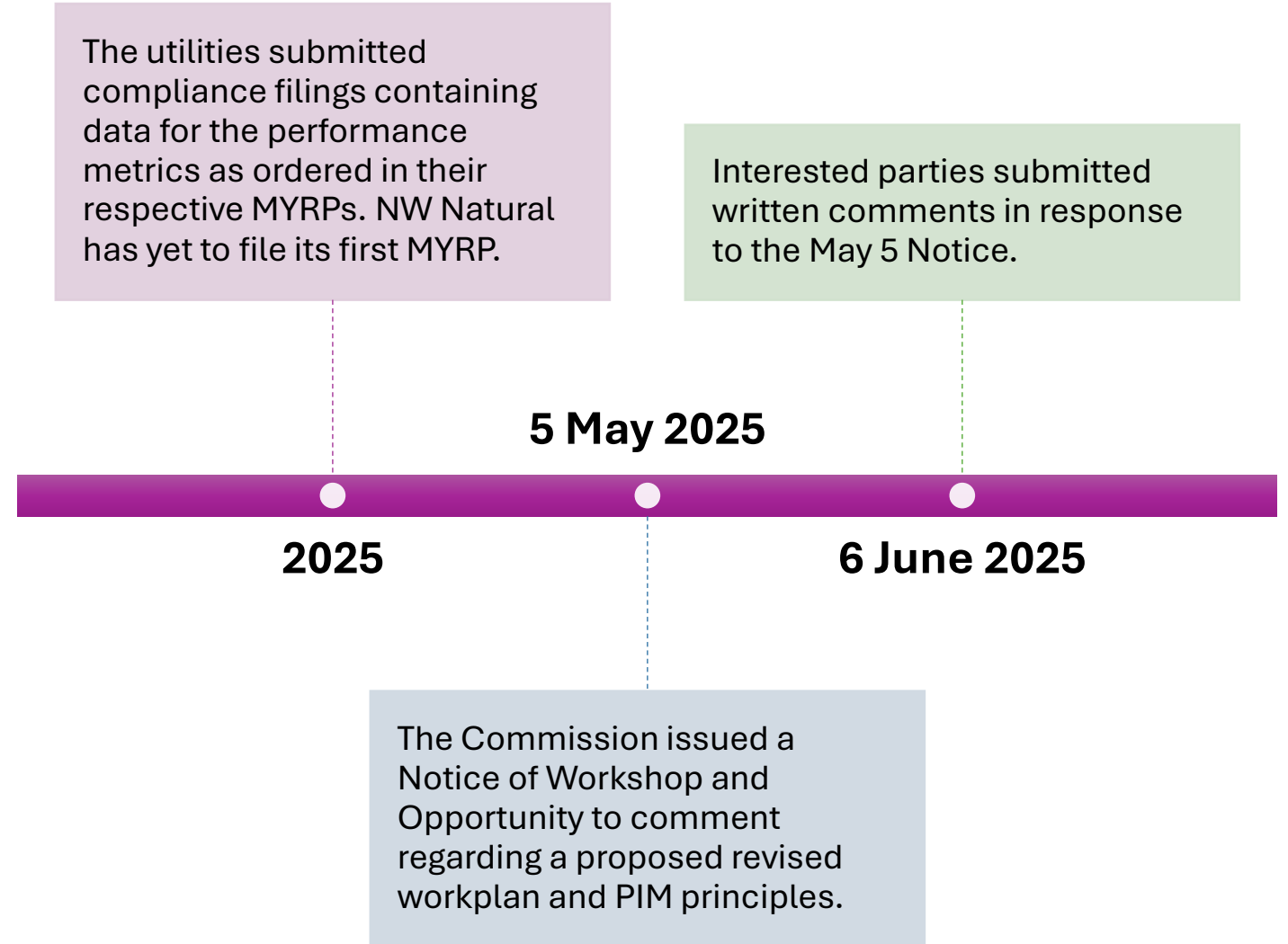
Commission Ordered Metrics in the areas of 1) Operational Efficiency, 2) Earnings, 3) Affordability and 4) Energy Burden have become a reporting obligation through MYRP dockets.

Initial Performance Metrics as of June 12, 2025

Commission MYRP Evaluation Metrics

Area	Metric
Operational Efficiency	Operations & Maintenance (O&M) total expenses divided by operating revenue
	Operating revenue divided by Average of Monthly Averages (AMA) total rate bases and by End of Period (EOP) total rate base
	Current Assets divided by Current Liabilities
Earnings	Net Income divided by Operating Revenue
	Retained Earnings divided by Total Equity
Affordability	Average Annual Bill Impacts
Energy Burden	Average Annual Bill divided by Median Income by Census Tract

2025 PBR Activities to Date



Workplan Feedback

Overview of Workplans

Commission Rationale

Opportunity for Further Comment

Originally Proposed Workplan

Phase 1 – Performance Metrics A. Identify regulatory goals, desired outcomes, and principles for metric design B. Identify performance metrics	October 2021 – March 2023
Phase 2A – Reporting and Review A. Establish utility-specific performance metrics B. Establish reporting and review process	April 2023 – December 2023
Phase 2B – Multiyear Rate Plans (MYRP) Revenue Adjustment Mechanisms A. Identify approaches to utility cost containment B. Identify principles for designing revenue adjustments within multiyear rate plans C. Reexamine existing mechanisms (e.g., decoupling mechanisms, power cost adjustments, cost recovery mechanisms, etc.)	April 2023 – March 2024
Phase 3 – Performance Incentive Mechanisms (PIMs) A. Identify performance baselines, performance targets B. Identify guidelines for PIM development C. Establish incentive/penalty mechanisms D. Examine interplay between existing mechanisms, MYRPs, performance metrics, and PIMs	January 2024 – December 2024
Phase 4 – Alternatives to Traditional Cost-of-Service Regulation A. Educational/level-setting webinar alternatives to traditional cost-of-service regulation B. Identify alternatives to traditional cost-of-service regulation C. Consider the merits and prospects for alternative forms of regulation for regulated utilities in Washington State	January 2025 – December 2025
Phase 5 – Continuous Policy Process A. Establish a continuous process for re-evaluating/ improving Commission policy on performance-based ratemaking and other alternative forms of regulation B. Continuously reevaluate regulatory objectives C. Continuously reevaluate metrics, targets, and incentive mechanisms	January 2025 – ongoing

Revised Proposed Workplan

Phase and Scope	Anticipated Dates
Phase 1 – Performance Metrics A. Identify regulatory goals, desired outcomes, and principles for metric design B. Identify performance metrics	Completed
Phase 2 - Principles and Expectations for Performance Incentive Mechanisms (PIMs) A. PBR docket review B. Identify best practices and establish the basis for designing PIMs	April 2025 – February 2026
Phase 3 – Cost containment strategies A. Reexamine and identify structural adjustments to existing PBR reporting mechanisms based on lessons learned from filings B. Identify cost containment strategies C. Establish the extent to which utilities revenues should be subject to PBR (base rates vs. regulatory mechanisms and PIMs)	TBD
Phase 4 – Performance Incentive Mechanisms (PIMs) A. Establish metrics for Outcomes and Goals with no current metrics (potentially reexamining those Outcomes and Goals for revision) B. Analyze the need for utility-specific metrics C. Revise the existing metrics and reporting process as necessary D. Identify performance baselines, performance targets, and PIMs if or where appropriate E. Examine the interplay between existing mechanisms, MYRPs, metrics, and PIMs	TBD
Phase 5 – Program Evaluation A. Evaluate PBR tools and process (including objectives, goals, metrics, targets, and PIMs) B. Establish a continuous process for evaluation and improvement and close the PBR docket. Going forward, the PBR process, paired with traditional cost-of-service regulation, will be a hybrid model	TBD

*The workplan will be reexamined after each phase.

Response to concerns by commenters

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- Rationale for proposed workplan
 - We are NOT establishing PIMs in 2025 within this docket
 - Concerns regarding “concluding” phases
 - 2026 Workload
 - Metric prioritization for PIMs is premature
 - Proceeding bifurcation (electric vs natural gas)
 - Other concerns will be addressed during the remainder of the workshop

Workplan Feedback

Phase	Comment
Phase 2	Workshop to ensure that the definitions and expected calculations for the metrics identified in the Policy Statement Addressing Initial Reported Performance Metrics are clear and understood.
Phase 2	Implement Section 21 CETA's return on PPA provision as part of a PIM: initial guidance from the Commission for proposing a reasonable rate of return for utility investments in PPAs and specific returns may be proposed by utilities on a case-by-case basis
Late Phase 2 or Early Phase 4	Incorporate Grid Modernization for Renewable Integration leveraging new technologies (Energy storage and advanced grid control).
Phase 2 or 3	Establishing environmental metrics under Goal 4 to give them the same level of importance and implementation timeline as the metrics within the other three Goals
Phases 2, 3, and 4	Discuss cost containment strategies first. Two phases of PIMs should be discussed together.

CETA: Clean Energy Transformation Act

PPA: Purchased Power Agreements

PIM: Performance Incentive Mechanism

Workplan Feedback (con't)

Phase	Comment
Phase 3	Explicitly evaluate the cost containment incentives inherent in various regulatory frameworks to inform the discussion regarding the extent to which utility revenues should be subject to PIMs and other aspects of PBR mechanisms.
Phase 3	Cost containment strategies and PIMs should be tailored to the characteristics of each utility. Consider different workstreams for electric and natural gas utilities.
Phase 4	Clarify how financial incentives from PBR interact with the earnings test required under RCW 80.28.425(6).
Phases 3, 4, and 5	Combine cost containment strategies and PIMs into Phase 3. Move program evaluation items into Phase 4. Eliminate Phase 5.
Additional Phase 6	Metric Piloting and Iteration: monitoring, testing, and refinement of newly developed PIMs and metrics in practice based on real-world utility data.

PIM Strategies, Principles, and Design Themes

Aligned with policy goals and regulatory outcomes

Integrated within existing/future framework

Customer and outcome based

Measurable and verifiable

Transparent

Beyond the baseline

Non-duplicative

Calibrated to utility control and not one-size-fits all

Consider affordability

Flexible with periodic adjustments

Avoid unintended consequences, start with conservative incentive levels

Recovery timing aligned with benefits

Equity considerations

Next Steps



Additional comment period with revised workplan based on feedback and questions for additional topics

- PPA Rate of Return (appropriate venue)
- PBR incentive/penalty interaction with earnings test
- Others?



Schedule Technical Conference



Update UTC PBR external webpage ([Link](#))



Next Workshop tentatively scheduled for Tuesday, December 2.

Closing Comments

Thank you for attending!



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Washington Utilities
and Transportation
Commission