

## Staff's Demand Response Framework First Draft Initial Beginning 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 such as the UCT
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. **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.
3. **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.
4. **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.
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 Method

1. Everything is the same as Option 2, except for the cost recovery method
2. Resource cost tests and approvals of DR program costs take place in EWR plans and reconciliations.
3. Costs approved in EWR plans and reconciliations are included in the Company's next rate case for recovery. Because the DR costs were already approved, they won't require further approval in the general rate case, and will simply be included in the base rates.
4. The allocation method of DR costs will be approved in EWR plans or reconciliations, and that allocation method will be used in the general rate case. Because the DR cost allocation was already approved, it won't require further approval in the general rate case.