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National
Association of
Regulatory
Utility
Commissioners

Incentives / Revenue Adjustments to Address Specific Problem Areas

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Electric Safety Incentives

- Commission Modified Safety Standards in 2005
 - Electric utilities must annually check all of their publicly accessible transmission and distribution facilities (including street lights and traffic signals which the utility does not own)
 - Electric utilities must inspect all their facilities at least once every five years
 - Strict recordkeeping requirements
 - A penalty equivalent to a 75 basis point reduction in the return on equity occurs if the annual and 5-year requirements are not met



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Reliability Performance Incentives

- Performance mechanisms for all major utilities
- Downward adjustments in revenues with declines in quality of service
- Annual reports of results and penalties
- Mechanisms periodically updated



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Example: Eight Con Edison Reliability Metrics

Criteria and dollar amounts will vary by utility

- 1. System-wide performance
 - 5 components
 - \$5 million maximum penalty
- 2. Major outage metric
 - 2 components
 - \$30 million maximum penalty
- 3. Remote monitoring metric
 - 1 component
 - \$10 million per network with \$50 million maximum exposure
- 4. Restoration metric
 - Days to restoration based upon severity of weather event
 - Trial basis for metric with no penalty



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Eight Con Edison Reliability Metrics (con't)

- 5. Repairs to damaged poles: \$3 million maximum exposure
- 6. Removal of temporary shunts: \$1.5 million maximum exposure every 6 months (winter/summer)
- 7. Repair of street lights and traffic signals: \$1.5 million maximum exposure every 6 months (winter/summer)
- 8. Replacement of over duty circuit breakers: \$100,000 per breaker if Con Ed does not replace at least 60 per year



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Customer Service Incentives

- Performance mechanisms for all major utilities
- Downward adjustments in revenues with declines in quality of service
- Annual reports of results and penalties
- Mechanisms periodically updated



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Customer Service Incentive: Con Edison Example

- Complaints per 100,000 to Commission: \$9 million
- Customer Satisfaction Surveys
 - Emergency: \$6 million
 - Non emergency: \$6 million
 - Face to face at Customer Service Centers: \$6 million
- Outage Notification: \$8 million
- Call Answer Rate within 30 seconds: \$5 million
- Criteria and dollar amounts will vary by utility



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Financial Incentives

- Through Rate Cases and Other Specific Orders
 - Excess Earnings Measurement and Sharing Provisions
 - Use of Excess Earnings
 - Shareholder Benefit
 - Customer Benefit
 - Offset Unexpected Expenses