Appendix A

Policy Staff Regulatory Assessment Matrix

Instructions

Use the following template to evaluate how existing regulatory mechanisms in Washington support (i.e., incentivize) or disincentivize the achievement of utility cost control. Consider this question for each regulatory mechanism identified in the template, and for the overall performance of Washington's utility regulatory structure to support (or hinder) that goal.

Regulatory Assessment Template

Goal: Utility cost control
Definition: Cost control ensures that the overall cost of utility service is no more than necessary to provide reliable, safe service while also meeting other policy goals and mandates. Cost control is one avenue through which regulators can support affordability concerns.

Scoring

Yes (+): The mechanism incents achievement of this outcome
No Impact (0): The mechanism does not seem to impact achievement of this outcome
No (-): The mechanism disincentivizes achievement of this outcome

REVENUE DECOUPLING (RD)

Item	Response
Companies with Mechanism	Avista, Cascade, PacifiCorp, PSE
Description	RD is a deferred accounting mechanism that undergoes annual true-up adjustments. These adjustments account for the difference between the utility's allowed delivery revenue and the

Item	Response
	actual delivery revenue collected. Any over- or under-recovered amounts are refunded to or collected from customers. The annual adjustments are subject to a percentage increase cap specific to each utility. If the incremental amount of the proposed surcharge exceeds that cap, any remaining deferral is carried over to the following year. There is no limit if the adjustment is in the rebate direction.
Score	(+)
Discussion (explanation of score)	RD eliminates utilities' incentive to increase sales when revenues are directly tied to energy consumption (throughput incentive).[1] Under RD, the Commission approves a predetermined revenue sufficient to cover the utility's fixed costs.[2] RD does not guarantee that the utilities will earn their authorized rate of return (ROR). Decoupling mechanism adjustments ensure that utilities recover their fixed costs and have an opportunity to earn a return, regardless of sales volume, which makes utilities neutral to conservation programs or energy efficiency initiatives such as,[3] energy storage, distributed energy,[4] demand response,[5] time-varying rates,[6] among others. Because consumers' bills are not decoupled from consumption, they still have a

[1] How.Utility.Revenue.Decoupling.Works.And.Affects.Utility.Rate.Setting.Practices?Diversegy (July 23, 2024), Utility Revenue Decoupling: Pros, Cons, & Impact | Diversegy.

[2] Revenue.Decoupling?RMI (September 21, 2025), Revenue Decoupling - RMI Electricity Affordability Toolkit..

[3] How.Utility.Revenue.Decoupling.Works.And.Affects.Utility.Rate.Setting.Practices?Diversegy (July 23, 2024), Utility Revenue Decoupling: Pros, Cons, & Impact | Diversegy.

[4] Electricity.Affordability.Toolkit¿Revenue.Decoupling?RMI (September 12, 3025), p. 2.

[5] Devin Egan, Decoupling.Policies¿Options.to.Encourage.Energy.Efficiency.Policies.for.Utilities?National Renewable Energy Laboratory (NREL) (2009), Decoupling Policies: Options to Encourage Energy Efficiency Policies for Utilities; Clean Energy Policies in States and Communities, National Renewable Energy Laboratory (NREL) (Brochure) - National Laboratory of the Rockies.

[6] Cara Goldenberg & Kaja Rebane, How.to.Restructure.Utility.Incentives¿The.Four.Pillars.of.Comprehensive.Performance_Based. Regulation, RMI (July 2024), p. 29.

Item	Response
	financial incentive to reduce energy consumption while the utility retains its ability to recover costs.[7] Some advantages of RD are directly associated with affordability as rate adjustments under decoupling are typically small,[8] stabilizes utility revenue even when energy consumption decreases which in turn encourages long-term planning for energy infrastructure and generation. It can mitigate bill volatility for consumers and protect consumers from overpaying on existing assets. This could result in utility windfall profits due to high levels of electrification or extreme weather events., RD complements multi-year rate plans (MYRP) because RD provides opportunities to true-up sales to adjust rates based on actual figures during the rate plan mitigating a utility from requesting deferrals or petition to re-open a MYRP in the outer years.[9] However, RD has some drawbacks, particularly if a customer's usage pattern differs significantly from the average, and those with a lower load factor. It also creates a mid-year rate change. Additionally, the mechanism contributes to administrative burden for the utilities to prepare and the Commission and other parties to review. Still, RD is a relevant mechanism to advance electrification and achieve decarbonization goals,[10] and can contribute to avoiding build out of unnecessary new power plants when paired

[7] Devin Egan, Decoupling.Policies¿Options.to.Encourage.Energy.Efficiency.Policies.for.Utilities?National Renewable Energy Laboratory (NREL) (2009), Decoupling Policies: Options to Encourage Energy Efficiency Policies for Utilities; Clean Energy Policies in States and Communities, National Renewable Energy Laboratory (NREL) (Brochure) - National Laboratory of the Rockies.

[8] Utility.Rate.Decoupling?Alliance to Save Energy (October 24, 2013), Utility Rate Decoupling | Alliance to Save Energy.

[9] Performance.Based.Regulation.Study.Group.Work.Products?2020 North Carolina Energy Regulatory Process, p. 11, North Carolina Energy Regulatory Process | NC DEQ.

[10] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

Item	Response
	with complimentary mechanisms that mitigation capex bias.[11] RD can make decarbonization goals more achievable through energy efficiency.[12] RD ensures that customers benefit from the revenues utilities receive from electrification on an annual basis rather than waiting until the next rate case.[13] In the context of the Climate Commitment Act (CCA) cap-and-invest program, RD can ensure that utilities recover fixed costs if energy consumption declines as a result of the carbon reduction policies.[14] As energy decarbonization progresses, re-linking utility revenues to total electricity sales could be a strategy to encourage electrification.[15] Nevertheless, RD does support decarbonization through energy efficiency and electrification.[16] Containing utility spending helps advance affordability because, absent RD, utilities would have the incentive to increase electricity sales volumes regardless of whether electrification comes from efficient electrification.[17] Moreover,

[11] Electricity.Affordability.Toolkit¿Revenue.Decoupling?RMI (September 12, 3025), p. 2.

[12] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

[13] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

[14] Devin Egan, Decoupling.Policies¿Options.to.Encourage.Energy.Efficiency.Policies.for.Utilities?National Renewable Energy Laboratory (NREL) (2009), Decoupling Policies: Options to Encourage Energy Efficiency Policies for Utilities; Clean Energy Policies in States and Communities, National Renewable Energy Laboratory (NREL) (Brochure) - National Laboratory of the Rockies.

[15] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

[16] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

[17] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE. Cara Goldenberg & Kaja Rebane, How.to.Restructure.Utility.Incentives.The.Four.Pillars.of.Comprehensive.Performance_Based.Regulation, RMI (July 2024), p. 30.

Item	Response
	without RD, utilities could downplay the importance of weatherization and other conservation measures on the demand side.[18] Even with RD, utilities will prefer actions that increase sales, such as electrification, rather than actions that decrease sales, such as energy efficiency. RD is considered a PBR tool to address utilities' throughput incentive.[19] It is important to note that NW Natural is the only Commission regulated utility without a decoupling mechanism.
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	The Commission has statutory authority to approve RD mechanisms to protect utilities from a reduction in short-term earnings and allow periodic rate adjustments.[20] RD relates directly to multi-year rate plans (MYRP)[21] because it enables longer rate plans with annual true ups, mitigating the need for annual general rate cases. Moreover, there is a tight-knit connection between RD, MYRP, and Integrated Resource Planning (IRP)[22] as RD removes utilities' short-term pressure to sell energy, with MYRPs providing a more predictable revenue stream, thereby allowing utilities to focus on long-term planning. It is important that utilities address energy load, customer growth, and energy efficiency in IRPs[23] to identify the average energy usage and mitigate impacts on consumers with lower load factors through time-of-use programs in the next GRC.

[18] Rachel Gold & Jessica Shipley, With.the.Shift.Toward.Electrification?Decoupling.Remains.Key.for.Driving.Decarbonization, ACEEE (August 17, 2020), With The Shift Toward Electrification, Decoupling Remains Key For Driving Decarbonization | ACEEE.

[19] Cara Goldenberg & Kaja Rebane, How.to.Restructure.Utility.Incentives.The.Four.Pillars.of.Comprehensive.Performance_Based. Regulation, RMI (July 2024), p. 17 & 28.

[20] RCW 80.28.260(3).

[21] RCW 80.28.425.

[22] WAC 480-100-620.

[23] RCW 19.280.030 and WAC 480-100-620.

Item	Response
	Likewise, RD has a direct relationship with Clean Energy Implementation Plans (CEIP). CEIP rules require utilities to prioritize energy efficiency and conservation over building new power plants.[24] Without RD, utilities that successfully achieve energy efficiency goals would see a significant decrease in revenue and thus be discouraged from meeting their targets. Moreover, as utilities invest in clean energy, their fixed costs increase while the variable costs decrease. RD allows utilities to recover their investments even as consumers use less energy. While data shows that RD annual decoupling adjustments have led to rate increases over the last couple of years, the increases have been moderate to significant. On average, $2.60 with an impact of 2.53 percent in 2024 and $1.00 with an impact of 1.63 percent in 2025. These adjustments are simply making the utilities whole based on the most recent authorized revenue requirement. The Commission authorized carrying costs within the established RD mechanisms which are currently calculated based on the FERC rate. Carrying costs can significantly contribute to bill increases for consumers with large deferral balances. Although high carrying costs would benefit consumers when the deferral results in a refund to customers, as clean energy infrastructure investments increase, utilities are more likely to under-collect fixed costs in the future. This may be further exacerbated by the continuing impact of climate change. Under the Clean Energy Transformation Act (CETA), utilities are required to lower greenhouse gas (GHG) emissions to achieve carbon neutrality by 2030[25] and transition to renewable energy

[24] WAC 480-100-640.

[25] RCW 19.405.040.

Item	Response
	sources by 2045.[26] The CCA caps GHG emissions and adds carbon pricing scheme making carbon fuels more expensive to encourage GHG emissions reductions.[27] In this context, RD serves as a bridge to encourage GHG emissions reductions through demand-side management, while advancing programs to reduce energy burden for low-income households. Energy efficiency programs can help advance GHG emissions reductions as the electricity that was not consumed can be redirected to serve new customers or power new electric devices, such as electric vehicles or heat pumps, without capital investments on generation, transmission or distribution. Moreover, CETA's Customer Benefit Indicators (CBIs),[28] focused on addressing energy burden and promoting energy efficiency. Because RD annual adjustments enable utilities to recover fixed costs regardless of energy sales, utilities are not discouraged to aggressively pursue efficiency-based CBI goals and targets to equitably distribute the benefits of the energy transition across all customer classes, including highly impacted communities and vulnerable populations. While utilities are required to acquire all cost-effective energy efficiency and demand response (See 19.285 RCW), RD makes utilities neutral to other initiatives or consumer behavior through conservation programs.
Recommendation (e¡g¡? maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	The Commission should modify the mechanism. To mitigate upward pressure on rates, the mechanism carrying costs should be revised to the utilities' after-tax cost of debt. This also reflects the individual utility financial risk rather than a broadly based rate that currently exceeds the full rate of return for four of five utilities. The Commission should consider shifting annual RD filings to the shoulder seasons to avoid imposing higher rates on consumers when their energy consumption increases during winter and summer peaks. Avista's current effective date is August, and Cascade's is November.

[26] RCW 19.405.050.

[27] Chapter 70A.65 RCW.

[28] RCW 19.405.040(8) and WAC 480-100-640(4)(c).

Item	Response
	It is also recommended that NW Natural request and be authorized for a decoupling mechanism like other gas utilities.

MULTI-YEAR RATE PLAN

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PacifiCorp, PSE
Description	A multi-year rate plan (MYRP) sets utility revenue requirements or base rates over a period of years rather than adjusting them for a single year (traditional rate case). There are different structures that a regulatory body can use. These can include rates based on a formula, attrition relief mechanism, price caps, and tools like earning-sharing mechanisms and performance incentives.
Score	(0)
Discussion (explanation of score)	MYRPs can be designed to incentivize cost containment. However, our initial MYRPs and first phase of PBR did not change the foundation of our ratemaking (i.e., cost of service, prudence determinations and other regulatory principles) or adjust any of the other regulatory mechanisms created over the decades to address the challenges associated with traditional rate filings (annual) and cost-of-service ratemaking principles. Utilities are required to propose a MYRP when filing a general rate case (See RCW 80.28.425). The statute authorizes the Commission to approve a rate plan for up to four years; however, the statute also requires the Commission to determine the revenues and operating expenses for each year of the plan. Additionally, power costs must be updated as of the effective date of the third year (if a three- or four-year plan is approved). Further, the statute provides for customer protection to mitigate a utility overearning during the plan. The statute provides that if an energy utility earned more than 0.5 percent higher than its most recently authorized rate of return (in a

Item	Response
	calendar year), it must defer all revenues above that threshold. Those deferred over earnings are returned to customers when authorized by the Commission in a future proceeding.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	In Washington, the Commission did not authorize attrition adjustments or annual revenue cap adjustment (i.e., a type of ARM) to determine the utilities' revenue requirement as part of the first two rounds of MYRPs. Currently, utilities forecast capital expenditures over the MYRP timeframe. The Commission maintained the principles of Used and Useful, Known and Measurable, and its prudence standard as part of the MYRP process. For capital expenditures beyond the rate effective date, the Commission developed a new category of adjustments called Provisional Plant. The capital expenditures in these adjustments are subject to refund to ensure they are placed in service, and customers are receiving the benefit of the plant during the rate year. An annual provisional plant review process occurs in which the utility submits its actual expenditures by project in comparison to the amount authorized in rates. The review is done on a portfolio basis – meaning if a project is underspent the utility can re-prioritize those unspent dollars for other projects that may have been unexpected or placed into service on an accelerated timeframe. Regarding operating expenses, the Commission limited the use of inflation factors in the early MYRP filings as they were only two-year plans. However, the Commission is now gaining experience with longer rate plans that will span 3-4 years and may need to consider escalating O&M expenses beyond the known and measurable guidelines. The current MYRP construct lends itself to some of the common criticisms, particularly around cost control, regulatory burden, and risk shifting. This is due to the combination of proforma adjustments, provisional capital adjustments (projected by the utility), and portfolio review of provisional capital without inclusion of a cost efficiency factor. That structure provides an opportunity for utilities to over forecast their capital expenditures (or not conservatively limit the projects included in their capital budgets) and then spend to meet that budget. While these investments must be prudently incurred, it requires a significant amount of time to review (5 provisional plant reviews on an annual basis). Many intervenors have indicated a lack of

Item	Response
	resources to participate in those reviews. Additionally, there can be completely new business cases not previously included in the MYRP. Longer MYRPs with supportive cost containment measures and fewer out-of-cycle review requirements could address those weaknesses. However, given the limited timeframe of this assessment, we do not include a specific recommendation to the Commission. A change to the MYRP structure will require extensive analysis and consideration of multiple aspects (e.g., the various index formula approaches, determination of a cost efficiency factor, when/how prudence reviews are completed, the appropriate return on equity for regulatory paradigm changes, test year implications, cost of service impacts, the appropriate regulatory proceeding to restructure).
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain with future evaluation of the effectiveness of the current MYRP structure. If not addressed within the pending adjudicated rate filings (or not fully resolved), then initiate that analysis within the PBR docket in 2027. We remain open to hearing from the utilities and interested parties on how best to navigate the process given the parallel pathways of adjudicatory proceeding and a policy docket. We expect three utilities with active adjudications during the remainder of 2026.

POWER COST ADJUSTMENT MECHANISM

Item	Response
Companies with Mechanism	Avista, PacifiCorp, PSE
Description	A baseline for power cost expenses is determined in each general rate proceedings. Any deviation of the baseline expenditures (both positive and negative) is deferred for an annual true-up filing through these mechanisms.

Item	Response
	These are different from Power Cost Only Rate Cases (PCORC). A PCORC is a limited-issue rate case that adjusts utility rates by updating only power costs while other expenses and revenues remain at levels determined in the last general rate case or MYRP.
Score	(+)
Discussion (explanation of score)	In their current form, the risk sharing components (dead bands and sharing bands) do not provide a direct passthrough of every dollar of power costs and thereby provides a financial incentive for the utility to manage power costs more efficiently. They also protect consumers from overpaying on power costs if the baseline set in base rates were too high. Conversely, the same is true for utilities if the baseline were set too low. Note: Avista's mechanism is called the Energy Recovery Mechanism (ERM)
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Utilities have argued that the current structure of PCAMs place the utility at higher risk and have little control of power costs, among other arguments, in support of modifying their PCAM structures or adjusting the authorized ROR to compensate the utility for the perceived increase in risk. Others argue that utility power cost forecasting must improve to better account for market volatility, increased renewables, and demand growth. Without delving into the validity of the arguments or previous Commission Order language on the issue, the PCAM structures have remained static for quite some time. Therefore, it may be appropriate as we continue to expect improved utility performance and forecasting that we also consider any necessary adjustments to account for the changing energy landscape. Recently, the Commission has expressed concerns about the accuracy and large variations from power cost baselines established through forecasts in the MYRPs to the actual results reported in the PCAM cost recovery filings. The PCAM bill impact data reflects that most annual adjustments are in the surcharge direction (increase to customer bills). This trend suggests a

Item	Response
	deeper investigation to determine why utilities or the process are not responding to the policies and incentives currently in place.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	There are currently two rate proceedings (Avista and PSE) that propose adjustments to the respective mechanisms. Unfortunately, these mechanisms result is some of the most significant rate impact changes between rate filings. We believe consideration of structural modifications to the mechanism are warranted. However, given the current proceedings for Avista and PSE directly address this issue, the appropriate venue for policy recommendations and Commission action is through the evidentiary record in those proceedings. Regardless, we note that there is inconsistency in the carrying charge authorized for three electric utilities. PSE and PacifiCorp use the FERC rate while Avista uses their weighted cost of debt. We recommend the Commission align all electric utilities' carrying costs at the after-tax cost of debt (updated semi-annually). This is also consistent with the recent guidance issued by the Commission in its Policy Statement Addressing Carrying Cost Associated with Accounting Deferrals. See Docket U-250264.

PURCHASED GAS ADJUSTMENT MECHANISM

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PSE
Description	Purchased gas adjustment mechanisms (PGA) allow companies to pass through their actual cost of purchasing gas to customers. Monthly entries are made to reflect the difference between the Company's actual cost of purchased gas and the cost of purchased gas collected from volumes consumed by ratepayers. Each month 100 percent of the purchased gas cost differentials (expenses less revenues received) are debited to the purchased gas cost adjustment deferral accounts if positive or credited to the accounts if negative. A credit balance to the deferral accounts at the end of an

Item	Response
	adjustment period indicates a subsequent temporary rate decrease (refund), while a debit balance to the deferral accounts represents a temporary rate increase (surcharge). Footnote – other types of costs that are now included in the PGA (e.g., CCA costs) The mechanism contains both a true-up and forecasted cost component. (Refer to Docket UG-132019 Policy Statement at para. 12-14.) An annual filing is made to amortize the ending balance (+/-) over the following year (typically Nov. 1 – Oct. 31).
Score	(+)
Discussion (explanation of score)	These mechanisms differ from PCAMs as they pass through 100 percent of the costs to customers. Historically, this has been an accepted outcome as commodity costs are largely outside of the utilities' control. In 2013, the Commission opened a policy investigation into the hedging practices of the utilities (Docket UG-132019). This docket resulted in a Policy Statement (issued in 2016) in which the Commission expressed its explicit expectation that utilities employ risk-responsive hedging strategies. The Policy Statement also requires each natural gas utilities to submit a preliminary hedging plan with their respective 2017 PGA filings. Subsequently, in the orders approving those PGAs, the Commission required the utilities to submit comprehensive annual hedging plans starting in 2018. This annual reporting requirement was eliminated beginning with the 2022 PGA filings. These mechanisms are rated as supportive of cost-containment as customers receive the benefit of paying no more and no less than the utility's cost to procure the necessary commodity, in combination with the lack of utility control over the commodity costs and the fully implemented risk-responsive hedging plans. However, there are also costs associated with hedging programs (e.g., transaction fees, option premiums, administrative costs).
Issues for Attention (e.g.,. how does the mechanism	During events that result in severe market volatility (e.g., extreme weather) it is critical that utilities deploy all available mitigation measures. This could include conservation messaging,

Item	Response
interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	use of stored gas, and curtailment for interruptible load. Curtailment could also be considered for both operational and economic reasons.[29] Recently, some parties have raised the possibility of a sharing mechanism (like the PCAMs) being applied to the PGA mechanisms. These mechanisms provide significant risk reduction to the utilities. Approximately 25 percent of natural gas revenues were collected through the PGAs in 2025. Further, the carrying costs associated with the deferred gas costs are defined in Commission rule (See WAC 480-90-233). The rule specifies that the carrying cost be accrued at the FERC rate. For purchased gas, the FERC rate may be appropriate due to the limited supply sources for purchasing and transporting the commodity. Therefore, the pacific northwest utilities are relying on the same limited sources and means of transportation and facing similar risk.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Modify. Although the Commission has previously accepted that commodity costs fall significantly outside the utilities' control. The commodity costs are 100 percent outside of the control of its customers. Therefore, a sharing mechanism without a deadband and sharing of 90/10 (customer/utility) is recommended to account for the imbalance of control and risk. However, as other costs are flowing through the PGA (e.g., costs of energy tariffs, and certain CCA costs), there should be further discussion on which components of the PGA are subject to a sharing band. Additionally, the effective date for the filing typically occurs just as winter season begins. We understand from informal discussions the intent was to send price signals when gas costs are more certain. However, we believe the rate impact to customers at the same time they will need to use more natural gas to heat their homes outweighs the principle for price signals. We recommend the effective date of this mechanism be moved to April 1 for all utilities.

[29] The Minnesota Public Utilities Commission investigated this issue following two severe weather events, including an event in winter 2019 and after Winter Storm Uri in 2021. See MPUC Orders 11-19-160 (2019) and 02-21-135 (2023).

Item	Response
	Further, we recommend continuing the focus on risk-responsive hedging decisions through updates with each GRC. While the annual hedging updates became unnecessary and administratively burdensome, the utilities should advise the Commission of any changes to its plan from the previous rate case to ensure they are kept informed. We also recommend the Commission require utility presentations following events that result in severe natural gas price increases. This could be accomplished through a Recessed Open Meeting (ROM) to brief the Commission on both the event and actions undertaken by the utility. Alternatively, a brief after-event report could suffice. The ROM is not intended as a prudence determination but an information session to keep the Commission and public advised in a timely manner (rather than waiting for the annual PGA filing). The annual PGA filing would remain the proceeding to evaluate prudency of each utility's actions and incurred costs.

RENEWABLE ENERGY CREDIT TRACKER

Item	Response
Companies with Mechanism	Avista, PSE
Description	The REC tracker passes the net proceeds from REC sales from the previous year to customers.
Score	(0)
Discussion (explanation of score)	The Energy Independence Act (EIA)[30] requires large utilities to obtain 15 percent of their electricity from new renewable sources by 2020. Under EIA,[31] utilities can meet their renewable energy obligations through WREGIS RECs to demonstrate that the generating facility has

[30] Chapter 19.285 RCW, ENERGY INDEPENDENCE ACT.

[31] RCW 19.285.030(20), RCW 19.285.040(2), and RCW 19.285.050(2).

Item	Response
	produced such amount of electricity and that no other entity is counting it in its renewable portfolio.[32] Pursuant to WAC 480-109-210, Investor-Owned Utilities (IOUs) must submit an annual report by June 1 each year including information on how they met their renewable energy targets the previous year and how they plan to meet the target for the current year. Bill 5445, enacted in 2025, amended RCW 19.285.040(2)(h) to include REC multipliers for new Distributed Energy Resources (DERs) at four times the facility's electrical output for EIA compliance. Under RCW 19.285.040(2)(m), utilities should identify the multiplied RECs in the annual report and ensure that they are not counted toward CETA targets.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	The EIA focused on ensuring that 15 percent of each utility's energy came from renewable sources, while CETA targets the entire fuel mix to reduce GHG emissions. EIA requirements are still enforceable, yet CETA goals set higher standards and a broader definition of non-emitting electric generation[33] that includes nuclear power generation and all existing hydroelectric resources. CEIPs have not replaced the annual reporting required under EIA. Instead, the EIA reports serve as an annual follow-up on the utilities' renewable energy portfolio, and the four-year CEIP cycle represents a longer-term plan of the utilities' carbon footprint reduction strategy. However, the EIA reporting requirement is not tied to or affected by the RECs tracker annual adjustments. While the EIA reporting is a compliance tool, the REC tracker is an accounting tool to ensure that consumers get their fair share of revenue when utilities sell surplus RECs. Because of CETA's stricter decarbonization requirements, utilities are likely to retire almost all their RECs to achieve the 2030 carbon-neutral goal. Thus, it is less likely that consumers will receive any proceeds.

[32] Energy.Independence.Act.(EIA), Washington State Department of Commerce (April 20, 2026), Energy Independence Act (EIA) – Washington State Department of Commerce.

[33] RCW 19.405.020(27).

Item	Response
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	The Commission should consider eliminating the RECs trackers and either folding any proceeds into rates or through the PCAMs. Given that utilities are unlikely to have surplus RECs, such situations should be rare and do not justify a tracker with an annual report. In fact, PSE already set the tracker to zero, and revenues and costs are embedded in and reflected in the power costs baseline, starting in 2025.

CLEAN ENERGY IMPLEMENTATION TRACKER (CEIP)

Item	Response
Companies with Mechanism	Avista, PSE
Description	Avista's mechanism for tracking and recovering non-labor expenses associated with, but not limited to, the NCIF, data collection for CBIs, and public engagement efforts. Avista will file an annual tariff revision for Commission review and determination.
Score	(-)
Discussion (explanation of score)	Under CETA, electric utilities must develop CEIPs outlining how they will meet clean energy mandates. CEIPs are submitted every four years and must include interim targets for energy efficiency and renewable energy, an action plan to meet those targets, and a distributional equity assessment.[34] Energy utilities must develop the plan integrating input from public participation through advisory groups.[35] Since CETA was enacted, the electric utilities have submitted two CEIPs and one Biennial Update to the Commission. Only PSE and Avista have trackers associated with their CEIPs. Avista's CEIP tracker does not directly support cost containment, but it supports strategic planning for CEIP implementation. Through the tracker, Avista has a predictable mechanism to

[34] RCW 19.405.060 and WAC 480-100-640.

[35] WAC 480-100-655.

Item	Response
	recover CETA costs, which, in turn, helps the company maintain a more stable financial rating and secure lower interest rates on its debt. Moreover, annual true ups provide accurate data on non-labor costs associated with CEIP implementation, particularly on the Named Communities Investment Fund (NCIF). Initially, it was difficult for electric utilities to understand the magnitude of resources (costs) required to develop a CEIP as it was a new planning document. However, as the utilities have now gained that experience, they can use historical data to inform forecasts about CEIP implementation spending. However, there is an additional equity consideration. Because the NCIF is an innovative program, keeping the costs in a dedicated tracker enables public oversight and accountability on an annual basis. If these costs were folded into base rates, Avista may be limited to the projected spending throughout the rate plan, which could stall the growth of community programs until the next general rate case. Currently, the tracker provides Named Communities in Avista's service territory with specific data and additional participation opportunities, like the Open Meeting, to monitor that their investments are being prioritized. PSE currently has a tracker not being adjusted annually outside of general rate cases. In the Company's 2024 MYRP, the Commission authorized PSE to postpone the true up and prudency review of the CEIP schedule (Schedule 141 CEI) until its next rate case. That rate proceeding is now before the Commission.
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	While the tracker may have been appropriate to mitigate the likely higher costs of developing their first or second CEIP, reducing regulatory lag and allowing for dollar-for-dollar cost recovery undermines incentives for cost containment. Avista has completed two full CEIPs, which should have given the company a better idea of the costs associated with data collection for CBIs, public engagement efforts, and NCIF management. Therefore, CEIPs are now business-as-usual planning activities. As Avista gains proficiency in developing and implementing CEIPs, the company can leverage its experience to refine cost projections with greater precision and alignment. Thus, annual adjustments through this tracker are no longer cost-efficient because they offer no incremental benefit to customers while imposing the administrative burden of reviewing cost recovery filings and rate adjustments outside the rate plan.

Item	Response
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Eliminate. The NCIF should not suffer from lack of funding due to the tracker elimination. There are alternative strategies to ensure funding remains at adequate levels including annual scorecards with the use of accounting deferrals to support Named Communities through this important program. If the Commission decides to keep the tracker, we recommend shifting the timing of Avista's annual adjustment to the shoulder seasons to avoid imposing higher rates on consumers when their energy consumption increases during winter and summer. The effective date of this tracker is November. Therefore, the Commission should modify the effective date of this tracker to spring (March to May) or fall (September to October).

COLSTRIP ADJUSTMENT TRACKER

Item	Response
Companies with Mechanism	Avista, PSE
Description	Tracker to remove from base rates costs associated with Colstrip plant. The tracker includes D&R costs.
Score	(0)
Discussion (explanation of score)	The tracker is rated neutral as it undergoes the same prudency review as any other capital investment. Additionally, the tracker will only include the ongoing decommissioning and remediation (D&R) component as coal was required to be removed from rates effective Jan. 1, 2026.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does	While neutral, we find maintaining the D&R components of rates outside of base rates useful to receive detailed future liability information on an annual basis and ensure recovery of D&R costs are updated timely.

Item	Response
the mechanism have an effect on other regulatory outcomes?)	Additionally, PSE can offset a significant portion of these costs with PTCs.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain

SPECIAL RATE ADJUSTMENT – MIST RECALL (SCH 220)

Item	Response
Companies with Mechanism	NW Natural
Description	Tariff schedule that allows adjustments (as needed) to account for Mist Storage transfers based on forecasted needs.
Score	(+)
Discussion (explanation of score)	The schedule functions under the assumption that the use of stored gas is less than the cost of purchasing the commodity on the market. Storage capacity has historically been used during peak demand periods (often associated with cold snaps and winter storms). Therefore, the cost to customers has a mitigating effect for rate increases through the annual PGA filing (both filings have the same effective date). The mechanism has a benefit over deferrals in that the adjustments are done as needed (could be annually), moved into base rates, and therefore do not incur a carrying cost.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does	There does not appear to be supporting evidence submitted with the Special Rate Adjustment (Mist Recall) filing to explain the anticipated benefits (cost offsets). The schedule is based on demand forecasts from the most recent IRP and current gas supply portfolio to identify any incremental/decremental needs. The mechanism transfers the plant, accumulated depreciation,

Item	Response
the mechanism have an effect on other regulatory outcomes?)	and deferred taxes onto the Washington allocated system. The rate then stays in place until the next adjustment of Schedule 220. Prior to the 2024 filing, the previous adjustment was in 2015. The revenues from Schedule 220 are included as part of the annual PGA filing.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain – May want to consider a look-back evaluation within the annual PGA filing for transparency. The narrative associated with the Company's decision to use Mist recall ability versus market purchase (hub price for the commodity at the time of the Mist recall).

LNG TRACKER

Item	Response
Companies with Mechanism	PSE
Description	The schedule allows for rate recovery associated with the costs incurred (plant and O&M) with the development, construction, and operation of the Tacoma LNG Facility (excluding any distribution investments).
Score	(-)
Discussion (explanation of score)	This is a relatively new tracker. The Commission authorized the deferral of these costs in UG-210918. The tracker was approved as part of a partial multiparty settlement in the 2022 GRC. Provided a negative rating as it is a tracker. However, it is too early to provide a definitive response as a large portion of the impacts initially are due to the deferral recovery.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an	The benefit of this tracker is to assist parties clearly identify LNG costs separate from other plant costs. The true-up functionality provides an opportunity for parties to evaluate the costs on an annual basis and ensure that customers pay the actual costs of operating the regulated portion of the plant.

Item	Response
effect on other regulatory outcomes?)	
Recommendation (e.g., maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain – Evaluate tracker need in next GRC.

TRANSPORTATION ELECTRIFICATION PLAN TRACKER

Item	Response
Companies with Mechanism	PSE
Description	PSE's tracker was authorized in the Company's 2022 GRC as part of a Settlement Agreement. It includes recovery for all rate base, depreciation, and operations and maintenance (O&M) expenses of the Transportation Electrification Plan (TEP).
Score	(-)
Discussion (explanation of score)	RCW 80.28.365 encourages utilities to facilitate transportation electrification. Pursuant to the statute, utilities may submit a TEP to the Commission detailing electric transportation programs, incentives, and costs if they wish to recover these expenses. Additionally, RCW 80.28.360 allows the Commission to grant an incentive rate of return up to two percent on investments through December 31, 2030, on capital expenditures for electric vehicle supply equipment deployed for the benefit of ratepayers, provided these expenditures do not increase the annual retail revenue requirement of the utility by more than 0.25 percent. Utilities that submit TEPs are encouraged to align these reports consistent with the utility's planning horizon in their most recent IRPs or the timeframe of the actions contemplated, which is generally five years.[36]

[36] RCW 80.28.365(1).

Item	Response
	PSE's TEP tracker is not mandatory under the statute mentioned above or by rule. The statute provides customer protection against significant cost pressure while enabling the adoption and deployment of new technologies and infrastructure to electrify transportation. Currently, the tracker allows PSE to limit the allocation of costs to the specific ratepayers benefiting from the program. This avoids other customers without Electric Vehicles (EVs) from the costs of the program.[37] Second, annual adjustments through the tracker ensure that customers pay only the return on rate base, depreciation, and O&M expenses of any Commission acknowledged TEP.[38] This mitigates the risk of forecasting errors leading to over- or under-collection. However, in review of previous adjustment filings, there is little to no explanation for the requested rate change. The tracker reduced the risk for PSE to pursue transportation electrification ventures by providing an annual cadence for expenditure recovery.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	TEPs include a critical load forecast as an input to utilities' long-term resource strategy. Therefore, they are directly linked to Integrated Resource Plans (IRPs).[39] Utilities must design and implement TEPs that address system-wide considerations and are consistent with the IRP 20-year window. Moreover, TEPs help drive decarbonization strategies and enable utilities to achieve the decarbonization goals established under CETA and reported in CEIPs. This connection is even more relevant as TEPs, IRPs, and CEIPs are being consolidated under the Integrated System Plan (ISP).[40] While the full cost of the program has been allocated to the residents under the TEP rate schedule, there are distribution investments that may not be solely benefitting customers related

[37] In.re.Amending.and.Adopting.Rules.in.WAC.0❹6_766.Rulemaking.to.consider.policy.issues.related.to.the.implementation.of.RCW. ❹6¡8❹9❷6?electric.vehicle.supply.equipment?Docket UE-160799, Policy Statement and Interpretative Statement Concerning Commission Regulation of Electric Vehicle Charging Services (June 14, 2017), ¶28.

[38] See.Docket UE-250197.

[39] RCW 80.28.365(1) and WAC 480-100-620.

[40] RCW 80.86.020 and WAC 480-95-040.

Item	Response
	to EV equipment (e.g., distribution investment that may also benefit other DERs). Additionally, as adoption of the technologies grows, the entire system begins to benefit from the TEP investments and thus may not be appropriate for a limited number of customers to continue paying the full program cost. However, EV adoption rates have increased over the course of the inaugural TEP and may be reaching a tipping point for technology adoption.[41] The utilities have gained, in many cases, nearly five years of historical data to better understand how customer respond to the program. Finally, we note that PSE is the only utility with a tracker for the TEP program.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Eliminate the tracker at the end of the current TEP (2026), or at the next available rate proceeding to place the program costs back into base rates. The annual adjustment filings have been modest for customers and the utility alike (increase maximum of $0.26 per month to a rate decrease of $0.06 per month). This will also promote administrative efficiency and benefit customers with one less mid-year rate adjustment. Further, a cost recovery tracker is not the only means necessary to gather and provide data regarding the program. We also note that the Commission is addressing many issues relevant to the TEPs with an updated policy statement in Docket UE-160799. The future sections of that policy statement may or may not impact our recommendations here.

[41] In.re.Commission.Proceeding.to.Develop.a.Policy.Statement.to.Address.Electric.Vehicle.Charging.Infrastructure.Needs?Docket UE-160799, Policy Statement Regarding Electric Vehicle Charging Infrastructure,.¶ 2-4 (May 28, 2026).

COST RECOVERY MECHANISM

Item	Response
Companies with Mechanism	Cascade
Description	Established to allow timely recovery of the costs associated with the accelerated replacement of pipeline facilities with elevated risk to the public in accordance with the Commission's Policy Statement in Docket UG-120715.
Score	(-)
Discussion (explanation of score)	Rated negatively due to the cost recovery provided on an annual basis rather than in base rates (GRC proceedings) that likely would not be filed/recovered on an annual basis.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	The mechanism supported Commission safety priorities for pipeline facilities at elevated risk to the public. The rate is currently set at $0.00
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Recommend eliminating the tariff schedule.

LOW INCOME BILL ASSISTANCE PROGRAM RECOVERY MECHANISMS

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PacifiCorp, PSE
Description	Created to recover certain low-income assistance programs outside of base rates.

Item	Response
	All utilities currently have an income-based assistance program (also referred to as the Bill Discount Rate). Utilities may also have other programs such as Arrearage Management Plans, or other grant programs are holistically referred to as Low Income Bill Assistance for the purpose of this assessment. The programs included in low-income bill assistance trackers are funded by customers who are not enrolled in the assistance programs. (Provide links to utility assistance websites) Other assistance programs exist which are not customer funded. For example, the federal Low-Income Home Energy Assistance (LIHEAP) programs, customer donation programs, certain weatherization programs, among others. (Provide link to Commerce website(s))
Score	(+)
Discussion (explanation of score)	While utilities implemented low-income customer programs over 20 years ago, these programs have become more relevant amid the clean energy transition with an energy justice[42] approach. In Washington, low-income customer programs aim at achieving an energy burden equal to 6 percent per household.[43] Investor-owned utilities must develop and implement low-income customer programs,[44] recovering up to 5 percent of the total revenue requirement through rates charged to other customers.[45]

[42] "Energy Justice: The goal of achieving equity in both the social and economic participation in the energy system, while also remediating social, economic, and health burdens on those historically harmed by the energy system." The.EnergyJustice.Workbook?Initiative for Energy Justice, (December 2019), p. 14, Workbook - Initiative for Energy Justice.

[43] RCW 19.405.020(16-17) and WAC 480-100-605.

[44] RCW 80.28.068, RCW 19.405.120 and RCW 80.28.425.

[45] RCW 80.28.425(2). The Commission is developing a Policy Statement in Docket U-250953 to guide the interpretation and calculation of the 5 percent threshold and the increased amount at double the approved residential base rates, and to identify which costs may be included in the calculation.

Item	Response
	Low-income customer programs lower the monthly energy bill and help prevent disconnections, enabling low-income customers to meet other essential needs such as food, rent, or healthcare.[46] These programs not only help protect vulnerable populations from high energy bills but also contribute to system-wide cost reduction. Because utility debt gets collected on the bills of all customers, when one customer cannot afford the bill, all other customers pay for them.[47] By lowering uncollectible balances, reducing costly collection actions, and strengthening bill affordability, low-income consumer programs put a downward pressure on the energy bills of all customers.[48] These programs have become even more important amid increased energy demand due to, electrification of homes, buildings, and transportation, changing climate, population growth, among others. While regulated utilities in Washington have not yet experienced growth specifically due to large loads from data centers, the Commission has opened a docket to specifically investigate and plan for this likely eventuality. The use of trackers for low-income programs mitigates utility financial risk and regulatory lag. Under RCW 19.405.120, utilities were required to develop such programs to reduce energy burden and implement strategies toward meeting energy assistance needs. The tracker enables utilities to recover actual program expenditures per year, rather than relying on projections within general base rates.

[46] Uche Ajene, Understanding.Energy.Burden¿Why.Some.Communities.Pay.More?Initiative for Energy Justice, (June 12, 2025), Understanding Energy Burden: Why Some Communities Pay More - Initiative for Energy Justice, Emma Shumway et al., Utilities".Low_ Income.Discount.Programs.Help.Address.Energy.Insecurity?But.Some.US.States.Lag.Behind?Center on Global Energy Policy at Columbia SIPA (September 18, 2024), Utilities' Low-Income Discount Programs Help Address Energy Insecurity, But Some US States Lag Behind - Center on Global Energy Policy at Columbia University SIPA | CGEP %.

[47] Carina Rosenbach and Joe Daniel, How.Low_Income.Customer.Programs.Lower.Energy.Costs.for.Everyone?RMI (October 15, 2025), How Low-Income Customer Programs Lower Energy Costs for Everyone - RMI.

[48] Carina Rosenbach and Joe Daniel, How.Low_Income.Customer.Programs.Lower.Energy.Costs.for.Everyone?RMI (October 15, 2025), How Low-Income Customer Programs Lower Energy Costs for Everyone - RMI.

Item	Response
	Bill Discount Rates directly support affordability for qualifying low-income customers. However, we recognize that as the costs of these programs are subsidized by other residential customers, customers that have not identified as low-income or those on the fringe may have their own energy burden increased. PSE has a separate tracker for its Bill Discount Rate. Cascade's program is structured in the form of a deferral that incurs carrying costs. The arrearage management plans (except for Avista) were required by the Commission to further assist low-income customers with addressing their past due balances. This need was magnified because of the COVID pandemic. Each utility recovers their program costs either through a per kWh/Therm charge with an annual true up or annual deferrals and subsequent recovery through a 'surcharge'. The program supports affordability and the costs are limited by the tariff's designs (maximum benefits per customer). However, these costs are recovered from all other customers which may disproportionately impact unidentified low-income customers or customers on the fringe of qualifying for support.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Low-income customer programs are materially linked to with MYRP.[49] If the Commission approves a rate increase within a MYRP, it must also approve an increase in low-income customer programs by at least double the percentage increase of the residential base rates for each year of the plan.[50] The trackers help ensure that utilities collect and spend funds on low-income customer programs and not redirected to other programs or operating expenses within revenues collected in base rates.

[49] RCW 80.28.425.

[50] RCW 80.28.425(2). The Commission is developing a Policy Statement in Docket U-250953 to guide the interpretation and calculation of the 5 percent threshold and the increased amount at double the approved residential base rates, and to identify which costs may be included in the calculation.

Item	Response
	Under CETA,[51] utilities must demonstrate progress in meeting energy assistance needs. RCW 19.405.120(4)(a)(iii) requires that by 2030, funding levels meet sixty percent of current need, or fifteen percent more than 2018 levels; whichever is greater. Additionally, ninety percent of energy need must be met by 2050. Therefore, there is a connection between low-income customer programs, and utility CEIPs, and CBIs. CEIPs are a four-year plan that details how a utility will implement its clean energy transformation, including commitments to low-income assistance.[52] CBIs are metrics to help evaluate, in part, if the utility plan outcomes are meeting to legislative mandate for an equitable transition to clean energy for all customers, including low-income communities.[53] The suite of low-income programs should be evaluated as a whole. Under our current PBR framework, additional data is available under Goal 2 – Affordability. Metrics include energy burden, arrearages, program participation and saturation. These programs may be impacted by the Commission's guidance in Docket U-250953 regarding the legal interpretation of the five percent threshold for low-income assistance set forth in RCW 80.28.425(2).
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain. Company-specific recommendations: PSE – Align all on-bill assistance filings (2024 & 2025 LIBA filings in April and September with BDR filing in December for regulatory efficiency.

[51] RCW 19.405.120.

[52] RCW 19.405.060.

[53] RCW 19.405.040(8), WAC 480-100-605, and WAC 480-100-640(4).

Item	Response
	Cascade – Modify structure of recovery mechanism. Either eliminate the carrying cost on the annual program deferral or align the structure consistent with the other utilities. This may also be dependent on the Commission's anticipated policy statement regarding the funding threshold. Additionally, the Commission should consider shifting the timing of low-income customer program adjustments to the shoulder seasons to avoid impacting consumers with higher rates when their energy consumption increases during winter and summer. The effective date for PacifiCorp is August, and for Cascade, Avista, and NW Natural is November. Therefore, the Commission should modify the effective date of these programs to spring (March to May) or fall (September to October).

RESIDENTIAL RATE MITIGATION MECHANISM

Item	Response
Companies with Mechanism	NW Natural
Description	Temporary rate credit embedded in residential customer rates from November 1, 2022, through March 31, 2023, to mitigate the combined bill impacts from the rate changes associated with the purchased gas adjustment (PGA) and base rate increases from the 2020 GRC (UG-200994). The amount credited was deferred by the Company for recovery (amortization) between April 1, 2023, through October 31, 2023.
Score	(+)
Discussion (explanation of score)	This was a temporary measure that mitigated significant bill impacts.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an	The tariff is currently set at a rate of $0.00 as of November 1, 2025. However, the Company has not cancelled the tariff, leaving the mechanism available for future use with Commission approval.

Item	Response
effect on other regulatory outcomes?)	
Recommendation (e.g., maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain. This was an immediate benefit to customers impacted by the rate mitigation efforts. However, there was also a cost by delaying a portion of the PGA recovery that included carrying costs. If the utility were to utilize this tariff schedule in the future, we caution against delaying recovery of other costs that include a carrying cost. This could result in ratepayers paying more in the long run.

PARTICIPATORY FUNDING RECOVERY MECHANISMS

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PacifiCorp, PSE
Description	The Commission's Policy Statement, consistent with RCW 80.28.430(3), allows utilities that provide financial assistance to recover the amount provided in rates. Utilities must file a petition to defer such expenses and seek recovery through a rate proceeding or separate tariff with an annual true-up schedule.
Score	(-)
Discussion (explanation of score)	The mechanism is rated negative for affordability concerns based on the recovery of costs also incurring a carrying charge (FERC rate). The Commission recognized the impact of the carrying costs and required an annual tariff revision to recover deferral balance to mitigate growing balances. However, the impact on customer rates is minimal (all impacts have been < $0.05 per month for residential customers) and not imposed on low-income customer tariff rates.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or	This mechanism provides important financial benefits for organizations to intervene in Commission proceedings supporting the Commission's equity work. This funding helps bring organizations representing diverse perspectives that benefit the public interest into

Item	Response
other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Commission processes and prioritizing groups representing vulnerable populations or highly impacted communities. The mechanism is driven by the terms of an approved Participatory Funding Agreement. The Commission also ordered a full program evaluation to be completed (pending).
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Modify. Recommend changing the carrying cost to each utility's actual after-tax cost of debt consistent with its recent Carrying Charge Policy Statement issued on Dec. 10, 2025, in Docket U-250264.

CONSERVATION, ENERGY EFFICIENCY, AND/OR DEMAND RESPONSE RIDERS

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PacifiCorp, PSE
Description	As required by WAC 480-109-130, each utility must submit a conservation cost recovery filing by June 1st of each year. The filings contain a forecast to meet their EIA conservation targets established through their approved CPAs/BCPs and provide for a true-up of actual costs for the prior year. By rule, utilities may not recover carrying costs. Electric utilities' conservation targets have required approval since 2010 arising from the 2006 Energy Independence Act (EIA). Following the enactment of CETA in 2019, the utilities were required to file four-year clean energy plans (CEIPs). CEIPs require specific energy efficiency and conservation targets. Gas utilities were first required to file CPAs in 2021 (effective by 2022) resulting from ESSSHB 1257 – Energy Efficiency enacted into law on July 28, 2019. Section 11. RCW 80.28.380.

Item	Response
Score	(0)
Discussion (explanation of score)	Generally, conservation represents behavioral changes, with energy efficiency (EE) including technology changes that do not necessitate behavioral changes, and demand-side management (DSM) referring to the strategies and programs used by utilities to encourage customers to modify their energy consumption. These various measures can often be combined within a single solution. For example, a heat pump water heater program that includes a demand response component. The water heater is the technology (EE), the program and demand response program are demand-side management (DSM). Conservation programs support affordability as unused energy reduces the demand/load on the system and the associated avoided cost of otherwise providing that energy. Utilities, apart from NW Natural, also have decoupling that ideally makes the utility indifferent to these conservation measures. In recent years, the cost of the conservation programs (and associated utility targets) is on the rise with decreasing cost-effective conservation potential. This may be due to several issues such as, more stringent state energy codes, previous years' conservation acquisitions do not count toward future years; and fewer inexpensive conservation measures remaining.[54] The rate impacts from these filings appear to have a moderate impact averaging 1.10 percent since 2021. One recent gas filing approached three percent. For context, a three percent rate change historically triggered a general rate filing. Importantly, the electric conservation targets established through a CPA (part of the electric IRP filing) must evaluate their program usings cost-effectiveness tests consistent with the NW Power and Conservation Council. It is important to recognize that there are both energy and non-energy

[54] Staff Recessed Open Meeting Memo for Electric 2026-2027 Biennial Conservation Plans (January 14, 2026). Staff comments for gas BCPs. Staff comments for electric BCPs.

Item	Response
	benefits that are accounted for in specific cost-effectiveness tests. The targets are approved by the Commission in the CEIP. For gas utilities, the conservation targets in their BCP must be based on a CPA prepared by an independent third party and approved by the Commission. The utilities are also subject to penalties for failing to meet their conservation targets. The mechanism is rating neutral for cost containment and affordability. This is primarily due to the legislative mandate to acquire all cost-effective conservation and subsequent recovery of all prudently incurred costs.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	The cost recovery mechanism is required annually by WAC 480-109-130. RCW 19.285.050(2) provides that a utility is entitled to recover all prudently incurred costs. These programs also support the state policy goals to reduce GHG emissions. PACs filing is titled the "System Benefits Charge." We also recognize that PSE is under slightly different requirements because of HB 1589 for natural gas.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain (per WAC). However, we recommend a stronger connection between the annual report on conservation achievement with the annual cost recovery filing. The conservation achievement report is filed under the BCP docket with the annual true up filing occurring in a new docket. Policy recommends the annual true up filing include a narrative on the previous year's achievement and reference the docket number for the more detailed findings that are required in WAC 480-109-120(4). This would allow the Commission more transparency into what benefits were achieved with the dollars being recovered. Additionally, the Commission should require each utility to disclose the percentage of funding used for administration costs associated with the conservation program(s).

Item	Response
	A secondary recommendation would be a simple rulemaking to change the true up to occur at the end of the biennial cycle. This potentially eliminates seven filings every other year with mid-year rate adjustments. Noting that utilities can request a waiver if the annual rates do not require a true up. Finally, each utility is reporting their data differently and some use different tests for cost-effectiveness. We recommend standardizing the reporting (possibly through a template) and the tests applied.

CLIMATE COMMITMENT ACT (CCA)

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PSE
Description	CCA Statute RCW 70A.65 Over the past few years, the Commission approved a CCA cost recovery mechanism for each natural gas utility. These mechanisms include both a forecast and true-up component. PSE is currently the only utility with an electric mechanism (primary purpose is to pass back the value of no cost allowances to customers). PSE's electric compliance costs are collected through the PCAM (Sch 95).
Score	(0)
Discussion (explanation of score)	Overall, the statutory mandate has a neutral impact from a strict affordability lens for customers at this time. The statute also requires that the impacts be eliminated for low-income customers. Bill credits are not provided to natural gas customers connected to the gas system after July 25, 2021 (except if low-income). The cost recovery mechanism is rating as negative as the utilities accrue carrying costs (cost of debt from last rate case).

Item	Response
	NG utilities may also use the no-cost allowance consigned revenues to support programs such as weatherization, decarbonization, conservation and efficiency services, and bill assistance. RCW 70A.65.130(2)(b). Electric utilities may use the no-cost allowance revenues for the benefit of ratepayers, deposited for compliance, or a combination of both during the first compliance period. RCW 70A.65.120(3)(a). Currently, all utilities either have outstanding deferrals, or the previously authorized deferrals are being recovered through rates. PSE also has a deferral that contains benefits that will be passed back to customers (Sch 111-E). Additionally, not all costs associated with the CCA flow through the CCA-specific mechanisms as electric costs are passed through the power cost mechanisms (PCAM/ERM).
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	ESSB 5126 implemented a cap-and-invest program to meet state emission reduction targets by 2050. This mechanism supports the state's clean energy policies. The Department of Ecology sets the rules for the program. The Commission is responsible for approving each utility's electric supply and demand forecasts (RCW 70A.65.120(2)(c). The first compliance period ends December 31, 2026. PSE is the only utility that requested and the Commission approved to use consignment revenues to support programs. PSE identified targeted decarbonization projects and a decarbonization RFP program. (See UG-250843 and UG-230968 for 2024 Decarb Report with findings). See 2025 report in Docket UG-240884.

Item	Response
	There is considerable complexity surrounding these filings with multiple agencies being involved, potential market linkage, and continued uncertainty regarding both costs and final program rules. Utilities are also subject to penalties if a utility does not meet their compliance obligations. These penalties are enforced by the Department of Ecology. Penalties (See 70A.65.200)
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain. Await further guidance from Policy Statement (Docket U-230161) for transparency in accounting and presenting CCA costs. The Commission should require utilities to demonstrate the use of no-cost allowance revenue benefits are maximized (long-term perspective) through their use (non-volumetric credit to customers versus supporting programs) The timing of the mechanism effective dates should be considered in the context of all other rate change filings and seasonal impacts.

ENVIRONMENTAL REMEDIATION

Item	Response
Companies with Mechanism	NW Natural
Description	Created to recover environmental remediation offset by insurance proceeds for the Gasco manufacturing site with an annual prudency review. The mechanism was established with a 10.5-year period (7/1/19-12/31/29) to recognize the insurance amortization. The mechanism only permits a rate increase of 1% per year, any amount over the 1% must be amortized over 3 years. No interest is permitted for the annual recovery/pass back but if amortized over 3 years interest is set at the Company's LT debt.
Score	(+)

Item	Response
Discussion (explanation of score)	This mechanism ensures that customers are only paying for prudent environmental remediation for a specific plant (offset by insurance). Additionally, the limitation of interest to any amortized portion is a rate benefit to customers. Over the past 5 years, the adjustments have been less than 0.5% for increases and less than 1.0% for credits to customers.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	N/A
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain/Modify – Consider adjusting filing to occur after the heating season. Currently coincides with the PGA filing which is effective Nov. 1.

WILDFIRE PREVENTION TRACKER

Item	Response
Companies with Mechanism	PSE
Description	The tracker includes forecasted capital and O&M costs, including insurance premiums, for implementation of the Company's Wildfire Mitigation Plan. Includes one-time deferral of insurance premiums approved in UE-231048.
Score	(-)
Discussion (explanation of score)	The use of a tracker for an entire utility program including both capital and O&M costs does not incentivize cost containment. The wildfire tracker does not require any performance metrics or cost efficiency goals.

Item	Response
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	PSE and Avista are being treated differently regarding wildfire costs. PAC has no similar recovery mechanism. The Commission recognized the lack of contemporaneous decision-making documentation and analysis for the amortization of the insurance deferral, required the 2026 insurance liability expense to be subject to refund based on certain conditions. See OM 3/12/26. The inclusion of capital expenses creates another instance of prudency review which is stretching the resources of staff and parties to evaluate all costs. Further, the Commission has not evaluated wildfire expenditures (both capital and O&M) for dual-purpose benefits. For example, are the capital investments and O&M expenditures only necessary for wildfire mitigation or are they also supporting standard reliability requirements. We continue to recognize the volatility of insurance premiums associated with wildfire risk and believe it remains appropriate to allow a mechanism for full recovery of those expenses.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Modify – restructure as a balancing account for non-capital investments. Capital costs for the program should be treated no differently than other plant investments. We recommend that capital plant be moved back into base rates and evaluated as part of the provisional plant review. The Commission recognized the need for additional prudence review during its discussion of the first annual adjustment of the tracker (UE-250931) at the Open Meeting held on March 12, 2026. Consider more stringent evaluation (metrics) of wildfire-related expenditures (e.g., risk spend efficiency or identification of multiple program benefits. Re-evaluate program with each MYRP with regards to volatility concerns or if the costs can be appropriately averaged and rolled back into base rates (thereby eliminating the need for annual filings)

PROPERTY TAX TRACKER

Item	Response
Companies with Mechanism	PSE
Description	This tariff schedule was created to pass through property taxes. These taxes were originally argued to represent a pass through like municipal taxes.
Score	(0)
Discussion (explanation of score)	Neutral rating as the mechanism was structured to ensure customers pay “no more and no less” for property taxes incurred by the utility. The filing includes both a forecast for future year and true-up for previous year.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	This mechanism is neutral regarding affordability concerns but is negative for administrative efficiency. PSE is the only utility with this mechanism. Property taxes do not appear to be particularly volatile. During the previous five years changes were all less than 1.0%. NOTE: The largest change was a decrease of 0.66%. In the event of an extreme event that meets the Commission’s deferral principles, the utility can file a petition.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Eliminate. Incorporate into base rates.

ADJUSTMENT FOR PROPERTY SALES

Item	Response
Companies with Mechanism	NW Natural

Item	Response
Description	The Commission authorized this Balancing Account due to demonstrated and unprecedented volatility in insurance costs (primarily due to general liability premiums which include wildfire risk and property insurance).
Score	(-)
Discussion (explanation of score)	The mechanism was rated as negative as it may remove the utility's incentive to seek better rates through another provider or other insurance options/structure. For example, changing the amount of self-insurance. However, we note that annual adjustments have been relatively small (< 1.0% annually since inception) indicating adequate ability to forecast expenditures between renewal periods.
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Avista provides detailed analysis of its insurance renewal evaluation and adjustments indicating opportunities and challenges. The current insurance market remains challenging and is impacted significantly by factors external to the individual utility's actions.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain but re-evaluate the mechanism during each subsequent MYRP.

INSURANCE EXPENSE BALANCING ACCOUNT

Item	Response
Companies with Mechanism	Avista

Item	Response
Description	The Commission authorized this Balancing Account due to demonstrated and unprecedented volatility in insurance costs (primarily due to general liability premiums which include wildfire risk and property insurance).
Score	(-)
Discussion (explanation of score)	The mechanism was rated as negative as it may remove the utility's incentive to seek better rates through another provider or other insurance options/structure. For example, changing the amount of self-insurance. However, we note that annual adjustments have been relatively small (< 1.0% annually since inception) indicating adequate ability to forecast expenditures between renewal periods.
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Avista provides detailed analysis of its insurance renewal evaluation and adjustments indicating opportunities and challenges. The current insurance market remains challenging and is impacted significantly by factors external to the individual utility's actions.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain but re-evaluate the mechanism during each subsequent MYRP.

WILDFIRE BALANCING ACCOUNT

Item	Response
Companies with Mechanism	Avista
Description	The balancing account baseline is reset during GRCs with annual true-up of deferral balances. In the Company's 2024 GRC, the Commission authorized a carrying charge of the Company's

Item	Response
	actual cost of debt on the deferred balance and the amortization period. The balancing account is for O&M expenses only.
Score	(-)
Discussion (explanation of score)	The rating is negative for affordability and cost control as it is a balancing account that allows a utility full recovery of every dollar of expenses and includes a carrying cost
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Despite the negative rating, the balancing account is limited to O&M costs. Additionally, the true up filings, take date, have not resulted in significant rate impacts. There is also Commission policy support in proactively addressing wildfire program needs.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain – evaluate with subsequent MYRP(s) to determine if costs are normalizing and can be rolled back into base rates.

BPA RESIDENTIAL EXCHANGE PROGRAM

Item	Response
Companies with Mechanism	Avista, PacifiCorp, PSE
Description	Balancing account to provide a direct pass-through of monetary benefits from the BPA to regional customers of the federal Columbia River power system.
Score	(+)
Discussion (explanation of score)	Historically, the mechanism has provided benefits returned to customers that have offset impacts from other rate changes (e.g., PGAs around Nov. 1 each year).

Item	Response
Issues for Attention (e.g.,. how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	The Commission is following the upcoming BPA rate proceeding and expects benefits to be significantly reduced by approximately 50 percent beginning October 2028. The NW Power Act requires REP payment be "passed through directly" to the utility's residential and small farm loads via bill credits. The balancing account (true-up) can result in a surcharge to customers if the annual refund amount is too large based on actual residential customer energy usage or a change to the annual credit amount per the REP Agreement can decrease the benefit which "feels" like a rate increase for customers.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Maintain

ACCOUNTING DEFERRALS

Item	Response
Companies with Mechanism	Avista, Cascade, NW Natural, PacifiCorp, PSE
Description	A "deferred cost" is one that has been paid by the company but is postponed for inclusion in rates until a future period. Advanced approval is required by the Commission as well as subsequent Commission approval for recovery of the deferred costs. This occurs through a Petition for an Accounting Order. The Commission may authorize a carrying charge (i.e., interest) on the deferred balance (See Policy Statement).
Score	(-)
Discussion (explanation of score)	Deferrals generally diminish the cost containment benefit of MYRPs (recognizing that some deferrals are to the benefit of the customer). May be necessary in certain situations due to the regulatory prohibition of retroactive ratemaking or supportive legislative authority (e.g., RCW 80.28.410(1))

Item	Response
Issues for Attention (e.g., how does the mechanism interact with MYRPs or other mechanisms? Does the mechanism have an effect on other regulatory outcomes?)	Previous discussion regarding deferral treatment of expenses included limiting the use for extraordinary circumstances including those: (1) beyond the utility's control; or (2) having a material impact on the company's finances. The Commission has not provided a strict definition regarding a materiality threshold. Research indicates that applying a recently utilized Staff example (reduction of 5bps of ROR) would likely result in no significant changes to the number of "eligible" petitions for deferral between 2021-2025. In fact, even a 10bps reduction also results in no signification changes for "eligible" petitions (only one additional deferral would be screened out). When applying the first factor (beyond a utility's control) the analysis resulted in only a single deferral screened out (i.e., Of 18 deferrals not meeting a strict materiality threshold, only a single deferral would be considered outside of a utility's control). Many times, a utility only has an estimated dollar amount for deferral when the petition is filed. Perhaps, a secondary application of the materiality issue is also appropriate when the final deferral balance is requested for recovery through a subsequent proceeding.
Recommendation (e.g.,. maintain; modify; eliminate and incorporate into base rates; make adjustments for specific utility)	Policy does not recommend a strict materiality threshold be set by the Commission. Given the five-year historical data, it appears that utilities are currently requesting appropriate deferrals. The Commission has also rejected a deferral that it deemed did not meet the initial criteria. However, Policy found that many requests lacked information about the magnitude of the expected expense. Policy recommends that utilities be required to include estimated costs (range with likelihood) in the initial request for deferral. Additionally, more detailed information regarding the estimated financial impact on the Company's ROR or credit rating should also be provided. It is also important to remember that the approval of a deferral is not a guarantee of future recovery. Policy staff recommend the Commission evaluate the deferred expenses through the same principles (extraordinary, utility control, financial impact) when considering the request for recovery through rates.

Item	Response
	Finally, policy staff found it impossible to identify outstanding deferrals through the original case or subsequent rate filings. This is important data for the Commission's awareness. Policy recommends that utilities include an update of outstanding deferrals with the annual CBR filings.