STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, to establish a workgroup to investigate appropriate financial incentives and penalties to address outages and distribution performance moving forward.	)))))	Case No. U-21400

At the June 6, 2024 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Alessandra R. Carreon, Commissioner

ORDER

Background

In the April 24, 2023 order in this case (April 24 order), the Commission established the Financial Incentives and Disincentives workgroup as part of the MI Power Grid Initiative. April 24 order, p. 12. The April 24 order outlined the initial focus of the workgroup as:

> developing metrics relating to reliability including, but not limited to, SAIDI [system average interruption duration index] (including and excluding MEDs [major event days]), SAIFI [system average interruption frequency index], CEMI [customers experiencing multiple interruptions], CAIDI [customer average interruption duration index], and resilience, including, but not limited to, downed wire response and the frequency and duration of outages during extreme weather, [using] the recently updated Service Quality [and Reliability Standards for Electric Distribution Systems (SQRS)] rules as a baseline.

Id.

To facilitate discussion on these issues among interested persons, the Commission developed a straw proposal that identified candidate distribution performance metrics and applicable methods by which incentives and disincentives may be applied.[1] Prior Commission decisions, annual filings, and recent distribution plan filings informed this development. The straw proposal was issued in this case on August 30, 2023 (August 30 order), at which time the Commission solicited comments from interested persons regarding the candidate metrics, the proposed target performance identified for each metric, and the potential incentive/disincentive mechanisms to be applied to each metric. In addition, the Commission requested comments on alternative metrics or approaches to those identified in the straw proposal. Further, the Commission directed the Commission Staff (Staff) to schedule an engagement session with interested persons to convene following the initial comment period to discuss the straw proposal and alternative approaches.

Between August 30, 2023 and December 4, 2023, nearly 300 comments were filed in this docket. On September 22, 2023, several utilities, the Michigan Department of Attorney General (Attorney General), and a number of advocacy groups filed initial comments on the straw proposal, including the Association of Businesses Advocating Tariff Equity (ABATE); Citizens Utility Board of Michigan; Consumers; DTE Electric; the Ecology Center, the Environmental Law and Policy Center, Union of Concerned Scientists, and Vote Solar; Great Lakes Renewable Energy Association; Indiana Michigan Power Company (I&M); J.D. Power; the Michigan Energy Innovation Business Council/Advanced Energy United (MEIBC/United); the Natural Resources Defense Council and Strategen; Northstar Energy Analytics; and Soulardarity and We Want

[1] The straw proposal initially focused on metrics and methods for DTE Electric Company (DTE Electric) and Consumers Energy Company (Consumers) and the workgroup expects to discuss applicability to other investor-owned utilities through future engagement and review of comments.

Green, Too. On October 20, 2023, ABATE; Citizens Utility Board of Michigan; Consumers; DTE Electric; the Ecology Center, the Environmental Law and Policy Center, Union of Concerned Scientists, and Vote Solar; I&M; the Attorney General; MEIBC/United; the Natural Resources Defense Council and Strategen; and Soulardarity and We Want Green, Too filed reply comments. On December 19, 2023, the Staff filed a status report and revised straw proposal that "update[s] the original proposed candidate metrics in response to the comments filed and feedback received during the stakeholder sessions." Staff's December 19, 2023 comments, p. 2.

On December 21, 2023, the Commission issued an order in this case (December 21 order) directing the Staff to convene an additional engagement session with interested persons to discuss the revised straw proposal by February 12, 2024. The Commission invited comment regarding the revised straw proposal, with initial comments due on February 2, 2024, and reply comments due on March 1, 2024. Specifically, the Commission requested comments on the following issues:

- Feedback on revised metrics
- Incentive/disincentive potential
  - Allocation by metric
  - Symmetric incentives for SAIDI and storm response metrics
- Focus area for worst performing circuit metric (system- vs. circuit-level)

December 21 order, pp. 25-26. Following the issuance of the December 21 order, several utilities and advocacy groups, a municipality, and a multitude of citizens filed initial and reply comments in this docket.

<u>Initial Comments</u>

1. Association of Businesses Advocating Tariff Equity

ABATE reiterates the arguments set forth in its initial comments filed on September 22, 2023, and its reply comments filed on October 20, 2023, in this docket. ABATE's February 2, 2024 initial comments, pp. 2-3. ABATE asserts that the "Staff's revised straw proposal, while not adopting the Attorney General's SIIM [Service Improvement Incentive Mechanism] Proposal including ABATE's recommended modifications to the same, includes revisions to the initial straw proposal that bring it closer to meeting ABATE's five principles." *Id*., pp. 3-4.

However, ABATE asserts that the revised straw proposal is deficient in several ways:

1. There should be no incentive compensation for distribution system reliability and service quality that the Commission has already identified as an unacceptable level of performance. Rather, ABATE contends that an incentive payment should only be available to an electric utility "when greater than 90% of customers have their power restored within 48 hours of a catastrophic event and the performance in excess of 90% reflects an improvement from past performance." ABATE's February 2, 2024 comments, p. 4.

2. No utility should receive incentive compensation "unless all of the sustained interruption standards of Mich Admin Code R 460.722 have been met." ABATE's February 2, 2024 comments, p. 5.

3. Incentive compensation should not exceed the authorized upper range of reasonableness for the return on equity (ROE). ABATE explains that "[t]ypically in contested rate case proceedings cost of capital experts identify a range of reasonableness for a utility's ROE before recommending the midpoint of their range as the authorized ROE the utility should be permitted to have an opportunity to recover." *Id*., p. 6. ABATE contends that an "analysis should be conducted to determine the approximate equivalent basis point adjustment on delivery ROE that the $10 per customer would annually provide to the affected utilities. This will ensure that it would at least roughly fall within the bounds of reasonableness for return." *Id*., p. 7.

4. No incentive compensation should be paid if "the utility is already earning in excess of its authorized ROE including the incentive." *Id*.

ABATE asserts that its recommendations will ensure that performance incentives and disincentives are reasonable and effective, and that electric rates will be consistent with the cost of service.

2. Citizens Utility Board of Michigan, the Ecology Center, the Environmental Law and Policy Center, Michigan Municipal Association for Utility Issues, Union of Concerned Scientists, and Vote Solar

The Citizens Utility Board of Michigan, the Ecology Center, the Environmental Law and Policy Center, Michigan Municipal Association for Utility Issues, Union of Concerned Scientists, and Vote Solar (together, the Clean Energy Organizations or CEOs) assert that the Staff did not respond to comments that incentives should not be awarded to utilities who are already earning an ROE higher than many Midwest utilities and providing poor service that is not aligned with customer interests. The CEOs reiterate that the mechanism should be penalty only, not symmetric. CEOs' February 2, 2024 comments, p. 1. The CEOs also argue that penalty payments should be concurrent with outage credits that are required by the SQRS. The CEOs contend that penalty payments will not be duplicative of outage credits because outage credits are recoverable from ratepayers and are not meant to disincentivize poor performance. In addition, according to the CEOs, "[t]he Staff has used an unrealistically low valuation for customer impact of outages, leading to the pool of available funds for incentives/disincentives to be too small to likely have a material impact on utility behavior." *Id.*, p. 3.

Regarding penalties, the CEOs argue that the penalty threshold should not be reduced because the threshold is already lenient. The CEOs contend that "in the Staff's current proposal, a utility could avoid a penalty while still having reliability performance that is poor by national standards." CEOs' March 1, 2024 comments, p. 2. The CEOs also object to the "premise that incentives would lead to 'faster progress.' There has been no evidence provided by any party in this docket that providing incentives would lead to more progress by the utilities than penalizing them (with no incentives) would." *Id.*, p. 1. In the CEOs' opinion, penalties should be paid to customers affected by outages, which could be complementary to a fund to benefit low-income or vulnerable customers.

The CEOs argue that affordability is an important metric and should be included in the performance mechanism. Furthermore, rather than a separate mechanism for SAIDI (excluding MEDs), the CEOs state that there should be a single mechanism that includes all-weather SAIDI only. The CEOs explain that if the Staff implement two separate mechanisms, non-MEDs are double counted. Additionally, the CEOs assert that evaluating worst-performing circuits excluding MEDs "misses the differences in customer experience between those near the hubs or those near the edges of a circuit" and "dissociates the performance metric from actual customer experience." CEOs' February 2, 2024 comments, p. 5. Rather, the CEOs recommend analyzing a subset of the worst-performing customer accounts under all weather conditions. *See*, CEOs' March 1, 2024 comments, pp. 3-4.

3. City of Ann Arbor

The City of Ann Arbor (Ann Arbor) objects to the revised straw proposal. Ann Arbor states that DTE Electric continues to provide poor service and reliability and should not be rewarded for mismanagement. Although Ann Arbor "generally supports the establishment of financial penalties that will hold utilities, like DTE [Electric], accountable when the quality of service they provide to their customers violates reliability standards," the city "opposes any mechanism that would give an 'extra' financial reward (bonus, incentive payment, etc.) for a utility that improves its reliability to a minimally-compliant level." Ann Arbor's February 1, 2024 comments, p. 3.

Regarding SAIDI (excluding MEDs), all-weather SAIDI, storm restoration, and worst-performing circuits, Ann Arbor supports the use of these four metrics but requests the addition of a tree-trimming metric. Ann Arbor contends that utilities should be penalized "for falling behind on vegetation clearing because utilities should not only be reacting to storms through prompt restoration, but should also be performing maintenance to prepare for storms and minimize damages when inevitable storms occur." *Id.*, p. 4.

Ann Arbor also states that "[t]here is nothing in the Revised Straw Proposal that indicates a utility's performance will be reviewed for compliance with the SQRS before a financial incentive may be awarded." *Id*. In Ann Arbor's opinion, a financial incentive should only be awarded if the utility exceeds the SQRS and achieves the performance metrics set forth in the incentive/disincentive mechanism. Moreover, Ann Arbor asserts that the incentive/disincentive pool of $23 million for DTE Electric and $19 million for Consumers is too large. Ann Arbor contends that its citizens "are completely unwilling to pay DTE [Electric] one penny more to continue to deliver reliability that doesn't even meet the Commission's minimum standards." *Id*., p. 5.

Finally, Ann Arbor supports the revised straw proposal's focus on worst-performing circuits. Ann Arbor states that "in addition to environmental justice criteria to prioritize within the list of worst-performing circuits, special consideration should be given to circuits that provide services to key public safety installations (e.g. police stations, fire stations) to allow better response during power-outage emergencies." *Id*., p. 6. Ann Arbor also recommends that the Commission explore environmental justice criteria that are concentrated in smaller geographic areas, rather than larger census tracts. Ann Arbor explains that "poverty often concentrates in smaller geographic areas than a full census tract and the City wants to ensure that environmental justice communities are not inadvertently missed when exploring key circuits for investment." *Id*., pp. 6-7.

4. Consumers Energy Company

Consumers contends that the "Staff's revised straw proposal does not account for the need for timely rate recovery for the investments and operating and maintenance ('O&M') expense necessary to meet the proposed performance metrics." Consumers' February 2, 2024 comments, p. 2; *see also*, *id*., pp. 4-5. Consumers asserts that any incentive/disincentive mechanism should be connected to its Reliability Roadmap to ensure that the company has the financial means to provide reliability improvements and a resilient grid. In addition, Consumers states that the

Commission-ordered, third-party audit of the company's distribution system is not yet complete and the results "should inform the setting of incentives and disincentives through a contested case for each affected utility." *Id*., p. 3.

Regarding the revised straw proposal, Consumers contends that SAIDI (excluding MEDs), all-weather SAIDI, and storm restoration are appropriate metrics for the incentive/disincentive mechanism. However, Consumers asserts that worst-performing circuits should not be included in the metric unless the focus area is system level. Consumers explains that:

> [s]ystem-level focus ensures that the bulk of customers have reliable service, maximizing benefits to the broadest group of customers. It also supports the shared goal of reliability improvements; in particular, a system-level focus aligns well with the Company's programmatic efforts at circuit fractionalization, introduced in the Company's two most recent electric rate cases. Fractionalization helps address reliability issues on long, high-customer-count circuits that have had poor reliability. Furthermore, 10 circuits only represents approximately 0.5% of the Company's system. A circuit-level approach limits the metric solely to that small slice of the system. Using a system-level approach broadens the metric to consider more of the system and benefits more customers.

Id., p. 8. Consumers notes that it is already tracking, reporting, and addressing the worst-performing circuits in Case No. U-16066.

Next, Consumers objects to allocating 60% of the incentive/disincentive potential to SAIDI (excluding MEDs) and all-weather SAIDI metrics. According to Consumers, the allocation should be closer to 25% for each because these metrics are "highly dependent on weather outside the Company's control." *Id*., p. 6. If the Commission adopts the allocation in the revised straw proposal, Consumers requests that "the Commission . . . provide a mechanism under which particularly severe storms above a certain threshold would be excluded from consideration of metric performance." *Id*. Consumers asserts that its proposed allocation would more appropriately balance the incentive/disincentive mechanism.

Consumers also disputes the proposed baseline for SAIDI (excluding MEDs) in the revised straw proposal. According to Consumers, the "Staff proposed to use the average of the two lowest actual results from the prior three years, indicating in Table 3 of the revised straw proposal that this will 'reflect recent improvements.'" *Id*., p. 7. Consumers argues that the revised straw proposal improperly focuses on two years and, instead, should "use the five most recent years of historical data, which would be more in line with other regulatory proceedings." *Id*.

Consumers asserts that the revised straw proposal does not use appropriately balanced deadbands for the metrics. Specifically, Consumers states that "[f]or both the SAIDI excluding MEDs and the SAIDI all weather metrics, the deadband is only on the incentive side of the equation, rather than both the penalty and the incentive side. Consequently, the proposed baselines for performance places the utility very close to the penalty range with the baseline starting point." *Id*., p. 9. Consumers asserts that SAIDI (including MEDs) should use a deadband of at least two standard deviations to reduce the impacts of unpredictable and volatile weather. In addition, Consumers requests that "the maximum penalty and incentive thresholds to be set further from the baseline, for the same reason." *Id*., p. 10.

Consumers contends that the $10/customer annual incentive/disincentive band in the revised straw proposal results in a $19 million annual impact for the company. In Consumers' opinion, the calculation is arbitrary and inappropriate. Rather, Consumers requests that the band on the total risk/reward be set at $5 million, which is based on the company's distribution system rate base. *See*, *id*., pp. 11-12.

Consumers asserts that the incentives/disincentives should be set in the next electric rate case filed after the conclusion of this workgroup and the distribution audit. In addition, while Consumers supports the use of a regulatory asset to track the net value of incentives/disincentives, the company contends that "any penalties associated with PBR [performance based ratemaking] should be used to directly fund reliability improvements. The PBR methodology should focus on directing any penalties assessed to be used for increased investments and work on the system that will reduce outage frequency and duration," rather than relatively small bill credits. *Id*., p. 13.

Consumers also requests that the metrics tracking calendar for an approved mechanism be set for July 1st through June 30th. Consumers explains that it would be more beneficial for the mechanism to be finalized mid-year, rather than end-of-year, because it "would not impact customers but would provide significant help in enabling smooth financial planning for the Company." *Id*., pp. 13-14.

Consumers objects to a review of the incentive/disincentive mechanism every two years. Consumers requests a three-year cadence, explaining that "[t]hree years between reviews will give both utilities and the Commission time to complete prior case proceedings, while easing the administrative burden for all parties involved." *Id*., p. 14. Finally, Consumers supports the "offramp" mechanism in the revised straw proposal that allows for review of performance metrics during exigent circumstances.

5. DTE Electric Company

To begin, DTE Electric notes that it supports the updated metrics in the revised straw proposal for SAIDI (excluding MEDs), all-weather SAIDI, storm restoration, and worst-performing circuits, stating that "they provide focus on critical system and customer outcomes." DTE Electric's February 2, 2024 comments, p. 5. However, DTE Electric asserts that incentives/disincentives should be gradually introduced using an incentive/disincentive "of $5 [million] in Year 1 and $10 [million] in Year 2, with a scheduled review after two years. This approach would support implementation of the PBR plan with meaningful financial exposure while allowing the plan design to be adjusted to ensure it is driving towards the right outcomes and doing so in an appropriately balanced manner." *Id*.

Next, DTE Electric contends that the incentive/disincentive mechanism as set forth in the revised straw proposal is asymmetrical and should be adjusted. DTE Electric states that the revised straw proposal notes a possible $23 million in penalty to the company, but only $18 million in potential incentives. DTE Electric argues that:

> the incentive and disincentive opportunities should have the same financial total (in the context of the revised proposal, $23 [million]) for any given version of the plan. If in the future it is appropriate to include an upside only metric or other changes to the structure of the Plan, the total incentive / disincentive opportunities should still balance. The updated straw proposal should correct this by including [a] symmetric upside for worst performing circuits.

Id., p. 6.

In addition, DTE Electric asserts that the SAIDI (excluding MEDs) and all-weather SAIDI metrics should be designed symmetrically. DTE Electric explains that:

> [o]ver time, the Company expects the trend of performance to meet or exceed the targets, however it is unlikely that in any given year performance will be exactly the target. Some years will likely be a bit worse, and some years will likely be a bit better. Under the proposed design, in all worse years a penalty is incurred, but only in a small subset of better performing years can the company receive an incentive. Thus, over time, this metric design will generate a penalty on average even if the performance trend is exactly on target and variability is normally distributed. This is not a balanced or symmetric design.

Id., p. 7.

DTE Electric objects to the five-year average of performance for determining the financial outcomes for the all-weather SAIDI metric. According to DTE Electric, the method conceals actual performance relative to the target and links the current year's outcome to prior years, so that consistent improvement could still result in penalties. DTE Electric states that "[s]uch a design that allows for penalties in times of improving performance, or incentives in times of degrading performance, is not equitable nor appropriate. Thus, actual annual performance should be adopted as the method to set targets and measure performance." *Id*., p. 9.

Similar to Consumers, DTE Electric requests that the incentives/disincentives be implemented in a general rate case. DTE Electric asserts that compared to a single-issue proceeding, "[g]eneral rate cases are the forum for considering and approving investments in reliability, accounting for storm and other costs, and for putting forth proposals and programs to continue to drive improvements in reliability and customer outcomes." *Id*.

Finally, DTE Electric requests that "any assessed penalties be directed to a fund supporting low-income and/or otherwise disadvantaged customers instead of being held as a regulatory liability refunded to all customers through rates. In this way, penalties could be used to assist customers for whom the additional support would be the most meaningful." *Id*., p. 10.

6. Michigan Department of Attorney General

The Attorney General supports including SAIDI (excluding MEDs), all-weather SAIDI, storm restoration, and worst-performing circuits as metrics in the revised straw proposal. However, the Attorney General argues that "they are insufficient to drive performance in key areas of concern to customers" such as "[l]ong restoration time during catastrophic storms, repetitive outages, and performance improvement during non-catastrophic storms . . . ." Attorney General's February 2, 2024 comments, p. 2. The Attorney General recommends that the Commission also include metrics for percentage of customers restored within 72 hours during catastrophic events, customers experiencing more than four outages of one minute or more in a 12-month period (CEMI-4) and customers experiencing more than five sustained outages in a 12-month period (CEMI-5), and a target percentage of customers restored within 24 hours in gray sky conditions.[2] The Attorney General explains that "[t]hese metrics are needed to focus utility management at reducing long power restoration time, repetitive power outages, and the timely restoration of power in weather conditions where significant customers are still affected by a power outage that may not reach a catastrophic level." *Id*.

The Attorney General argues that the target performance metrics and deadbands in the revised straw proposal are too complex for most customers to understand. The Attorney General contends that "[m]ost customers understand average historical performance and simple targets established off that historical performance. They also want to easily understand how current performance by the utility measures against those simple targets without creating the impression that utilities are being given a break when performance falls within the deadband and no penalties are assessed." *Id*., p. 3. Therefore, the Attorney General recommends that the Commission approve a simpler mechanism that uses historical performance as a benchmark and provides a smaller reward for small improvement, a larger reward for greater improvement, and a penalty that is commensurate with the shortfall in performance. In addition, the Attorney General asserts that the metric for power outages and restoration time "should get the highest weight in determining incentives and penalties" because it is "the most sensitive area for customers." *Id*.

Next, the Attorney General contends that because the metrics in the revised straw proposal are independent of one another, it may lead to illogical results. The Attorney General explains that the utility can fall short in three of the metrics within the deadband and still receive an incentive payment, or the utility can exceed performance within the deadband in several metrics but may be

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[2] A gray sky event is when 1% to less than 10% of customers experience a sustained power outage. *See*, Mich Admin Code, R 460.702(j).

penalized for falling significantly short in one metric. The Attorney General asserts that "[t]his problem can be minimized or resolved if incentive awards and penalties are determined based on an overall score for all metrics added together according to the assigned weights against the overall target score for all metrics." *Id.*, p. 4.

The Attorney General also objects to setting the incentives/disincentives on a fixed amount that is calculated relative to the number of customers served by the utility. The Attorney General states that this approach is similar to the expanded bill credit required in the SQRS and "it is disconnected from what customers are paying for the capital expenditures, [O&M] costs, and other related costs that the utility is recovering in rates." *Id.*, p. 4. The Attorney General reiterates the recommendation from her September 22, 2023 comments that the incentive/disincentive payment be calculated "based on the revenue requirement recovered by the utility pertaining to capital investments, O&M expenses, and other related costs made for distribution plant assets." *Id.*, p. 5.

Finally, the Attorney General recommends that "the 10 worst performing circuits be identified across the entire distribution system instead of a smaller geographical area. The larger scope will truly identify the worst circuit problems that affect the most customers repeatedly across the entire distribution grid." *Id.* In addition, the Attorney General requests that utilities only receive an incentive payment "if there are no repeating circuits in the top 10 worst circuits within the past five years and would receive an increasing penalty amount for each circuit that repeatedly makes the top 10 list in the last five years." *Id.*

7. Michigan Energy Innovation Business Council and Advanced Energy United

MEIBC/United state that they support the use of disincentive payments to encourage utilities to improve reliability. However, MEIBC/United contend that "incentives should not be used to provide financial rewards to a utility for meeting its basic service obligations, for which the utilities are suitably rewarded via the traditional cost-of-service business model." MEIBC/United's February 2, 2024 comments, p. 2. MEIBC/United assert that the SQRS should be the minimum acceptable performance level and no financial rewards should be available for performance that does not meet these standards. Specifically, MEIBC/United argue that "a utility must not be considered eligible for an incentive until it continuously exceeds all [SQRS] for at least 12 months." *Id*.

MEIBC/United object to the SAIDI (excluding MEDs) metric because "it does not reflect performance that surpasses basic service obligations." *Id*., p. 3. Regarding the all-weather SAIDI metric, MEIBC/United assert that the Commission should not approve a financial incentive for this metric unless the utility meets the SQRS continuously for at least 12 months and demonstrates "exemplary performance relative to industry standards . . . ." *Id*. MEIBC/United also object to the storm restoration metric, stating that the utility should only be rewarded for meaningfully exceeding basic service obligations for a period of no less than 12 months.

Finally, MEIBC/United state that the revised straw proposal's incentive/disincentive structure for worst-performing circuits could "encourage the utilities to game the system with regard to the timing of circuit repairs, and may discourage timely maintenance, given the requirement that a circuit appear twice in a 5-year timeframe to trigger a penalty." *Id*., pp. 3-4. Rather, MEIBC/United recommend that the Commission require utilities to address their worst-performing circuits on an annual basis, which is more consistent with the SQRS.

8. Michigan Municipal Association for Utility Issues

The Michigan Municipal Association for Utility Issues (MI-MAUI) notes that it joins in the comments filed by the CEOs. However, MI-MAUI also provides comments from several member communities: City of Flint, City of Livonia, City of Kentwood, City of Pleasant Ridge, Meridian

Township, and City of Birmingham (member communities). The member communities express similar concerns and opinions regarding the revised straw proposal, including frustration with frequent outages and delayed restoration that has led to dangerous indoor temperatures, lost employment opportunities, and financial burdens for residents and businesses. The member communities request that no utility receive financial rewards unless and until the utilities provide exemplary service over and above what is set forth in the SQRS for a sustained period of time.

9. Natural Resources Defense Council, Michigan Environmental Council, Sierra Club, and Strategen

The Natural Resources Defense Council, Michigan Environmental Council, Sierra Club, and Strategen (together, NRDC) note that in the initial straw proposal, there were "six metrics within the framework – three of which were symmetrical (upside and downside potential), and three of which were penalty-only. The revised straw proposal now contains four total metrics, only one of which is penalty-only (at 20% of the total pool)." NRDC's February 2, 2024 comments, p. 2. NRDC states that the revised straw proposal provides more incentives for utilities than were offered under the initial proposal. NRDC argues that utilities who are currently providing below-standard service should not be rewarded for bringing their service to a minimally acceptable level that they are legally required to provide. Accordingly, NRDC opposes financial incentives for providing basic utility service.

However, if the Commission approves a mechanism with symmetrical incentives, NRDC recommends that "those incentives should not make up 80% of the pool of funds. At most, symmetrical incentives should be included for one metric category, and should be capped at 25% of the total pool of funds." *Id.*, p. 4. In addition, NRDC asserts that the mechanism should include at least one CEMI metric and "a metric that focuses explicitly on improving reliability outcomes for customers in disadvantaged or underserved communities . . . ." *Id.*

Finally, NRDC objects to the storm restoration metric. NRDC explains that:

> under the revised straw proposal, if the utilities continue to make improvements to storm restoration just barely exceeding their most recent annual 5% improvement rate (i.e., 5.1%), they will now receive a financial incentive for doing so, where they would not have in the past. Clearly, the utilities are already undergoing efforts to improve storm restoration, and therefore, providing a new financial incentive for the utilities to do the same level of work they were prior is unreasonable and unnecessarily burdensome for Michigan ratepayers.

Id., p. 5.

<u>Reply Comments</u>

1. Association of Businesses Advocating Tariff Equity

ABATE asserts that "no incentive should be provided for a particular metric unless the performance under that metric is superior to that required under the minimum standards for service quality found in the Commission's rules." ABATE's March 1, 2024 comments, p. 1. Additionally, ABATE contends that if the incentives and disincentives are added together and a net incentive balance remains, the utility should not be entitled to the incentive payment unless it has met all of the Commission's minimum standards for service quality. *See*, *id*., p. 2. According to ABATE, rewarding a utility for failing to meet basic service quality standards "would be contrary [sic] the explicit requirements of Mich Admin Code, R 460.741 and R 460.742" and "would inappropriately reward a utility which has failed to meet its most basic service obligations to its captive customers . . . ." *Id*., p. 2.

In response to the Commission's query as to whether an incentive payment would encourage a utility to meet minimum service quality standards more quickly, ABATE argues that such a price signal is unnecessary. ABATE asserts that the same "could instead be accomplished with a combination of decreasing levels of penalties for below minimum standard performance as the level of performance improves, and increasing levels of incentive payments as performance improves above minimum standard performance." *Id*.

ABATE objects to the storm restoration metric that "provide[s] an incentive payment in 2025 for restoration of [sic] in excess of 85% of customers within 48 hours. This is inconsistent with Mich Admin Code R, 460.722, which sets a minimum performance standard of restoring 90% of customers within 48 hours." ABATE's March 1, 2024 comments, p. 4. ABATE contends that the inconsistency could be remedied by setting the minimum threshold for the incentive at 90% in 2025 and increasing this threshold year-over-year to 95% in 2029. However, ABATE asserts that the penalty threshold for this metric should remain at 81% for 2025 and should increase to 85% in 2029.

In ABATE's opinion, the incentive/disincentive mechanism includes a sufficient amount of initial metrics, which can be reassessed and modified, as necessary, in the future. Regarding the penalty payments, ABATE contends that they should be returned to customers and not reinvested into the system. Specifically, ABATE argues that the "return of the penalty amount to customer classes should be consistent with cost causation principles and comparable to the way the cost of any net incentives paid to utilities are allocated to customer classes." *Id*., p. 5. ABATE states that if the utility has incurred a penalty for unreliable or ineffective service, the utility should not be permitted to retain the penalty for reinvestment because it is unlikely that the utility will use the funds to remedy existing poor performance.

2. City of Ann Arbor

Ann Arbor disagrees with DTE Electric that the incentive/disincentive mechanism should be symmetrical. Ann Arbor asserts that "the consequences to customers of DTE's poor performance far outweigh any benefits of slightly improved performance." Ann Arbor's March 1, 2024 comments, p. 5. In addition, Ann Arbor argues that DTE Electric is already earning an above-average ROE that has no symmetrical benefit to customers. Furthermore, Ann Arbor contends that a symmetrical mechanism is inequitable to customers when the utility has made poor management decisions: "Customers should not be responsible for covering the costs of incentivizing a company to rise to an acceptable level of service when it was the company's own actions (or inactions) that led it to the situation in which its performance is unacceptable." *Id*., p. 6.

Ann Arbor asserts that a utility should not receive a financial incentive if the utility's service does not meet all of the minimum standards in the SQRS. Ann Arbor also disagrees that an incentive will encourage the utility to meet the SQRS more quickly. Ann Arbor states that "[w]atering down those rules by permitting a utility to receive a financial incentive when it hasn't even met all of the minimum standards sends a mixed message to both utilities and customers." *Id*., p. 8.

Finally, Ann Arbor requests that any penalties assessed under the mechanism should not be retained by the utility for reinvestment; rather, they should be refunded to customers. Ann Arbor explains that:

> [w]hether or not the Company would be able to earn a return on such investments (which it absolutely should not if such investments were allowed), permitting the utility to spend the "penalty" on its system seemingly turns the "penalty" into an incentive. Moreover, giving penalties back to the utility for system investments could lead to the absurd scenario in which the utility is rewarded twice for its poor service – first, the cost of a system investment is covered by the utility's "penalty," and second, the utility reaches an incentive benchmark as a result of the reliability improvements due to the investment, so it earns a financial incentive.

Id., pp. 8-9.

3. Citizens Utility Board of Michigan, the Ecology Center, the Environmental Law and Policy Center, Michigan Municipal Association for Utility Issues, Union of Concerned Scientists, and Vote Solar

The CEOs reiterate that providing financial incentives to encourage the utilities to meet the SQRS will not lead to faster progress. Likewise, the CEOs assert that if the level of performance required to earn an incentive is increased to align with the SQRS, the penalty threshold should not be reduced. *See*, CEOs' March 1, 2024 comments, pp. 1-2.

The CEOs also reiterate that the SAIDI (excluding MEDs) and worst-performing circuit metrics should be excluded from the mechanism and all-weather SAIDI and storm restoration should be retained. *Id*., pp. 2-3. The CEOs "recommend a weighting where all-weather SAIDI makes up 60% of the pool and storm response the remaining 40%." *Id*., p. 3. According to the CEOs, a CEMI metric is unnecessary so long as penalties are paid to customers who are directly affected by outages caused by high SAIDI.

4. Consumers Energy Company

Consumers contends that the incentive/disincentive mechanism "should operate independently from the [SQRS]" because "[i]t would be unreasonable and premature to tie the ability to earn an incentive in a PBR mechanism to meeting all of the standards in the [SQRS], several of which are not tied to distribution reliability." Consumers' March 1, 2024 comments, p. 3. Rather, Consumers states that the Commission could authorize a separate incentive mechanism that is connected to distribution and reliability performance improvements year over year. Consumers argues that such a mechanism will "enhance the pace of improvements." *Id*., p. 4.

Next, Consumers objects to a penalty-only mechanism. In Consumers' opinion, "[t]he removal of the ability to earn an incentive would limit the overall effectiveness of a PBR mechanism which is intended to speed up improvements in performance. Achievable incentives will increase the desired impact of PBR, and help achieve the goal of accelerating the journey on the road to improved reliability." *Id*., p. 5; *see also*, pp. 10-11. Consumers asserts that the most effective way to improve reliability is to provide a symmetrical mechanism with both incentives and disincentives. Consumers states that if the incentive/disincentive mechanism is tied to meeting the SQRS, the mechanism should be adjusted to ensure that there is no "'double penalty' which could apply [to] metrics included in PBR and the Service Quality Standards." *Id*., p. 6.

Regarding the metrics in the revised straw proposal, Consumers disagrees that a total of 60% of the incentives/disincentives should be allocated to both SAIDI (excluding MEDs) and all-weather SAIDI. Consumers reiterates that the allocation should be 25% for each metric because it would more appropriately balance the mechanism. Consumers states that "[r]educing the emphasis on the SAIDI all-weather metric is particularly important given how weather outside the utility's control affects that metric." *Id*., p. 7. However, Consumers supports removing CEMI-4 and CEMI-7 from the straw proposal because they are duplicative of the SQRS.

Consumers argues that any penalties assessed should be reinvested in reliability and distribution improvements. In Consumers' opinion, "[c]ustomers want improved reliability in the form of fewer outages and faster restoration times. Instead of directing penalties to relatively small bill credits, which would reduce average residential bills by a virtually unnoticeable amount, any penalty amounts should be pooled to be directly used on projects designed to help achieve the desired goal of improved reliability and resiliency." *Id*., p. 9. To ensure that the penalties are being spent on reliability, Consumers recommends the creation of a regulatory asset: "[a]s the actual dollar amounts of the penalties and the scope of spending became known, the Company would file a report with the Commission detailing the incremental reliability investment that would be completed using the disincentive funds." *Id*., p. 10.

Consumers agrees with DTE Electric's proposal to gradually incorporate penalties over the course of two years. Specifically, Consumers "proposes a $5 million annual band on the total risk/reward level," as described in their February 2, 2024 comments. *Id*., p. 11. Additionally, Consumers agrees with DTE Electric that the incentive/disincentive mechanism is too heavily weighted toward penalties and should be redesigned to balance the incentives and disincentives. Furthermore, Consumers supports DTE Electric's request to balance the deadbands for the SAIDI metrics.

Finally, Consumers reiterates that it "is committed to improving its distribution system performance and reliability for customers, but it cannot do so without timely recovery of the costs of such improvements." *Id*., p. 14.

5. DTE Electric Company

DTE Electric objects to tying the incentive/disincentive mechanism to the SQRS. DTE Electric states that "[m]aking rewards contingent upon exceeding the SQRS effectively discards the use of actual performance as a starting point and is counter to the intended purposed of PBR, which is to drive improvements in performance. A structure without incentives, for example, would penalize the Company for performance which is, on average, still better than the target performance." DTE Electric's March 1, 2024 comments, p. 3. DTE Electric notes that the SQRS and the incentive/disincentive mechanism have different performance metrics and distinct objectives and should not be linked together.

In the event that the incentive/disincentive mechanism and the SQRS are tied together, DTE Electric objects to reducing the penalty thresholds and timing in the incentive/disincentive mechanism to coordinate with the SQRS "because the standards serve a different purpose and do not consider the starting point for performance." *Id*., p. 4. Additionally, DTE Electric reiterates that the maximum financial penalty should be reduced as noted in the company's February 2, 2024 comments.

In response to comments about the metrics to be included in the incentive/disincentive mechanism, DTE Electric contends that the four metrics in the revised straw proposal are appropriate. DTE Electric disagrees with the CEOs that SAIDI (excluding MEDs) should be removed from the mechanism, stating that "[e]xcluding MEDs focuses the metric on areas which are more within the utility's control and is an appropriate way to measure reliability performance. However, recognizing that the customer experience does not distinguish between an MED and a non-MEDs [sic], it is important to include SAIDI All Weather as a complementary metric to SAIDI excluding MEDs." *Id*., p. 5. DTE Electric also asserts that a MED-only SAIDI metric should not be included because it is "not industry standard and MED thresholds vary year to year, limiting their usefulness as a standalone metric." *Id*.

Regarding the storm restoration metric, DTE Electric asserts that NRDC's recommendation to improve the metric is unclear. DTE Electric objects to the Attorney General's request to include two additional metrics because, according to the company, both metrics are already captured in all-weather SAIDI and are therefore unnecessary.

DTE Electric notes that the Attorney General suggested a worst-performing circuit metric, which means that no circuit should be in the top 10 worst performing more than once in a five-year period, "with increasing penalties for repeat worst performing circuits, and assessed on a system-basis." *Id*., p. 6 (footnote omitted). DTE Electric objects to the Attorney General's proposed metric because "[s]ystem basis . . . will simply identify the largest circuits with consistent trouble but not necessarily the most impacted customers." *Id*. Finally, DTE Electric opposes the commenters' request for CEMI and tree trimming metrics because CEMI is addressed in the SQRS and a tree trimming metric would inappropriately limit the company's investments and flexibility.

6. Indiana Michigan Power Company

I&M disagrees with commenters' request to create penalty-only metrics. I&M contends that the incentive/disincentive mechanism should be appropriately balanced because many of the factors affecting reliability are beyond utilities' control. I&M also agrees with the comments provided by DTE Electric that the worst-performing circuit metric should be symmetrical with an incentive *and* disincentive opportunity. *See*, I&M's March 1, 2024 comments, pp. 1-2.

Similar to Consumers and DTE Electric, I&M expresses concern that if the incentive/disincentive mechanism is tied to the SQRS, there is a potential for duplicative penalties. Specifically, I&M asserts that the metric for storm restoration, the metric for percentage of customers restored within 72 hours during catastrophic events, CEMI, and the metric for gray sky outages are already addressed in the SQRS. Additionally, I&M notes that some of the metrics proposed by the Attorney General, the CEOs, and NRDC are not required to be reported in the utilities' existing distribution performance and power quality dockets, and inclusion of these metrics would create inconsistent reporting results. *See*, *id*., p. 3.

I&M agrees with Consumers that timely rate recovery is necessary to improve distribution reliability performance and customer experience. I&M states that "[i]f the Commission were to adopt a rate recovery mechanism that provides regulatory certainty that reasonable and prudent investments in the distribution system would be granted cost recovery, it would encourage utilities to continue future investment in the distribution system." *Id*., p. 4. Furthermore, I&M asserts that a general rate case is the most appropriate forum to address the incentive/disincentive mechanism and requests that the Commission "avoid mandating a PBR review by a specific date." *Id*.

In response to the Commission's question of whether a utility should be eligible to receive an incentive if the utility's performance does not meet basic service quality standards, I&M states that the "[m]etrics should recognize each utilities [sic] unique circumstances and operate independently." *Id*. I&M next addresses the Commission's query that if the mechanism is tied to the SQRS to earn an incentive, whether the penalty threshold should be amended too. I&M states that "[t]he lower band should increase proportionate to the upper band, relative to the performance of each utility." *Id*. Regarding the Commission's question of whether the four proposed metrics in the revised straw proposal are appropriate, I&M asserts that it "agrees with equal weighting among metrics and supports the metrics as proposed by Staff in its Revised Straw Proposal . . . ." *Id*., p. 5. Finally, I&M contends that any penalties assessed under the mechanism should be reinvested in the distribution system because it is the best method to improve reliability.

7. Michigan Department of Attorney General

The Attorney General reiterates that the Commission should approve the seven metrics set forth in her February 2, 2024 comments, and she proposes that:

> the Commission assign the following weights: 25% to 48-hour Catastrophic Restoration Time, 25% to 72-hour Catastrophic Restoration Time, 15% to SAIDI-All Weather, 15% to SAIDI-excluding MEDs, 10% to 24-hour Grey-Sky Restoration Time, 5% to CEMI-5 or CEMI-4, and 5% to Worst Performing Circuits. The lower weight of 5% for CEMI and Worst Performing Circuits reflects the fact that fewer customers are impacted by those metrics relative to the number of customers affected during a catastrophic weather event.

Attorney General's March 1, 2024 comments, p. 4.

In response to commenters' suggestion that the incentive/disincentive mechanism be tied to the SQRS, the Attorney General states that "[t]he SQRS do not include any standards for SAIDI or Worst Performing Circuits other than reporting requirements. Although the other metrics in the SQRS are important, incorporating them within the PBR mechanism would unnecessarily dilute the 7 essential metrics." *Id*., p. 3. The Attorney General also reiterates that a total scorecard approach should be utilized to determine incentive or penalty payments because it balances the interests of utilities and customers.

The Attorney General contends that any incentives or penalties assessed under the incentive/disincentive mechanism should be charged to or refunded to customers. She recommends that "penalties and incentives be calculated based on the revenue requirement recovered by the utility pertaining to capital investments, O&M expenses, and other related costs made for distribution plant assets." *Id*., p. 5.

<u>The Commission Staff's Financial Incentives and Disincentives Workgroup May 2024 Report</u>

On May 3, 2024, the Staff filed a Financial Incentives and Disincentives Workgroup Report (May 2024 Report), which included a summary of the comments received on the revised straw proposal. The Staff notes that several commenters objected to utilities earning an incentive for performance that does not meet the minimum standards in the SQRS. Regarding the design of the incentive/disincentive mechanism in the revised straw proposal, the Staff states that there were various opinions about the four proposed metrics and notes that the Attorney General and other commenters provided additional metrics. In addition, the Staff states that utilities expressed concern that under the revised straw proposal, utilities were more likely to be assessed penalties. The Staff notes that commenters suggested modifying the limit on incentives and penalties. After a review of the feedback provided by the utilities and interested persons, the Staff made further revisions to the straw proposal.

Regarding the proposed metrics, the Staff states that the updated straw proposal "retains SAIDI (excluding MEDs) under the same incentive/penalty structure that was proposed in the December 2023 Status Report. This update proposes reducing the share of this metric to 15%."

May 2024 Report, p. 5. For target performance, the Staff recommends adopting the Attorney General's proposed 5% cumulative reduction in this outcome over five years. The Staff explains that this is a "'backstop' for penalties. That is, utility performance needs to improve from the baseline during each year to avoid incurring a penalty. The penalty threshold for interim years would be defined by a linear glidepath to the 5% cumulative improvement over 5 years." *Id*., p. 6. The Staff notes that the updated proposal retains a symmetric opportunity to earn an incentive or incur a penalty.

The Staff asserts that the update to the straw proposal "proposes to also retain SAIDI (all weather) under the same structure proposed in December 2023 status report and reduce the allocation of this metric to 15%." *Id*., p. 6. The Staff notes that for Consumers and DTE Electric, performance in this metric has been in the fourth quartile according to an Institute of Electrical and Electronic Engineers utility benchmarking study. The Staff states that, "[a]s interim measures, this revision proposes a 5% cumulative improvement in the 5-[year] average as a threshold for assessing penalties. For positive improvement towards the industry median, this update proposes a 10% improvement relative to recent performance with the addition of a deadband to address the significant annual variability in this metric." *Id*. The Staff also notes that this metric is configured similarly to SAIDI (excluding MEDs) using a backstop measure as a threshold for penalties. According to the Staff, "the penalty threshold still requires improvement from the current baseline. A deadband is applied to the incentive range to reduce the likelihood that a utility could earn the incentive solely by favorable weather. In addition, the outcome is measured using the 5-year average of performance, which further addresses annual variability from weather conditions." *Id*. The Staff states that the update to this metric, along with the reallocation to the storm response metrics, will now comprise 75% of the total incentive/disincentive mechanism.

For 48-hour catastrophic storm restoration, the Staff notes that the updated mechanism retains the metric but increases the weight and modifies the penalty. Specifically, the Staff states that the updated metric "retain[s] a symmetric incentive/disincentive metric for this outcome for a maximum of 25% of the total incentive/penalty pool. The penalty and incentive would scale proportionately in a 10% range from the requirement in the [SQRS]." *Id*., p. 7. In addition, the Staff contends that for target performance, "utilities would be penalized for performing below the 90% level in the Commission's [SQRS] and have an opportunity for an incentive for performance above the threshold." *Id*.

The Staff notes that the revised straw proposal was modified to add a 72-hour catastrophic storm restoration metric, which is similar to the Attorney General's proposal. The Staff states that the metric is symmetrical "for a maximum of 20% of the total incentive/penalty pool. The penalty scales proportionately from 85%-95% and incentive from 95%-100%." *Id*. The Staff also explains that "utilities would be penalized for performing below 95% service restoration and have an opportunity for an incentive for performance above 95%." *Id*.

The Staff states that a 24-hour storm restoration-gray sky metric was added to the mechanism. The Staff explains that the SQRS "require that utilities restore 90% of customers within 24 hours" of a gray sky event and the metric mirrors this requirement. *Id*. The Staff states that the metric is symmetrical for a maximum of 10% of the total incentive/disincentive pool, and "utilities would be penalized for performing below the 90% level in the [SQRS] and [would have] an opportunity to earn an incentive above 90%. The penalty and incentives are proposed to scale proportionately from 80%-90% and 90%-100%." *Id*., p. 8.

The Staff also proposes to include the CEMI-4 metric in the mechanism. According to the Staff, this metric will "maintain focus on improving service to customers experiencing repeated outages. The [SQRS] establish a value of 6% for the CEMI-4 metric. The revised metric proposes using the threshold in the [SQRS] as the basis for the incentive/disincentive metric." *Id*. The Staff explains that a utility would incur a penalty if it exceeds the threshold for CEMI-4 in the SQRS and will earn an incentive if performance is below the threshold. Additionally, the Staff states that "[t]he incentive and penalty mechanism is proposed to scale proportionately from 0%-6% and 6%-12% (lower levels reflect better performance)." *Id*. The Staff notes that the metric is symmetrical and is 10% of the total incentive/disincentive pool.

For worst-performing circuits, the Staff states that the "revised proposal focuses on system-level SAIDI (excluding MEDs) to rank each utility's 10 worst-performing circuits and aligns with the incentive/penalty mechanism proposed by the Attorney General." *Id*. The Staff asserts that 5% of the incentive/disincentive pool is allocated to this metric and utilities would be penalized if a circuit is within the top 10 worst performing circuits more than once in a five-year period.

In response to comments that there should be an initial limit on potential penalties and incentives, the Staff proposes to set the limit at $10 million per year. The Staff states that:

> [a] utility would incur the maximum total penalty if they perform at or below the maximum penalty threshold on every metric. If they perform above the incentive threshold on a metric, the incentive could offset penalties from other metrics. To be eligible to earn a net incentive, the utility would need to meet all [SQRS] and offset any penalties by performance on the other metrics.

Id.

The Staff also proposes the following implementation steps for the incentive/disincentive mechanism:

- **Incentive/Disincentive metrics implemented through contested case proceeding –** This revised proposal anticipates that the incentive/disincentive framework would be implemented in a contested case proceeding subsequent to this workgroup process. The final decision in the contested case would implement performance metrics for each utility.

- **Conduct a review every two years –** Given the early stage of experience with performance metrics in Michigan, the metrics should be reviewed on a frequent basis and this revision proposes a two-year review cycle.

- **"Offramp" mechanism should be included in framework –** This revised proposal also anticipates adopting an offramp mechanism to allow for review of performance metrics during exigent circumstances where waiting for the normal review period is impractical. The frequent (two-year) review cycle should mitigate many circumstances where an offramp may be considered but this revised proposed [sic] still recommends including an offramp mechanism during this stage.

- **Incentives/disincentives tracked in regulatory asset –** This update anticipates tracking the net value of incentive and disincentives annually in a regulatory asset, which is reviewed in the utility's next rate case. Final decisions on cost allocation of the net value can be made in the rate case when the regulatory asset can be reviewed comprehensively with the utility's revenue requirement and cost-of-service.

Id., p. 9.

Next, the Staff notes that on page 12 of the April 24 order, the Commission directed the Financial Incentives and Disincentives workgroup to focus on a "'reliability-plus' approach to distribution grid performance," and noted that "of foremost and most immediate concern are issues involving distribution reliability and safety." The Staff states that the straw proposal includes an updated set of incentive/disincentive metrics to address this directive. However, the Staff recommends that "the Commission request feedback from interested parties on the following four topic areas: equity, grid modernization, distributed energy resource (DER) integration, and resilience. Furthermore, parties' feedback is encouraged to identify performance metrics, scorecards, and performance incentive mechanisms relevant to distribution system performance in each topic area." May 2024 Report, p. 10.

Discussion

The Commission has reviewed the comments filed by citizens, utilities, the Attorney General, and other organizations, including the range of suggestions for modifying the revised straw proposal. The Commission also reviewed the May 2024 Report and updated straw proposal filed by the Staff and finds merit in receiving comments on the updated straw proposal, including implementation steps for the financial incentives/disincentives mechanism as they may interact with existing rate case proceeding processes and filing requirements. The Commission offers one clarification under the "Incentive/Disincentive metric implemented through case proceeding" recommendation. The intention is that the incentive/disincentive metrics are to be applied and implemented through each utility's next general electric rate case.

The Commission invites interested persons to comment on the updated straw proposal. In addition, the Commission solicits comments from interested persons on the subjects recommended by the Staff in the May 2024 Report and the updated straw proposal, including the following:

- *Equity* – During the workgroup's earlier comment periods, several interested parties identified equity as a high priority in reviewing and improving distribution system performance. In this stage, workgroup participants are encouraged to propose potential metrics, scorecards, and performance incentive metrics that can improve equity in distribution system performance outcomes.

- *Grid Modernization* – This topic area includes metrics to evaluate overall distribution system performance and electric utilities' implementation of approved distribution system investments. The Commission has offered guidance on this topic in prior reviews and decisions approving distribution system investments. Interested parties should build on this guidance in their responses on this topic. Measures in this focus area could also include proposed performance metrics, scorecards, and performance incentive mechanisms to evaluate system operations and investment effectiveness.

- *DER Integration* – As discussed in the [April 24] order, this focus area includes measures to accommodate and leverage the anticipated growth of DERs, such as distributed generation, community solar, energy storage, electric vehicles, and building electrification. Performance metrics and

> incentive mechanisms under this topic could include interconnection timelines, grid services provided by DERs, and implementation of cost-effective, non-wires alternatives (NWAs).
>
> - *Resilience* – This update proposes several performance incentive mechanisms for storm response that immediately address outcomes where utilities currently perform below Michigan's [SQRS]. The focus area of resilience could include a broader set of measures and this update encourages interested parties to propose additional measures of resilience that could be tracked as metrics, scorecards, or performance incentive mechanisms, where appropriate.

Id., pp. 10-11.

The Commission also sees merit in convening another engagement session with interested persons to allow for reaction and feedback on these subjects. Therefore, the Commission directs the Staff to schedule an engagement session to receive additional feedback from interested persons and that this session be convened by August 7, 2024.

Written and electronic comments are due no later than 5:00 p.m. (Eastern time (ET)) on July 12, 2024. Written and electronic reply comments must be received no later than 5:00 p.m. (ET) on August 23, 2024. The written and electronic comments should be paginated and reference Case No. U-21400. Written comments and reply comments should be mailed to: Executive Secretary, Michigan Public Service Commission, P.O. Box 30221, Lansing, MI 48909. Comments submitted in electronic format may be filed via the Commission's E-Dockets website or, for those persons without an E-Dockets account, via e-mail to LARA-MPSC-Edockets@michigan.gov, or via the Submit Comments option located within the E-docket file for the case. Any person requiring assistance prior to filing may contact the Staff at (517) 284-8090 or by e-mail at mpscedockets@michigan.gov. All filed comments will become public information available on the Commission's E-dockets website either under the Filings or Case Comments section and will be subject to disclosure.

THEREFORE, IT IS ORDERED that:

A. The Commission Staff shall convene an additional engagement session with interested persons to discuss the updated straw proposal by August 7, 2024.

B. Any interested person may file comments in Case No. U-21400 regarding the updated straw proposal. Comments must be received no later than 5:00 p.m. (Eastern time) on July 12, 2024. Reply comments must be received no later than 5:00 p.m. (Eastern time) on August 23, 2024.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of June 6, 2024.

Lisa Felice

Lisa Felice, Executive Secretary

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-21400

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on June 6, 2024 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Brianna J. Brown

Brianna Brown

Subscribed and sworn to before me
this 6th day of June 2024.

Angela P. Sanderson

Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

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