STRATEGIC BUSINESS PLAN

2017-19

UTILITIES AND TRANSPORTATION COMMISSION

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AGENCY PROFILE

The Utilities and Transportation Commission protects the people of Washington by ensuring that investor-owned utility and transportation services are safe, available, reliable, and fairly priced. The commission balances the interests of service providers with the interests of the consumers in Washington, who pay in excess of $6.5 billion annually for these services. This is a role the commission has performed since 1905, and one that has required considerable adaptation over time.

The commission regulates a wide range of services provided by investor-owned companies, including: electricity and natural gas; landline telecommunications (but not wireless, internet, or cable); solid waste collection; water systems; natural gas and hazardous liquid pipelines; railroad carriers and facilities; household goods movers; commercial ferries; buses and low-level nuclear waste storage. For each industry, the type and purpose of regulation varies, as does the commission's authority and jurisdiction. Generally, the commission regulates rates, service quality, consumer protection, and safety measures. New market conditions, technology, federal and state laws, and consumer expectations make for a dynamic policy landscape.

The commission values its ability to provide access to information about regulatory activities and its Communications Office keeps the public and stakeholders informed of significant developments. The commission's website, www.utc.wa.gov, is designed to be easily accessible to consumers, regulated companies, and interested persons. Documents in formal proceedings are usually available online as soon as they are filed. Most other public records are available electronically and paper copies are always available. The commission's general business meetings are open to the public, as are formal hearings. Members of the public participate in formal commission proceedings by commenting at public meetings and submitting comments online, over the phone, or in writing.

The commission's budget for the 2017-19 biennium is $71 million, and the agency has 176.4 full-time equivalent (FTE) positions. Operations are supported through fees paid by regulated companies and federal grants fund activities such as pipeline and motor-carrier safety.

Since the commission opened its doors as the Washington Railroad Commission in 1905, it has seen significant changes in the utility and transportation industries and its role has grown and changed dramatically. The regulatory environment continues to be one of constant and often unpredictable change, which requires responsiveness, thoughtfulness, and adaptability. Over time, the commission has developed a strong core of institutional knowledge that contributes to a sense of stability and continuity in operations.

VISION, MISSION, AND CORE VALUES

Vision
The Utilities and Transportation Commission is recognized for its excellence and integrity as a utility and transportation regulatory agency and as a great place to work.

Mission
The Utilities and Transportation Commission protects the people of Washington by ensuring that investor-owned utility and transportation services are safe, available, reliable, and fairly-priced.

Core Values

Values	Respect	Professionalism	Integrity	Accountability
	We treat every person and interaction with consideration and goodwill.	We are committed to excellence in our work and conduct.	We do the right things for the right reasons, trusting others to do the same.	With courage we hold ourselves and each other accountable for exhibiting these values.

Introduction
The commission has the following strategic goals for the 2017-19 biennium:

- Improve public safety.
- Tailor regulation to the requirements of evolving markets.
- Ensure regulated firms provide safe and reliable infrastructure.
- Improve the commission's business performance and environment.

This plan describes eight tactical goals that the commission will focus on:

- Enhance the safety of the transportation of hazardous materials by rail.
- Improve protection of underground utility facilities that provide essential services.
- Address technological and infrastructure change in regulated industries.
- Promote efficient regulation of small businesses.
- Address issues associated with access to affordable communications service for rural and low-income customers.
- Enhance the reliability of regulated utility services.
- Improve and promote connectivity, accessibility, and public participation.
- Build a dynamic work community that engages and encourages commission employees.

Each tactical goal includes the following information:

- The division assigned to lead the work described;
- Background information;
- Objectives;
- Strategy;
- The budget activity related to the tactical goal. The number following the activity title is the Office of Financial Management (OFM) – assigned activity number from the commission's activity inventory;
- The relevant performance measure; and
- The governor's priority that the tactical goal supports.

ASSESSMENT OF EXTERNAL AND INTERNAL CAPACITY AND FINANCIAL HEALTH

The commission fulfills its mission to protect the people of Washington from unfair rates and unsafe services through our regulatory services, consumer protection, and public safety programs. Our core business processes include processing consumer complaints, reviewing requests for rate or service changes by regulated companies, and inspecting rail crossings, motor carrier vehicles, and pipeline facilities for safety compliance. The function of the commission is to ensure that rates are fair, just, and reasonable, while allowing companies the opportunity to earn a sufficient return on their investments to attract capital needed to provide safe and reliable service. This careful balancing act is governed largely by state statutes and federal law.

Industries regulated by the commission are facing significant new demands. As a result, companies are regularly presenting new and complex issues for the commission to address. Frequent rate cases, legal requirements associated with conservation and renewable energy, increased rail traffic and associated safety issues, technological changes in regulated industries, and environmental mandates all require the commission to hire and retain top-notch talent in the areas of economics, finance, law, engineering, consumer protection, and public policy.

External

The UTC faces a dynamic environment in many of the industries we regulate, where the public, companies, and stakeholders increasingly look to the commission to innovate and adapt to these developments. Many of our challenges are related to evolving technologies and increasing requirements related to efficiency and conservation.

Utility Regulation

Washington's electric industry is experiencing a transformational change brought on by a number of factors relating to conservation, renewable energy technology, and regional market advances. The commission's role in energy regulation has adapted to these changes to ensure the consumers of Washington's investor-owned utilities are protected from unfair rates and unreliable service. The commission is involved in a number of federal and state level proceedings to address these issues.

In 2014, PacifiCorp, which does business in Washington as Pacific Power, began participating in an Energy Imbalance Market (EIM) created by the California Independent System Operator (CAISO). The EIM is a voluntary, market-driven automated system for balancing electricity supply and demand for utility service territories. Puget Sound Energy (PSE), another Washington utility, and other utilities in the West, are also working towards participating in the EIM. In 2015, after PacifiCorp expressed interest in joining the CAISO as a full member, the California Legislature passed a bill that directed the CAISO to study the potential for expanding into a regional market and, if found to be beneficial, begin the process of converting itself into a regional entity. The UTC has been an active participant in discussions with the CAISO to better understand how participation in the proposed regional ISO may affect Washington utilities and their customers. UTC Commissioner Ann Rendahl is the chair of the EIM Body of State Regulators, which acts as a forum for commissioners throughout the Western U.S. to discuss both the EIM and the regionalization effort.

The combination of sustained low natural gas prices and environmental concerns have placed significant pressure on the region's coal plants. Washington law requires the phased closure of the TransAlta Centralia coal plant by the end of 2025, and parties in Oregon have negotiated a shutdown of the Boardman coal plant by the end of 2020. Parties in Montana reached a similar settlement in the summer of 2016 with the owners of the Colstrip plant, including PSE, to shut down Units 1 and 2 of the four-unit plant by the end of 2022. PSE has agreed to present a plan for the closure of the plant and the acquisition of replacement resources in its next general rate case filing with the UTC, which is due in January 2017.

Transportation Regulation
As the only state agency with jurisdiction over rail safety, the commission has become a leader in the national effort to improve the safety of oil transportation by rail. While our role is limited by federal preemption, we have found ways to address risks associated with oil transportation by rail in order to protect public safety.

The commission's jurisdiction over railroad safety and the mission of the railroad safety program is focused on a few key areas that currently are not preempted by federal law. Those areas include opening, closing, and reconfiguring railroad-highway crossings, public crossing safety, railroad employee safety, grade crossing improvement grants, education and promotion of public awareness, responding to public complaints, and providing technical assistance to operators and road authorities.

In February 2016, the commission adopted rules to implement legislation passed in 2015,[1] focusing on enhancing safety at private crossings on oil routes, ensuring the safety of hazardous materials on private shipper property, and providing larger cities, which are exempt from commission jurisdiction, the opportunity to opt-in to the commission's crossing inspection program.

The UTC does not have regulatory authority over ride share companies, such as Uber and Lyft, also known as transportation network companies, if the providers do not own the vehicles being used in the service and the rides are prearranged on the provider's digital network or software application. However, transportation network companies continue to be included in discussions and legislation regarding regulation of this growing industry. The commission is engaged at the state and national level in these discussions.

The UTC has been asked by regulated residential movers to accommodate the changing landscape of moving companies and new emerging technology. The assessment of how a moving company utilizing application-based technology is regulated by the UTC is part of an ongoing challenge that requires staff to examine the various business models, how they operate, and the range of our regulatory authority. The UTC's ability to achieve its goals is directly affected by technological changes that may outpace its statutory authority.

Internal
To meet its increasing – and increasingly complex – workload, the commission must attract and retain individuals who have unique skills. In doing so, the commission must compete with the private sector and municipal utilities, where salaries are historically higher than state government.

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[1] ESHB 1449

The commission has made efforts in the past few years to improve our culture and encourage employee engagement. The commission has incorporated continuous improvement principles into our daily work using lean tools and training. Our employees strive to achieve a high level of professionalism, respect, accountability, and integrity. The commission's senior leadership continues to address succession planning, performance management, and organizational development. These efforts earned the commission an 80 percent positive response rate on the 2015 Employee Engagement Survey, a tie for the highest score in the state.

As an increasing number of commission staff become eligible to retire in the next five years, it is imperative that the commission employ strategies to retain crucial institutional knowledge.

The commission continues to work with the state Human Resources Office to find ways to adjust compensation levels, a critical priority. The commission is also preparing current staff to fill anticipated vacancies with cross-training and developmental opportunities. The commission anticipates these efforts will assist in retention efforts.

Moreover, the commission is using lean concepts to maximize technology resources and allow staff to focus on complex analytical and policy work. The commission is encouraging employee engagement in the lean process and training staff around the organization in lean project management principles.

The commission is implementing strategies to mentor and grow talent internally, to mitigate the loss of institutional knowledge. Opportunities include targeted training for both technical and soft skill development, informal job shadowing, and mentoring both within sections and across divisional lines, all of which encourage greater employee engagement and job satisfaction.

Fiscal

The commission is supported by fees paid by regulated companies. The regulatory fees for almost all industries are set in statute, generally calculated as a percentage of a company's intrastate revenues from operations. The commission receives payment for most regulatory fees in May of each year. In addition to regulatory fees, the agency receives federal grant money from the U.S. Department of Transportation for the agency's pipeline safety and motor carrier safety programs, funding that is conditional on the commission meeting program standards.

Since 2010, revenue from regulatory fees has leveled off due to slower load growth for electric utilities due to the success of conservation and energy-efficiency programs, and to the continued migration of landline telecommunications customers to cellular and cable-based services. Over the same period the cost to maintain the current level of regulatory and consumer protection services has increased. The workload in some programs, including energy regulation and rail safety, has increased significantly and the commission has taken steps to adjust resources.

Based on five-year projections, the commission is evaluating how internal cost-cutting measures may address revenue/expenses shortfalls. However, the ability of the public service revolving account to fund commission operations over the long-term may not be adequate to allow us to continue to respond to current regulatory demands.

Information Technology

Information technology is critical to the operations of the commission. The commission develops goals and strategies that rely on sound investments in technology and the ability to obtain funds needed for those investments. Our technical direction is guided by the technology strategies adopted by the Office

of the Chief Information Officer, the enterprise projects undertaken by Consolidated Technology Services and the state Department of Enterprise Services, and the priorities established by the agency's Information Technology Steering Committee. The steering committee balances agency business needs, statewide technology direction, and resource and technical constraints when approving projects.

The commission's technology objectives during this biennium are to complete the migration to a Microsoft-based application and system environment, actively maintain the agency's technical systems to ensure their reliability and effectiveness, and begin migration to more accessible applications, in line with the state's technology strategies.

IMPROVE PUBLIC SAFETY

Tactical Goal: Enhance the safety of transporting hazardous materials by rail

Responsible Division: Safety and Consumer Protection

Factors that Support this Tactical Goal: The increase in North American oil production has led to a shift in oil transported by rail to refineries in Washington. In the last few years, we have seen oil train derailments in 10 states, including neighboring Oregon, and three Canadian provinces. Some resulted in explosions and fires, some in evacuations of entire communities.

As the only state agency with jurisdiction over rail safety, the commission has become a leader in the national effort to improve the safety of oil transportation by rail. While our role is limited by federal statutes that preempt state action, we have sought ways to address risks to public safety associated with oil transportation by rail.

In 2014, the Washington Legislature directed the state Department of Ecology, along with the commission and other state agencies, to conduct a study of oil transportation through the state. The Marine and Rail Oil Transportation Study analyzed the risks to public health and safety, and the environmental impacts associated with the transportation of oil in Washington.

As a result of the study, Gov. Inslee requested legislation addressing the safety of transporting oil by rail. The Legislature responded by enacting ESHB 1449, which Gov. Inslee signed into law in May 2015. In February 2016, the commission adopted rules to implement the legislation, focusing on enhancing safety at private crossings on oil routes, ensuring the safety of hazardous materials on private shipper property, and providing larger cities, which are exempt from commission oversight, the opportunity to opt-in to the commission's crossing inspection program. The commission is currently working with stakeholders to fully implement the new safety rules. However, this work will continue through 2019 and beyond.

Objective: The commission will continue to implement and enforce the requirements of ESHB 1449, along with the safety regulations adopted by rule in February 2016. The commission's work includes:

- Establishing inspection frequency for private crossings on oil routes by January 2018, based on collected data and best practices.[2]
- Working with first-class cities that opt in to the grade-crossing safety program to ensure they understand the program requirements and are in compliance, and encouraging cities that have not opted in to join the safety program[3]; and
- Based on analysis of historical and collected data, establishing inspection frequency for private shipper property by June 2018.[4]

Strategy: Partner with railroads, tribes, federal and state agencies, and local governments to implement aspects of ESHB 1449 with the shared goal of improving public safety along railways, with a focus on oil train routes. Monitor the funding provided by ESHB 1449 to ensure that the rail safety program has an adequate and stable funding mechanism to achieve needed safety outcomes. Seek additional funding to improve safety along oil routes at crossings that are under-protected.

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[2] WAC 480-62-270
[3] WAC 480-62-260
[4] RCW 81.44.170

Related Budget Activity: Safety regulation of utility and transportation companies. (A013)

Performance Measure: Rate of collisions involving motor vehicles and trains per one-million train-miles traveled.

Linkage to Governor's Priorities: Ensuring the safety of oil transportation by rail supports goal four of the Governor's priorities: Healthy and Safe Communities.

IMPROVE PUBLIC SAFETY

Tactical Goal: Improve protection of underground utility facilities that provide essential services.

Responsible Division: Safety and Consumer Protection

Factors that Support this Tactical Goal: According to data provided by the U.S. Dept. of Transportation's Pipeline and Hazardous Material Safety Administration, a leading cause of gas and hazardous liquid pipeline failures are "dig ins," or third-party damage. Often these are contractors who excavate near underground pipelines without proper locates. This type of damage is a serious public safety concern because of the nature of the products and services these pipelines transport. In addition, underground utility pipes and cables carry essential communications and 911 system infrastructure, water, natural gas, and electricity.

The state law that protects underground utilities, known as the dig law, was significantly strengthened in 2011, and included provisions to allow enforcement of the law.[5] The enhanced dig law established a Safety Committee to investigate allegations of violations and recommend penalties to the UTC as warranted. The UTC is authorized to investigate and impose the recommended penalties. However, these enforcement provisions, as well as others, will expire in December 2020 unless the Legislature amends the statute.

As directed by the 2011 Legislature, the commission published a Report on the Effectiveness of the Damage Prevention Program on Dec. 1, 2015. In its report, the commission recommended the Legislature remove language requiring the 2020 expiration of the enforcement provisions and make additional improvements to the law. The commission plans to submit request legislation to amend the dig law to continue the enhanced protection of Washington's vital underground infrastructure.

Objective: The commission will improve the protection of underground facilities, with an emphasis on pipelines carrying hazardous materials and telecommunications infrastructure, through continued efforts with public awareness, stakeholder communication, and, where necessary, effective enforcement. This includes:

- Obtaining passage of amendments to the dig law to maintain strong enforcement provisions, and
- Continuing to enforce the dig law with an emphasis on utility locates that do not meet the statutory standard.

Strategy: To achieve this goal, the commission will:

- Propose legislation to address improvements identified in the 2015 legislative report, and
- Use PHMSA grant funds to target outreach to areas in Washington where data from the Common Ground Alliance Damage Information Reporting Tool (CGA-DIRT) reflects a lack of dig law awareness or compliance.

Related Budget Activity: Safety regulation of utility and transportation companies. (A013)

Performance Measures:

- The number of federally reportable, significant pipeline incidents in Washington.

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[5] Chapter 19.122 RCW

- Measure protection of underground facilities by tracking “dig-ins” per 100 locate tickets, with a target of a 10 percent reduction in hits per 100 locates reported each calendar year.

Linkage to Governor’s Priorities: Ensuring the safety and reliability of underground utility infrastructure supports goal four of the Governor’s priorities: Healthy and Safe Communities.

TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS

Tactical Goal: Address technological and infrastructure change in regulated industries.

Responsible Divisions: Regulatory Services, Policy, and Legislation

Factors that Support this Tactical Goal: The electric industry in Washington and the nation is facing a transformational change brought on by a number of contributing factors. For example:

- Technology developments in the areas of renewable energy and battery storage that are likely to lower electric companies' revenues as residential and commercial customers generate a portion of the energy they consume.
- An uneven economic recovery coupled with the effectiveness of conservation measures has nearly eliminated any growth in demand for electricity.
- Producing electricity from coal-fired generating plants will become more costly, due to environmental policies to reduce carbon emissions, leading to the retirement of coal fired generating plants. The low cost of natural gas as a production fuel will also encourage the retirement of these plants. The costs of plant retirements, decommissioning, and related environmental remediation efforts may affect the costs of electric generation and the rates charged to customers.
- Increasing requirements to reduce carbon emissions and increase the proportion of renewable energy sources removes stable baseload generation and adds intermittent and distributed resources that are difficult to integrate into the electric grid.
- Changing customer expectations regarding the environmental attributes of electric service and the ability to manage their energy use have required companies to develop "green" service options and other services for a growing segment of their markets.

Even though revenues remain flat, companies must continue to invest in maintaining and upgrading aging distribution and transmission infrastructure. Requirements to reduce carbon emissions and add renewable energy also add pressure to increase investment. Further, the increase in distributed generation relies on the existing infrastructure, without contributing to the recovery of infrastructure costs. Electric companies are engaging in out-of-region Energy Imbalance Markets (EIM), and evaluating formation of a regional day-ahead market, with the California Independent System Operator (CAISO). The benefits of these programs will require further study.

These rapid and significant changes in the electric utility industry require the commission to adjust its regulatory oversight. Current regulatory processes examine every facet of a company's operations, which often requires substantial time and resources from the commission and other parties to complete. The commission, however, must explore ways to streamline proceedings to focus only on changes to specific types of investments or expenses and, encourage multi-year rate plans as a means of avoiding annual rate cases. In addition, integrated resource plan (IRPs) requirements must be modified to reflect planning for the development of different types of renewable resources, battery storage, and new abilities to flatten system peaks through the use of communications technology and smart heating and cooling appliances (i.e. demand response, distribution planning).

Objective: Streamline rate setting and resource planning to better reflect the challenges electric utilities are facing currently and in the future.

Strategy: To achieve this goal, the commission will:

- Update IRP requirements by July 2018 to ensure that the utilities' plans reflect least-cost alternatives that comprehensively address new developments in resource flexibility and energy production, storage, and distribution. It will also address new procedural mechanisms.
- Initiate workshops in 2017 to discuss with stakeholders the circumstances under which energy companies can seek rate changes using expedited filings and the specific information required with filings of this type. This may result in a policy statement or a rule.
- Consider multi-year rate plans, as well as alternative rate designs, in the individual company rate cases that will be filed in 2017 and 2018.
- Participate in CAISO EIM and other regional energy initiatives and consider the impacts on Washington utilities in the context of rate cases or via specific tariff filings made by the utilities that are involved in CAISO matters.

Related Budget Activity: Economic regulation of utility and transportation companies. (A014)

Performance Measure: The commission will evaluate its performance on these objectives based on the timeliness of rule adoptions and policy statements, as well as through examining the effectiveness of revised rate designs in the context of individual rate cases.

Linkage to Governor's Priorities: Encouraging evaluation of emerging technologies and evaluating energy infrastructure investments supports goals two and three of the governor's priorities: Supporting a Prosperous Economy and Sustainable Energy and a Clean Environment.

Streamlining regulatory process to better fulfill statutory objectives supports goal five of the Governor's priorities: Effective, Efficient, and Accountable Government.

TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS.

Tactical Goal: Promote efficient regulation of small businesses.

Responsible Divisions: Regulatory Services

Factors that Support this Tactical Goal: The majority of the private water and commercial ferry companies the UTC regulates, as well as some regulated solid waste companies, are classified as small businesses. These small businesses characteristically have limited access to capital on favorable terms, high fixed costs, and relatively few customers. The resulting costs of production for these companies are therefore higher than the costs incurred by a larger company to provide the same services. Smaller firms also have difficulty attracting and retaining employees with the expertise required to effectively meet the commission's regulatory requirements. These regulated small businesses nevertheless provide essential services and provide the benefits of locally-owned small businesses to their communities.

To ensure that small, often under-resourced companies continue to serve the public interest in providing safe, and reliable service at reasonable and sufficient rates, the commission continually evaluates its regulatory methodologies and expectations of these companies.

Objective: The UTC seeks to gauge the sustainability of the small businesses it regulates and use regulatory methodologies better suited to the needs of these companies and its customers. The commission plans to engage in outreach efforts to educate company owners on their regulatory obligations and to inform customers about the services they receive.

By the last quarter of 2017, the commission will complete the development of these measures and make a determination regarding the next steps required to promote sustainability of small firms, including those operating in the water industry.

Strategy: The commission will develop financial metrics that better address the long-run sustainability of these small businesses and tailor specific practices that use cash-flow methodologies rather than rate-of-return analyses, to assess company operating requirements. The commission will analyze these measures using annual reports and other company data provided on request. In addition, the commission will deploy an owner-employee education program in the water industry to develop state-wide best practices for companies and inform customers about the true value of water resources and the benefits of supporting a healthy local water company.

The UTC will measure and benchmark financial data of regulated small businesses. These financial measures, derived from reviewing annual reports, will support an assessment of the financial health and viability of each small company regulated by the commission. Staff will employ an iterative approach to monitor the effectiveness of education, financial benchmarking, and cash-flow analyses based on a recurring analysis of annual reports and rate filings to see if company-specific financial metrics have improved.

Related Budget Activity: Economic regulation of utility and transportation companies. (A014)

Performance Measure: The commission will measure improvements in the annual financial scoring of companies classified as small businesses.

Linkage to Governor's Priorities: The promotion of efficient management and regulation of small businesses supports goal two of the governor's priorities: Supporting a Prosperous Economy.

TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS.

Tactical Goal: Address issues associated with access to affordable communications service for rural and low-income customers.

Responsible Divisions: Policy and Legislation

Factors that Support this Tactical Goal: Federal and state governments have established programs to assist telecommunications companies in serving low-income and rural customers. This assistance has historically been targeted to support the provision of voice services. To this end, the Federal Communications Commission (FCC), with administrative assistance from the states, provides lifeline and universal service funding while the Washington Legislature enacted a temporary state-administered Universal Service Fund, which provides funds to qualifying rural telecommunications providers that risk rate instability due to competition and associated revenue erosion.

However, as broadband and data services have become critical services for economic growth and development, voice services have increasingly become adjuncts to broadband and data services, requiring both the FCC and the states to re-evaluate existing forms of support. The commission, therefore, must ensure that current programs supporting voice service operate effectively and efficiently while working with the FCC and the Legislature to explore ways to support the affordability and wider availability of broadband and data.

Objective: The UTC intends to work with the FCC to administer and, as needed, modify the impact of federal Lifeline and high-cost rural service programs as they evolve to incorporate broadband funding efforts. The UTC also will assess how the state Universal Service Fund is functioning. Specifically, the commission will review the extent to which the fund effectively promotes investment in rural telecommunications infrastructure and ensures that customer rates remain affordable.

Strategy: Commission staff will participate with the FCC through policy workshops or rulemaking procedures as appropriate to assess the Universal Service Fund and promote broadband expansion. The UTC will also prepare a special report to the Legislature by December 2017 on the state-administered USF that evaluates the extent to which the program is achieving it objectives.

Related Budget Activity: Economic regulation of utility and transportation companies. (A014)

Performance Measure: The commission will measure its performance with respect to participation in federal programs according to the FCC's requirements. In addition, the commission's special report to the Legislature will provide an assessment of how well the state-administered Universal Service Fund program is supporting rural telecommunications service.

Linkage to Governor's Priorities: Improving access to communications services in low-income communities supports goal two of the governor's priorities: Prosperous Economy.

ENSURE THAT REGULATED COMPANIES PROVIDE SAFE AND RELIABLE INFRASTRUCTURE ON WHICH THE STATE'S ECONOMY DEPENDS.

Tactical Goal: Enhance the reliability of regulated utility services.

Responsible Divisions: Regulatory Services

Factors that Support this Tactical Goal: Customers, including residential, commercial, and industrial customers, expect their utility service to provide without interruption the dial tone, electric current, natural gas, or water for which they pay. Reliable electric service is especially critical, as electricity powers communications and water service. To provide such constant and reliable service, utilities serve their customers using facilities that must be constantly monitored, maintained, and modified to provide uninterrupted, high-quality service. Threats to network integrity come from a variety of sources. Storms and other natural events often cause extensive damage to utility infrastructure. Excavation contractors' failure to request that utilities locate facilities before digging can result in ruptures of pipelines or disruption to 911 service. Cyber-attacks and vandalism also can result in network disruption. Occasionally the companies themselves are responsible for system failures due to inaccurate identification of facilities, inadequate replacement of aging infrastructure, or computer software deficiencies. All of these potential hazards highlight the importance of constant network monitoring.

The commission works closely with utilities to ensure they are using all reasonable means to provide reliable service, respond to outages, and enhance their network reliability. However, companies may in some cases choose not to make adequate network investments to replace and upgrade aging infrastructure due to the pressures of increased competition, consumer-owned sources of alternative energy, and flat revenues.

Objective: The commission will monitor network investment levels and activities as part of various regular proceedings, including energy company rate cases and integrated resource plan workshops and presentations. The commission will revise its rules and other requirements as necessary to address areas where investment and preventive actions are insufficient to ensure adequate network reliability.

Strategy: The commission will establish electric reliability benchmarks and standards through statistical analysis and will conduct workshops in 2017 to discuss implementation with stakeholders. The commission will examine the resiliency of telecommunications and electrical distribution networks through formal questionnaires concerning company operations and by tracking how quickly companies restore service after outages. As part of energy company rate cases filed during FY 18 and FY19, the commission will also examine how decoupling and conservation incentives to promote cost-savings may affect reliability and service restoration.

Related Budget Activity: Economic regulation of utility and transportation companies. (A014)

Performance Measure: The commission will measure and compare company operations over time, including the average length of outages, the annual number of outages that exceed five minutes, the

number of customers affected, and the time required to restore service. The UTC will measure its performance in the context of the electric service reliability of the companies it regulates based on the System Average Interruption Duration Index and System Average Interruption Frequency Index.

Linkage to Governor's Priorities: Enhancing the reliability of regulated utility services supports goal four of the governor's priorities: Healthy and Safe Communities.

IMPROVE THE UTC'S BUSINESS PERFORMANCE AND ENVIRONMENT FOR THE BENEFIT OF THE PUBLIC, REGULATED COMPANIES, AND COMMISSION EMPLOYEES.

Tactical Goal: Improve and promote connectivity, accessibility, and public participation.

Responsible: Senior Management Team

Factors that Support this Tactical Goal: As the commission and its customers become increasingly more mobile, it is important to utilize new technologies in order to maintain the level of transparency our customers and stakeholders require.

The commission has made efforts in recent years to retire legacy software and management systems and implement technology advances to improve how we do business. We retired our remaining Lotus Notes infrastructure in the lase biennium, eliminating our reliance on out-of-date software and reducing the complexity of the commission's software environment.

The retirement of Notes was complemented by a transition to a browser-based SharePoint environment. We are now examining how to improve the availability of our technology products to our customers. This includes improving mobile accessibility of our websites and databases, ensuring timely, accurate data is available to the public, stakeholders, and employees, making it easier to do business with the commission. As technology products evolve and upgrade, we must adapt by implementing enhanced video conferencing services, improving electronic filing options, and ensuring our staff have the ability to connect to our SharePoint servers when working remotely or away from the office.

The commission is also committed to developing a mobile workforce, in accordance with Gov. Inslee's Executive Order 16-07, Building a Modern Work Environment. As the governor directed, we must use technology to support a workforce that can adapt and be more responsive to customers. This will require significant technology improvements, and an overall change in the way we do business. As part of a modern work environment, we must develop tools for our employees to promote flexibility, collaboration, and productivity.

Objective: By July 2018, the commission will enhance mobile connectivity and accessibility, by:

- Implementing online forms to simplify obtaining a permit, paying a fee, or filing an annual report;
- Enhancing access and use of new technologies, including video conferencing and electronic document filing;
- Evaluating public access for open data and collection of personally identifiable information, when building or redesigning information systems; and

- Ensuring our data and technology systems support employees working remotely from commission offices.

Strategy: The commission will work with state partners to develop a mobile technology strategy. We will look at how the mobile technology strategy fits with our business strategies, objectives, and performance measures. We will identify requirements, and design, develop or adopt technology to support increased mobility and accessibility. This will include training for commission employees to increase awareness about the availability of new technology and appropriate use.

Related Budget Activity: All four UTC budget activities will benefit from this tactical goal.

Performance Measure: The measures for all agency activities will benefit from this tactical goal.

Linkage to Governor's Priorities: Developing a more mobile workforce supports goal five of the governor's priorities: Effective, Efficient, and Accountable Government.

IMPROVE THE COMMISSION'S BUSINESS PERFORMANCE FOR THE BENEFIT OF THE PUBLIC, REGULATED COMPANIES, AND EMPLOYEES.

Tactical Goal: Build a dynamic work community that engages and encourages commission employees.

Responsible: Senior Management Team

Factors that Support this Tactical Goal: As an employer, the commission has many advantages: our work is important and interesting; we have a talented work force; and we have a dedicated funding source, which protects us from the periodic fiscal challenges faced by agencies funded by the state general fund. However, like all employers, the commission is facing considerable turnover as employees that were born into the baby-boom generation retire, and younger generations do not tend to work for the same organization their entire career. Thirty percent of our employees are eligible to retire within five years. Not surprisingly, those eligible to retire are among our most knowledgeable, and many of them are managers.

As we work to ensure a seamless succession and a qualified workforce, we face many challenges. In several areas, our salaries are not competitive. This has been a particular challenge in recruiting experienced people for our pipeline and transportation safety programs.

Many graduates of business and professional schools, which we tend to hire into our economic regulation program, prefer to live in dense urban areas like Seattle or Portland, not in Olympia.

While there is little we can do about some of these challenges, we can take steps to make our work culture one that is attractive to capable, talented people. To do this we will emphasize enhancing professional development, developing a lean culture, and building community.

Objective: The commission will maintain a high rate of employee engagement and job satisfaction as measured by the percent of positive responses given by employees in the annual employee survey.

Strategy: The commission will pursue the following strategies:

Enhancing professional development and opportunities for growth. The commission will use operating budget surpluses to increase opportunities for junior and mid-level employees to attend training and conferences. We will also bring in speakers on topics of broad interest and benefit. Finally, we will establish a mentoring program and opportunities for employees to take on new assignments or more technically complex work.

Developing a lean culture. The commission is currently working with a contractor to foster more employee engagement and implement a management system that will help us build continuous improvement and problem solving into how we do our work. This developmental work will be completed by the beginning of FY 17 and commission management will be using the new system by FY 18. It is our expectation that, over time, the new system will result in greater employee participation in lean efforts and improved overall commission performance.

Building community. The commission holds various employee events each year, such as spring and fall training forums, a summer potluck, and various recognition events. One of the objectives of these events is to build a sense of community among employees. In 2014, we adopted new agency values of respect, professionalism, integrity and accountability. They have become the foundation for discussing the commission's working environment and the standard to ensure this environment remains inclusive and high performing. We will continue to emphasize our values in communications with staff.

Related Budget Activity: All four UTC budget activities will benefit from this tactical goal.

Performance Measure: The commission will measure our success based on the Statewide Employee Survey results, with the goal of remaining in the top 10 percent for positive response rates among executive cabinet agencies.

Linkage to Governor's Priorities: Developing our work culture supports goal five of the governor's priorities: Effective, Efficient, and Accountable Government.

PERFORMANCE ASSESSMENT

In evaluating our mission to regulate the rates, service quality, and safety of privately owned utility and transportation companies, the commission uses different measures, including OFM budget activity measures, to gauge performance and inform operational and strategic decision making.

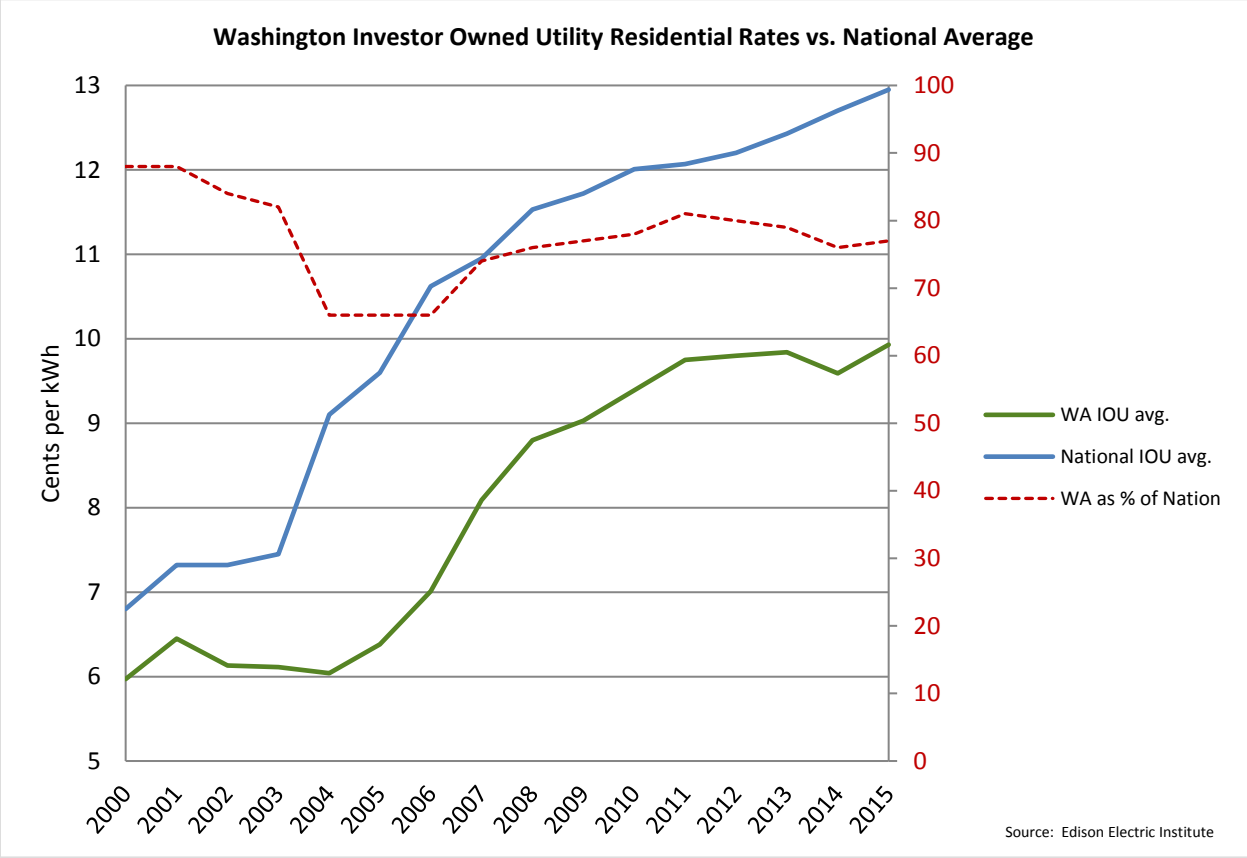
The commission must respond to filings made by regulated companies often under deadlines set by law. It is difficult to predict with certainty what might come in the door for analysis and decision. In addition, new market conditions, technology shifts, changes in federal and state laws, and consumer expectations create a dynamic policy landscape.

While these factors combine to make meaningful performance measures a challenge, the commission uses these tools where it makes sense. Several of these measures are highlighted here.

Washington Electricity Rates

This measure shows the average residential rates of investor-owned utilities (IOUs) regulated by the commission, compared to average IOU rates nationally. The dotted line indicates that Washington rates were increasing at a rate less than the national average increase until 2007, then a slight upward movement, but relatively constant at 80 percent of national rates in the past few years. This demonstrates a significant competitive advantage in rates compared to the national average.

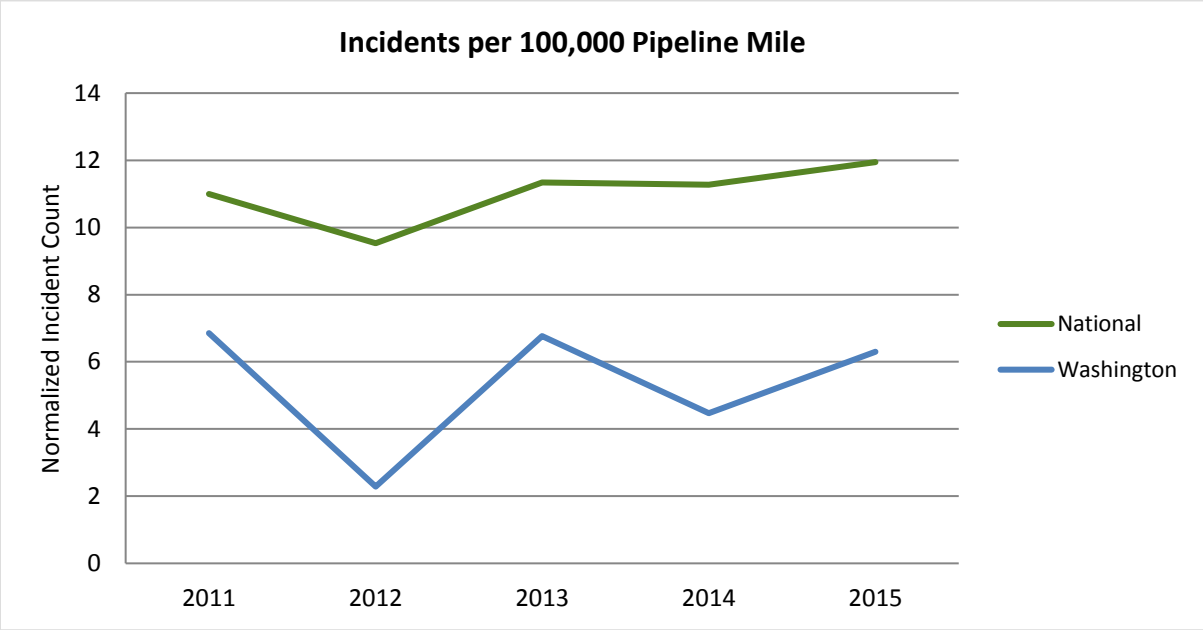
Cost drivers in Washington are substantially related to infrastructure investments for replacement of aging plants. Recent rate plans the commission has approved may mitigate rate increases in Washington over the next few years, however, it is important to note that rate levels are influenced by variables that are outside the control of the commission. Some of these variables are the general state of the economy, population changes, and weather, all of which will influence load growth and an IOU's revenue, investments, and expenses.



Pipeline Incidents

The commission monitors pipeline operators to ensure they follow state and federal safety regulations in the operation of their pipelines. Many of those regulations are intended to prevent events that may result in a pipeline incident. Despite commission monitoring and enforcement of these regulations, there are significant accidents in Washington each year, often the result of a third-party damaging a pipeline by excavation or other outside force.

A significant incident is one that involves death or injury requiring hospitalization. When the incidence of pipeline incidents is normalized to the number of incidents per 100,000 miles of pipeline, Washington's significant incident rate is typically lower than the national rate. As shown in the chart below, Washington has been below the national rate from 2011 to 2015. Part of the variability in Washington's year-to-year numbers is due to the small number of significant incidents, typically four or fewer each year.

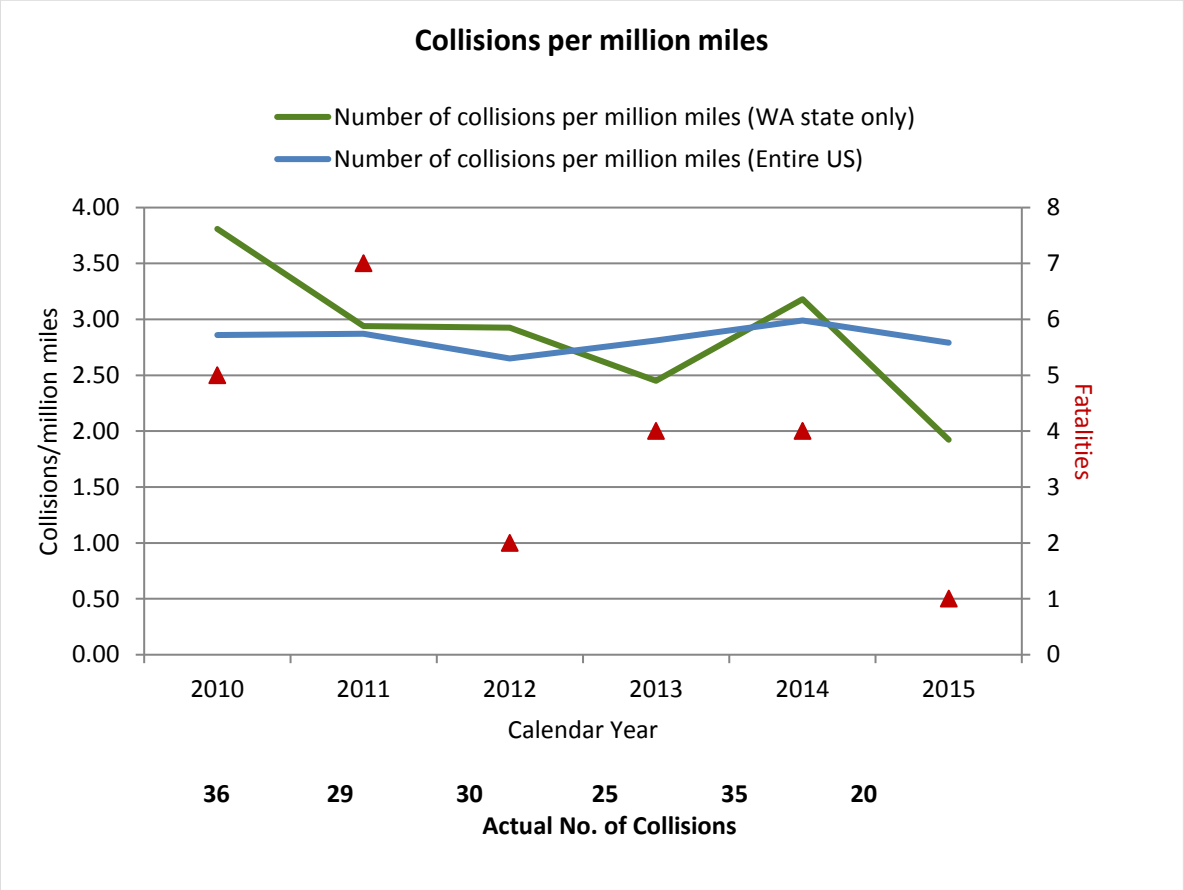


Rail Crossing Collisions

There are approximately 3,000 public railroad grade crossings in Washington. Over the past five years, there has been an average of 30 vehicle-train collisions per year at public crossings in the state. The commission undertakes a number of activities to improve motor vehicle safety at railroad crossings in Washington.

One of the measures the commission uses to monitor crossing safety is the rate of crossing collisions per million-train miles. This measure allows the commission to control for the changing volume of train traffic in Washington over time. It also allows the commission to compare Washington's experience to the national collision rate.

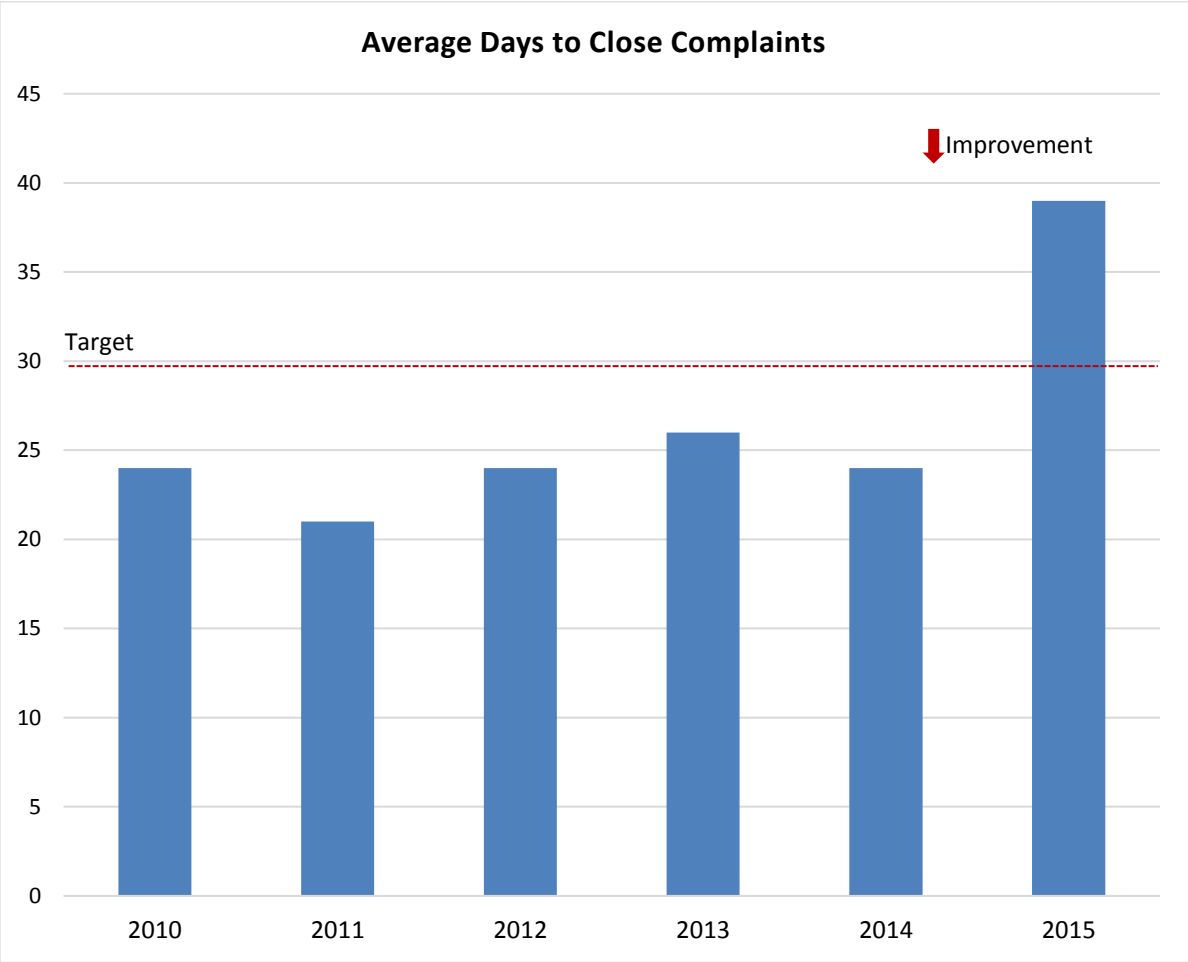
The rate of train-vehicle collisions at crossings in Washington has declined for most of the period shown. The uptick in 2010 and 2011 is the result of declining Washington train-miles during those years. The number of collisions held steady at 36 in 2010 and declined to 21 in 2013. The number of fatal accidents spiked in both 2010 and 2011, then declined to two per year in 2012 and 2013. Commission rail safety staff continue to identify and implement strategies to improve safety at rail crossings.



Average Number of Days to Close Consumer Complaints
This measure tracks the average number of days a consumer complaint received by the commission's Consumer Protection Section stays open before resolution. This measure is an indication of how much time it takes the commission to address consumers' concerns.

While the consumer complaint team has typically met the target for closing complaints, that target was not met in 2015 due to a number of factors including staffing shortages and a complaint database failure. During 2015, a third of the consumer complaint staff team were new hires in training. Training for consumer complaint investigators is typically 6-18 months while they work closely with a trainer to ensure proper application of state statutes, rules, and tariffs. In-training team members' complaints are expected to take longer to close on average.

In addition to continued staffing challenges, there was a failure of the commission's complaint tracking system in August 2015. This caused a three-month service disruption that created a backlog of data. This had a significant impact on complaint staff's ability to close complaints.



STATUTORY AUTHORITY OF THE COMMISSION

The commission regulates utilities under authority granted in Title 80 and transportation companies under Title 81 of the Revised Code of Washington (RCW). The commission's rules are in Title 480 of the Washington Administrative Code (WAC).

The following chapters authorize the commission's utility regulatory programs:

80.01	Utilities and Transportation Commission
80.04	Regulations – general, including hearing procedures, annual reports, etc.
80.08	Securities
80.12	Transfers of property
80.16	Affiliated interests
80.20	Investigation of public service companies
80.24	Regulatory fees
80.28	Gas, electrical, and water companies
80.36	Telecommunications
80.50	Energy Facilities – site locations
80.54	Attachments to transmission facilities
80.60	Net metering of electricity
80.66	Radio communication service companies
80.80	Greenhouse gases emissions – baseload electric generation performance standard

The following chapters authorize the commission's transportation and safety programs:

81.04	Regulations -- General
81.08	Securities
81.12	Transfers of property
81.16	Affiliated interests
81.20	Investigation of public service companies
81.24	Regulatory fees
81.28	Common carriers in general
81.44	Common carriers -- Equipment
81.48	Railroads -- Operating requirements and regulations
81.52	Railroads -- Rights of way -- Spurs -- Fences
81.53	Railroads -- Crossings
81.54	Railroads -- Inspection of industrial crossings
81.66	Transportation for persons with special needs.
81.68	Auto transportation companies
81.70	Passenger charter carriers
81.77	Solid waste collection companies
81.80	Motor freight carriers (trucking and household goods movers)
81.84	Commercial ferries
81.88	Gas and hazardous liquid pipelines
81.108	Low level radioactive waste disposal sites
19.122	Underground utilities