

Staff's Demand Response Framework Revised Proposal Options

FOR DISCUSSION PURPOSES ONLY

Option 1: Business as Usual

1. Test year plans for demand response (DR) will continue to be reviewed and considered by the Commission in general rate cases.
 - a. DR programs in general rate cases will include a cost/benefit analysis **comparing new DR resources to supply side options such as avoided costs analysis or the utility cost test.**
2. Cost overlap between DR and energy efficiency will be audited in rate cases and EWR cases.
3. Some benefits of DR will be included, as limited by PA 342, in EWR plans and reconciliations.
4. Monthly and annual reporting will continue in cases U-17936 and U-18013.

Option 2: Energy Waste Reduction Method

1. Remove demand response cost/benefit and program design analysis from the following cases:
 - General rate cases
 - Monthly/annual reporting cases (U-17936 and U-18013)
 - Annual resource adequacy filings
 - Power supply cost recovery cases

Add demand response cost/benefit and program design analysis to energy waste reduction (EWR) cases.

2. **Cost Recovery:** DR program costs will be reconciled annually in EWR plan reconciliation cases, and cost recovery will take place through a surcharge on the power supply portion of rate design. The surcharge will not be itemized on the customer's bill, similar to the EWR surcharge after 2020 (PA 342 Sec. 89(2)). Allocation of costs to customers and rate design to recover the allocated costs will occur in the plan case. DR programs must pass the total resource cost test and utility cost test for approval in EWR plan cases.
3. **Program Changes:** New programs, pilots, and certain tariff language changes may be approved through the DR portion of EWR plan cases. Tariff changes will be considered updates to the EWR plan, which require approval/denial in 90 days. Promotion of a pilot to a formal, open-to-all-customers DR program may occur in EWR plan cases when they fall between IRPs. Pilot programs must pass a total resource cost test and utility cost test to be eligible for promotion. New or promoted programs must be included in the Company's next IRP. New demand response programs proposed in the Company's IRP must be included in the next EWR plan case.
4. **Tariff Changes:** Changes to tariffs may take place in EWR plan or EWR plan update cases only if it will not result in a change in the cost to serve any other rate. Changes to tariffs that also change the cost to serve customers must take place in a contested case, such as the EWR reconciliation case or the following general rate case.

5. **Reporting:** Annual reporting previously required in U-17936 and U-18013 will take place alongside EWR annual reports. The report should cover the entire cooling season in one calendar year (June-September, or the Company-defined summer billing months). The reports will be submitted in the docket of the Company's most recent EWR plan case.
6. Costs for legacy programs will need to be estimated, included in IRP and EWR filings, but will not require re-approval throughout the useful life of the program.
7. Utility incentives through the shared savings mechanism (SSM) costs will be included in EWR plans and reconciliations. Those SSM costs should be included in resource costs calculations in IRP cases.

Option 3: Main Renewal Program or Tracking Method

1. New DR programs and/or new spending on existing programs and future DR plans are established in general rate cases
 - a. The allocation method of DR costs will be approved in general rate cases.
 - b. Includes proposed DR program costs and a cost effectiveness analysis comparing the program to marginal capacity resources as established in the most recent IRP (or a proxy for the UCT in lieu of the first completed IRP)
 - c. The new costs will be approved and enter into rate base and the COSS as a DR base amount
 - d. New DR programs approved in general rate cases are required to be included in the utility's next IRP
 - e. New DR programs approved as part of the utility's latest IRP will already be considered prudent for cost recovery in general rate cases, where the utility will present the plan for implementing the new DR resource (and thus subject to reconciliation).
 - f. DR program costs are not recoverable through PSCR cases.
2. **Evaluation:** New DR programs and new program spending (as approved in the general rate case) will be evaluated for cost efficacy in annual DR reconciliations that match the timing of EWR reconciliation cases
3. **Cost Recovery Methods**
 - a. **Surcharge:** Changes from the base level of DR program costs established in the rate case are then reconciled in the annual proceeding
 - i. Results of the reconciliation will result in an adjustment factor to the DR base (a positive surcharge in the case of under-collection, and negative in the case of over-collection).
 - b. **Regulatory Asset:** Alternatively, the utility may be granted a regulatory asset in the general rate case and results of the reconciliation made to the regulatory asset in the annual proceeding will go into effect in the utility's next general rate case.

4. **Reporting:** Annual and monthly reporting requirements in U-18013 and U-17936 will shift to the annual reconciliation cases.
 - a. If the utility does not propose any new demand response programs or new spending on existing programs, then the requirement for filing an annual reconciliation/reporting is waived.

5. **Tariff Changes:** Changes to rate design or tariffs will take place in general rate cases, but recommendations may be pre-approved in DR reconciliations for implementation in following general rate cases.