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

Re: Comments of Renewable Northwest regarding the Commission's proceeding to develop a policy statement addressing alternatives to traditional cost of service ratemaking, Docket U-210590.

I. INTRODUCTION

Renewable Northwest ("RNW") appreciates the opportunity to submit written comments in response to the Washington Utilities and Transportation Commission's ("the Commission") July 3, 2025, *Notice of Virtual Technical Workshop and Opportunity to Comment* ("the Notice") regarding the ongoing effort to address alternatives to traditional cost-of-service ratemaking. We commend the Commission for its thoughtful and transparent approach to performance-based ratemaking ("PBR"), particularly its attention to metrics and mechanisms that support Washington's clean energy goals. We are especially encouraged by the Commission's decisions to accelerate consideration of metrics related to Goal 4: Environmental Improvements and Grid-Enhancing Technologies ("GETs"). This reflects a growing recognition that modernizing the transmission grid will be essential for integrating the renewable resources needed to achieve Washington's Clean Energy Transformation Act ("CETA") mandates. These investments can also help defer the need for larger, more capital-intensive investments and can provide tangible benefits to both customers and the grid.

In these comments, RNW outlines recommendations for (1) adopting GETs metrics under Goal 4; (2) refining principles for Performance Incentive Mechanisms ("PIMs") to ensure they drive innovation and exceed minimum compliance; and (3) encouraging the development of PIMs that enable utilities to earn a return on cost-effective power purchase agreements ("PPAs"), particularly those supporting decarbonization. RNW appreciates the opportunity to support a

robust PBR framework that aligns utility incentives with long-term system and customer benefits in a manner that minimizes cost and risk while allowing a smooth pathway for compliance with state and federal energy policy. We look forward to continued collaboration at the September 4 workshop and beyond.

II. COMMENTS

Response to Commission Questions on Goal 4 and GETs metric proposals

2. Proposed metrics for Goal 4 — *Environmental Improvements*

RNW supports metrics which directly encourage early compliance with Washington’s Clean Energy Transformation Act (“CETA”) — particularly the mandate of 80 percent clean by 2030 and 100 percent clean by 2045. To this end, we recommend Metric 31 (Greenhouse Gas Reductions per Dollar) align with the CETA emissions reduction glide path. Rather than simply measuring dollars per ton of greenhouse gas (“GHG”) emissions reduced, a benchmark should be included to capture actual progress to an annualized CETA glide path (e.g., percent above or below a linear trajectory to 80 percent by 2030). The concept of a glide path to policy compliance has been utilized in other regulated utility settings. The Oregon Public Utility Commission (“OPUC”) approved the use of a glide path analysis for Portland General Electric to plan for incremental steps and actions needed to comply with Oregon’s Renewable Portfolio standard in OPUC Order No. 18-044. There, the OPUC held that “glide path analysis has been a helpful foundation upon which to build and further refine an understanding of the pacing of PGE’s procurement plans, showing a forecast of the company’s long-term compliance strategy and the incremental steps to get there.”¹

Additionally, to create a clearer linkage to the CETA mandates, we recommend Metric 32 (Total Greenhouse Gas Emissions) be broken down into subcategories to track whether a utility is ahead or behind the path to 80 percent by 2030:

- Owned versus contracted resources
- Year-over-year performance against a glidepath
- Percentage of load served by renewable and non-emitting resources versus the target trajectory

In an effort to more explicitly reward early or excess compliance with CETA, we also recommend the following new metric: *Percent of load served by eligible renewable and non-emitting resources*. This metric would track direct progress toward the 80 and 100 percent mandates and can be tied to a performance incentive mechanism (“PIM”) that rewards early or

¹ *In re Portland General Electric Company, 2016 Integrated Resource Plan*, OPUC Docket No. LC 66, Order No. 18-044 at 5 (Feb. 2, 2018) available at <https://apps.puc.state.or.us/orders/2018ords/18-044.pdf>.

excess compliance. Again, it is important to tie incentives only to performance ahead of schedule, not just compliance. One method may be to offer tiered rewards for utilities that exceed the 2030 target by specific margins (e.g., 90 percent clean by 2030).

3. GETs metric proposal

RNW appreciates the Commission's initiative to seek stakeholder feedback on our recommendations related to grid modernization metrics. Specifically, we have recommended a separate PBR goal be established to prioritize grid modernization, as this area will continue to evolve. Though we see value in establishing an overarching goal that will allow its expansion in the future as more tools materialize, we understand the Commission's push to slot a GETs metric into an existing PBR goal.

While a metric for GETs could appropriately align with Goal 1, "Resilient, reliable, and customer-focused distribution system," or Goal 2, "Customer affordability," we recommend the Commission place it under Goal 4, "Environmental improvements." The primary policy value of GETs lies in their ability to accelerate decarbonization by enabling greater integration of renewables and non-emitting resources onto the grid. However, these investments do offer tangible customer and system benefits as well. GETs—such as dynamic line ratings, power flow control devices, and topology optimization software—can significantly increase the usable capacity of existing transmission infrastructure. By reducing congestion and enhancing situational awareness, these tools allow more renewable generation to flow from remote generation sites to load centers without the need for immediate large-scale transmission expansion, which often requires prohibitively long lead times for planning, permitting, and constructing. GETs can serve as critical bridging technologies, helping to unlock capacity in the near term while longer-term infrastructure projects are underway.

Regarding the GETs metric itself, we have recommended that the metric calculation identify the "MW capacity of renewable and nonemitting generation enabled by GETs; *or* amount of deferred investments (\$) in new T&D infrastructure enabled by GETs."

Other ideas for measuring grid modernization metrics include: (1) congestion cost reduction (\$), which would track reductions in curtailment costs attributable to GETs; (2) utilization factor improvement, which would measure the percent increase in line utilization enabled by tools like dynamic line ratings or power flow controllers; (3) time-to-interconnect, which would track reductions in average interconnection timelines for new projects in areas where GETs are deployed; and (4) grid flexibility, which would score improvements in grid responsiveness based on pre- and post-GETs modeling. We look forward to these discussions kicking off in a technical workshop forum, ideally with GETs experts in the room to think through the most practical means for measuring these improvements.

Response to Commission Questions on PBR Principles

4. Do any of the ideas regarding the design or methodologies for establishing PIMs raise objections or concerns? Why?

Yes. RNW cautions against PIMs that provide rewards for utility actions already mandated by law, such as compliance with CETA. Providing incentives for meeting existing legal requirements risks misaligning financial rewards with added customer or public value. PIMs should instead reward utilities for early action, exceeding policy targets, or deploying innovative approaches—such as deferring infrastructure costs via GETs or increasing renewable integration through third-party PPAs. Additionally, PIMs that lack clearly defined and verifiable metrics or that allow excessive discretion in performance measurement pose risks of gaming or inconsistent implementation.

5. How important is it to engage in a review of existing mechanisms and cost containment strategies before establishing targets or scorecards for metrics?

While understanding the existing suite of regulatory mechanisms will help ensure PIMs do not duplicate existing incentives or undermine cost-containment tools, performance targets and metric scorecards could be established before discussing cost containment strategies. RNW agrees with the assessment of the NW Energy Coalition in its June 6, 2025 comments that cost containment strategies should be reviewed before establishing **guidelines** for PIMs. The Commission should feel empowered to consider performance targets that are likely to lead to tangible customer benefits in advance of clearly delineated cost **containment** strategies. For example, RNW feels it is appropriate to examine the applicability for metrics related to GETs in advance of a robust discussion regarding cost containment because these investments are least regrets and are likely to lead to customer benefits.

6. How do you define a core standard?

RNW recommends “core standard” be defined as a utility obligation that is embedded in existing laws, regulations, or required filings—such as meeting CETA mandates, resource adequacy obligations, or baseline reliability metrics. These are standards that utilities are expected to meet without additional financial reward.

7. Do you think core standards should be treated differently? If so, how and why?

Yes. PIMs should not reward compliance with core standards. However, they can be used to encourage performance that exceeds these standards. This distinction ensures that utility incentives drive innovation and leadership rather than rewarding the status quo.

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?

Yes. Mandated goals should be treated as baselines. PIMs in these areas should be structured to penalize failure to meet mandated minimums, or reward actions that go above and beyond the legal requirements (*e.g.*, accelerated emissions reductions).

9. What policy guidance should the Commission provide for the methodologies to balance the utility incentives and customer benefits?

The Commission should adopt guiding principles that include (1) use of benefit-cost analysis, (2) procurement neutrality, ensuring incentives do not favor utility-owned resources over third-party PPAs, (3) risk-sharing mechanisms, especially for investments in emerging technologies, (4) savings sharing mechanisms (*e.g.*, sharing cost savings from deferred transmission via battery storage and GETs deployment), and (5) tailored calibration, meaning the scale of reward or penalty should be proportional to the risk taken by utilities and the value delivered to customers.

Response to Commission Questions on Return on PPAs

As discussed in prior comments, RNW continues to encourage the Commission to explore alternative incentive structures that neutralize or reverse the financial disincentives utilities currently face when using PPAs. Under traditional regulation, utilities have no opportunity to earn a return on PPAs, which may discourage their use even when they represent a least-cost, least-risk, low-emissions path forward. If developed, a PBR mechanism should reward utilities for selecting cost-effective, carbon-free resources through PPAs. This would create parity between utility-owned and third-party-owned resources, enabling faster progress toward decarbonization and better alignment with the state's affordability goals. Further, incentivizing PPAs would provide financial diversity benefits to a utility's portfolio that are likely to reduce risk to customers.

In response to the Commission's framing questions for these comments, RNW believes this venue is the appropriate proceeding for addressing a return on PPAs. This investigation will allow for a holistic examination of a utility's cost and risk profile and can be used to determine whether a return on PPAs is in the public interest. At a minimum, this docket could be used to identify additional analysis that must be undertaken—perhaps in a different proceeding—before a return on PPAs is allowed.

In terms of the specific return that should be allowed on a PPA, utilities are typically provided with a return that is commensurate with the risks they—and by proxy, their shareholders—are incurring. The regulated rate of return set in a general rate case proceeding is generally provided for the risk that shareholders incur in the form of a prudence disallowance after having outlaid capital for investments. Under a return on PPA format, while utility shareholders will not be outlaying capital since these investments are expensed, the utility still incurs the risk of a

prudence disallowance and must justify the PPA in a subsequent ratemaking proceeding. Therefore, RNW submits that the return on a PPA should more closely mirror the utility's authorized rate of return than the weighted cost of debt.

RNW believes authorizing a return on PPAs encourages utilities to diversify resource ownership structures in a manner that benefits customers. Developers that bid PPAs into utility RFPs face different risks than regulated utilities and finance their investments through different means. By diversifying resource ownership beyond what utilities themselves own, utility customers benefit. Further, ensuring robust competition in the RFP setting—which a return on PPAs will help advance—has been demonstrated to lower costs to customers.

III. CONCLUSION

Renewable Northwest thanks the Commission for its continued pursuit of alternatives to traditional cost of service ratemaking. We look forward to further participation in this process.

Sincerely,

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