

Strategic Plan 2009- 2011



Chairman's Message



The mission of the Utilities and Transportation Commission (UTC) is to protect consumers by ensuring that investor-owned, monopolistic utility and transportation services are fairly priced, reliable and safe.

While this mission is clear enough, the considerations that guide our day-to-day decisions are often complex. They require a thorough understanding of the companies and services we regulate, the markets in which they operate, the needs and interests of the public, our available resources and the statewide priorities of government. Our decisions must take into account, among other things, changes in today's marketplace for utility and transportation services, environmental imperatives such as addressing global climate change, and the need to maintain qualified staff at a time of baby-boomer retirements.

This strategic plan sets forth goals and objectives that will guide our thinking and actions during the next two years. We will strive to improve service to consumers and regulated companies by upgrading our information systems, reviewing our internal processes, and streamlining company reporting requirements. We will tailor regulation to the needs of the market, reducing costly regulations where they are no longer needed and ensuring that ongoing regulations are consistent with the state's goals of environmental protection, health and safety, and reliable service. We will maintain the high quality of our work by implementing strategies to attract and maintain the best talent available, showcasing the UTC as a great place to work. We will measure our results and adapt as necessary to achieve our goals.

This plan is the result of a thorough and inclusive process at all levels within the UTC, and I want to thank the members of the Commission staff who participated in developing it. The knowledge, integrity and creativity of the UTC staff are always in evidence, but what this plan makes abundantly clear is their ongoing commitment to the public they serve.

A handwritten signature in black ink that reads "Mark H. Sidran". The signature is written in a cursive, flowing style.

Mark Sidran
Chairman

Vision, Mission and Core Values

Vision

The Commission is recognized for its excellence and integrity as a utility and transportation regulator, and as a great place to work.

Mission

The UTC protects consumers by ensuring that investor-owned utility and transportation services are fairly priced, available, reliable and safe.

Core Values

Integrity

Respect

Service

Collaboration

Professionalism

Diversity

Richard Hemstad Building
STATE OF WASHINGTON
UTILITIES &
TRANSPORTATION
COMMISSION

Introduction

Agency Profile

The Washington Utilities and Transportation Commission (UTC) protects consumers by ensuring that investor-owned utility and transportation services are fairly priced, available, reliable and safe. We do this by balancing carefully the interests of the companies providing the services with the interests of the consumers who pay in excess of \$6 billion annually for these services. This is a role the agency has performed for more than 100 years and one that has required considerable adaptation over time.

The UTC regulates a wide range of services provided by investor-owned companies including: telecommunications (not including wireless, Internet or cable), electricity and natural gas, solid waste collection, water, pipelines, railroad carriers and facilities, household movers, ferries and buses. For each industry, the type and purpose of regulation varies, as does our authority and jurisdiction. Generally, we regulate rates, service quality and safety measures. New market conditions, technology, federal and state laws, and consumer expectations make for a dynamic policy landscape.

The UTC values the ability of the public and companies to gain access to information about our regulatory activities. We have an active communications office to keep the public informed of significant developments. Our Internet site is designed to be easily accessible to consumers, regulated companies and any interested person. Our public records are usually available online within 24 hours of being filed, and paper copies are available through our records center. Our general business meetings and documents are open to the public, as are our formal hearings. Many members of the public participate in formal UTC proceedings by commenting at public meetings.

The UTC budget is \$37.7 million and supports 150 FTEs for the 07-09 biennium. The budget is supported through fees paid by regulated companies. We also receive federal grant funds.

Since the Washington Railroad Commission opened its doors in 1905, the agency has seen significant changes in the utility and transportation industries and its role has grown and changed significantly. We continue to work in an environment of constant and often unpredictable change, and this requires us to be collegial, reflective and adaptive. Over time, the UTC has developed a strong core of institutional knowledge that contributes to a sense of stability and continuity in our operations.

Table of Contents

Goal 1 Tailor Regulation to the Requirements of Markets	1
Goal 2 Improve Business Performance	5
Goal 3 Maintain a Highly-Qualified Work Force	9
Goal 4 Protect the Environment and Address Climate Change	15
Goal 5 Increase Consumer Protection.....	19
Goal 6 Increase Public Safety	27
Technology Needs.....	33
Assessment of Internal Capacity and Financial Health	34
Performance Assessment	35
Statutory Authority	40



Goal 1

Tailor Regulation to the Requirements of Markets

Utility regulators operate in a dynamic environment. The UTC must adapt to the changing marketplace while ensuring safety and consumer protection.

Statewide Goal: Economy

Improve the Economic Vitality of
Business and Individuals

Tailor Regulation to the Requirements of Markets

Tactical Goal 1: Require regulated water companies to be financially viable and sustainable.

The UTC regulates the rates of private water companies serving 100 or more customers or charging more than \$471 average annual revenue per customer. It currently regulates 61 companies operating 700 water systems serving 80,000 customers, less than five percent of the state's population. We protect these consumers by ensuring that water service is fairly priced, available and reliable. The Department of Health is responsible for ensuring water quality and safety.

Assessment of External Challenges and Opportunities

Private water companies in Washington operate in a challenging environment. With few exceptions, their small size limits their potential economies of scale, yet they face increasing costs to replace and upgrade aging infrastructure and meet water quality standards. Often, their balance sheets include substantial debt (usually used to pay past operating expenses), which they cannot recover from rate payers, and they have little or no equity.

We receive little in the way of regulatory fees from water companies, but staff expends significant resources working with them. Companies must seek UTC approval to raise rates, and because they are often unfamiliar with our regulations or processes, staff must work with them to ensure their filings are complete. Even for the smallest companies, the UTC must conduct comprehensive and time-consuming rate proceedings in accordance with the Administrative Procedure Act. Because these rate cases are often contentious, and customers are not represented by counsel (the Attorney General's Public Counsel section does not participate in these cases) staff must also work with customers to help them understand the process.

Even where the UTC is aware that a water company is failing, it lacks the authority to compel its sale and transfer to a viable private or public utility. Under current law, we must wait until the company goes into receivership, at which point a local public utility must take over the system.

Strategy

The UTC is conducting a comprehensive review of the water regulatory environment and intends to recommend statutory and rule changes to authorize the sale and transfer of failing water systems and significantly improve and streamline the economic regulation of water companies.

The Public Works Board and the Department of Health are currently conducting a water system acquisition and rehabilitation study in cooperation with other agencies and water system interests. The report is due to the Legislature in December 2008. We will participate in the study and provide information, analysis and recommendations for changes in the UTC's authority.

By July 2009, we will adopt rules addressing, among other things, rate design, deferred accounting treatment of revenue requirements, minimum equity requirements, service quality, and alternative methods of rate setting. These rules are intended to streamline the rate setting process, adopt alternate rate setting methods and clarify the UTC's role in consumer protection.

In addition, we will seek approval to request legislation in 2009 that allows the UTC to require a failing water system under its jurisdiction to sell and transfer its assets to a viable regulated water company, setting the sale price equal to the failing water system's rate base.

Objective

By June 2011, 90 percent of water companies will be financially sound or have an approved business plan to become financially sound.

Measure of Success

Companies meet the financial elements of the service quality index or have an approved business plan to meet all financial elements.

Tailor Regulation to the Requirements of Markets

Tactical Goal 2: Review current telecommunications service quality reporting requirements to ensure their continued value and efficacy in an increasingly competitive market.

The UTC regulates 26 local telephone companies and 403 competitive firms, serving 3.3 million Washington customers. These companies generated \$1.6 billion in revenue in 2007. We set rates for incumbent local companies, register competitive companies, review mergers, track service quality, and resolve customer complaints.

Assessment of External Challenges and Opportunities

UTC rules require companies to submit a number of regular, detailed reports addressing service quality. Many of these reports are highly technical and, given the changes in technology and customer behavior in recent years, may be of limited value today. For example, rules adopted to ensure adequate peak-hour dial-up internet access for residential customers are of marginal value now that such access is declining and broadband access is more ubiquitous. Other rules may be unnecessary insofar as customers of a monopoly phone company now have a choice of providers, and market pressures may serve to compel high standards of service quality.

Strategy

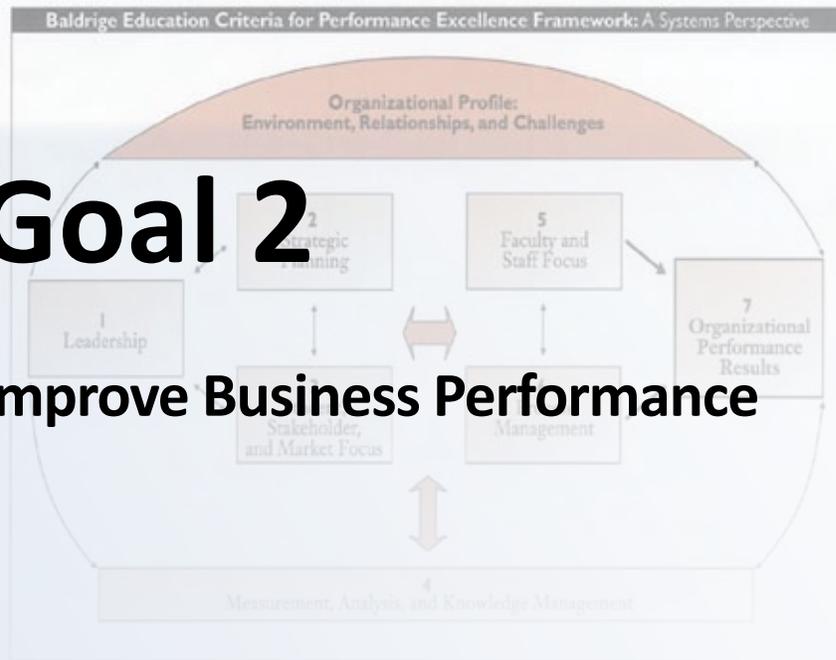
The UTC will review current service quality reporting requirements to determine their continued usefulness, considering changes in technology, network vulnerabilities, and consumer behavior. Where reporting is still warranted, it should be done in a way that provides information for consumers to make meaningful comparisons among competitive providers of similar services, or informs regulators of real concerns that may require remedial action.

Objective

By July 2011 consistent, enforceable service quality targets will be in place for jurisdictional companies.

Measure of Success

Service standards and reporting are revised and service quality-related consumer complaints are reduced.



Goal 2

Improve Business Performance

The UTC will provide more value to customers and improve organizational effectiveness.

Statewide Goal: Accountability

Improve the Ability of State Government to Achieve Results Efficiently and Effectively

Goal 2

Improve Business Performance

Tactical Goal 1: Improve business processes and develop new office applications to achieve an integrated system.

Assessment of External Challenges and Opportunities

The UTC's 07-09 biennial operating budget funded the first phase of the commission's steps to invest in common statewide technology systems. We have operated in a Lotus Notes Domino environment for many years and have other legacy systems we are no longer able to support. We are in the first phase of replacing our core custom applications and databases, which has included a thorough analysis of our business processes and data needs. We completed the Washington State Quality Assessment (WSQA) application in June 2008 and recognize that our current legacy information systems are an obstacle to our success. This system migration is critical to our business success.

Strategy

We will continue this technology transition and submit a budget request to provide on-going consultation services.

Objective

By June 2011, the UTC will migrate or remove 60 percent of its legacy office systems.

Measure of Success

New applications are in place for 60 percent of the identified systems. This transition meets the following Department of Information Services strategic goals: promote common IT practices among agencies, promote common IT practices, provide integrated end-user experience, and improve project management practices.

Improve Business Performance

Tactical Goal 2: Improve the reliability of electricity infrastructure and services.

The UTC regulates three electric utilities serving 1.4 million customers, with revenues of \$2.7 billion. Regulatory work includes reviewing rates, monitoring service reliability and resolving customer complaints.

Assessment of External Challenges and Opportunities

The UTC's oversight of electric system reliability needs to be more robust. Currently, we do not have a comprehensive approach to evaluating company plans and investments in reliability programs and projects. A more active and holistic approach would improve our oversight of reliability.

Our goal is to ensure that companies:

- Identify parts of the distribution and transmission system that are in the greatest need of repair or protection from weather and other threats.
- Develop plans to address the deficiencies that include metrics against which performance can be measured.
- Document performance under those plans.

Strategy

The UTC will work with utilities to improve system reliability, focusing on service reliability reporting, development of delivery infrastructure investment programs, and development of vegetation management programs.

Objective 1

By July 2010, staff will identify changes that should be made by the companies in reliability, vegetation management and transmission investment plans and reports to enable the UTC and companies to link investment to improved service performance.

Measure of Success

The UTC has received recommendations that link investment to results in reliability, vegetation and transmission plans.

Objective 2

By July 2011, each company will revise its reliability, vegetation management and transmission investment plans and reports so that they link investment to improved service performance.

Goal 2

Measure of Success

Companies have reviewed their reliability, vegetation and transmission investment plans tying plans to performance.



Goal 3

Maintain a Highly-Qualified Work Force

Our employees are our most important assets. We seek to attract and retain the best in the business. This goal focuses on recruitment and employee development.

Statewide Goal: Accountability

Improve the Ability of State Government to Achieve Results Efficiently and Effectively

Maintain a Highly-Qualified Workforce

Tactical Goal 1: Streamline the recruitment and hiring process.

Assessment of External Challenges and Opportunities

Our job vacancies are open too long. When critical positions go unfilled, productivity falls. In some cases, we have risked losing qualified applicants to other organizations that act more quickly. We want a hiring process that makes it easy for applicants to apply and quickly know the results.

Strategy

We will streamline the hiring process by developing standardized policies, procedures, processes, and forms. We will develop a toolkit containing supplemental questionnaires, performance tests, structured interview questions and reference questions for managers' use, and debrief the hiring manager after each hiring process is completed for lessons learned that will help fine tune the tools and processes.

We will track the source of our best candidates to help us focus our efforts when recruiting. We will develop a checklist to identify roles and responsibilities at the beginning of recruitment, and a timeline to keep the recruitment on target. We will develop a marketing approach to showcase the UTC as a great place to work, and develop relationships with new stakeholders for finding the best talent.

Objective

By June 30, 2011, the UTC will reduce the time to fill position vacancies by 30 percent.

Measure of Success

Average time from hiring approval to the date the last candidates are notified of outcome is reduced by 30 percent.

Maintain a Highly-Qualified Workforce

Tactical Goal 2: Increase professional development through training and succession planning to promote performance excellence.

Assessment of External Challenges and Opportunities

As the baby boomer generation nears retirement we must ensure that qualified people are ready to fill critical positions as they become vacant.

Strategy

We will provide professional staff development in a more systematic way through the use of succession planning, training, and formal mentoring. We will conduct a gap analysis and develop a plan to close competency gaps. We will identify and track agency-required core and technical training, and provide additional professional development opportunities to our employees. We will ensure new hires are assigned a mentor and set up to receive required training. We will monitor and report progress through our internal Government Management Accountability and Performance (GMAP) process.

Objective 1

By June, 2010, 90 percent of our employees will have received agency core training.

Measure of Success

Ninety percent of employees have completed all core training requirements.

Objective 2

By June, 2011, 90 percent of our employees will have received identified technical training.

Measure of Success

Ninety percent of employees have received agency-identified technical training.

Objective 3

By June, 2010, the agency will implement a succession plan covering 100 percent of authorized positions.

Measure of Success

All agency authorized positions are depicted in the succession plan.

Goal 3

Objective 4

By June, 2010, 90 percent of those employees designated for mentoring will have been assigned active mentors.

Measure of Success

All designated mentor relationships are active.

Maintain a Highly-Qualified Workforce

Tactical Goal 3: Recognize employees for excellent performance.

Assessment of External Challenges and Opportunities

Competition for qualified workers is increasing. It is imperative that the UTC has the resources and flexibility to take appropriate steps to recognize, retain and motivate our employees.

In a recent Department of Personnel (DOP) survey, employees identified the lack of recognition for good work as an ongoing concern. We have taken some steps to address this, but currently lack authority to consider two options that employees have identified as highly important: monetary rewards and additional leave for excellent performance.

We can apply for Performance Management Confirmation from DOP, which for non-represented employees would allow us to tie personnel decisions – including monetary awards and additional leave – to employee performance.

We are convinced that a performance-based culture – one that aligns individual performance with our mission – can significantly increase productivity and reduce turnover. Receiving Performance Management Confirmation would make good business sense.

Strategy

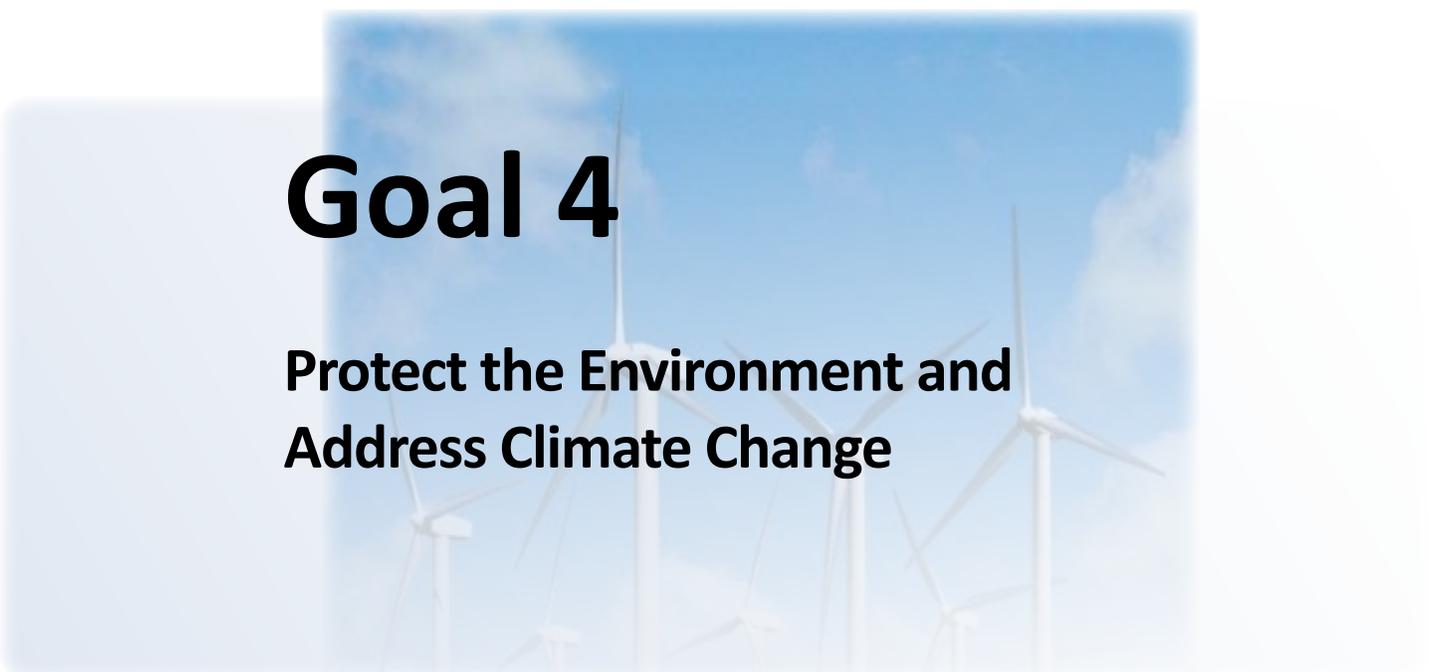
The UTC will appoint a project lead, assess agency readiness, and obtain Performance Management Confirmation. The lead will coordinate with DOP to prepare an application for confirmation, develop a project plan and timeline, and manage the process.

Objective

Achieve Performance Management Confirmation by June 30, 2011.

Measure of Success

Timeliness in meeting project milestones, culminating in Performance Management Confirmation by June 30, 2011.



Goal 4

Protect the Environment and Address Climate Change

The UTC is uniquely positioned to provide leadership in identifying and promoting cost-effective conservation and renewable technologies. To fulfill these leadership opportunities, the UTC must enhance staff skills and use new analytic and regulatory tools. This goal focuses on strategies to provide more sophisticated review of utilities' conservation and renewable energy programs and compliance with greenhouse gas emissions standards for new power plants.

Statewide Goal: Environment

Improve the Quality of Washington's Environment

Protect the Environment and Address Climate Change

Tactical Goal: Ensure that investor-owned energy utilities meet or exceed state conservation and renewable resource acquisition targets and greenhouse gas emission performance standards.

Assessment of External Challenges and Opportunities

The UTC encourages development of cost-effective conservation and renewable energy resources through its integrated resource plan rules, conservation incentive programs, and decoupling programs. As the state adopts new policies to promote these resources, and to regulate the emission of greenhouse gases, the role conservation and renewable projects – as well as other low carbon-emitting resources – will play in electric and gas utility resource portfolios will grow.

The UTC can play a stronger leadership role in working with utilities and others to identify and promote cost-effective conservation and renewable technologies. It can also play an important role in implementing newly-adopted state policies. For example, the state Energy Independence Act requires electric utilities to set aggressive targets by January 1, 2010, for conservation and development of renewable energy; the UTC is responsible for helping utilities assess these resources and whether utilities have met their targets. In addition, state law now limits greenhouse gas emissions from new electric power generation; the UTC is responsible for determining whether new electric resources of investor-owned utilities comply with the emission standards.

To fulfill these leadership opportunities, the UTC must enhance staff skills and use new analytic and regulatory tools.

Strategy

The UTC will enhance staff skills and use new analytic and regulatory tools to provide more sophisticated review of utilities' conservation and renewable energy programs and compliance with greenhouse gas emissions standards for new power plants.

Objective 1

By January 2010, the UTC will develop staff capability to ensure that utilities' conservation targets include all cost-effective conservation consistent with their integrated resource plans.

Measure of Success

Regulated energy utilities meet their conservation targets.

Objective 2

By January 2009, the UTC will develop staff capability to review and recommend commission action regarding investor-owned utility compliance with state greenhouse gas emissions performance standards for new power plants.

Measure of Success

All new energy resource acquisitions by investor-owned utilities comply with the state greenhouse gas emissions performance standard. The UTC will adopt rules implementing the greenhouse gas emissions performance standard and complete a memorandum of understanding with the Department of Ecology to ensure consistency of enforcement.

Objective 3

By January 2010, the UTC will develop and implement a system to track investor-owned utility development of conservation and renewable resources on a consistent basis.

Measure of Success

An energy conservation and renewable energy tracking system is implemented and all biennial conservation and renewable energy reports are completed.



Goal 5

Increase Consumer Protection

Consumer protection is a common thread running through every aspect of UTC business. This goal focuses on managing telecommunications resources, stepping up outreach and education efforts, and increasing enforcement of consumer protection requirements.

Statewide Goal: Economy

Improve the Economic Vitality of
Businesses and Individuals

Increase Consumer Protection

Tactical Goal 1: Conserve telephone number resources and manage area code relief efficiently.

Assessment of External Challenges and Opportunities

Telephone numbers are a limited public resource that requires fair and effective management. As our population grows and telecommunication services expand, we run the risk of exhausting the supply of available telephone numbers, necessitating the designation of new area codes or other measures, which in turn can lead to new costs and disruption to businesses and citizens. We help manage and conserve numbering resources in Washington and exercise delegated federal authority to require conservation while providing relief where appropriate.

Strategy

We will implement a number conservation program to assure the long-term availability of telephone numbers. Consolidation of under-used rate centers will allow more customers to be served by a single telephone prefix, and fewer prefixes to cover the same geographic area. Companies can use the existing supply of telephone numbers more efficiently when there are fewer rate centers, thereby postponing the need for a new area code.

Objective

By July 2010, under-used prefixes and rate centers in the 360 and 509 area codes are consolidated.

Measure of Success

Washington has sufficient number resources to last for at least three years. The number of under-used rate centers in 509 and 360 are reduced by 85 percent.

Increase Consumer Protection

Tactical Goal 2: Increase enforcement of household goods consumer protection requirements.

The UTC ensures that household goods moving companies treat consumers fairly and follow state law and regulations. We work with consumers to provide information and resolve complaints. We routinely review the business practices of regulated companies, investigate those with more complaints and impose sanctions where appropriate.

Assessment of External Challenges and Opportunities

Current law requires moving companies to have a state permit to operate, but as written the law is largely unenforceable. Unlike permitted companies, most companies operating without a permit do not follow safety and consumer protection requirements. Yet without a credible threat of enforcement action, it is nearly impossible to encourage reluctant companies to obtain a permit.

Moving company business practices are regulated because when moving, consumers typically entrust all of their belongings and pay thousands of dollars to a company they probably have never done business with, to perform a task that is complex, hazardous and about which they know little. The history of consumer complaints about the moving industry has led to regulation of business practices to protect consumers and provide a “level playing field” of standards for competition among responsible operators. Without enforceable rules, consumers are at greater risk and legitimate operators face unfair competition.

Current law provides that a company must have a permit before “transporting property *for compensation* over the highways of the state.” This has been interpreted to require proof that money exchanged hands. While it is easy to find a non-permitted company doing business through its print or web advertising, proving “compensation” is difficult and typically requires finding a customer willing to cooperate with the investigation. This may occur when a customer brings a complaint to the UTC, but for all practical purposes preventive enforcement to avoid harm to customers and unfair competition is not possible.

State licensing of other businesses typically prohibits companies from advertising or holding themselves out as offering a service without first obtaining the required license. This is the model used for household goods movers in California.

Strategy

We will implement changes in law proposed in the 2009 legislative session to strengthen the UTC's statutory authority.

Objective

By June 2011, decrease the number of illegal carriers on the road.

Measure of Success

The number of out-of-service orders for violating cease-and-desist or penalty orders and classification hearings for illegal carriers is decreased. Fewer illegal carriers are on the road.

Increase Consumer Protection

Tactical Goal 3: Use consumer education and outreach to help more people.

Assessment of External Challenges and Opportunities

Over the past several years, consumer complaints show a slow decline. This is due, in part, to our significant progress in addressing problems such as “slamming” (changing a customer’s long distance provider without consent), enforcement of customer privacy protection, and greater competition among telecommunications companies yielding improved customer service. However, we still receive nearly 2,000 consumer contacts each month, primarily regarding telecommunications, electric and natural gas companies relating to disputed bills, service disconnections and service quality.

A recent random survey of utility and transportation consumers indicated that just 19 percent knew they could turn to the UTC for assistance with regulated utility or transportation companies. Thus, there is a large untapped “market” of consumers who may encounter problems with regulated companies, but don’t know we can help. We need to raise public awareness of the UTC as a consumer resource.

We need to better educate consumers and regulated companies about their rights and responsibilities and help people understand how to navigate the laws and situations they face regarding regulated essential services. We need to communicate the right message to the right people at the right time.

Strategy

Develop and deploy communications messages and materials for key spokespeople and target audiences.

Objective

By July 2010, the number of consumers aware of the services available from the UTC will increase by two percent a year.

Measure of Success

More consumers are aware of the role of the UTC and the services available to them.

Increase Consumer Protection

Tactical Goal 4: Increase enforcement of solid waste permit requirements.

The UTC protects public safety by ensuring that transportation companies' vehicles, drivers and operating practices meet state and federal safety standards. Inspectors conduct safety investigations involving the 500 private transportation companies we regulate, including buses, household goods and solid waste haulers. We also enforce permit requirements for most transportation industries.

Assessment of External Challenges and Opportunities

The Waste Not Washington Act of 1989 established a policy framework for waste reduction, reuse and recycling that included very specific statewide recycling goals. We have a role in implementing and enforcing the Act, although the Department of Ecology has primary responsibility for designing and implementing required programs. The Legislature intended this system to use market forces rather than government regulations to set recycling rates. It works well most of the time. Even though solid waste haulers and commercial recyclers often compete for the same business, they generally have few conflicts as long as everybody plays by the rules. However, as the volume of recycled materials has grown, we have seen an increase in the number of commercial recyclers who do not comply with state regulations.

Known as "sham recyclers," these businesses claim to be legitimate but rather than properly delivering recyclable materials to recycling facilities, they dispose of the material at landfills, transfer stations or illegal dump sites. In some cases, the materials they haul are not recyclables, but simply solid waste. Material that should be recycled ends up in a landfill or, worse, discarded at an illegal dump site. In addition, these companies take business away from legitimate solid waste haulers and commercial recyclers. Finally, our experience is that companies that violate one law often also ignore other laws such as safety requirements, tax obligations and local ordinances.

In 2003, the Legislature attempted to address the problem by requiring commercial recyclers that have a UTC permit to register with Ecology prior to transporting recyclables and prohibiting delivery of commercial recyclables to a landfill or transfer station for disposal.

Nevertheless the number of companies that appear to haul solid waste

without the proper permits is increasing. Permitted operators, and their trade association, the Washington Refuse and Recycling Association (WRRA), file complaints on a regular basis. In addition, many counties have regulations that a carrier cannot transport materials to a landfill out of the county in which it originated. At least one county has approached us with this concern regarding a non-permitted operator.

Strategy

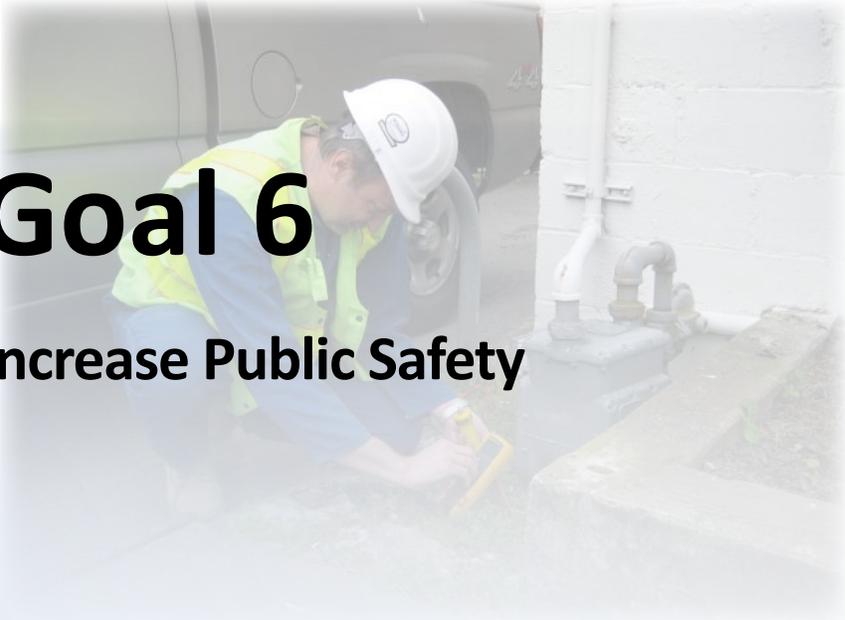
In 2008 and 2009, we will clarify and revise solid waste permit requirements. Clearer standards will allow us to more effectively ensure companies hauling solid waste have the required permits. We will clarify existing regulations to ensure standards are also observed by companies without solid waste permits. We will provide technical assistance on the new definitions of solid waste and recycled materials to all commercial motor carriers, and conduct at least four investigations of companies to ensure they are in compliance.

Objective

By January 2011, all solid waste haulers will have the appropriate required permits to operate.

Measure of Success

The number of non-permitted carriers has declined and complaints have ceased.

A worker wearing a white hard hat and a yellow safety vest is crouching on a utility site, working on a piece of equipment. The background shows a white brick wall and some pipes.

Goal 6

Increase Public Safety

The UTC protects public safety through its regulation of pipeline and railroad operations, rail crossings, and commercial motor vehicles. This goal contains initiatives that will improve safety in each of these industries.

Statewide Goal: Safe and Secure

Improve the Safety of People and Property

Increase Public Safety

Tactical Goal 1: Expand the damage prevention program to better protect pipelines.

The UTC's pipeline safety program works in partnership with federal, state and local governments, pipeline operators and interested organizations to ensure public safety measures are in place for hazardous liquids and natural gas pipelines. We oversee 22 companies operating more than 21,000 miles of intrastate and interstate pipelines in Washington.

Assessment of External Challenges and Opportunities

In 2006, Congress passed the Pipeline Inspection, Protection, Enforcement and Safety (PIPES) Act, which, among other things, defined a model damage prevention program that all states with pipeline safety programs must work to establish. Federal funding for damage prevention is tied to establishing a program that complies with PIPES. Current state law (RCW 19.122) does not reflect any of the elements of the PIPES Act model damage prevention program. Further, it does not clearly define "timely" or "accurate" locates. The duties of the one-number locator service, facility owners and excavators are spread throughout the chapter rather than appearing in a single section describing each party's duties. The net result of these and other problems is that many well-meaning facility owners and excavators are left to make things up on their own.

In addition, no agency is assigned responsibility for enforcing the law, so enforcement falls to county prosecutors or the Office of the Attorney General (AGO). As a result, violations are rarely if ever enforced, a shortcoming that all scofflaws, excavators and facility owners know about and count on. In the past six years, the AGO has taken action against excavators four times at our request. We are not aware of any other enforcement actions.

Strategy

We will build trust with the various stakeholders by actively supporting initiatives that encourage collaboration, such as developing a comprehensive damage prevention training curriculum.

We will also set standards of behavior for regulated companies that own underground facilities and continue to promote improvements to damage prevention policy and practice.

Objective 1

By January 2010, we will develop a comprehensive damage prevention training program.

Measure of Success

The number of reported instances of outside force damage will decline.

Objective 2

By June 2011, reported instances of outside force damage will decline by two percent a year.

Measure of Success

The number of reported instances of outside force damage will decline.

Increase Public Safety

Tactical Goal 2: Reduce the number of unnecessary rail crossings.

The UTC inspects railroad crossings to ensure they are properly designed and maintained so that vehicles may cross safely. We also investigate accidents, authorize improvements such as construction and widening of public crossings, installation of signals, gates and where appropriate, closures of crossings. In cooperation with the Federal Railroad Administration (FRA), we also inspect railroad handling of hazardous materials, company operating practices and maintenance of crossing signals and track.

Assessment of External Challenges and Opportunities

Since 1994, a key element of improving grade crossing safety has been reducing the number of crossings by identifying those that can be closed by shifting that traffic to an alternate crossing.

Recent changes in federal law and state-level priorities have reduced funding for installing or improving warning devices and other improvements at hazardous crossings. In this context, the best, and often least expensive alternative, is reducing at-grade crossings where traffic can be diverted to a safer crossing with a minimum of disruption.

Strategy

Develop criteria for identifying unnecessary rail crossings. Utilize research by the railroads, Federal Railroad Administration (FRA), Washington State Department of Transportation (WSDOT), and other state rail safety agencies to develop the criteria. Develop a targeted list of crossings for closure. Work with cities, counties, WSDOT, railroads and other stakeholders to close crossings.

Objective

Develop criteria for identifying unnecessary rail crossings, identify those crossings that meet the criteria, and close seven by January 2011.

Measure of Success

The identified rail crossings are closed.

Increase Public Safety

Tactical Goal 3: Improve safety oversight of new entrant motor carriers.

The motor carrier safety program protects public safety by ensuring that regulated transportation companies' vehicles, drivers and operating practices meet state and federal safety standards. Program inspectors conduct safety and entry investigations involving 500 private transportation companies, including buses, airport shuttles, household goods movers and solid waste haulers. We work closely with our partners, the Federal Motor Carrier Safety Administration (FMCSA) and the Washington State Patrol (WSP).

Assessment of External Challenges and Opportunities

Our motor carrier safety program has historically used time-based safety audits (e.g., every two to four years depending on the industry) as the primary means of ensuring safe operations. To supplement these audits, we also developed a limited number of risk factors that were used to identify carriers that might be more at risk of having an accident than others. For example, a carrier that received a less than satisfactory regular audit would be scheduled for re-audit within a few months. Another key piece has been focusing on new entrants, which are the most likely to have an accident. The overall program has been statistically effective. In terms of accidents per miles traveled, our carriers compare very favorably to national averages.

For many years, FMCSA has used a risk-based system to target carriers for audits, rather than a time-based system. Risk is determined using sophisticated data analysis to determine a carrier's risk of being involved in an accident. A 2007 state law requires the WSP to use a similar "data-driven analysis to prioritize" its safety inspections.

We are changing our focus to a risk-based program. FMCSA provides a model program for new entrant monitoring, the major thrust of which is providing technical assistance to newly registered carriers and completing a safety audit of their operations within nine months for passenger carriers and 18 months for property carriers. To qualify for federal funding, we must adopt the same model for carriers with Washington intrastate authority if they also have interstate authority. We believe this same model should be extended to all our regulated industries and be applied in a consistent, cost-effective manner.

Strategy

To ensure safe company operating practices, we will conduct a safety audit of all new entrant property and passenger carriers within the timeframes recommended by the FMCSA.

To ensure a new entrant's vehicles meet safety standards, we will inspect the vehicles of charter and excursion companies before issuing a permit to operate.

Objective 1

Beginning July, 2009, we will complete a safety audit of 95 percent of new entrant passenger carriers within nine months of issuing a permit and within 18 of issuing a permit for household goods carriers.

Measure of Success

The number of safety audits completed for new entrants within a specified time after issuing the permit to operate is increased.

Objective 2

Beginning July 2009, we will inspect 95 percent of charter and excursion bus vehicles before issuing a permit.

Measure of Success

The number of charter and excursion bus vehicle inspections completed before issuing a permit is increased.

Technology Needs

Information technology is critical to the operations of the Utilities and Transportation Commission. We have developed goals and strategies that rely on sound investments in technology and the ability to secure funds needed for those investments. Our priorities and decisions are consistent with and based on the Information Technology (IT) Portfolio Management system implemented by the Department of Information Services (DIS). Our IT portfolio ensures that technology investments align with our strategic plan and business needs. We use our portfolio to make economically sound IT investments that are adaptable and secure, ease administrative burdens and improve service to customers.

Our objectives are to:

1. Continue implementation of the office systems migration plan which moves our legacy operating systems to platforms that are consistent with state enterprise systems.
2. Begin to build new applications in the Microsoft environment that support critical business needs and relationships.

The UTC operated in a Lotus Notes Domino environment for many years while other state agencies moved toward a more Microsoft centric environment. During the 2007-09 biennium the UTC received approval and funding to begin migration from its reliance on legacy systems. We are in midst of re-architecture, design, development and implementing the early phases of the transition of our core custom applications and databases.

The 2009-11 biennial strategic plan relies on continuing the technical transition.

Assessment of Internal Capacity and Financial Health

With increased competition for highly qualified candidates, it is increasingly difficult to retain, attract and secure the best talent. In the last year, we experienced an unusual high turnover. Of those staff that left the UTC, twenty-eight percent retired and seventy-two percent were either hired by utility companies or promoted to higher salaried positions within state government.

The industries we regulate are experiencing constant change and significant new demands. Private and public electricity companies are facing intense demand for investment in new infrastructure and the need to increase their portfolio in renewable energy. At the same time the industry is facing a severe shortage in experienced and skilled staff in these areas. The UTC is concurrently affected in two ways: 1) by an increase in workload through rate cases, rulemakings and the need to develop new approaches to regulation in the changing environment; and 2) by utilities recruiting UTC staff who have years of experience in energy resource management and utility regulation.

To make the UTC more attractive to highly-qualified employee's, we must focus our resources on increasing professional development, improving recruitment and hiring processes, and recognizing performance excellence.

The UTC is financially supported through a regulatory fee charged to regulated companies. Regulatory fees are deposited in the Public Service Revolving Fund during April and May of each year for most regulated companies. The Pipeline Safety program is supported by fees paid by regulated pipeline operators and deposited in the Pipeline Safety Fund. Revenues remain stable.

Performance Assessment

As a quasi-judicial agency, the UTC regulates rates, service quality, and safety measures. We respond to filings made by regulated companies, so it is difficult to predict what might come in the door for analysis and decision. Adjudicative processes require the agency to be on guard against pre-determining outcomes. New market conditions, technology, changes in federal and state laws, and consumer expectations create a dynamic policy landscape, and commissioners must often consider such dynamics within the confines of an evidentiary record. All of these factors combine to make meaningful performance measures a challenge for our agency. Still, we use many different measures to gauge our short-term and long-term performance and inform our operational and strategic planning decisions, including Office of Financial Management (OFM) budget activity measures, internal business process evaluations, and independent evaluations.

OFM Budget Activity Measures

In December, 2007, we worked with OFM to review our budget activity measures. Consequently, we eliminated, added to, or modified them to arrive at those we have today. The following are the statewide results we strive for, the strategies we use to achieve those results, and the corresponding budget activity measures we use:

Statewide Result: Improve the economic vitality of businesses and individuals.

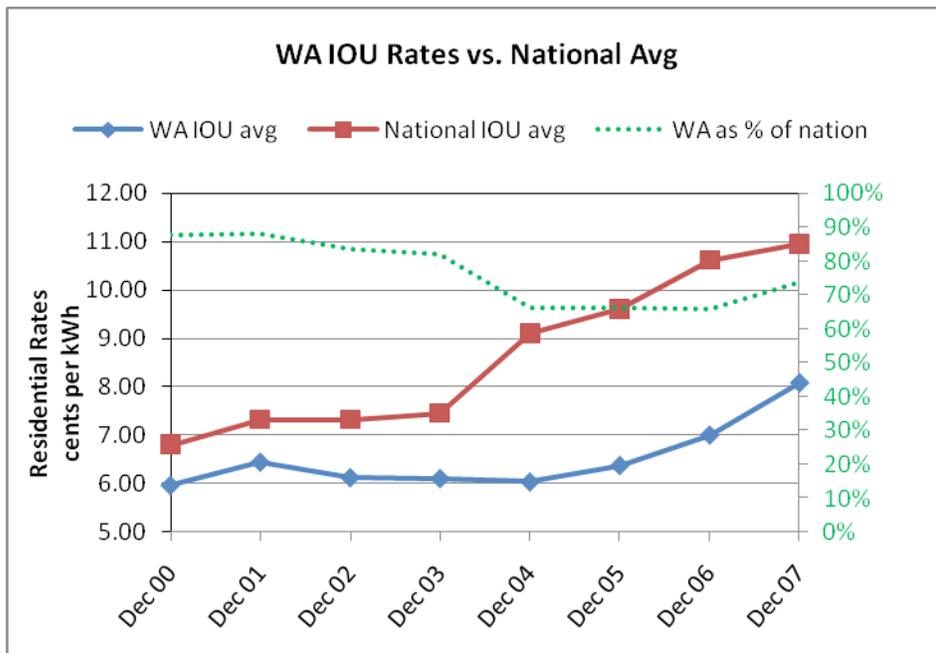
- ▶ Statewide Strategy: Provide consumer protection.
 - UTC Measures:
 - Percentage of regulatory fees received on time.
 - Percentage of UTC decisions appealed and upheld.
 - Average time to close consumer complaint investigations.
 - Percentage of consumer calls each month that the UTC answers within 60 seconds compared to the average for all agencies that participate in the interagency call center working group.
 - Closed to open filings for solid waste companies per quarter.
 - Closed to open filings for water companies.
 - Competition in the telephone industry.
 - Interruptions of telephone service.
- Statewide Result: Improve the safety of people and property.
 - ▶ Statewide Strategy: Prevent accidents.
 - UTC Measures:

- Pipeline incidents per 100,000 miles of pipe versus national incidents.
- Crossing collisions involving motor vehicles and trains.
- Reportable accidents by Washington passenger carriers versus national.
- Unified Carrier Registrations received versus sent out.

Some specific examples of our budget activity measure results include:

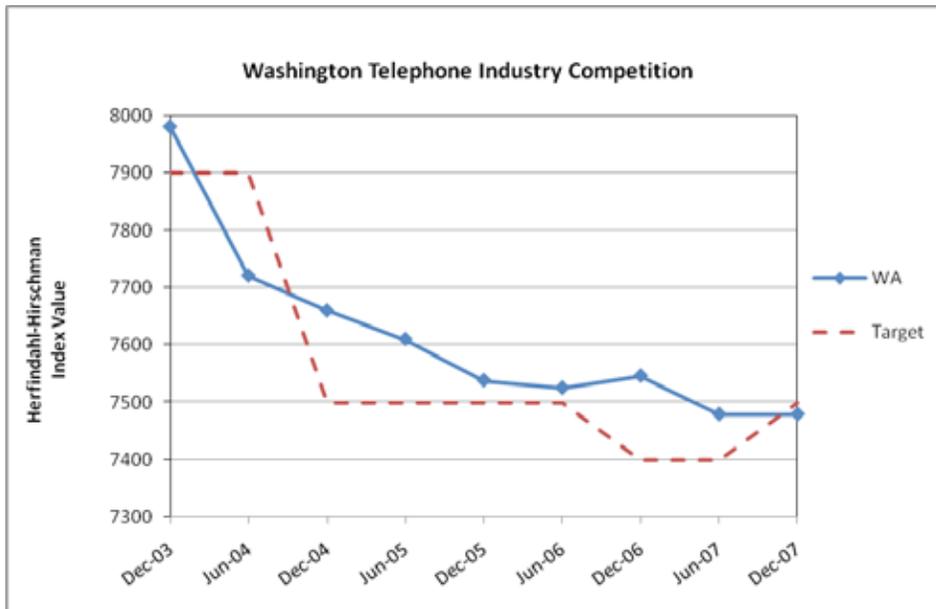
Washington Electricity Rates

This measure shows the average residential rates of investor-owned utilities (IOUs) regulated by the UTC, compared to national IOU rates. Washington’s rates have been lower than the national average, and, from 2001 through 2006, they increased at a slower rate than the national average.



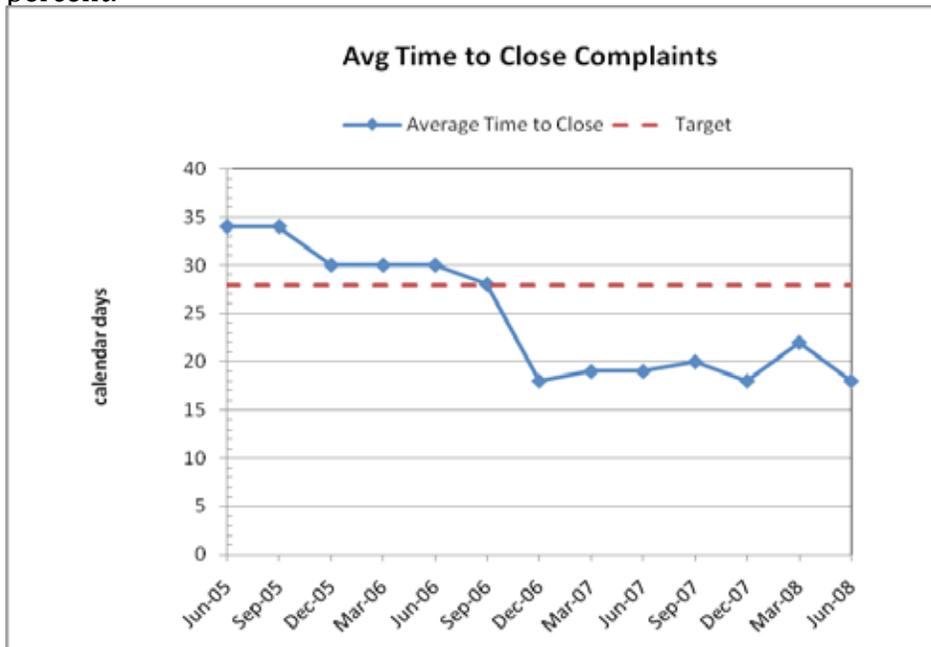
Washington Telephone Industry Competition

This measure tracks the market share of registered wireline Competitive Local Exchange Carriers (CLECs). A decrease in concentration means a (favorable) increase in competition. Since 1996 when local competition was recognized and adopted in the Telecommunications Act, the trend has been generally favorable, with reduced concentration spurring reduced regulation. However, since 2005 the decline in concentration has almost stopped, because of significant competition from unregulated alternatives such as wireless phones, Voice Over IP services, and next-generation services such as Clearwire. It is possible that in the next biennium the concentration/competition trend in wireline telecom services may reverse itself and start (unfavorably) upward.



Average Time to Close Complaints

This measure tracks the average number of days a complaint received by our Consumer Protection section stays open before resolution. We use this measure as an indication of our prompt attention to consumers and their concerns. During the past two years, the average has been reduced by over 40 percent.



Internal Evaluations

In the two years since our last strategic plan we have conducted internal evaluations of our business processes and outputs through: (1) regular internal GMAP process presentations; (2) a WSQA assessment; and, (3) a major core business process and information technology system redesign project.

GMAP. In 2007, we standardized the format for our internal GMAP presentations to focus on internal output measures, OFM budgetary measures, and strategic plan initiatives. Through our GMAP efforts, we have become better at identifying meaningful measures for our outputs and desired outcomes, and analysis of our results informs our strategic plans. For example, our Human Resource section's report and analysis of hiring timeframes and other human resources data resulted in current strategic goal of "making the UTC more attractive to highly qualified employees," with tactical goals that address specific human resource measures.

Washington State Quality Award Assessment. In 2007, we began a WSQA assessment using the Malcolm Baldrige performance criteria. Among other things, this assessment has had an immediate effect on our 2009-2011 biennium strategic planning process. We found that the strategic planning process would benefit from greater employee participation, and designed section-level brainstorming and planning into the process. Longer-term, this assessment provided the genesis for our current strategic goal of "improving business performance."

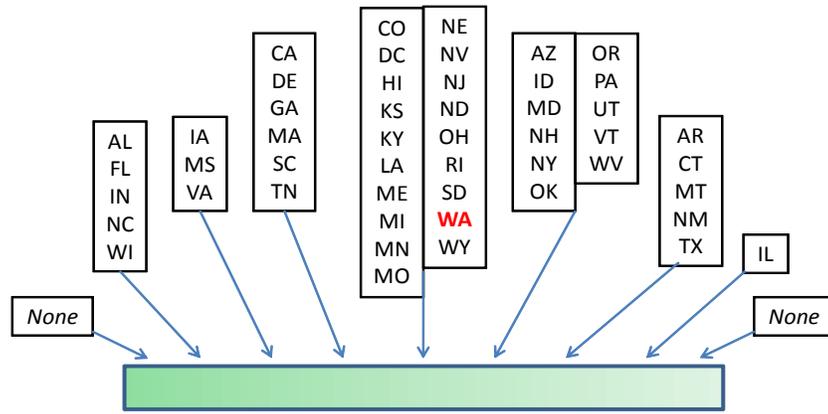
Business Process Redesign and IT Migration Project. In 2007, with the assistance of a consulting firm, we began a comprehensive process to transform core business processes and IT systems at the same time. In addition to the project goals of streamlining and transforming our business processes, we expect to gain better, more efficient tools to collect, analyze, and report business process data.

Independent Evaluations

We use independent evaluations and data to help us gauge our position as in comparison to other state agencies and other state utility commissions across the country.

Comparing ourselves to other state agencies. Because of the nature of our work, the most meaningful comparisons with other Washington state agencies can be made in the area of human resources. The Washington State Department of Personnel periodically conducts a statewide employee survey, allowing comparisons between state agencies on employee-related issues. The 2007 survey results showed that we had been successful in improving employee recognition, an area identified for attention by the previous survey.

Comparing ourselves to other state utility commissions. Regulatory Research Associates (RRA) publishes an evaluation of regulatory environments created by state utility commissions. States to the left of the scale are considered more investor-friendly, while those to the right are considered more consumer-friendly. Currently, the UTC lies in the middle with 18 other states. We interpret this to mean that the UTC is perceived as fair to both investors and ratepayers, and properly balances competing stakeholder interests.



Investor-Friendly.....Consumer-Friendly

State Regulatory Evaluations 2008

Source: "State Regulatory Evaluations," *Regulatory Focus*, April 1, 2008, Regulatory Research Associates (RRA)

Summary

Although it is difficult for us to tie all performance measures directly to specific outcomes, we believe that by using multiple approaches we can achieve the best performance picture possible. Over the past two years, we have improved the quality and effectiveness of our internal output and external outcome performance measures. We have used the picture formed by these measures to guide our current strategic plan. Through continued work with OFM and the use of internal and external evaluations, we will continue to build upon and improve this process.

Statutory Authority

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

The following chapters authorize the UTC'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
- 80.54 - Attachments to transmission facilities
- 80.60 - Net metering
- 80.66 - Radio communication service companies

The following chapters authorize the UTC'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
- 81.68 - 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
- 81.108.1 - Low level radioactive waste disposal sites
- 47.76.230 - Freight Rail planning
- 47.76.240 - Rail preservation program
- 19.122.027 - One-number locator services – Single statewide toll-free telephone number



P.O. Box 47250
1300 S. Evergreen Park Dr SW
Olympia, WA 98504-7250

Media: (360) 664-1116
Toll Free: 800-562-6150
TTY: 1-800-416-5289 toll free)

Web site: www.wutc.wa.gov
Email: info@wutc.wa.gov

To request availability of documents in alternate
format, call (360)664-1133.