



**STATE OF WASHINGTON**  
**UTILITIES AND TRANSPORTATION COMMISSION**

**621 Woodland Square Loop S.E. • Lacey, Washington 98503**

**P.O. Box 47250 • Olympia, Washington 98504-7250**

**(360) 664-1160 • TTY 1-800-833-6384 or 711**

July 3, 2025

**NOTICE OF VIRTUAL TECHNICAL WORKSHOP AND OPPORTUNITY TO  
COMMENT**

(Comments due by 5 p.m. Friday, August 8, 2025)

Virtual Technical Workshop  
Thursday, September 4, 2025  
9 a.m. until 3 p.m.  
By phone: (253) 215-5872  
Meeting ID: 815 6177 7173  
Passcode: 021931  
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 of which directs the Commission to conduct a proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking, including performance-based regulation (PBR) measures or goals, targets, performance incentive mechanisms (PIMs), and penalty mechanisms.

Responding to the legislation, the Commission sought participant feedback to develop a work plan, provided a required status update to the Legislature, and began Phase 1, Performance Metrics. In Phase 1, the Commission, to date, has engaged in extensive public participation, and incorporated comments from that engagement to define regulatory goals, desired outcomes, design principles, and identify related metrics.

On April 12, 2024, the Commission issued the Interim Policy Statement providing its general guidance and opinions of PBR, established guiding principles, goals, and a preferred set of metrics. The Interim Policy Statement also provided an initial process for proposing, amending, or terminating metrics.

On August 2, 2024, the Commission issued a second policy statement establishing an initial set of reported performance metrics. 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 performance metrics for calendar year 2025 with their respective Commission Basis Reports<sup>1</sup> in April of 2026.

On June 17, 2025, the Commission held a workshop providing: a brief history of the docket; the Commission's rationale for the proposed revised workplan; and a review of feedback regarding best practices and principles for PIMs. During the workshop, the Commission committed to holding a technical workshop to address any remaining concerns regarding the clarity of established metric definitions and calculations. Further, the Commission agreed with commenters that Goal 4 metrics related to environmental issues and, additionally, grid enhancing technologies (GETs) should be developed earlier in the process.

### **NOTICE OF TECHNICAL WORKSHOP**

The Commission will convene a virtual technical workshop on Thursday, September 4, 2025, beginning at 9 a.m. and ending at 3 p.m. The Commissioners will not be in attendance and the workshop will not be recorded. This workshop will address established metric clarification issues and any Goal 4 or GETs metrics brought forward in response to this Notice.

The Commission also requests written responses to additional questions and processes in this docket, as described below, to address cost containment, how PBR interacts with the earnings test described in RCW 80.28.426(6), and a recommendation to provide guidance related to returns on purchased power agreements (PPAs). While these issues will not be addressed during the technical conference, the Commission intends to continue these discussions throughout the remainder of this year.

The Commission will issue a detailed schedule of docket activities for the remainder of 2025 and 2026 after receiving and evaluating the feedback received from the June 17 Workshop and this Notice.

### **WRITTEN COMMENTS**

The Commission provides notice that interested persons may file comments in this Docket by 5 p.m. on Friday, August 8, 2025.

### ***ESTABLISHED METRIC CLARIFICATION***

1. Please provide detailed information about any established metric, definition, or calculation you believe requires clarification. The established metrics are attached as Appendix A. Additionally, please provide detailed feedback for specific metrics based on the following questions:

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<sup>1</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.

- a. What challenges have you encountered in interpreting or implementing the established metrics? (e.g., clarity of definitions, internal capacity, or technical barriers)
- b. Which types of data required under the established metrics are most difficult to obtain, process, or report accurately? Please consider factors including, but not limited to, data availability, security, standardization, reliability, and timeliness, and explain your response. Feel free to include other relevant considerations.
- c. What formats or tools for submitting compliance data have proven effective or challenging in practice?
- d. While the Commission is not committing to developing standardized templates, would format guidance or templates be helpful for reporting on the established metrics? If so, please specify which metrics would benefit from such resources and explain your response.

#### **GOAL 4 AND GETs METRIC PROPOSALS**

2. Interested parties proposed metrics for Goal 4 – *Environmental Improvements* during the policy-making process that led to the Interim Policy Statement.<sup>2</sup> While the Commission did not reject the proposed metrics, it determined that further discussion was needed to evaluate utility performance in a meaningful way. The proposed Goal 4 metrics are attached as Appendix B.
  - a. Do any parties currently propose adopting any of the proposed Goal 4 metrics? Please explain your response.
  - b. Please provide any recommended modifications to the proposed Goal 4 metrics or submit proposals for other metric language, including calculation methodology and any necessary definitions.
3. Interested parties proposed metrics regarding GETs during the policy-making process that led to the Policy Statement Addressing Initial Reported Performance Metrics.<sup>3</sup> The Commission declined to include these metrics in the policy statement, in favor of fully developing GETs metrics through a collaborative process. The proposed GETs metrics are attached as Appendix C.
  - a. Which Goal would be best suited to incorporate GETs metrics? Current Goals are: (1) Resilient, reliable, and customer-focused distribution system, (2) Customer affordability, (3) Advancing equity in utility operations, and (4) Environmental improvements.
  - b. Do any parties currently propose adopting any of the proposed GETs metrics as provided in Appendix C? Please explain your response.

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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](#).

- c. Please provide any recommended modifications to the proposed GETs or submit proposals for other metric language, including calculation methodology and any necessary definitions.

### ***PBR PRINCIPLES***

In response to the May 5 Notice, commenters offered a variety of principles to consider when establishing PIMs. Several commenters echoed the seven principles for designing metrics from the Commission's Interim Policy Statement issued on April 12, 2024. These paraphrased comments included: alignment with policy (principle 1); outcome based (principle 3); transparent tracking and publicly available (principles 4 and 5); measurable and verifiable (principle 4); efficiency including non-duplicative, clearly defined, and using reasonable available data (principles 4 and 7); equity embedded in the design (principle 2); and measuring outcomes reasonably within the utility's control (principle 6).

Specifically with respect to equity, parties identified two ways in which equity could be advanced through metric design: 1) to prioritize benefits for low-income customers and 2) to make distributional impacts visible.

There were also areas of commonality among the commenters regarding PIM design. Two or more parties provided support for the following paraphrased recommendations:

- Rate impact should be evaluated to ensure it is fair to ratepayers;
- Create PIMs on activities that stretch goals not already required by law;
- PIMs should be structured to encourage utilities to succeed at long-term outcomes such as reducing long-term costs or meeting Clean Energy Transformation Act (CETA) mandates;
- Incentives should be proportionate to the amount of utility control;
- Incentives need to be calibrated and not reward a utility for an action it is already incented to take;
- Incentives should be flexible, adaptable, and evolve;
- Shared savings mechanisms are appropriate;
- PIMs should minimize or avoid unintended consequences, such as gaming, optimizing performance on one metric at the expense of others, regulatory burden, and uncertainty;
- PIMS should be customer-centric;
- PIMS require thoughtful integration with the existing regulatory framework (indicating the need for its review);
- Reward should be commensurate with risk;
- Utility-specific metrics may be needed, especially if a reward or penalty has a strong financial impact;
- PIMS should start conservatively and use an incremental approach;
- PIMS should incentivize innovative technology to decarbonize, integrate renewables and modernize the grid.

As reflected above, there were various references for PIM design and the appropriateness of PIMs for activities already required, incentivized, or mandated by law. Additionally, a new term "core standards" was introduced. A definition for "core standards" was not explicitly provided,

however, some comments referred to these standards as related to activities already required in law. However, we note that disagreement or lack of clarity of terms can be consequential for the development of PIMs. Parties advocated various ways that PIMs might interact with core standards or what is already mandated by law, such as that PIMs should:

- Not be established at all;
- Have a penalty only for failing to meet a target;
- Be symmetrically structured; and
- Only provide rewards for going beyond the law.

Parties also had differing perspectives as to which methodologies to use for balancing utilities financial reward and tangible customer benefits. The responses included:

- Considering comments regarding risk-sharing mechanisms in Dockets U-230161 and UG-230968;
- Ensuring procurement neutrality;
- Utilizing Benefit-Cost Analyses (use frameworks such as the Utility Cost Test to ensure rewards are tied to programs delivering net benefits to customers).

Disagreement about which methodologies to use could reflect, among other things, different opinions about what drives utility financial reward vs customer benefit, as well as different views about what is the proper balance. Without further elaboration on rationale, it is difficult to evaluate how effectively each could contribute to the goal of balance or compare their impact.

The Commission requests a response to the following questions:

4. Do any of the ideas regarding the design or methodologies for establishing PIMs raise objections or concerns? Why?
5. How important is it to engage in a review of existing mechanisms and cost containment strategies before establishing targets or scorecards for metrics (critical, important, not important)? Please explain your response.
6. How do you define a core standard?
7. Do you think core standards should be treated differently? If so, how and why?
8. Should PIMs addressing goals with standards already mandated by regulation, such as reliability or reduction of greenhouse gas emissions, be treated differently? If so, how and why?
9. What policy guidance should the Commission provide for the methodologies to balance the utility incentives and customer benefits? For example, should benefit-cost analysis always be required, should the appropriate methodology be decided by the underlying metric(s) (*e.g.*, risk sharing mechanism for a resiliency PIM), or on a case-by-case basis?

### ***UTILITY COST CONTAINMENT STRATEGIES***

The revised workplan identified cost containment strategies for Phase 3. Commenters raised concerns about the unknown timing of this work. Additionally, parties raised concerns regarding the anticipated rate case workload for 2026. Unfortunately, given the current state and timing of 2026 cases, it is not possible for the Commission to issue formal guidance in advance of testimony in those cases. However, the Commission agrees this work should not be further delayed and proposes the following:

- Issue a Notice for Comment specific to utility cost containment strategies in September 2025.
  - Provide an educational presentation on cost containment during a future workshop (tentatively scheduled for December 2, 2025). The presentation would be provided by an outside entity.
  - Require the UTC PBR Team (currently consists of policy, regulatory, and consumer protection staff) to complete research on the existing regulatory structure, mechanisms, perceived gaps, and opportunities to employ cost containment strategies, culminating in a report of findings and recommendations by April of 2026. This report would be issued concurrently with a Notice for Comment. Workshops and additional opportunities to comment would follow, avoiding testimony deadlines and hearings.
  - Policy Statement guidance would be issued by January 31, 2027.
10. Given the information outlined above:
- a. Please provide any feedback or recommended alternatives to the proposal addressing cost containment.
  - b. Are there specific cost containment strategies you recommend be addressed during the proposed December 2025 workshop?

### ***EARNING TEST INTERACTION***

11. How should PBR incentives or penalties interact with the earnings test under RCW 80.28.426(6)?

### ***RETURN ON PPAs***

CETA authorizes the Commission to allow utilities to earn a rate of return on prudent costs incurred under PPAs.<sup>4</sup> As part of the comments submitted ahead of the workshop on June 17, 2025, some parties recommended the Commission issue guidance for utilities seeking a return on PPAs, and design a PIM encouraging utilities to acquire cost-effective, carbon-free resources through PPAs in this docket. During the workshop, the Commission expressed concern that the issue may not squarely fit into this guidance docket and requested additional comment on the appropriate proceeding to address these issues.

The Commission requests additional comments regarding the appropriate proceeding and performance structure to address the rate of return on PPAs. The Commission encourages participants to focus their input on the following questions:

12. What is the appropriate proceeding for addressing the return on PPAs? Please provide your rationale.
13. CETA allows for a range of authorized returns. What factors or situations support specific rates of return (*i.e.*, weighted cost of debt up to the full weighted cost of capital)?
14. While the Commission will analyze each request for a return on PPAs under the prudence standard, what additional standards or principles should inform this analysis?
15. What data, evidence, or policy arguments should be provided for the Commission to evaluate a request for and authorize a rate of return on PPAs?

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<sup>4</sup> Wash. Rev. Code § 80.28.410(2) (2025).

16. If a PIM is established related to earning a return on a PPA, what types of utility performance outcomes should be tied to such a PIM?
17. How does authorizing a return on PPAs balance encouraging utility performance outcomes while protecting customers from undue costs or risks?
18. Are there existing models or practices adopted in other states that the Commission should consider when considering the appropriate rate of return? If so, please provide examples and describe any lessons learned.

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 including 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 including on the mailing list for Docket U-215090.

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 Amy Andrews, Accounting and Energy Policy Advisor at (360) 664-1228, or by email at [amy.andrews@utc.wa.gov](mailto:amy.andrews@utc.wa.gov).

A handwritten signature in black ink that reads "Jeff Killip". The signature is written in a cursive, flowing style.

JEFF KILLIP

Executive Director and Secretary