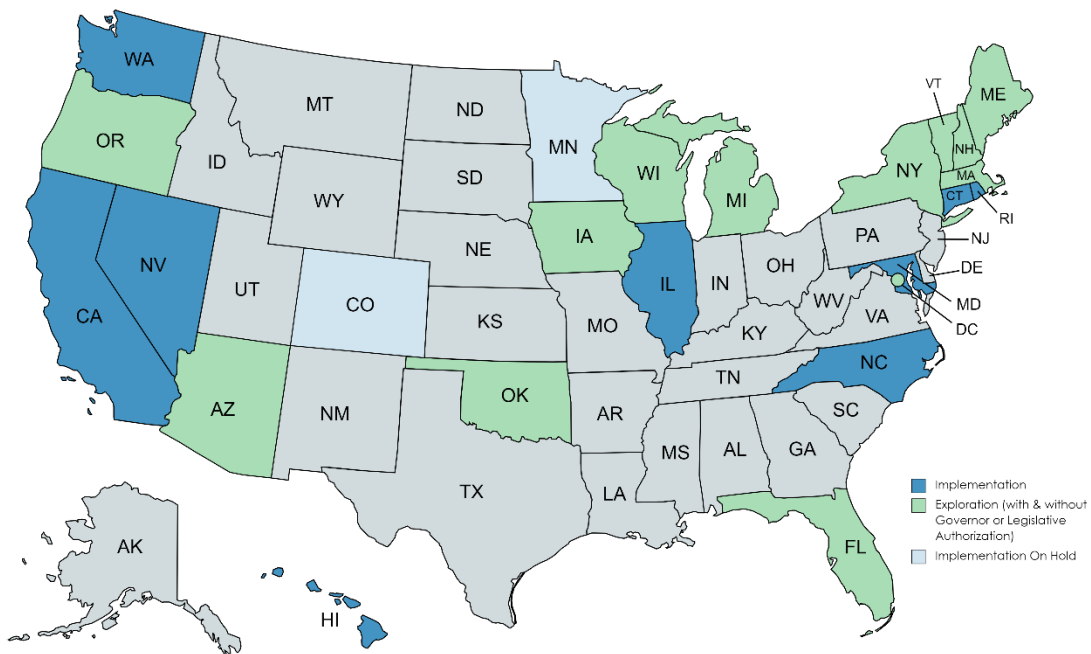


PBR State Working Group

Tracking State Developments of Performance-Based Regulation

Updated January 2024

The PBR State Tracker is maintained by NARUC staff as a tool to present information summarizing developments for states currently implementing a performance-based regulatory framework. This tracker is updated periodically, following a review by members of the [PBR State Working Group](#). Please contact [NARUC staff](#) with any questions, feedback, or suggestions. The map below provides the status of performance-based regulation in various states as of January 2024:



Arizona

Utilities Division | Arizona Corporation Commission

Background / Overview

- Some cases include per customer revenue decoupling; Southwest Gas Corporation is the only utility with full revenue decoupling.
- Other structures include lost fixed cost recovery mechanisms and performance incentives.

Status / Recent Developments

- The state remains in the exploration phase with no formal PBR structure in effect.
- Some metrics have been established for utilities, outside of the ratemaking process (e.g., Xcel has performance metrics with financial incentives outside of their rate case).

Colorado

Colorado Public Utilities Commission

Background / Overview

- The Governor signed SB19-236 into law May 30, 2019. Decision No. R20-0052-I by Hearing Commissioner John Gavan in Proceeding 19M-0661EG sets the first public stakeholder for Feb. 2020.
- On December 5, 2019, Commission's investigation (19M-0661EG) was initiated to gather information and explore PBR and performance-based incentive mechanisms (PIMs). The proceeding resulted in a report to the legislature in November 2020, as required by SB 236 to explore options for aligning utility operations, expenditures, and investments with public benefit goals, including safety, reliability, cost-efficiency, emissions reductions, and the expansion of distributed energy resources.
- The study (2020: [Investigation into PBR in Colorado \(§ 40-3-117, C.R.S.\)](#)) was completed Nov. 2020 determining the commission would not move forward with a PBR framework at that time; however, utilities still use aspects of alternative rate design in their cases. For example, Xcel Energy is implementing a revenue decoupling adjustment pilot program that will conclude in 2023.

Status / Recent Developments

- There has not been additional action on PBR in the state since the investigation was completed in late-2020.

Connecticut

Public Utilities Regulatory Authority (PURA)

Background / Overview

- Revenue decoupling was enacted in 2013 for IOUs.
- Pursuant to Connecticut's "Take Back Our Grid Act," the commission established standards and metrics for measuring such [EDC's] performance of objectives that are in the interest of ratepayers or benefit the public. This involved the determining which standards and metrics shall be used to apply the principles and guidelines set forth in [Conn. Gen. Stat. § 16-19e and to determine the relative adequacy of the company's service and the reasonableness and adequacy of rates proposed and considered; and identified specific mechanisms to be implemented to align utility performance with the standards and metrics adopted pursuant to [Conn. Gen. Stat. § 16-19a(b)].
- On May 26, 2021, PURA initiated Docket No. 21-05-15 to investigate, develop, and adopt a framework for implementing PBR for Eversource and United Illuminating Company. The findings were released in October 2022.

Status / Recent Developments

- On April 26, 2023, the PURA and other state leaders outlined the [latest PBR plan](#) as part of the state's [Take Back Our Grid Act](#). Docket No. 21-05-15 outlined the public process and stakeholder input that led to the establishment of these goals, considerations, and priority public outcomes, which together create a comprehensive framework to modernize Connecticut's approach to electric utility regulation to better reflect changing customer expectations, public policy goals, and industry and technology.
- PURA established the following priority outcomes through its stakeholder process to support the four identified goals: Goal 1: a) efficient business operations, b) comprehensive and transparent system planning,

c) distribution system utilization, and d) reliable and resilient electric service; Goal 2: e) social equity, f) greenhouse gas reduction; for Goal 3: g) customer empowerment, h) quality customer service; Goal 4: i) affordable service.

- The Phase 2 Investigation will explore performance mechanisms and other regulatory mechanisms.
- The April 26, 2023 decision also introduced and summarized the forthcoming PBR Phase 2 investigation, which will result in final decisions and orders to implement EDC regulatory reforms through rate cases or other relevant proceedings. Paired with PURA's [Equitable Modern Grid Framework](#), the regulatory reforms under further investigation in Phase 2 will create a comprehensive regulatory strategy to achieve the priority outcomes and regulatory goals.
- The Phase 2 investigation will explore three parts: [Docket No 21-05-15RE01](#): Revenue Adjustment Mechanism introduced options for multi-year rate plans, earnings sharing mechanisms, revenue decoupling mechanisms, and Capex/Opex equalization. [Docket No. 21-05-15RE02](#): Performance Mechanisms, introduced reported metrics, scorecards, and performance incentive mechanisms (PIMs). And [Docket No. 21-05-15RE03](#): Distribution System Planning) introduced comprehensive & transparent system planning and distribution system utilization.
- Various components/dockets in Phase 2 are underway in 2024 with exploration into specific PIMs, rate case implications, and how would result in compensation to the electric distribution companies.

Washington, DC

Public Service Commission of the District of Columbia (DCPSC)

Background / Overview

- Per-customer revenue decoupling implemented in 2009, including Performance Incentive mechanisms.
- On December 20, 2019, the commission approved a [proposed framework](#) for Pepco to review and consider utility requests for alternative forms of regulation (Formal Case No. 1156), which includes a performance-based aspect to rate-setting where certain performance goals or increased efficiencies must be met.

Status / Recent Developments

- There has not been additional action on PBR in the district in several years.

Georgia

Georgia Public Service Commission

Background / Overview

- Georgia does not use performance-based regulation for rate cases but does use multi-year rate plans for several utilities and has done so for several years.
- The Commission approved a 2020-2022 plan and looks at incentive structures for Renewable Energy and Energy Efficiency every three years during the IRP process. The incentives are based on the utility receiving a percentage of the net savings or projected savings that the customer will receive.

Status / Recent Developments

- There has not been any PBR-related action in the state.

Hawaii

State of Hawaii Public Utilities Commission

Background / Overview

- Hawaii initially investigated PBR (Docket No. 2018-0088) in 2018. This regulatory approach affected utilities include the Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited.
- The Hawaii Commission completed deliberate and thorough review and discussion of PBR concepts and proposed mechanisms in Phase 1 of Docket No. 2018-0088, using combination of facilitated workshops and staff reports. The Conceptual Framework Approach was finalized on May 23, 2019 ([Order No. 36326](#)).
- The Commission engaged in a collaborative process with stakeholders using combination of facilitated working groups and workshops to discuss, vet, and refine individual stakeholder proposals for a PBR

framework. Working group processes continued through May 2020, the official proposals from stakeholders submitted in June 2020 ([Phase 1 Decision and Order](#)).

- Phase 2 proposal was decided in December 2020 and final proposals were subject to discovery, briefing, and possibly an evidentiary hearing during the latter half of 2020 ([Phase 2 Convening Order](#)).

Status / Recent Developments

- The Commission continues to implement their PBR framework.
- Hawaiian Electric has established many performance incentive mechanisms (PIMs). In 2021, the Commission approved a portfolio of PBR [scorecards and reported metrics](#). The Commission continues to track utility progress (tied to each PIM).
- The PUC most recently adopted a new series of PIMs on June 17, 2022 (Hawaii Public Utilities Commission, [Decision and Order No. 38429](#); Public Utilities Commission; [Docket No. 2018-0088](#). [Decision and Order No. 38429](#)).

Idaho

Idaho Public Utilities Commission

Background / Overview

- The state's first fixed-cost adjustment mechanism was adopted in 2007 for Idaho Power Company.
- The fixed cost adjustment was based on the total number of customers; weather-normalized billed sales for the affected customer classes; and the fixed cost of generation, transmission, and distribution per customer.
- In 2015, the calculation of the actual level of fixed costs recovered replaced weather-normalized billed sales with actual billed sales.
- Avista Utilities introduced a fix-cost adjustment mechanism in 2013; the fixed cost recovery was based on the total number of customers; actual billed sales for the affected customer classes; the fixed cost of generation, transmission, and distribution for existing customers; and only the fixed cost of distribution for any new customers.

Status / Recent Developments

- Beginning in 2023, the fixed cost adjustment for Idaho Power was modified to only include recovery of the fixed cost of distribution for new customers, and the fixed cost of generation, transmission, and distribution for all existing customers.

Illinois

Illinois Commerce Commission

Background / Overview

- PBR was initially introduced in the state through Public Act 97-0616, enacted in 2011, requiring PBR mechanisms ([Illinois history of PBR](#)).
- [Senate Bill 2408](#) (The Energy Transition Act) in 2021, further directed the commission to pursue significant utility business model reforms through a "comprehensive performance-based regulation framework." The Commission uses a formula ratemaking approach for electric utilities with more than 500k customers ([220 ILCS 5/16-108.5 \(f\) to \(f-5\)](#)).
- The Commission has conducted formula rate cases for ComEd and Ameren every year since the inception of the law.
- [Public Act 102-0662](#) was enacted by the General Assembly with an effective date of September 15, 2021. The Act further required the Commission to conduct a [series of workshops](#) with the purpose of facilitating the development of additional PBR components, which includes tracking metrics for Ameren and ComEd.
- Pursuant to the Energy Infrastructure Modernization Act (Illinois Public Act 97-616, or "EIMA") and other initiatives, Ameren and ComEd currently submit detailed data regarding Advanced Metering Infrastructure ("AMI"), EIMA Performance Metrics ("PM"), Reliability, Credit and Collections, and other areas.

Status / Recent Developments

- The commission continues to implement performance-based formula rates for regulated utilities, specifically Ameren ([Ameren Performance Metrics](#)) and ComEd ([Commonwealth Edison Performance Metrics](#)).

Iowa

Iowa Utilities Board

Background / Overview

- In 2023, upon the enactment of [H.F. 617](#), the IUB undertook a comprehensive ratemaking review to study objectives defined by the Iowa legislature. The legislation directed the IUB to prepare a [report](#) detailing study findings, which was submitted to the General Assembly on December 21, 2023.
- In furtherance of the study, the IUB opened a notice of inquiry, identified as [Docket No. NOI-2023-0001](#), for the purpose of convening stakeholders and facilitating dialogue.
- One of the report recommendations was to examine the implementation of a performance-based regulation (PBR) framework and various components, which include multi-year rate plans, performance incentive and earnings sharing mechanism. [Section 2.6 of Report](#), pp. 10-16.

Status / Recent Developments

- The Iowa Utilities Board undertook a comprehensive ratemaking review study, which included examining possible PBR framework and potential components, including multi-year rate plans, earning sharing, and other alternative ratemaking frameworks. The Board initiated this proceeding on July 5, 2023, in response to [House File 617](#), passed earlier in the year, which directed the Board is to consider the following: 1. an evaluation of the adequacy of current ratemaking law and procedure to promote the Policy Objectives; 2. identification of possible changes in law or procedure that might better advance the Policy Objectives; 3. recommendations for changes in law and administrative rules; and 4. identification of ratemaking laws and procedures of other states that, if adopted in Iowa, could enhance the competitiveness of utility rates in Iowa as compared with utility rates in other jurisdictions.
- The Board organized [this proceeding into three policy charrettes](#) to hear from stakeholders on a variety of issues. The result of this effort is a report to be submitted to the Iowa legislature by Jan. 1, 2024. The Board has engaged a consultant and opened [Docket No. NOI-2023-0001](#).
- The Iowa legislature convened on January 8, 2024 for the start of its new session. The report is anticipated to generate a high level of engagement and interest from lawmakers, various stakeholders, and the utilities.
- Staff is considering a recommendation to the Board that supports opening a docket to issue a notice of inquiry.

Massachusetts

Department of Public Utilities

Background / Overview

- Incentive Regulation (D.T.E. 94-158) in 1995: Strongly encouraged all gas & electric utilities to devise and propose incentive plan. Further, the Department required that any utility that did not file an incentive plan to demonstrate in its next base rate case how it is seeking to achieve more efficient operations.
- The Restructuring Act of 1997 authorized performance-based rates for each Distribution, Transmission, and Gas Company doing business in the Commonwealth. G.L. c. 164, § 1E(a). Several recent rate cases have approved PBR plans for gas and electric companies (NSTAR Electric, D.P.U. 17-05; National Grid (Mass Electric), D.P.U. 18-150; NSTAR Gas, D.P.U. 19-120; National Grid (Boston Gas), D.P.U. 20-120; NSTAR Electric, D.P.U. 22-22).

Status / Recent Developments

- In 2022, NSTAR Electric PBR includes a K-Bar Adjustment, calculated on the basis of a five-year rolling average of actual capital costs and intended to provide predictable and adequate funding for capital investments.
- PIMs under consideration in Grid Modernization (D.P.U. 21-80; D.P.U. 21-81; D.P.U. 21-82) and EV Programs (D.P.U. 21-90; D.P.U. 21-91; D.P.U. 21-92).

Maryland

Maryland Public Service Commission

Background / Overview

- The state initiated the concept of PBR when multi-year rate plans were introduced that established working groups at the Commission on PBR/PIMs.
- The Commission has conducted several rate cases since 2019 but has not accepted any PIMs proposals to date.
- On September 29, 2020, the PSC opened a case ([Order No. 89638](#)) exploring the use of alternative rate plans or methodologies to establish new base rates for electric and/or gas companies.

Status / Recent Developments

- In 2023, Baltimore Gas & Electric will be requesting a rate case that will propose a set of PIMs.
- Outside of rate cases, exploring the use of PBR/PIMs for EE programs (6th cycle in 2024) as a compensation mechanism.

Maine

Maine Public Utilities Commission

Background / Overview

- In June 2020, the Commission opened an investigation into whether, due to the effects of the coronavirus pandemic on customers' electricity-usage patterns, Central Maine Power Company's (CMP) revenue-decoupling mechanism should be suspended for the annual distribution rate change that will occur July 1, 2021 for electricity delivered in calendar year 2020.
- On December 15, 2020, the Commission ruled that, going forward, CMP's RDM shall be simplified by collapsing the two RDM classes into one, except that, with the July 1, 2021 price change, the removal of prior-year RDM adjustments shall continue to be on a class-specific basis. The Commission also ruled that by January 31, 2021, CMP shall submit, as a compliance filing, its estimate of the July 1, 2021 RDM adjustment for the combined classes.
- The commission also introduced an annual revenue reconciliation, a 2% cap is placed on decoupling-related rate increases, but there is no cap on decoupling-related rate decreases. Energy efficiency budgets, programs, and incentives are administered by Efficiency Maine with oversight from the MPUC.
- In 2022, [LD 1959](#) required the Commission to hold utilities accountable with regard to efforts to interconnect distributed energy resources. The Commission can potentially establish additional categories of performance and reporting requirements to begin to develop metrics to monitor progress in other areas.

Status / Recent Developments

- No additional action since 2022.

Michigan

Michigan Public Service Commission (MPSC)

Background / Overview

- [PA 295 of 2008](#) established an energy efficiency resources standard (EERs) and financial incentive mechanism (FIM) for utility EWR measures. Legislation increased savings targets annually until 2021 when the target caps at 1%. To encourage deployment of EWR above the 1% target, MI adopted an incentive mechanism (IM) that allows an electricity provider to receive a financial award for exceeding the EWR standard.
- PA 341 & 342 of 2016 amended the 2008 legislation to update the financial incentive (FI). PA 342 established tiers for utilities when they achieved 1.25% and 1.5% annual savings from 2017-2021. The legislation also increased the maximum incentives utilities could receive if annual savings exceed 1.5%. The incentive received by the electricity provider is calculated using the lesser of the following amounts: a percentage of the NPV of life-cycle cost reductions experienced by the customers in that year as a result of EWR implementation, or a percentage of the provider's actual waste reduction expenditures for the year.

- Per customer revenue decoupling was initially enacted in 2016 and applied to natural gas utilities and electric utilities serving less than 200,000 customers. The state legislature also required the MPSC to [study PBR \(PA 341 Sec 6u, MCL 460\)](#).
- Pursuant to [PA 341 Section 6t](#), the Commission shall consider and may authorize a financial incentive that does not exceed the utility's weighted average cost of capital for purchase power agreements (with non-affiliates).
- Financial Incentive Mechanisms (FIMs) have been approved in Demand Response (DR) reconciliation cases. Design of DR incentives is [left to the discretion of the Commission](#).
- The MPSC has granted financial compensation mechanisms (FCM) for several utilities in their Integrated Resource Planning (IRP) cases related to PPAs.
- The Commission's MI Power Grid initiative Phase III, Incentives/Disincentive will further explore additional PBR options.
- In two 2020 rate case orders, the Commission has directed its two largest utilities to include PBR proposals in subsequent 5-year distribution plans ([U-20561](#) for DTE Electric & [U-20697](#) for Consumers Energy).
- The Commission's guidance in DTE Electric's most recent rate case order in November 2022 in [Case No. U-20836](#) provided the Commission would provide further guidance on performance-based regulation by the end of the year or soon thereafter.

Status / Recent Developments

- The Commission's own motion, [Case U-21400](#) was underway in April 2023, opening a docket to establish a workgroup to review and consider issues related to the creation of financial incentives and penalties involving outages and distribution performance.
- On December 21, 2023, Commission Staff [was directed](#) to convene an additional engagement session with interested persons to discuss proposed revisions to the financial incentives and penalties set forth in the revised straw proposal. The order also schedules a comment period on the proposed revisions to the straw proposal and other issues that will conclude on March 1, 2024. The order directs the Commission Staff to file a report of the workgroup's investigations and findings in this docket by May 3, 2024.
- In late-Aug 2023, the Commission issued a straw proposal and in Dec 2023, summarized comments within a revised straw proposal.
- The Commission will initiate work in February 2024 with a focus on outages during extreme weather events. Next steps in 2024 may include examining DER interconnection.

Minnesota

Minnesota Public Utilities Commission

Background / Overview

- In 2007, the Next Generation Energy Act required utilities to incorporate shared-savings mechanisms for energy efficiency and established decoupling and a minimum spending percentage on energy efficiency, demand-side management, and renewable energy.
- Subsequent legislation directed the commission to perform a Utility Rates Study (PDF) in 2009 and authorized MRPs in 2011.
- Minnesota [Statute 216B.19 subd 19 \(a and h\)](#) authorizes the Commission to initiate a proceeding to determine a set of performance measures that can be used to assess a utility under a Multi Year Rate Plan (MYRP).
- The Minnesota Attorney General's office recommended a regulatory proceeding on PBR; the commission conducted an exploratory study.
- Xcel Energy Minnesota included a set of PIMs in its 2015 filing that, resulted in the commission opening a separate proceeding to "evaluate Xcel's proposed metrics, craft additional metrics, and consider whether to tie any financial penalties or incentives" to the utility's performance. In 2017, the MN Commission opened a PBR-focused docket, initiated by the Commission's order resolving Xcel Energy's 2017 rate case (Findings of Fact, Conclusions, and Order. Docket E-002/GR-15-826, June 12, 2017). Xcel proposed an initial set of metrics that stakeholders were tasked with reviewing.
- The Commission initiated a [formal investigation](#) into PBR in 2017.

- In 2019, the [Commission adopted a multi-step process](#) toward the implementation of a PBR framework for Minnesota. The adopted process, noted in the following table, focuses on a deliberative effort that results in the adoption of performance incentive mechanisms (PIM) that reward (or penalize) Xcel for good (or poor) performance against specific targets. Specifically, the Commission’s January 8, 2019 Order established the Performance Incentives Mechanism (PIM) process to guide stakeholders through the development of performance metrics and potentially incentives (ORDER ESTABLISHING PERFORMANCE-INCENTIVE MECHANISM PROCESS issued January 8, 2019, DOCKET NO. E-002/CI-17-401). There were 5 defined outcomes: affordability, reliability, customer service quality, environment, alignment of generation & load (many of these include metrics that utilities were already reporting); using time-tested metrics; other outcomes did require coordination with stakeholders.
- In 2022, the Commission rejected Xcel’s proposed incentive mechanism in [Docket No. 21-101](#).

Status / Recent Developments

- The commission was developing metrics in 2023, a mapping component to display a subset of 2-3 metrics; open comment period right now to get feedback. Focus is on Locational reliability, equity-reliability, and equity in customer service. This involved collecting 3 years of baseline data for the PBR – then will determine if performance targets are needed and if PIMs are needed.
- Third year of baseline data was filed in [Docket No. 17-401](#) in April 2023.
- On November 2, 2023, in its investigation to identify and develop performance metrics and, potentially, incentives for Xcel Energy’s electric utility operations (Docket No. 17-401), the Commission [suspended setting PBR baselines and targets](#) until after April 30, 2026, and continued annual reporting on already-approved metrics.

Nevada

Nevada Public Utilities Commission

Background / Overview

- PBR related efforts have been underway since legislation was enacted in 2019 ([SB300](#)) and initial efforts involved education, workshops, and stakeholder engagement.
- The first year of policy implementation began in 2022 and regulation was drafted throughout the year. Legislative counsel returned it and iterated; have had adoption hearings – ready for it to be released.
- Alternative ratemaking is optional in the state (3-year general rate case cycle, 1-yr fuel purchase adder).
- The commission is encouraging utilities to explore benefits of PBR, including more flexibility.

Status / Recent Developments

- No recent actions.

North Carolina

North Carolina Utilities Commission

Background / Overview

- PIMs have been authorized and used to determine the amount electric utilities can charge customers for energy efficiency and demand side management programs since the mid-2000s.
- In 2021, NC enacted laws that authorized the use of PBR in Electric and Water Utility rate making. [House Bill 951](#) authorized the filing of electric utility multi-year rate plans that incorporate Performance Metrics, Performance Incentive Mechanisms, and a decoupling mechanism. In the same year, [Senate Bill 211](#) authorized the use of multi-year rate plans for water utilities that include performance measures and PIMs. Although there are some similarities, the resulting PBR framework created by the two laws in the water and electric sector have some important differences and requirements.

Status / Recent Developments

- In 2023, the NC Utilities Commission approved rates for the state’s two largest electric utilities and two largest water utilities utilizing the new PBR frameworks.
- The EE/DSM cost recovery and incentive mechanism is currently under review by the NC Commission and could be modified in 2024.

Oklahoma

Oklahoma Corporation Commission

Background / Overview

- [SB 1103](#) was introduced to modify the way utilities get regular reviews of rates charged to customers and require the Corporation Commission to accept utility plans to move to performance-based rate-making.

Status / Recent Developments

- While the commission has the authority to approve PBR cases for utilities, it has not approved previous requests by both Oklahoma Gas & Electric Co. and Public Service Co. of Oklahoma to move away from full-rate cases; PSO has an active case before the commission asking for performance-based rates.
- Some natural gas utilities in the state are already regulated using performance-based rate-making plans.

Pennsylvania

Pennsylvania Public Utility Commission

Background / Overview

- On March 3, 2016, the Pennsylvania Public Utility Commission (PA PUC) held an [en banc hearing](#) in the *Alternative Ratemaking Methodologies* proceeding, at Docket No. M-2015-2518883, seeking information on the efficacy and appropriateness of alternative rate methodologies. The PA PUC entered a [Tentative Order](#) to continue to seek comment on processes to advance alternative ratemaking methodologies on March 2, 2017.
- On May 23, 2018, the PA PUC issued a [Proposed Policy Statement Order](#) in the *Fixed Service Utilities Distribution Rates Policy Statement* proceeding, at Docket No. M-2015-2518883, and invited comment on factors for the PA PUC to consider in determining just and reasonable distribution rates that (1) promote the efficient use of electricity, natural gas, or water; (2) promote the use of distributed energy resources; (3) reduce disincentives for such efficient use and resources; and (4) ensure adequate revenue to maintain the safe and reliable fixed utility distribution systems.
- The PUC also noted several new approaches in the electric industry that could be advanced, including performance-based incentive rate designs, performance incentive mechanisms, decoupling, and demand-based and time-of-use pricing options. The PA PUC proposed to illustrate these principles in a new section of the Policy Statement at 52 Pa. Code § 69.3303.
- On June 28, 2018, former Governor Wolf signed Act 58 of 2018 into law and amended Chapter 13 of the Public Utility Code by adding Section 1330, [66 Pa.C.S. § 1330](#). Among other things, Section 1330(b)(1) permits the PA PUC to approve an application by a utility in a base rate proceeding to establish alternative rates and rate mechanisms, including but not limited to, decoupling mechanisms, performance-based rates, formula rates, multiyear rate plans, or rates based on a combination of more than one of these mechanisms or other mechanisms provided in Chapter 13. Section 1330(f) defines “decoupling mechanism,” “formula rates,” “multiyear rate plan,” and “performance-based rates.” The PA PUC entered a [Tentative Implementation Order](#) regarding the *Implementation of Act 58 of 2018*, at Docket No. M-2018-3003269, on August 23, 2018.

Status / Recent Developments

- On April 25, 2019, the PA PUC entered a [Final Implementation Order](#) regarding the *Implementation of Act 58 of 2018*, at Docket No. M-2018-3003269. The PA PUC noted that approval of an alternative rate or rate mechanism must be obtained initially through a general rate proceeding under Section 1308(d), 66 Pa.C.S. § 1308(d), because it provides for an extensive examination of a utility’s total revenues, expenses, taxes, capital costs, and rate structure. The PA PUC also noted that rate adjustments in accordance with Section 1307, 66 Pa.C.S. § 1307, are permitted under parameters established through the Section 1308(d) proceeding approving the alternative rate mechanism. In this regard, the PA PUC clarified that, while the alternative rate mechanisms by definition allow for adjustments in rates without another full base rate proceeding, they are predicated on the fact that the rates are initially determined in a base rate proceeding that establishes the utility’s revenue requirements consistent with well-established ratemaking principles.
- On July 18, 2019, the PA PUC entered a [Final Policy Statement Order](#) in the *Fixed Service Utilities Distribution Rates Policy Statement* proceeding, at Docket No. M-2015-2518883. The PA PUC did not adopt the new section of the Policy Statement proposed at 52 Pa. Code § 69.3303 to avoid limiting the options available to utilities. Nonetheless, the purpose of the Policy Statement is to invite the proposal, within a utility’s base rate

proceeding, of fixed utility distribution ratemaking mechanisms and rate designs that (1) promote Federal and State policy initiatives for the efficient use of electricity, natural gas, and water through technologies and information, including distributed energy resources; (2) promote the objectives of Section 1330 relating to alternative ratemaking; and (3) may include reducing disincentives for promoting these objectives, providing incentives to improve system efficiency, and avoiding unnecessary future capital investments while ensuring that fixed utilities received adequate revenue to maintain the safe, secure, and reliable operation of their distribution system. The Policy Statement has been implemented at [52 Pa. Code §§ 69.3301-3302](#).

Rhode Island

Rhode Island Public Utilities Commission

Background / Overview

- In 2018, the Rhode Island Commission rejected six PIM proposals put forward by National Grid, including those focused on the time to interconnect DERs, heating electrification, and installing energy storage, stating that the commissioners were not satisfied with the data provided to prove that the incentives were net beneficial.
- Rhode Island has had incentives for energy efficiency since the 1990s as well as penalties for poor performance on safety and customer service. Targets and allowed incentive amounts have, been increased several times since 1990 (incentive money has grown from 4.25% to 5% of spending; the threshold requirement to achieve financial rewards has become more challenging, increasing from 45% of the targeted annual energy savings to 75%.
- April 2019 Guidance Document Regarding Principles to Guide the Development and Review of Performance Incentive Mechanisms ([Docket No. 4943](#)).
- Docket Currently On-Going; Guidance Document Regarding Principles to Guide Development and Review of Performance Incentive Mechanisms.
- The Commission has drafted a guidance document intended to provide direction on how the PUC will apply its general and specific authority to set rates, tariffs, tolls, and charges to proposals for performance incentives for public utilities under the PUC's jurisdiction. The draft Guidance Document addresses applicability and states principles for the review of performance incentive mechanisms. [Docket No. 4943](#); [Draft Guidance Document](#).
- The commission does not have a universal policy for performance incentives.

Status / Recent Developments

- PBR approaches related to energy efficiency was a focus at the commission during the second half of 2023, particularly regarding the investment in AMI 2.0 (replacing AMR meters). The commission conducted a cost-benefit analysis to determine the need, value, and accountability, determining that there was lacking certainty. Ultimately, the commission was not confident that there would be net benefits to share between the utility and customers. Alternative options are currently being considered.
- The commission has emphasized capping capital recovery and imposing many requirements (e.g., time limits on installation, tying the maintenance of network speeds to utility expenditures, and holding the utility responsible for adhering to standards). Other approaches included penalty-only service quality mechanisms regarding meter readings and billing, faster outage notification, network speeds, and customer service reports. The Commission is pursuing an "Accountability Plan" to hold utility to delivering benefits in absence of strong value case.

Vermont

Vermont Public Utility Commission

Background / Overview

- There is a statutory basis for performance-based regulation for efficiency ([30 V.S.A. §209\(f\)\(2\)](#)) as well as for electric and gas utilities ([30 V.S.A. §218d\(a\)\(1\)](#)).
- For efficiency: a litigated process – every three years (2 three-year performance periods) called the Demand Resources Proceeding (DRP) that establishes budgets and QPIs (Quantifiable Performance Indicators) and includes consumer advocate/state energy office, electric and natural gas utilities, efficiency utilities, and third parties (VT PUC Case Nos. 19-3272-PET and 22-2954-PET).
- Efficiency Vermont, which is regulated as a performance-based efficiency utility, is responsible for implementing energy efficiency programs and meeting minimum performance requirements.
- Vermont Gas is both a natural gas distribution utility and a performance-based efficiency utility.
- Efficiency utilities’ earnings linked to performance metrics.
- Electric utility performance metrics established through a three-step process, every 3 years ([VT PUC Case No. 21-3707-PET](#)).
- Metrics have been established; currently benchmarking performance (multi-year process). These metrics address the following topics: energy efficiency; summer and winter peak demand savings; greenhouse gas reductions, administrative efficiency, capital expenses; power portfolio; DG; DERs; EVs; customer service; storage deployment; and low-income access.

Status / Recent Developments

- Currently, the largest electric and gas utilities both had multi-year rate cases decided, both allowing implementation of pilots for new services, technologies, rate structures, etc., subject to certain conditions.
- Both utilities have capital budgets (3-years) and must present comprehensive explanations for any requests for authority to increase spending (aside from expected filings related to cybersecurity plans). Both plans have “rate smoothing” mechanisms. Approximately 40 performance metrics for electric utilities have been introduced with ongoing examination as to whether and how these metrics can be reduced or refined before PIMs are introduced. Both cases have earnings-sharing mechanisms.
- PBR to implement energy efficiency is a high priority for the commission, including energy efficiency incentives for gas utilities.

Washington State

Washington Utilities and Transportation Commission

Background / Overview

- Some forms of PBR have been part of ratemaking for a long time, including decoupling, MYRPs, escalating factors for additional years, earnings sharing mechanisms.
- In 2021, legislature passed MYRP law (ESSB 5295) now codified as [RCW 80.28.425 \(U-210590\)](#), which requires, among other things: all utilities to file MYRPs beginning in 2022; the UTC to develop metrics to assess utilities’ MYRPs; the UTC to use collaboration and participation to provide clarity and certainty on PBR details; metrics/incentives/penalties may consider: lowest reasonable cost planning, affordability, increases in energy burden, cost of service, customer satisfaction and engagement, service reliability, clean energy or renewable procurement, conservation acquisition, demand side management expansion, rate stability, timely execution of competitive procurement practices, attainment of state energy and emissions reduction policies, rapid integration of renewable energy resources, and fair compensation of utility employees; and increased the public interest standard to include considerations like equity.
- Phase 1: Performance Metrics – Identify regulatory goals, desired outcomes, principles for metric design, and performance metrics; possible rulemaking to address gaps in current rules; reviewing MYRPs themselves through revenue adjustments and cost containment; reexamine existing mechanisms (e.g., decoupling mechanisms, earning sharing, power cost adjustments, cost recovery mechanisms, etc.).
- Phase 3 (2024): PIMs; establish metric targets and baselines, building off the metrics foundation, define design principles for PIMs and how relates to ROE (topics to discuss: performance-based compensation,

stick/carrot, current implied incentives). Establish PIM mechanisms; legislation related to how earning performance is communicated.

Status / Recent Developments

- The proceeding paused through April 2023 to accommodate legislative workload; proceeding anticipated to restart in May 2023 – updated [PBR Work Plan](#) to follow (as reported to the legislature).
- Phase 1: Performance Metrics: developed metric design principles; developed four regulatory goals, and desired outcomes for each: resilient, reliable, customer focused distribution system; customer affordability; advancing equity in utility operations; and environmental improvements.
- Approx 32 metrics being considered within that structure, in addition to 8 financial metrics being considered in the scope of general rate cases, end of proceeding will result in a policy statement to provide guidance to IOUs and participants on metrics development and selection (not necessarily calculation methodology). Note the process will be iterative and decisions are not fixed. The Commission was working to identify “selected” metrics including those required by Order. Recent Orders that establish MYRP assessing metrics: Final Order PSE’s approved Settlement in PSE [UE-220066/UG-220067](#) Final Order provides for a PIM to improve participation in demand response programs (additionally, see Avista [UE-220053/UG-220054](#) Final Order and [Metric Reporting](#)). Current Proposed Topics: reliability, equity in reliability, wildfire avoidance, natural gas emergency response, equity in resilience investments, arrearages, disconnections/reconnections, energy burden, DERs (for highly impacted and vulnerable customers and customers in general), energy assistance, incremental cost, customer awareness of programs (including outreach in multiple languages), utility workplace diversity, utility supplier diversity, expenditures in and for highly impacted communities and vulnerable populations, participatory justice, emissions, and load management.
- Phase 2 UTC [Docket Lookup](#) was initially rolled out for implementation in 2023/2024, including reporting, reviewing, MYRP Revenue Adjustment Mechanisms – UTC to collaborate on developing metric calculations (recognizing different calculations among the utilities - all gas customers are electric customers, but not vice versa); reporting by IOUs and what review process will look like among regulatory staff, intervenors, etc.
- In 2023, the Commission was developing a website for PBR Developing UTC [PBR External Website](#) (under construction) to include tracking and reporting metrics ([Affordability](#); [Operational Efficiency](#)); workplan for Phase 2.
- PBR efforts were on hold throughout 2023 and the commission is likely to revisit in 2024, exploring how implementing PBR can align with other legislative requirements and efforts that are already underway. Multiple year rate plans within rate cases are potential options, as utilities must propose PBR, which can be challenging. The commission is awaiting comments on that are due on February 7, 2024 and will issue an internal policy statement that will provide scope and boundaries, as well as baseline data for all utilities (e.g., currently many dozens of metrics are under consideration; as many as 92 for one utility).

Wisconsin

Public Service Commission of Wisconsin

Background / Overview

- The PSCW has an investigation docket open, ([Docket 5-EI-158](#)) (Roadmap to Zero Carbon) where stakeholders commented on an interest in exploring PBR.
- In January 2022, the Commission held an in-person workshop to facilitate education and dialogue on considerations and options associated with the pursuit of performance-based regulation.
- In its Order of April 18, 2022, the Commission ordered Commission staff to facilitate further action to address performance-based regulation through one or more additional workshops, as well as requests for public comment and further analysis.
- The Commission also expressed interest in three individual topics for further attention: customer affordability, energy efficiency, and demand response.
- Four workshops were held in 2022 and stakeholders developed the following goals for continued development of PBR: Support Affordability and Reduce Energy Burden, Increase Energy Efficiency, Promote Demand Response and Grid Flexibility, Decarbonization, Promote Reliability and Resilience.

- Commission staff are working on a report that brings together information on the stakeholder process, identifies outcomes and potential metrics for the goals, and discusses options for continued work on developing PBR for Wisconsin.

Status / Recent Developments

- PBR continues to be explored without direct legislative action.
- Stakeholder groups and meetings have been held to identify some PBR frameworks, goals, and outcomes.
- The investigation for identifying specific metrics will be informed by work taking place in other investigation dockets underway.