



Citizens Utility Board of Michigan
921 N. Washington Ave., Lansing, MI 48906
(248) 385-3167

Ms. Charyl Kirkland
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

November 18, 2020

Dear Ms. Kirkland:

Re: MPSC Case No. U-20629 – In the matter, on the Commission’s own motion, to establish a workgroup to review and Service Quality and Reliability Standards for Electric Distribution Systems and to recommend potential improvements to the standards.

After reviewing the most recent draft of the Michigan Public Service Commission’s Staff Report on Service Quality and Reliability for Electric Service, the Citizens Utility Board of Michigan provides the following comments on the report.

CUB respectfully requests that the Staff consider these comments as it prepares the final report for the Commission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy Bandyk', written in a cursive style.

Amy Bandyk
Executive Director
Citizens Utility Board of Michigan

Thank you for another opportunity to comment ahead of the Dec. 15 final report of the Grid Security and Reliability Workgroup. The changes made by the Staff in its “Revised Appendix A Redlines for Service Quality” show signs of an emerging consensus between the Citizens Utility Board (CUB) of Michigan and Staff. Progress is being made toward an update of the Service Quality and Reliability Standards that can both meet the challenge of the current moment, in which customers are experiencing extreme hardships, and also remain relevant for many years into the future.

Most significantly, the Staff and CUB now agree that the bill credits received by customers for outages of sufficient duration should, at some level of duration, include a variable credit of \$2 per hour.

Duration of Outage

The primary area of disagreement, as it stands now, regards whether the hourly credit should apply to all hours of an outage (CUB’s proposal) or only for durations of extreme length.

The Staff proposes that the credit should be “the greater of \$35.00 plus \$2.00 for every hour of outage over” a specific outage duration threshold “or the customer’s monthly customer charge.” The thresholds would be 16 hours under normal conditions, 48 hours under gray sky conditions and 96 hours for catastrophic conditions.

This proposal correctly recognizes that all outages are not equal and that longer duration outages warrant greater compensation for affected customers. The level of compensation endorsed by the staff, however, is unreasonably low, in CUB’s opinion. A credit of \$35 for a 96-hour outage is a fraction of the economic value of such a long outage, based on the best estimates available for the cost of outages for customers. A realistic economic value for a 96-hour outage would be around \$200 (see Lawrence Berkeley National Laboratory [research](#) from 2018, further detailed in CUB’s March 2020 [report](#).) The \$35 credit is also only about a third of the value of an outage under gray sky conditions. Only the \$35 credit for 16 hours of outage under normal conditions is in line with the economic value of power losses.

The choice of 96 and 48 hours also conflicts with the standard of “unacceptable” service embraced elsewhere by the staff. Under catastrophic conditions, a utility must restore service to 90% of customers within 48 hours or the level of service is considered “unacceptable,” according to the staff’s most recent redlines. Under these standards, then, a customer could experience an outage lasting over 48 hours but under 96 hours in duration under catastrophic conditions and would not receive a bill credit despite being subject to “unacceptable” levels of service. Under gray sky conditions, the same problem would apply to customers experiencing outages over 24 hours but under 48 hours in duration.

A potential solution would be to change the bill credit structure for catastrophic conditions to “the greater of ~~\$35.00~~ \$96.00 plus \$2.00 for every hour of outage over ~~96~~ 48 hours or the customer’s monthly customer charge” and the bill credit structure for gray sky conditions to “the greater of

~~\$35.00~~ \$48.00 plus \$2.00 for every hour of outage over 24 ~~48~~ hours or the customer's monthly customer charge."

This suggestion from CUB retains the basic form of the Staff's credit—a fixed amount plus a \$2 per hour credit that only applies after a certain length of outage. CUB submits that our original proposal for a straight-ahead variable credit of \$2 per hour for all outages is much simpler and easier to understand than the Staff's version, which combines a flat credit with a variable credit. So while we maintain that our original proposal is the best way forward, CUB also suggests the above solution using the 24-hour and 48-hour thresholds as an alternative. The 16-hour threshold for normal conditions, as mentioned above, captures the economic value of outages satisfactorily, so we are not proposing a change, although it would be logically consistent to change the fixed credit for an outage exceeding 16 hours under normal conditions to \$32.

Cost Recovery

Another issue of disagreement is over cost recovery of bill credits. CUB had proposed that utilities may only recover costs of credits up to the point that their reliability performance is better than national SAIDI metrics. The Staff has not been receptive to this idea.

We understand this proposal would be a significant departure from previous regulatory practices in Michigan. A simpler alternative would be to instead provide bill credits of \$2 per outage hour or portion thereof and limit cost recovery to bill credits up to 8 hours under normal conditions, 24 hours under gray sky conditions and 48 hours under catastrophic conditions. In other words, the utility cannot recover the cost of outages that are "unacceptably" long.

We caution, however, that this simpler alternative has the disadvantage that, unlike our original proposal, it does not incentivize utilities to reduce outage length below the 8-hour, 24-hour and 48-hour thresholds. Cost recovery tied to national average SAIDI regardless of the utility's actual outage experience, however, would give utilities an incentive to improve reliability up to and beyond national utility performance.

Again, we appreciate the opportunity to provide comments once again, and look forward to the final report.