

August 25th, 2025

Submitted electronically

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

Re: The Nature Conservancy's comments on Environmental Metrics in Docket U-210590 performance-based regulation.

Dear Director Killip,

Thank you for the opportunity to comment on Docket U-210590 on alternatives to traditional cost of service ratemaking, including performance-based regulation (PBR), performance incentive mechanisms (PIMs), and penalty mechanisms. The Nature Conservancy is committed to addressing the dual crises of climate change and biodiversity loss by supporting rapid grid decarbonization and electrification of energy uses, and smart siting of renewable energy infrastructure. TNC sees utilities and the UTC as the critical partners to achieve our state's climate goals. As a result, we are very interested in the success of metrics and PIMs for Goal 4 – Environmental Improvements. Our comments focus on the core standards set out in Washington's environmental laws, including the Clean Energy Transformation Act (CETA) and Climate Commitment Act (CCA), and on their relationship with Goal 4 metrics.

4. **How do you define a core standard?**
5. **Do you think core standards should be treated differently? If so, how and why?**
6. **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?**

TNC defines core standards to include the activities a utility is required to do under law. This includes required action under CETA and the CCA. Utilities should not receive extra reward for meeting core standards. However, these laws include targets and benchmarks that may not be legally binding, such as the declining cap in the CCA that applies to the market as a whole but not individual covered entities, as well as the benchmarks in CETA where utilities have an off ramp depending on the cost of compliance.

TNC believes utilities should not receive a profit incentive for actions that prevent Washington state from achieving climate and clean energy goals set in law, even if those actions are not directly in conflict with legal mandates. TNC recommend the UTC to remove utility rate of return on investments that do not align with state climate laws. This would be separate from any penalty incurred by failure to meet regulatory mandates. For example, CETA requires all utilities be GHG neutral and reduce emissions 80% by 2030. This is the performance standard set in law.

There is an offramp to prevent undue affordability impacts on ratepayer should the incremental cost of compliance rise beyond 2% per year that would avoid direct penalties against utilities for failing to meet the 2030 target. However, under performance based regulation that aligns incentives with public interest, in the scenario where utilities fail to meet the 2030 emissions reductions but remain in compliance with CETA due to incremental cost increases they should not earn a profit margin on the fossil fuels and infrastructure that fails to meet the state's clean energy benchmarks. Furthermore, investments in fossil fuel electricity generation will leave ratepayers on the hook for stranded assets under CETA. Utilities may choose to invest in fossil fuel infrastructure to meet other requirements, but they should not receive a rate of return to do so when those investments clearly go against state climate laws and clean energy benchmarks.

2. **Interested parties proposed metrics for Goal 4 – *Environmental Improvements* during the policy-making process that led to the Interim Policy Statement.² 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.**

Utilities are in a unique position to actively accelerate economy-wide decarbonization due to 1) lifecycle emissions from fossil fuels used by electric and gas utilities, 2) utilities' unique influence over building electrification, transportation electrification, and industrial electrification.

- Proposed Metric 27: While utility fleet electrification is important, economy-wide transportation electrification that depends on utility action has a larger impact on Outcomes 1 and 3, while creating opportunities for Outcome 2. Therefore, proposed metric 27's narrow focus on utility fleet electrification misses an opportunity to truly leverage PBR for the public interest. Because utilities have significant influence on the ability of other fleet managers and vehicle owners to electrify, a vehicle electrification PIM should be designed to apply beyond the utility's own fleet. TNC recommends that the UTC consider additional wholistic transportation electrification PIMs that go beyond utility fleets to incentivize utilities to support fleet and vehicle electrification within the utility's service territory. For example, utilities in New York have implemented PIMs with a metric of "lifetime tons of avoided CO2 from incremental vehicles registered in the company's service territory each year."¹
- In addition to transportation PIMs addressed above, TNC recommends considering sector specific PIMs for building and industrial electrification and decarbonization. As in the

¹ [RMI Pims Database NY Transportation Electrification EAM](#)

transportation sector, utilities are positioned to strongly influence the ability of other actors to electrify and should be incentivized to do so in alignment with state laws and policies.

- Building efficiency and electrification PIMs, such as percent reduction of building GHG emissions in service territory in particular rate classes through electrification with deep energy retrofits. See [Washington DC's Complete Deep Energy Retrofits in Commercial and Multifamily Residential Buildings PIM](#) for a partial example.
 - MTCO₂e reduced through electrification of EITE industrial processes within utility service area.
- TNC offers the following as additional proposed metrics for Goal 4:
 - In addition to climate and air quality benefits, building the clean energy and transmission infrastructure necessary to meet CETA and CCA benchmarks will have significant land use implications. TNC recommends creating PIMs around energy project siting. This could be related to new GW of power interconnected by facilities that achieved a determination of non-significance or mitigated determination of non-significance under the State Environmental Policy Act. If the state or counties designate clean energy zones or use another policy mechanism to focus clean energy development in priority areas, then UTC should consider a PIM to incentivize projects sited in those zones.
 - Given the need to fully decarbonize gas utilities by 2050 to comply with the CCA emissions cap, TNC recommends metrics and PIMs directly focused on shrinking the gas system. Metrics could focus on neighborhoods/contiguous areas electrified and disconnected that results in “pruning” the gas system. Another potential metric is avoided GHG emissions due to neighborhood electrification and decommissioning of gas mains. TNC recommends Sightline Institute’s report on [Pruning the Gas System and Electrifying Whole Neighborhoods](#) as a resource to fine tune this PIM concept.

Thank you for considering these comments and your dedication to PBR that aligns utility incentives with state law and a livable future for Washingtonians. If you have any questions we would be happy to discuss further, please contact Joshua Rubenstein at joshua.rubenstein@tnc.org.

Sincerely,

Joshua Rubenstein
Climate Policy Associate
The Nature Conservancy