



# UTC

Washington Utilities  
and Transportation  
Commission

2019–2021

**Strategic Business Plan**

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# About the UTC



The Utilities and Transportation Commission protects the people of Washington by ensuring 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 Washington consumers, who pay in excess of \$6.5 billion annually for these vital 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, community solar projects, landline telecommunications, solid waste collection, water systems, natural gas and hazardous liquid pipelines, railroad carriers, residential movers, commercial ferries, passenger buses, low-level nuclear waste storage, and marine pilotage.

The type and purpose of regulation for each industry 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 advances, federal and state laws, and evolving consumer expectations make for a dynamic policy landscape.

The commission's anticipated budget for the 2019–21 biennium is \$72.1 million. The agency has 175.7 full-time equivalent positions. Operations are supported through fees paid by regulated companies. Federal grants fund some activities affecting pipeline and motor carrier safety.

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.



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# Mission, Vision & Values

## Mission

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

## Vision

The UTC is recognized for its excellence and integrity as a regulator of utility and transportation services and as a great place to work.

## Values

### Respect

We treat every person and interaction with consideration and goodwill.

### Professionalism

We are committed to excellence in our work and conduct.

### Integrity

We do the right things for the right reasons, trusting others to do the same.

### Accountability

With courage, we hold ourselves and each other accountable for exhibiting these values.



# 2017–19 Goal Review

Through the 2017–19 biennium, the commission increased public safety and awareness around hazardous material transportation, tailored regulation to the requirements of evolving markets, enhanced utility service reliability, promoted connectivity and accessibility, and improved business performance to benefit employees, regulated firms, and the public.

## Promoting public safety

Implemented House Bill 1449: Concerning Oil Transportation Safety

- Hired eight rail inspectors; six earned Federal Railroad Administration certification.
- Conducted 60 inspections of private shipper property.
- Established First Class City memorandums of understanding with Bellingham and Richland to participate in the commission's public crossing inspection program.
- Established signage requirements and inspection schedules for private crossings.

Approved more than \$1 million to fund safety upgrades at three at-risk crossings on oil routes.

Earned a perfect score on the Pipeline and Hazardous Materials Safety Administration's compliance audits two years in a row.

## Providing national and international leadership

UTC leaders participated in regional, national, and international forums and organizations, addressing electricity markets, critical infrastructure and grid security, pipeline and railroad safety, technological developments in electricity services, consumer protection, and developments in natural gas markets and services.

## Tailoring regulation to evolving markets

Worked with stakeholders to reshape energy resource and distribution planning and electric power purchasing.

Developed foundational policies around energy storage, electric vehicle infrastructure, and distributed energy regulation.

Worked with the Governor's office and Legislature to direct \$800,000 in broadband funding for the Quileute Tribe in La Push, Wash.

## Ensuring safe, reliable infrastructure

At the state level, the UTC participated in Gov. Inslee's Resilient Washington Subcabinet for earthquake resiliency and conducted a biennial review of electric reliability, resiliency, and cybersecurity best practices.

## Improving UTC performance and work environment

Secured new UTC headquarters for occupancy in 2019 to improve operational and energy efficiency and reduce both office square footage and carbon footprint.

Committed to a 100 percent mobile-ready workforce by mid-2019.

Achieved an 80+ percent positive response rate on the Statewide Employee Survey since 2015, with 100 percent of employees responding each year.



2019–21

# Goal 1: Protect Consumers

To protect consumers, the commission ensures the services of regulated companies are safe, available, reliable, and fairly priced. As technology changes the way consumers interact with regulated companies, it's important that the commission adapts rules for efficiency, security, and to reduce regulatory burden, all while ensuring consumer protections remain in place.

Responsible division: Consumer Protection & Communications  
Governor's priority: Healthy and Safe Communities

## Adapt consumer protection rules to modern technology

Update water industry rules to allow for electronic billing and ensure customers have the ability to participate or opt-out.

Revise household goods rules to allow real-time visual inspections for estimates using video conferencing technology.

## Ensure consumers are protected as utilities implement advanced meter technology

Address concerns related to health and safety, privacy and data security, and impacts on customer bills as utilities continue to deploy advanced meter technologies.



2019–21

# Goal 2:

# Advance Public Safety

The UTC regulates railroad safety by investigating train derailments and other incidents, inspecting railroad crossings, approving safety projects, and promoting outreach and education. The UTC partners with the Federal Railroad Administration to inspect track, hazardous materials, train control, operating practices, and equipment.

Responsible division: Transportation Safety  
Governor’s priority: Healthy and Safe Communities

Improve railroad safety and increase public awareness

Evaluate vehicle–rail accident data to identify at-risk rail crossings and coordinate with railroad and road authorities to determine appropriate upgrades and available funding.

Continue discussions with WSDOT, railroads, and local road authorities to seek funding for at-risk crossings along oil train routes.

Leverage social media to expand rail safety outreach and seek funding opportunities for innovative, geo-targeted advertising in high-incident areas.

The UTC regulates 31 pipeline operators and conducts safety inspections on more than 41,000 miles of natural gas and hazardous-liquid pipelines in Washington. The UTC also enforces the state’s “dig law” and provides information on underground utility safety to stakeholders and the public.

Responsible division: Pipeline Safety  
Governor’s priority: Healthy and Safe Communities

Enhance protection of vital underground utilities

Review recommendations from the 2018 report of the Governor-appointed Citizens Committee on Pipeline Safety, prepared by the Pipeline Safety Trust, to prioritize and implement improvement actions.



2019–21

# Goal 3:

# Adapt Regulation to Evolving Markets

As industries in Washington face technological and market advances as well as changing customer expectations, the commission will continue to adapt its regulatory models to industries' evolving regulatory needs.

Responsible divisions: Regulatory Services, Policy, and Legislative Affairs

Governor's priorities: Supporting a Prosperous Economy; Sustainable Energy and a Clean Environment; Effective, Efficient, and Accountable Government

## Address technological and infrastructure changes in regulated industries

Explore alternatives to traditional regulation in order to modernize regulatory models.

Evaluate proposals for Western energy market development and participate in discussions to ensure proposals provide net benefits to Washington's utility ratepayers.

Respond to the effects of emerging technology on regulated transportation industries.

## Address recycling challenges

Engage with counties, consumers, and waste haulers to respond to international recycling restrictions.

## Support rural and low-income access to affordable communications services

Oversee distribution of funding for tribal broadband expansion in La Push, Wash.

Track and participate in national broadband initiatives to maximize Washington's share of federal funding and to inform state rural broadband policies.

Improve state policy concerning wireline companies' obligations to provide service.

## Streamline small business regulation

Promote efficient regulation of, and provide technical guidance to, small water companies.

Work with the residential moving industry to encourage competitive pricing.

Develop and implement rules to create transparency in establishing marine pilotage rates.





2019–21

# Goal 4:

# Improve Business Performance

The commission has built a community focused on improving customer service and operational efficiency for our employees, consumers, and regulated companies.

Responsible division: Senior Leadership Team

Governor's priority: Effective, Efficient, and Accountable Government

## Ensure the long-term financial health of the commission

Continue to monitor and evaluate the commission's financial health, exploring opportunities for cost savings and efficiencies.

Ensure adequate financial resources are available to carry out the UTC's mission.

## Implement One Washington

Deploy One Washington finance and procurement functions to ensure access to data that is accurate, timely, and meets the business needs of decision makers.

## Improve connectivity and accessibility

Improve public access to the UTC by incorporating technology upgrades and web streaming services to proceedings and public meetings.

## Cultivate the employee experience

Foster a work environment that exemplifies the UTC's values and promotes collaboration, open communication, diversity and inclusion, and personal growth and development.



# External Capacity

Commission-regulated industries face significant new demands due to evolving technologies, emerging markets such as transportation network companies, increased rail traffic, and changing customer expectations. As a result, companies regularly present new and complex issues for the commission to address.

## Utility Regulation

- The commission's role in utility regulation has adapted due to evolving markets and developing technology to ensure the consumers of Washington's investor-owned utilities are protected from unsafe or unreliable service and unfair rates.
- The commission is addressing issues related to carbon reduction regulations, the rapid decline of energy generation costs, and continually evolving regional market developments. The implementation of advanced grid technology, increasing demand for electric vehicle charging infrastructure, and changing customer demands for cleaner, customer-owned generation create challenges related to utilities' evolving regulatory needs.
- The commission continues to engage in discussions surrounding the regionalization of the Western state electric grid. The commission actively participates in the Body of State Regulators, which acts as a forum for commissioners throughout the Western U.S. to provide advice and perspectives on the Energy Imbalance Market, a voluntary, automated, real-time market for balancing electricity supply and demand for utility service territories.
- The region's utilities are responding to the impact of sustained low natural gas prices and environmental regulations on the long-term operations of coal-fired generation resources. The commission has approved accelerated depreciation for Washington utilities' coal plant resources to mitigate the impact of pending coal-plant closures on ratepayers.



## Transportation Regulation

- The 2018 Washington State Legislature directed the UTC to convene a task force and provide recommendations by December 2018 regarding the most effective method of regulating digital application-based “micro-movers.” The task force will explore the question of whether or not existing state law is adequate in the regulation of intrastate household goods movers that utilize emerging technology to transport residential goods for compensation. The UTC will address concerns that digital app-based micro-movers have expressed with the existing regulatory framework while ensuring that public safety and consumer protections are not compromised.
- The commission is assisting the Legislature’s Joint Transportation Committee in examining the regulation of ride-share companies, also known as transportation network companies, such as Uber and Lyft. Two studies comparing state and local regulations aim to improve the consistency and competitive fairness of the current regulatory frameworks and evaluate the most effective public safety regulations.
- In 2018, the Legislature transferred marine pilotage rate-setting authority from the Board of Pilotage Commissioners and the Port of Grays Harbor district to the UTC, effective July 1, 2019. The legislation also authorized the commission to include in rates the reasonable costs for setting tariff rates. The commission is currently developing rules for marine pilotage rate proceedings.
- In 2015, the Legislature passed House Bill 1449, affecting the regulation of railroads within Washington state. Since the passage of the bill, the commission has adopted rules necessary to implement the legislation, upgraded its rail database to collect more relevant data and information, implemented inspections at private shippers property, worked with railroads to install appropriate signage at private crossings located on oil routes, and identified financial responsibility for railroads that transport oil. Ongoing initiatives include additional action for at-risk crossings located on oil train routes and an effort to allow First Class Cities, previously exempted, to opt-in to the UTC’s crossing safety inspection program.



# Internal Capacity

The commission's workload is increasingly complex and diverse, with frequent rate cases, conservation and renewable energy legal requirements, increased transportation safety issues, technological changes, and environmental mandates. We must attract and retain talented employees for careers in economics, finance, law, engineering, consumer protection, administration, safety, and public policy while competing with the private sector and municipal utilities, where salaries are historically higher than those offered by state government.

## Building Community and a Modern Work Environment

- The commission is building community and improving its culture by focusing on its core mission and values and by providing an upgraded work environment for employees, customers, and the public.
- In the spring of 2019, the commission will move into newly renovated headquarters located in Lacey, Wash. The new UTC building will provide more secure, accessible space for public meetings, offer a workplace design with a variety of areas for collaboration and focus, improve energy efficiency and produce power through rooftop solar panels, and reduce the agency's real estate footprint by 20 percent.
- The commission has adopted lean concepts to provide more streamlined regulation, deliver more responsive services to our customers, and encourage employee engagement. The commission is training employees in lean principles and providing them with tools for evaluating, prioritizing, and implementing process improvements across the organization and allocating resources where needed.
- In 2017, the commission's senior leadership developed and implemented a management system to identify core processes connected to the mission, vision, and values of the commission. The leadership team also developed measures to track progress and trends, addressing areas of improvement.
- The senior leadership team continues to address succession planning, performance management, and organizational development. As a result, the commission earned an 81 percent *employer of choice* score on the 2017 Washington State Employee Engagement Survey with a 100 percent employee response rate.



# Financial Health

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 pipeline safety and motor carrier safety programs. This funding is conditional on the commission meeting program standards.

## Building Financial Sustainability

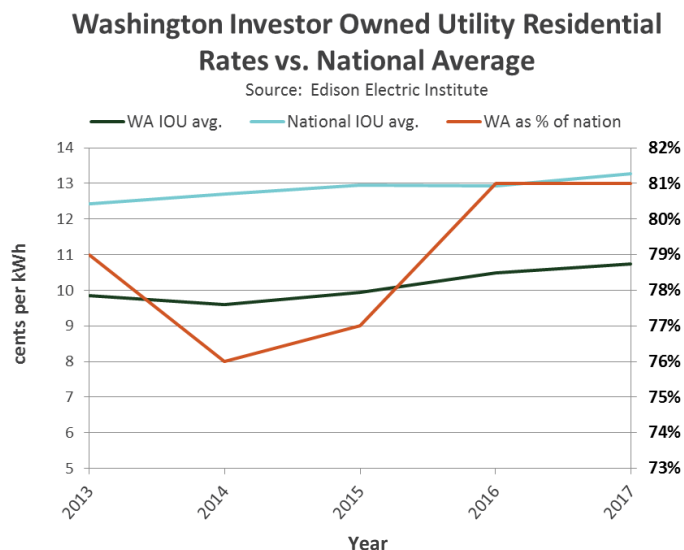
- Since 2010, revenue from regulatory fees has leveled off. This is due to slower load growth for electric utilities because of the success of conservation and energy-efficiency programs and the continued migration of landline telecommunications customers to cellular and cable-based services. Over the 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.
- The commission will continue to evaluate and monitor opportunities for cost savings, utilizing a financial model to better track budget variances and ensure the financial health of the organization.
- Washington's core financial system is more than 30 years old and long due for an overhaul. One Washington is a comprehensive business transformation program to modernize and improve aging administrative systems and related business processes across state government. Four key business areas are affected: financial, procurement, budget, and HR, which includes payroll. The commission will be included in the Wave 1 initial rollout for the implementation of finance and procurement systems, scheduled for July 2021. The commission is currently analyzing internal business processes in preparation for the implementation.



# Performance Assessment

The commission uses different measures to gauge its performance and inform operational and strategic decision-making. While a number of factors combine to make meaningful performance measures a challenge, the commission uses measurement tools where they make sense.

## Energy Rate Comparison



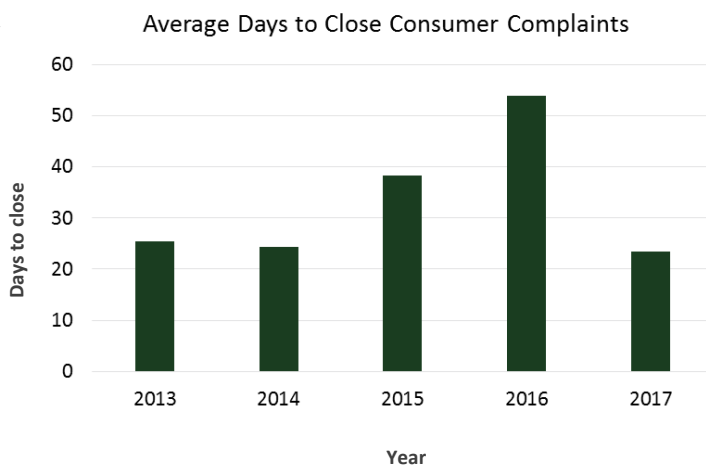
◀ In 2013, Washington electric rates decreased relative to the national average. Since then, increases have brought Washington rates to about 80 percent of the national average, demonstrating a competitive advantage.

Cost drivers in Washington are significantly related to infrastructure investments to replace aging generation facilities. While the commission exerts substantial authority over prices charged to customers, rate levels are influenced by many variables that are outside the UTC's control. These include the state of the economy, population changes, and weather, all of which influence load growth, investments, and expenses.

## Closing Consumer Complaints

▶ The average number of days to resolve consumer complaints received by the commission's Consumer Protection Section is an indication of how much time it takes the commission to address consumers' concerns.

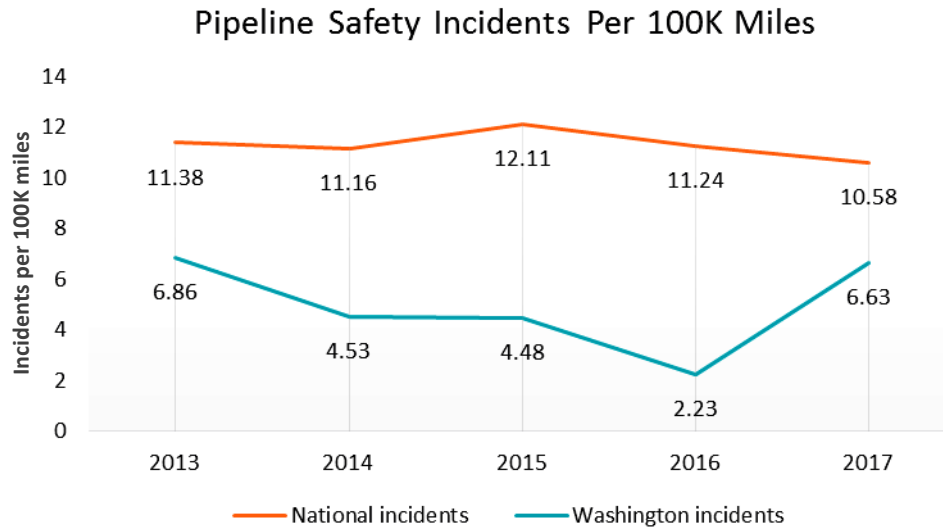
After the 2016 replacement of the failing legacy consumer complaint database and the return to full staffing levels on the complaint team, complaints are closing, on average, under the 30-day target.



## Pipeline Safety

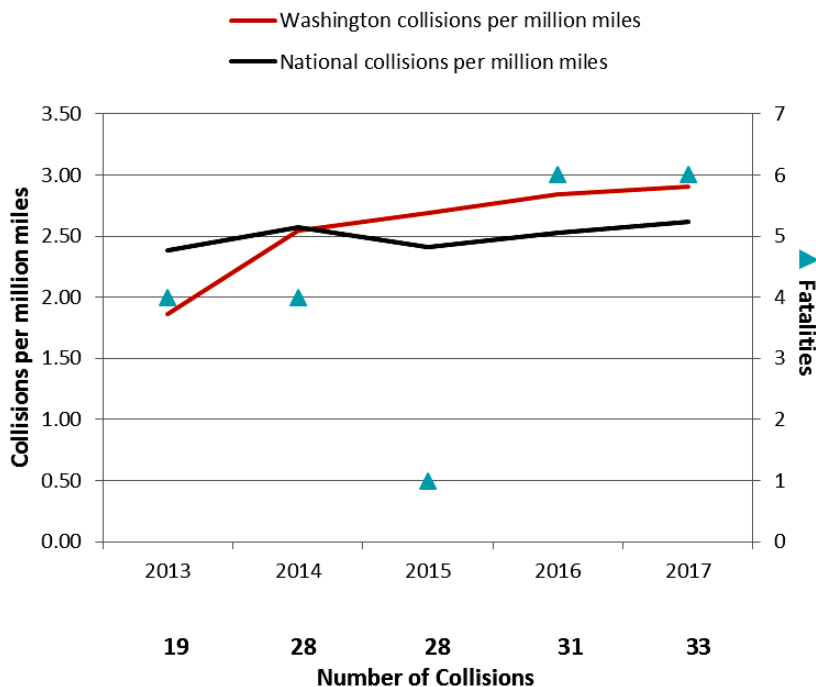
Despite enforcement of pipeline safety laws, significant underground utility incidents occur each year, often as a result of third-party damage. Significant pipeline incidents are those involving death, hospitalization, explosions or fire, release of volatile liquid, or costly property damage.

Washington's significant incident rate is usually lower than the national rate, typically four or fewer each year, as shown in this chart.



## Rail Crossing Safety

### Train–Vehicle Collisions



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

While the rate of train-vehicle collisions at crossings in Washington hit an all-time low in 2013, collision rates have been increasing slightly for the past five years. Commission rail safety staff are identifying and implementing strategies to improve safety at crossings with multiple collisions.

# UTC's Statutory Authority

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 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
- 81.116 Marine pilotage rate-setting
- 19.122 Underground utilities

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 and community solar projects
- 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

