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

August 28, 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 Michigan Public Service Commission's Staff Initial 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,

Amy Bandyk
Executive Director
Citizens Utility Board of Michigan

The Citizens Utility Board of Michigan appreciates the Staff's initial report. The report's proposed redlines to the Service Quality and Reliability Standards are substantive and in several cases would push the standards forward in the right direction.

We object to this draft being submitted to the Commission, however, due to three main issues: First, the Staff did not respond substantively to several of the most significant proposals we raised in our last comments (U-20629-0030, filed March 31). Second, the Staff continues to uncritically support the arbitrary and unreasonable requirement that the credit be fixed at $25 (plus inflation adjustments, bringing it to $35) for all types of outages, regardless of the duration. Third, the Staff proposal does not leverage the "gray sky" category for the benefit of customers.

Before we explain these objections, CUB wants to express that we have many points of agreement with the MPSC Staff.

In particular, we endorse the following changes proposed by the initial report:

- Creating an annual process for updating the bill credit to account for inflation
- Removing the requirement that customers must notify the utility before they receive their credits
- Requiring utilities to begin planning for the implementation of automatic provision of credits
- Creating a "gray sky" grid conditions category for purposes of notification and data reporting
- Introducing a Customers Experiencing Multiple Interruptions Index
- Adding precise definitions of "momentary interruption" and "sustained interruption"
- Strengthening the standards for wire down relief requests
- Requiring utilities in their annual reports to include important information about the worst-performing circuits and the number of customers experiencing multiple and long interruptions

The Staff Does Not Consider Several Important Proposals From Previous Comments

There are several substantive, detailed proposals to improve the Service Quality and Reliability Standards included in our comments in U-20629-0030. It defeats the purpose of this conversation between Staff and stakeholders if staff does not consider the substantive arguments raised and respond to them in the report. Since this Staff report recommends proposed administrative rules that will be difficult to further revise if these issues are deferred to other workgroups, it is important that the issues we raised be addressed in this workgroup and Staff report. We now resubmit the CUB report included in those comments and ask that the staff respond to the proposals listed below, which are elaborated in more detail in the report. The report can also be found on the CUB website at https://www.cubofmichigan.org/report_utility_regulatory_measures_to_improve_electric_reliability_in_michigan.

- Customers should receive a credit for an outage regardless of the length of the outage. The 16- and 120-hour eligibility thresholds in the existing standards are arbitrary. Such a credit will go far toward providing customers a degree of insurance against the harms due to outages and ensuring a more equitable treatment of the highly variable outage experiences of customers.

- Utilities should only be able to recover the cost of bill credits relative to national reliability metrics. For example, if the utility's SAIDI score is worse than the national average, the utility can only collect a portion of the costs of bill credits. If the utility is at the national average, then it can collect the full amount. If the utility's SAIDI score is better than the national average, the utility earns extra revenue. This mechanism is explained in more detail in both the CUB report mentioned above and our comments in U-20629-0024.

- The standards should include a survey method which utilities are required to use to gather data from local governments and a random sample of customers affected by outages in order to better determine the value of lost load in future proceedings.

The Fixed Credit Is Arbitrary and Unreasonable

CUB has proposed that the credit be applied on an hourly basis - for example, at $2 per hour for residential customers, a 16-hour outage would lead to a $32 credit applied to a customer's bill.

The Staff, however, proposes that the credit be simply adjusted from $25 to $35 and otherwise kept fixed - a customer receives one credit for a qualifying outage event, be it 16 hours or 120 hours in duration. The report makes two primary arguments in favor of this position, which we will respond to in turn.

First, the Staff contends that CUB's proposal is better-suited for the Performance Based Ratemaking Workgroup in the MI Power Grid Initiative than it is for the Grid Security and Reliability Standards Workgroup because the proposal is "designed to create an hourly incentive for the utility."

We strongly object to the suggestion that CUB's credit proposal is not well-suited to this proceeding. The outage credit is a creation of the Grid Security and Reliability Standards and thus, any proposals to reform the credit are central to the goals of this workgroup.

That our proposal affects utility incentives is no reason to exclude it from consideration in this workgroup. On the contrary, incentives are fundamental to this discussion. 2000 PA 141, one of the key laws that established the MPSC's Grid Security and Reliability Standards, states: "(8) The commission shall be **authorized to levy financial incentives and penalties** upon any jurisdictional entity which exceeds or fails to meet the service quality and reliability standards" [emphasis added].

Indeed, *any* proposal to change the credit - such as the Staff's - will have some effect on utility incentives. Take the Staff's argument that customers should not have to pay for the outage credits through their rates. By limiting cost recovery, the Staff proposal would cause utilities to lose more financial return the more credits they must pay out. To the extent that the hourly credit would create more disincentives compared to the Staff proposal, this is a difference of degree, not kind. The level of cost recovery for anticipated bill credits is not fundamental to the application of credits based on outage duration, so Staff can recommend credits proportional to outage duration without recommending cost recovery for any portion of those credits. We note however, that under CUB's proposal, if a utility pays credits for all outages and recovers costs based on the national average, this amounts to a rate reduction if the utility performs worse than the national average, average rates are unaffected if the utility performs at the national average, and there is a rate increase only if the utility performs better than the national average.

We ask that the MPSC Staff address the proposal on its merits. The case for CUB's proposal remains strong: The purpose is to address the impacts of outages on customers in proportion to the severity of harm. Treating short duration outages the same as significantly longer outages is simply not proportionate. In earlier comments, CUB cited academic research that quantitatively supports this material difference by showing how consumer costs exponentially increase with the length of outages. We note as well, that the performance of Michigan utilities on outage frequency is near the national median but that their performance on outage duration is quite poor. A focus on duration therefore seems not only appropriate but also essential.

While we understand the Staff's point that the credit is not meant to "compensate" the customer for all of the economic harm caused by power outages such as food spoiling, the standards can still recognize some material difference between shorter duration (such as around 16 hours) and longer duration outages (such as around 120 hours). A higher credit for longer duration outages would not be intended to fully compensate the customer affected, but to recognize that the ~120-hour outage is materially worse than a ~16-hour outage.

Second, the Staff asserts that another advantage to the flat credit is that "it will work in conjunction with the outage credit automation that was agreed upon in the subgroup. Customers will no longer have to track their outages or apply and wait for the utility to inform them if they qualify." Our response is that the implementation of an hourly credit in no way puts the onus on the customer to track the hours of outage. Indeed, if credits are going to be automated, the burden must be on the *utility* to track the duration of outages so that it can determine which customers are eligible for a credit. If the utility does not track outages, then it cannot determine which customers, for example, experienced outages over 16 hours in duration during normal grid conditions. Since the utilities will already have to develop a system that accounts for the length of outages in hours, applying a simple multiplier for each hour to determine an hourly credit does not seem like a giant leap.

The Staff wisely recommended that utilities develop implementation plans for the automation of credits in order to begin addressing the associated information technology issues. The MPSC could also require as part of these implementation plans that utilities must investigate the technical capabilities needed to apply a multiplier to the number of outages tracked by the automated systems.

The “Gray Sky” Category Should Not Restrict Credit Eligibility

One of the more fruitful discussions that has come out of this workgroup concerns the need for a category of grid conditions that captures situations less severe than “catastrophic” conditions but more severe than “normal” conditions. The resulting “gray sky” category will help the MPSC and stakeholders better understand the state of reliability in Michigan, as the Staff initial report points out: “By requesting notification for greater than 2.5% of customers out, Staff is able to track trends and identify issues that may not be captured in annual reporting.”

But this benefit does not apply when it comes to the question of bill credits. Raising the threshold at which a customer can collect a bill credit under gray sky conditions does not reveal any trends or issues not already captured.

For gray sky conditions, the Staff proposes that a customer must lose power for 60 hours or longer to receive a credit. This change would severely limit the number of customers who are eligible for a bill credit. Under current rules, customers who experience outages of 16 hours or longer currently would receive a credit under what would be “gray sky” conditions (anywhere from 2.5% to 10% of customers losing power, which is counted under “normal” conditions in the current standards), but under the Staff proposal, these customers would not qualify unless their outage was longer than 60 hours, three and three-quarters times the existing standard.

The addition of the gray sky category should not affect bill credit eligibility because the issue of the threshold at which customers should receive credits has no connection to the stated reason for creating the category - improving the ability to track information that might otherwise be missed. The eligibility threshold under “gray sky” conditions should be the same as that under normal conditions.

Thank you for the opportunity to comment, and we look forward to reading the Staff’s response to these objections.