

May 4, 2022

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: 21-05-15 PURA Investigation Into A Performance-Based Regulation Framework For The Electric Distribution Companies

Dear Mr. Gaudiosi:

Acadia Center appreciates the opportunity to submit written comments in response to Public Utilities Regulatory Authority (PURA) Docket 21-05-15, “Investigation Into A Performance-Based Regulation Framework For The Electric Distribution Companies.” Acadia Center is a non-profit research and advocacy organization committed to advancing the clean energy future. Acadia Center strongly supports the use of Performance-Based Regulation as a tool to overcome outdated utility business models and incentives and to better align utility behavior with climate policy and societal goals.

Cost-of-Service Regulation is Misaligned with the Public Interest

Cost-of-Service Regulation (COSR) creates incentives for utilities that are misaligned with climate policy. Under COSR, utilities earn a regulated rate of return on capital investments like poles, pipes, wires, and substations—usually 9% or higher in the Northeast—but pass-through operational expenses like salaries, leases, and demand response payments to customers without an additional premium. High allowed returns create a clear incentive for utilities to build and upgrade traditional infrastructure projects that cost ratepayers more, rather than pursue non-wires alternatives (NWA) or innovative programs that may be more aligned with policy goals but not as financially attractive to the utility. COSR often leads to overspending on large-scale, capital-intensive infrastructure solutions, for which ratepayers are on the hook, that turn out to be unnecessary when the predicted load growth does not occur.¹

Connecticut Must Transform Its Regulatory Framework

Electric Distribution Companies (EDCs) in Connecticut must face financial incentives that align their activities and business decisions with the state’s public policy goals related to climate change and greenhouse gas emissions, consumer protections, and environmental justice. The role that EDCs play in advancing public policy must change so that they no longer create barriers for the clean energy transition, but rather act as true partners in enabling a clean energy future. At the same time that utilities’ incentive structure is changing, we also need to modernize data

¹ For more information, see Acadia Center’s report, “Reforming Energy System Planning for Equity and Climate Transformation.” <https://acadiacenter.org/resource/respect-reforming-energy-system-planning-for-equity-and-climate-transformation/>

transparency and access. In order to truly transform Connecticut’s electricity sector, stakeholders must have transparent access to data related to utility operations and system planning.

The Staff Concept Paper is a Step in the Right Direction

Acadia Center strongly supports the four primary goals for PBR in Connecticut outlined in the Staff Concept Paper: 1) enhancing EDC performance; 2) advancing decarbonization; 3) improving customer engagement and satisfaction; and 4) ensuring reasonable and equitable rates.² As it considers more specific outcomes and metrics, the Authority should ensure that the PBR goals are aligned with the Global Warming Solutions Act.

An important consideration in setting PBR objectives is whether an activity is within utility control, though utilities’ sphere of influence extends far beyond the activities they specifically control. Stakeholders raised concerns about some of the proposed outcomes during the April 5 stakeholder workshop, including Carbon Intensity and Cost of Power Supply. While some of the proposed metrics within these outcomes may not be under the direct control of the EDCs, there are nevertheless actions that the EDCs can take to improve performance within each outcome area (e.g. supporting energy efficiency to reduce the fossil fuel generation required to serve each MWh). And while broader economic factors play into the cost of power supply, for example, it will still be important to track the cost of power supply, especially as a way to compare the cost of fuel and purchased power per MWh to the cost of distributed energy resources.

PURA should take a walk-jog-run approach to Performance Incentive Mechanism (PIM) implementation. For some performance metrics where the utilities have strong baseline information and sphere of influence, such as energy efficiency, moving directly to financial rewards or penalties may be appropriate. For other metrics that do not currently have sufficient data, PURA should start by collecting performance data with which to establish baselines and financial incentives as appropriate. Finally, particularly for activities that are outside of the utilities’ direct control, simply reporting on data publicly—even without financial consequences—can be sufficient to motivate behavior change, and a strong place to begin with scorecard metrics. While not every PBR metric needs to be associated with a financial reward or penalty, either now or in the future, it is still important to track performance data. For instance, the number of electric vehicles added to the grid may not necessarily be under direct utility control, but distribution utilities nevertheless play a key role in providing infrastructure and programmatic solutions that affect the ease with which customers adopt electric vehicles

Additional Performance Categories for Consideration

Recognizing that the specifics of the PBR outcomes and metrics will be considered in more detail as this proceeding progresses, Acadia Center offers the following additions to PURA’s proposed performance outcomes and metrics:

- Deployment of grid-scale battery storage.
- Percentage of peak demand met by clean energy resources.
- Number of customers enrolled time-varying rates.
- Percentage of customers below the poverty level enrolled in low-income rates.

² Docket No. 21-05-15, “PURA Staff Concept Paper #1 | Performance-Based Regulation: Introduction, Goals, and Outcomes.”

- Customer satisfaction based on certain demographic criteria, including income, census block, language, etc.
- Carbon emissions avoided by electrification of transportation, buildings, agriculture, and other sectors.
- Avoided costs as a result of DER utilization.
- Commercial and residential energy intensity.

During the April 5 workshop, stakeholders raised concerns about customer costs as a result of Performance-Based Regulation and the financial burden that tracking performance and implementing PBR may impose on utilities, and therefore on ratepayers. Effective implementation of PBR will lead to improved utility outcomes and beneficial outcomes for ratepayers. In developing a PBR framework, PURA should be clear about the benefits and cost-savings that successful PBR can provide. In addition, Acadia Center recommends that PURA conduct a similar management audit that the Hawaii PUC performed for the Hawaiian Electric Company as part of PURA's PBR proceeding. That management audit identified changes that could lead to \$25 million in savings.³

Conclusion

Acadia Center greatly appreciates PURA's detailed approach to ensuring that this proceeding is an inclusive process and comprehensively considers how best to align utility regulation with the public interest. Thank you for the opportunity to submit written comments.

Sincerely,

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³ Munro Tulloch, "Management Audit of the Hawaiian Electric Company (HECO), Final Report," May 12, 2020.
<https://dms.puc.hawaii.gov/dms/DocumentViewer?pid=A1001001A20E14A90058FO0755>