

# MPSC – Performance Based Regulation Report

## PBR Stakeholder Forum

July 24, 2017



MICHIGAN PUBLIC SERVICE COMMISSION

# Commission shall commence a study in collaboration with:

**Representatives  
of each  
customer class**

**Other  
interested  
parties**

**Utilities whose  
rates are  
regulated by  
the commission**

...regarding performance-based regulation, under which a utility's authorized rate of return would depend on the utility achieving targeted policy outcomes



MICHIGAN PUBLIC SERVICE COMMISSION

# PA 341 Sec. 6u continued

**Commission shall review performance-based regulation systems that have been implemented in another state or country, including, but not limited to, the RIIO (revenue = incentives + innovation + outputs) model utilized in the United Kingdom**



# PA 341 Sec. 6u continued

Evaluate, but not be limited to, all of the following factors:

- (a) Methods for estimating the revenue needed by a utility during a multiyear pricing period, and a fair return, that uses forecasts of efficient total expenditures by the utility instead of distinguishing between operating and capital costs



# PA 341 Sec. 6u continued

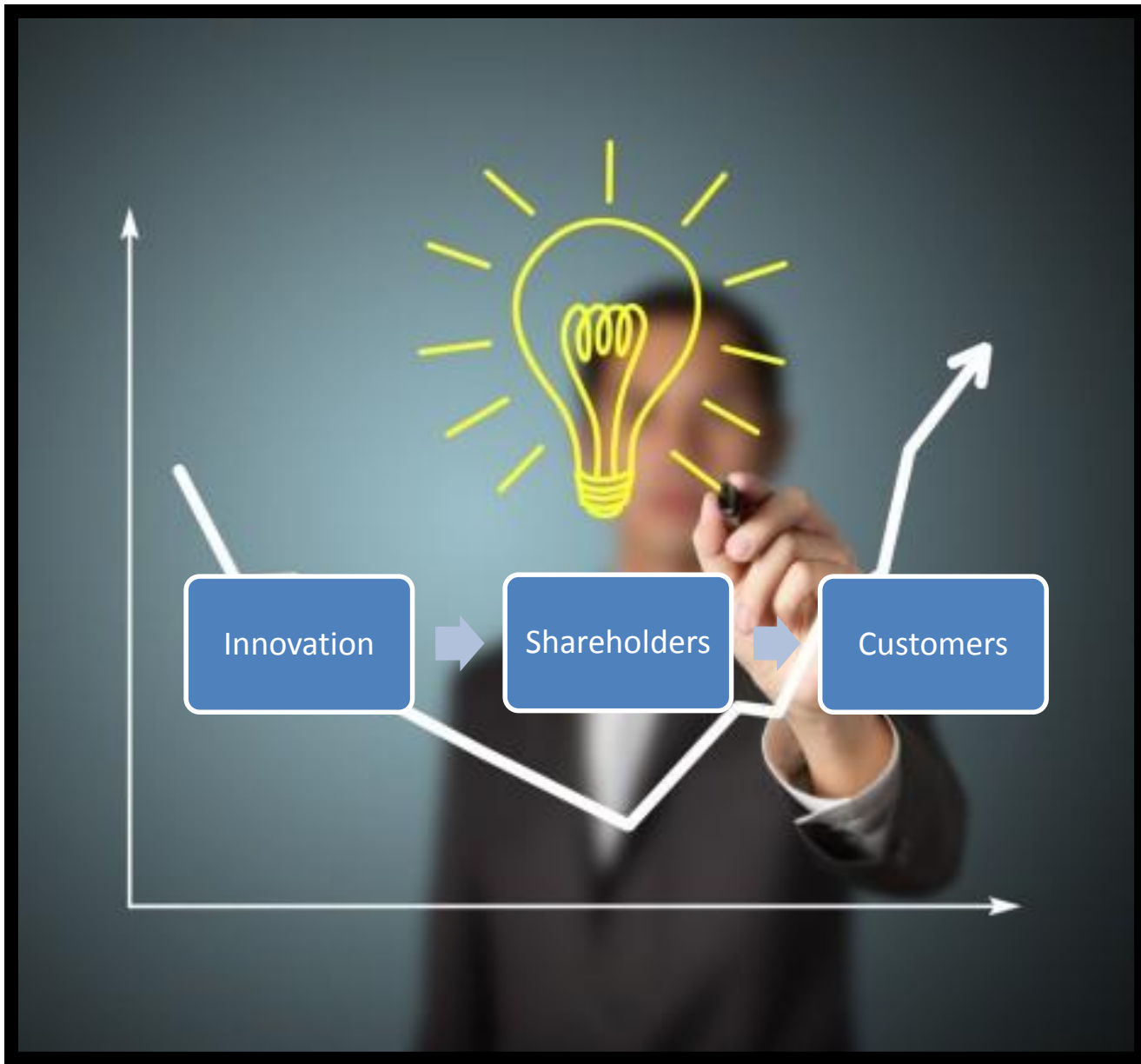
- (b) Methods to increase the length of time between rate cases, to provide utilities with more opportunity to retain cost savings without the threat of imminent rate adjustments, and to encourage utilities to make investments that have extended payback periods



# PA 341 Sec. 6u continued

- (c) Options for establishing incentives and penalties that pertain to issues such as customer satisfaction, safety, reliability, environmental impact, and social obligations

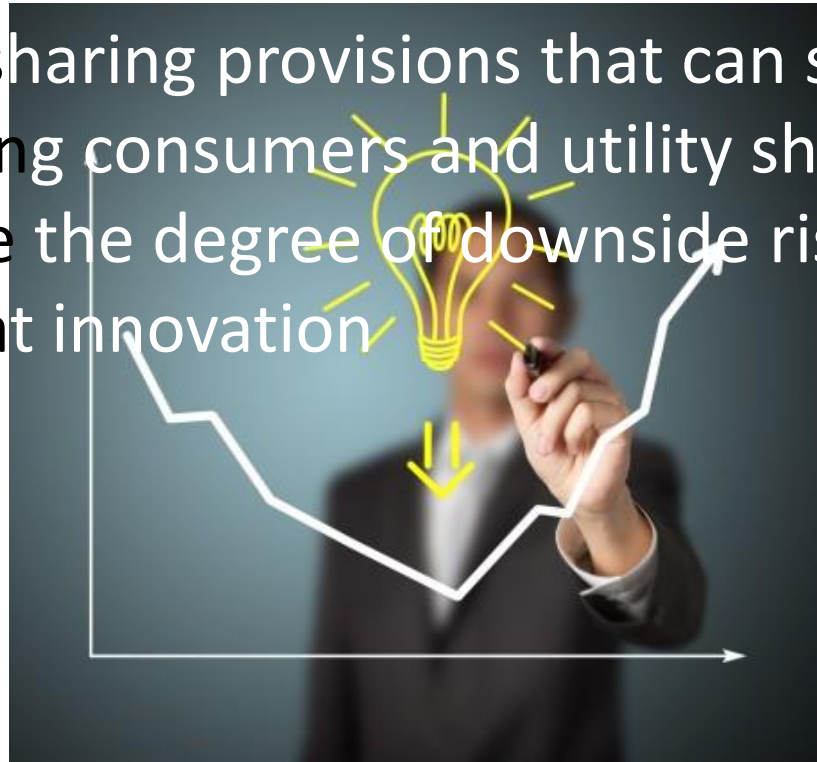




MICHIGAN PUBLIC SERVICE COMMISSION

# PA 341 Sec. 6u continued

- (d) Profit-sharing provisions that can spread efficiency gains among consumers and utility shareholders and can reduce the degree of downside risk associated with attempts at innovation





# PA 341 Sec. 6u continued

- Not later than 1 year after the effective date of the amendatory act that added this section, the commission shall report and make recommendations in writing to the legislature and governor based on the result of the study conducted under this section (April 20, 2018)
- Section 6u does not limit the commission's authority to authorize performance-based regulation

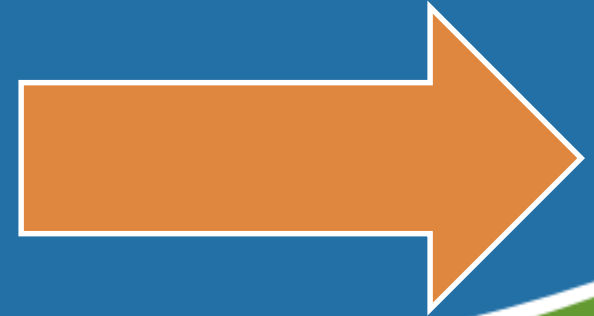


# Process

- The legislation spells out the perimeters of the report
- Stakeholder input is key
- There is an assumed groundwork that explores fundamentals of performance based regulation principles (theory)



# Timeline



- April 20, 2017 – Legislation implementation
- April 20-July 24 – Initial staff research
- July 24 – first stakeholder forum
- Aug 28 (planned) – responses from stakeholders
- Oct 2 (planned) – distribute strawman report to stakeholders for review
- Nov 1 (planned) – meet with stakeholders for comments
- Nov 1-Feb 15 (planned) – staff refines report
- Feb 15, (planned) – share revised report draft with Commissioners
- Feb 15-March 23 (planned) staff refines report
- March 23 – share revised report with Commissioners
- April 20 – submit final report to Legislators and Governor

