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delmarva power℠
AN EXELON COMPANY

August 25, 2023

Via DelaFile
Ms. Malika Davis, Acting Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: DELMARVA POWER & LIGHT COMPANY'S REPLY COMMENTS TO THE DELAWARE DIVISION OF THE PUBLIC ADVOCATE AND THE DELAWARE PUBLIC SERVICE COMMISSION STAFF COMMENTS ON THE 2023-2025 ELECTRIC INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN (Docket 23-0460)

Dear Ms. Davis,

Included with this filing, submitted via DelaFile, is Delmarva Power and Light Company's Reply Comments to the 2023-2025 Final ISR Plan.

Please contact me at dawn.crompton@exeloncorp.com or contact Diane Goff at diane.goff@pepcoholdings.com or with any questions related to this matter.

Respectfully,

Dawn Kurtz Crompton (#5579)

Attachment
cc: Service List (via DelaFile)

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE FILING OF	**)**
DELMARVA POWER AND LIGHT	**) PSC DOCKET NO. 23-0460**
COMPANY'S 2023-2025 INFRASTRUCTURE,	**)**
SAFETY, AND RELIABILITY PLAN	**)**

DELMARVA POWER & LIGHT COMPANY'S
REPLY COMMENTS TO THE JOINT COMMENTS
BY THE DELAWARE DIVISION OF THE PUBLIC ADVOCATE AND
THE DELAWARE PUBLIC SERVICE COMMISSION STAFF RE: THE
2023-2025 ELECTRIC INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN

Delmarva Power & Light ("Delmarva Power" or the "Company") hereby submits its reply comments ("Reply Comments") to the Public Service Commission ("Commission") pursuant to 26 *Del. Admin. C.* § 3007.6.3.4 in response to the comments of the Delaware Division of the Public Advocate ("DPA") and Commission Staff ("Staff") ("Joint Comments") filed on August 10, 2023.

Delmarva Power maintains that its approach to Distribution System Planning ("DSP") process (including the 2023 ISR Plan) is in full compliance with the existing regulations which hold the Company "responsible for maintaining the reliability of electric service to all its customers in the State of Delaware" and requires the Company to "exercise its professional judgment based on its systems and service territories . . . to furnish safe, adequate and proper service and to keep and maintain its property and equipment in such condition as to enable it to do so." 26 *Del. Admin. C.* § 3007.1.3, 1.4. As such, Delmarva Power submits that its ISR Plan fully complies with the various requirements of the regulations and respectfully requests Commission acknowledgement of the same for the 2023 ISR Plan.

Separately however, Delmarva Power agrees that alternative processes – other than the ISR – would allow for more productive collaboration with stakeholders prior to plan implementation and facilitate further transparency into Delmarva Power's capital and operating plans to ultimately

enable decarbonization and facilitate affordable grid modernization to meet Delaware's goals. However, rather than reopening the DSP regulations as set forth in the Joint Comments, the Company proposes that the parties discuss different paths forward, including alternative ratemaking ("AltRM") in order to provide a better vehicle for enabling collaboration between and among the Commission, Staff, DPA, Delmarva Power, and other affected stakeholders concerning the future of Delaware's energy transformation and decarbonization efforts.

BACKGROUND

Pursuant to the DSP regulations, Delmarva Power is required to submit a rolling 3-year ISR Plan on an annual basis. On March 20, 2023, Delmarva Power submitted the required guidelines[1] and submitted its annual report on March 30, 2023. On March 31, 2023, Delmarva Power submitted its annual three-year Proposed ISR Plan, with exhibits.

Staff and DPA again engaged Gregory L. Booth, PLLC as a consultant ("Consultant"), and then the parties proceeded to engage in a detailed discovery review process with the DPA, Staff, and the Consultant as contemplated by 26 *Del. Admin. C.* § 3007.6.3.1.

On July 29, 2022, Delmarva Power filed its Final ISR Plan in compliance with each of the regulations in 26 *Del. Admin. C.* § 3007.6.2. The Final ISR Plan includes eleven sections[2] and a

[1] In compliance with 26 *Del. Admin. C.* § 3007.9.1, the guideline submission included the following: (9.1.1) Distribution System Planning Criteria; (9.1.2) Inspection and Maintenance ("I&M") Program; (9.1.3) Vegetation Management Program; (9.1.4) Standard for Interconnecting Distributed Resources with Electric Power Systems; (9.1.5) Power Quality Program and Policies; (9.1.6) Priority Feeder Program; and (9.1.7) Storm Response Plan.

[2] As required by 26 *Del. Admin. C.* § 3007.6.2, Section One provides an Introduction and Summary. Section Two, titled Delmarva Power Budget Process Overview, provides background on Delmarva Power and discusses the overview of the ISR Plan budget, as well as Exelon's Long Range Plan ("LRP") process. The ISR Plan's remaining nine sections provide a preview of Delmarva Power's anticipated distribution system planning and capital spending across four categories: (1) Mandatory (Section 3007.6.2.1.1, which defines Mandatory Spending to "include investments required to comply with customer requests, facility relocations, statutory and regulatory requirement, and to fix failed equipment."), (2) Non-Mandatory (Section 3007.6.2.1, which defines Non-Mandatory Spending to "include those projects, programs, or other investments, including NWAs, necessary to maintain or improve distribution services and not included in the Mandatory spending category") (3) Vegetation Management (Section 3007.6.2.1.3), and (4) Inspection and Maintenance Programs (Section 3007.6.2.1.4).

proposed budget[3] for each of the four spending categories listed in 26 *Del. Admin. C.* § 3007.6.2.1. As required by the regulations, each of these sections includes a subsection discussing the major components of the budget plan and the development of a spending plan.[4] The section on Vegetation Management includes a subsection that provides an overview of the vegetation management.[5]

Delmarva Power filed several attachments along with its Final ISR Plan that provided the Guidelines, as well as additional confidential information including one-line diagrams for Substations, Load Projections, various Program Authorizations, discrete project documentation, Substation Asset Replacement Program Analysis documentation, CYME Power Engineering Software ("CYME") engineering models for substations, and held six meetings with the Parties where the Company presented on the topics within the ISR.

The Joint Comments acknowledge that the "2023 ISR Plan discussions have been a slight improvement over the last three years because Delmarva was open to numerous conferences and discussions during the 90-day period between when the Proposed Plan was filed and when the Final Plan was filed."[6] During the 2023 ISR process, the Company considered and implemented several recommendations by Staff and DPA including: (1) restructuring the ISR report to align with business areas to show planned work in a more cohesive and compelling method and demonstrate clear project justifications; (2) highlighting alternative analyses that are performed and identifying where NWAs were considered and why they were not selected; (3) adding high level information that allows stakeholders to understand potential cost implications while highlighting opportunities provided by alternative ratemaking; and (4) hosting a series of

[3] *Id.* at § 3007.6.2.2.
[4] *See id.* at § 3007.6.2.4.
[5] *Id.*
[6] Joint Comments at 9.

collaborative discussions with PSC Staff, DPA, and their Consultant to discuss feedback and identify improvements for the distribution system planning process, including the ISR report and the ten-year Long-Range Distribution Report ("LRDP").

ISR PLAN DEVELOPMENT

To meet increased national and local expectations for grid modernization and electrification, Delmarva Power balances competing objectives throughout its distribution planning and project authorization processes such as: aging infrastructure; the increasing intensity of storms; customers' evolving expectations for (and dependence on) reliable service as remote working continues; supply chain constraints; electrification of the grid and the proliferation of electric vehicles; and evolving inflationary pressures. As such, utilities must plan projects over the term of several years and account for various internal and external factors. Delmarva Power, as part of the Exelon family of utilities, undertakes a rigorous three-phase project authorization process consisting of project design, review, and implementation – Delmarva Power does not engage in excessive and unnecessary investments, but instead carefully plans and manage its spend to provide the reliable service that customers expect and that Delmarva Power is obligated to provide.

Delmarva Power has additional modernization and reliability projects that it would like to plan for and add to the budget each and every year, and while the Company does establish a capital spend budget, that budget serves as a framework through which the Company prioritizes its improvements each year. Importantly, adhering to a budget is one of the ways the Company ensures operational efficiencies, prioritization, and cost containment—and ultimately maintains reasonable rates for customers.

While the Company has and does consider the Consultant's feedback on an annual basis

– and has incorporated certain feedback as noted above – the Company must maintain primary authority for distribution system planning and the investment decisions. Delmarva Power's distribution planning requires specialized judgment by the utility's subject matter experts who have deep expertise with Delaware's distinctive and unique infrastructure, including the capacity planning team, inspection and maintenance, vegetation management, as well as the system distribution engineering teams who support substation work, distribution lines work, and distribution automation.

While Delmarva Power bears the ultimate responsibility for the reliability and performance of its systems, Delmarva Power nonetheless agrees that affected stakeholders must collectively implement a collaborative planning process that considers plenary viewpoints in order to meet Delaware's mandates and expectations for grid modernization and decarbonization. Accordingly, the Company hereby proposes that the Commission consider a forward-looking planning process (such as AltRM, discussed more fully below and in Attachment 1 hereto) to enable all affected stakeholders the opportunity to review and debate the Company's plans **in advance** of future investments being made.

ALTERNATIVE RATEMAKING BACKGROUND

As this Commission is aware – even since the DSP regulations were effectuated in early 2020 – there have been significant changes to customer behavior and expectations as a result of developments in technology and government policy to mitigate climate change. Delmarva Power remains committed to continue adapting to these significant changes and is committed to fostering the energy transformation by focusing on four primary priorities: enabling solutions to climate change; enhancing grid performance; improving social equity and maintaining affordability; and delivering a world class customer experience.

In order to advance these priorities, as well as satisfy Delaware's newly enacted legislative mandates set forth in the 2023 Climate Solutions Act for net reduction targets of 50% by 2030 and 100% by 2050, it is critical for all affected stakeholders – including Delmarva Power, Staff, DPA, and the Commission – to proactively plan and collaborate on climate and clean energy goals for Delaware that will result in just and reasonable rates. Traditional processes are not suited to meet this challenge. To that end, stakeholders must collectively explore innovative AltRM to continue meeting the increasing expectations of Delawareans to deliver a cleaner and brighter future.

As set forth in Attachment 1 (which Delmarva Power presented to PSC Staff and DPA on July 23, 2023), AltRM includes forward looking rate methods such as formula rates, forward looking test years, and multi-year rate plans – which are typically based on forecasted data than traditional rate cases – to better align customers' rates with the costs to serve them. AltRM is a growing industry trend and has been approved in approximately 80% of jurisdictions in the United States (see Attachment 1 at slide 4), including in D.C., Illinois, Maryland, and Pennsylvania where Exelon operates utilities.

As for regulator benefits, different forms of AltRM:

- **Can allow stakeholder input prior to plan implementation**: instead of engaging in traditional ratemaking (which is backward-looking at the historical work that has already been implemented by the utility), AltRM is generally forward-looking and allows stakeholders to assess on investments prior to implementation.

- **Can decrease administrative burdens on Staff and DPA**: by staggering filings over several years, historical and traditional base rate cases may eventually be eliminated, thereby allowing the parties to reassess the need for DSIC and DSP.

- **Will preserve this Commission's ultimate authority to set rates**: AltRm will enable the Commission to proactively assess whether proposed investments will lead to just and reasonable rates.

- **Will increase transparency**: in the context of AltRM, regulators and other stakeholders can assess Delmarva Power's capital and operating plans for future periods (*e.g.*, plan for years forward prior to the work being performed, versus litigating over historical spend); and

- **Will increase utility accountability**: AltRM contemplates regular reviews of utility spending to ensure that rates are aligned with work completed, and that work is completed on-time.

As for customer benefits, AltRM mechanisms can be designed to achieve the following:

- **Sustainable investments**: AtlRm requires that regulators and the utility collaborate to identify investments that will meet customer's current and future expectations.

- **More predictable rates**: AltRM can be designed to spread costs over multiple years to help better balance changes to rates. By addressing gradualism in rate increases, customers can plan better if they have advanced notice of rate changes and other impacts.

- **Preserves current customer protections**: AltRM can include forward-looking mechanisms that have reconciliation or true-up mechanisms so that regulators and customers ultimately pay the actual costs incurred to serve them.

CONCLUSION

Utilities, public service commissions, and public advocates around the country are – and will continue to be – faced with unique challenges and opportunities in a relatively short period of time for an industry. The decisions we make today to invest in infrastructure and grid modernization will have long-term consequences for Delawareans. To that end, Exelon Corporation (by and through Delmarva Power) is committed to continuing conversations with the Commission, Staff, and DPA to facilitate Delaware's energy transformation. Accordingly, Delmarva Power respectfully requests that the Commission acknowledge the 2023 ISR Plan as compliant with the regulations, and also respectfully requests that the Commission establish a formal process for the parties to consider AltRM as the critical path forward for providing reliable, clean, and affordable solutions to enable Delaware's climate and decarbonization goals.

Dated: August 25, 2023

Attachment 1

delmarva power℠
AN EXELON COMPANY

July 25, 2023

Delaware: Exploration of Alternative Forms of Rate Regulation

PHI Regulatory

Agenda

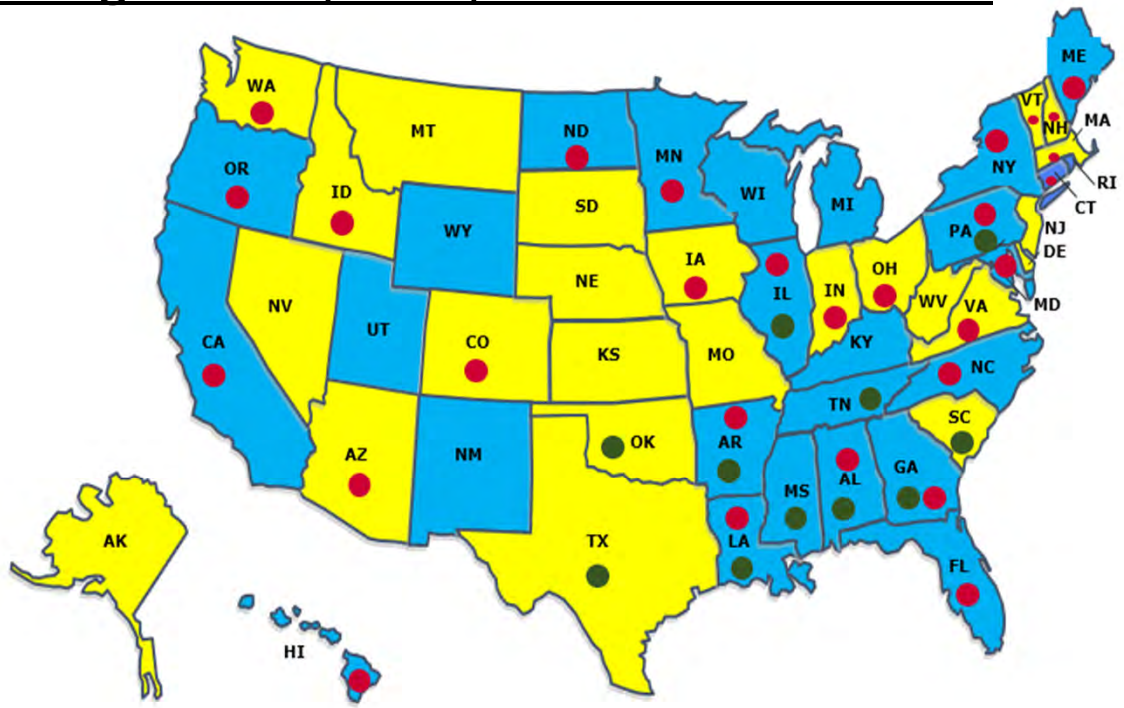
- Purpose of Meeting
- Alternative Forms of Rate Regulation (AFRR) in the United States
- Benefits of AFRR
- Holistic AFRR Types
  - Forward Looking Test Year
  - Multi-Year Rate Plans
  - Formula Rates
- Other AFRR Types
- Next Steps
- Appendix

Purpose of Meeting

- The grid is changing
  - Customer usage patterns are changing rapidly
  - Enhanced focus on sustainability
  - Innovative technology and rate structures
  - Pervasion of distributed energy resources (DER)
- Therefore, how can the utility change
  - Focus on future and accountability
  - Align with customer and stakeholder energy policy goals
- Alternative forms of rate regulation can improve alignment of utility's interests with energy policy goals of the State, stakeholders and customers

Alternative Forms of Rate Regulation (AFRR) in the United States

Alternative Ratemaking Mechanisms Are Approved in Approximately 80% of Jurisdictions



*Historic test year defined as if the test year is complete when rates go into effect

Sources: Lowry, Mark, "Forward Test Years for US Energy Utilities" (April 2016 presentation at the Society of Utility and Regulatory Financial Analysts), Pacific Economics Group Research, "Alternative Regulation for Emerging Utility Challenges: 2015 Update", S&P Global Market Intelligence, "RRA Regulatory Focus State Regulatory Reviews", PSCs of DC, GA, MD, ID and IN, States of AR, PA, and TN, Atmos Energy – Texas, CenterPoint Energy – Oklahoma, Xcel Energy – North Dakota

Benefits of Alternative Forms of Rate Regulation

State and Customer

- Forward-thinking focused rate reform with increased utility transparency and accountability in what it is doing to serve customers' energy needs
- More active role in the input/collaboration related to future capital and O&M spend
- Rate stability/predictability
- Alignment of investment and costs to state energy policy goals and other customer concerns (e.g., infrastructure modernization, clean energy/renewables, climate change, cybersecurity)
- Reduce administrative burden of frequent traditional base rate cases

Utilities

- Addresses value gap of customer rates alignment with the costs to serve those customers
- Ensure more stable cost recovery structure to maintain and modernize/innovate its energy infrastructure

Alternative Forms of Rate Regulation Maintain Existing Protections

Item	Traditional Rate Structure	Alternative Forms of Regulation
Rates set through public regulatory rate reviews before the Public Service Commission		
Stakeholders have opportunity for participation		
PSC makes final decision based on finding just and reasonable rates		
Potential inclusion of performance metrics and flexibility to mitigate bill impacts to customers		
Provides greater predictability in timing of rate adjustments		
Funding certainty strengthens utilities' ability to invest in expansion, reliability, cybersecurity and renewables		

Alternative Forms of Rate Regulation – Holistic Types

Program	Forward-Looking Test Period	MYP (Multi-Year Rate Plan)	Formula Rates
Overview	Allow fully forecasted test years, either 1 or 2 years, into the future	• Rates are set for pre-determined period (e.g., 3 – 5 years) contingent on a rate case moratorium during such period • Focus on future investments and related forecasted spend	Allow for periodic adjustment of rates based on combination of forecasted and historical data that is ultimately trued-up to better align revenue recovery to cost of service
Drivers	• Unit cost trend of utilities are driven by conditions beyond their control. • Input prices, inflation, customer demand/usage • Better alignment of investments providing benefits to customers in the rate effective period • Extend time between rate cases	• Increases administrative efficiency by reducing frequency of rate cases, rate case moratorium • Enables stakeholders to provide input and feedback on future investments over multiple time horizon • Incentivizes grid modernization • Provides longer-run rate predictability and stability • Enhances cost control incentives	• Consistency in filings across utilities • Enables stakeholders to provide input and feedback on future investments
States that allow/ have	KY, MI, NM, RI, PA, TN, UT, WI, WY	• AR,AZ, CA, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, LA, MD, ME, MN, NC, ND, NH, NY, OH, OR, PA, VA, VT, WA	AL, AR, FERC, IL, LA, MS, OK, PA, SC

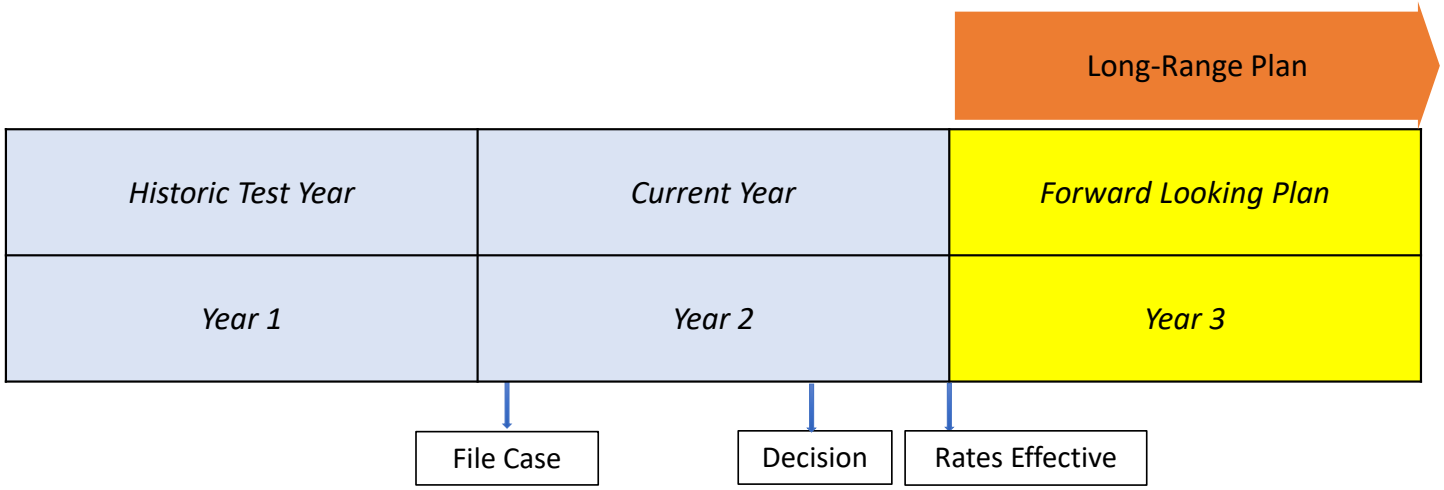
Ratemaking Items That AFRRs Can Address

Topics	Detail	Forward Looking Test Period	MYP	Formula Rate
Planned Spend	Stakeholder engagement on Company's longer-term capital and O&M spend	Based on design, filing can include 1 – 2 years of future spend for the parties to assess	Often contains 3-5 year forecast as well as historic test year data.	Filing generally has a forecasted rate year and true-up of prior rate year
Use of Actual Costs to Serve Customers	True-up of rates based on forecast to actuals. Either true-up base distribution rates or new rider for the under/over recovery	True-ups are generally not included; however, forecasting accuracy can be addressed in other mechanisms (e.g., delay in use of capital trackers)	True-ups are included and can take several forms (e.g., symmetrical, dead band, earnings sharing mechanism)	Similar to FERC annual update filings, annual true-ups to actual costs are common
Rate Case Frequency	Reduce frequency of traditional base rate cases	Forward looking test periods could reduce frequency of rate cases as utility is not required to file them on an annual basis	Once a MYP is filed and approved, that plan is generally unchanged until next MYP filing (e.g., in 3 – 5 years).	Formula rates are typically annual filings; however, the upfront agreed-upon ratemaking inputs simplify/streamline the process.

Forward-Looking Test Periods: Filing Summary

- Data provided can include a historical baseline year (t-1), and a forward-looking test period, (t+1). The current year (t) is not used as a period for setting rates.
- Forecast typically based on utilities' long-range plan and/or an attrition relief mechanism
- Forward looking test periods do not typically include reconciliation mechanisms
- Rates reflect current business conditions better, better alignment of costs and revenue
- Subsequent filings are at the utility's discretion, much like traditional ratemaking

Forward Rate Plan: Timeframe (Hypothetical)

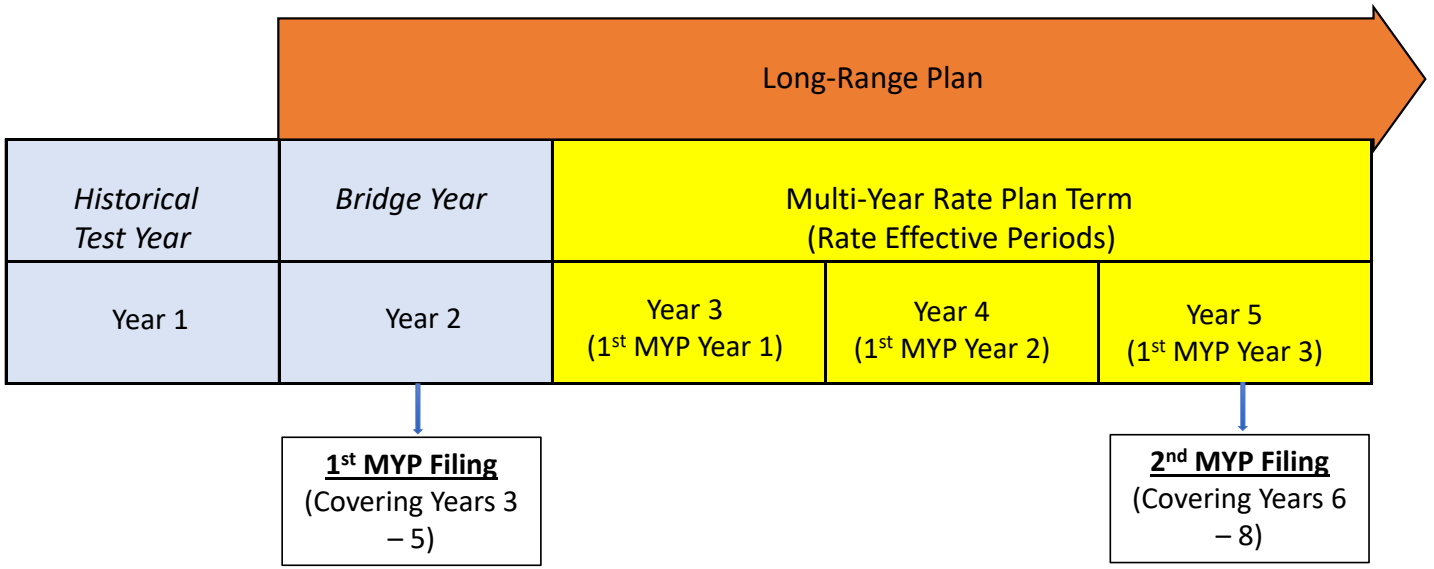


**Rates stay in effect until the Company's next forward rate plan filing*

Multi-Year Rate Plans (MYP) Filing Summary

- Data provided can include a historical baseline year as well as 3 – 5 forecasted years that serve as basis for setting rates
- Forecast typically based on utilities' long-range plan and/or an attrition relief mechanism
- To address actual and forecasted spend variances, MYPs can include reconciliations (i.e., true-ups) or earnings sharing mechanisms
- Can be combined with other PIMs (e.g., Performance Incentive Mechanisms) to address targeted goals and related metrics
- Off-ramps can be included to address extraordinary events not factored into MYP filing
- Post-MYP informational compliance filings can relate to topics such as capital project updates and actual versus forecasted revenue requirement results

MYP: Filing Timeframe (Maryland Example)

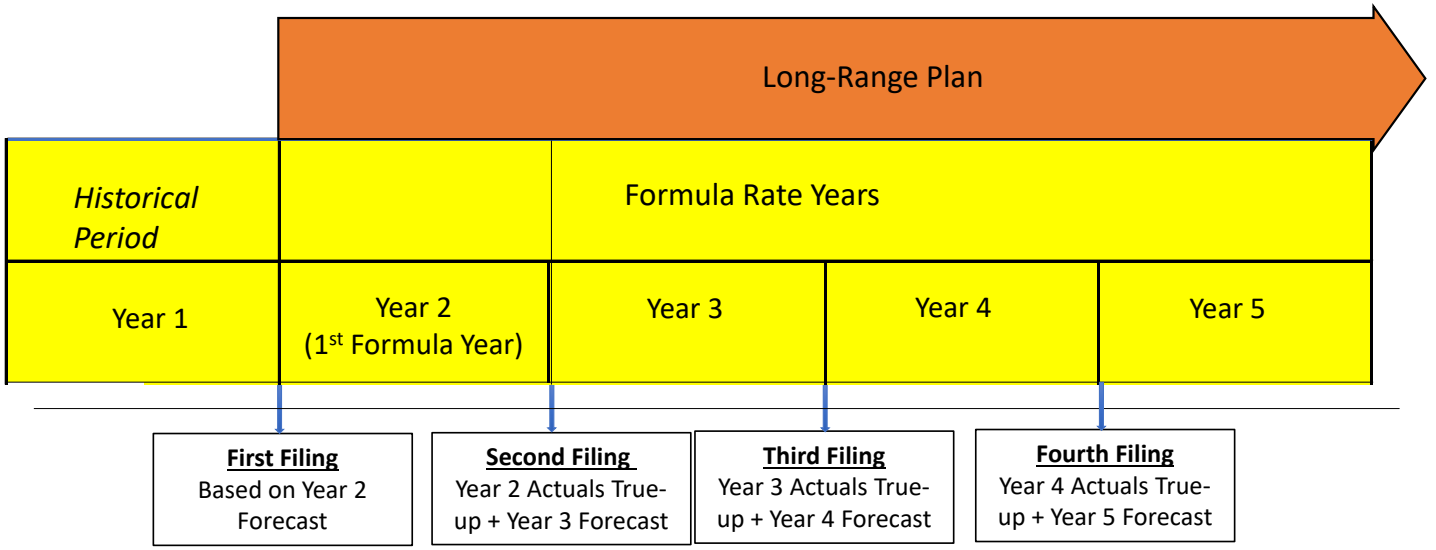


1st MYP Reconciliation Filings		
Filing	Year of Filing	Years Covered by Filing
Annual Informational Filings	Year 4 (1st MYP Year 2) [within 90 days] Year 5 (1st MYP Year 3) [within 90 days]	Year 3 (1st MYP Year 1) Year 4 (1st MYP Year 2)
Consolidated Reconciliation and Report (part of utility's 2nd MYP or next base rate case)	Year 5 (1st MYP Year 3)	Year 4 - 5 (1st MYP Year 1 - 2)
Final Reconciliation and Report	Year 6 [within 120 days]	Years 3 - 5 (1st MYP Year 1 - 3)

Formula Rate Plan Filing Summary

- Similar to FERC annual update filings, data provided include forward looking (forecast) test period data (t+1), in subsequent filings additional forecast test period data provided with a true-up of the prior filings forecast to actuals.
- Upfront, agreed-upon protocols establish items such as ratemaking inputs, timeline and procedural schedule with special filings generally required to change them.
- Forecast typically based on utilities' long-range plan and/or an attrition relief mechanism
- To address actual and forecasted spend variances, formula rates include reconciliations (i.e., true-ups) or earnings sharing mechanisms
- Can be combined with other PIMs to address targeted goals and related metrics
- Off-ramps can be included to address extraordinary events not factored into formula rate filing (e.g., changes in tax law)
- True-ups include capital project updates and actual versus forecasted revenue requirement results

Formula Rates: Filing Timeframe (Hypothetical)



Formula Rate Plan Filings		
Filing	Year of Filing	Years Covered by Filing
First Filing	End of Year 1	Year 2 Forecast (No prior filing true-up)
Second Filing	End of Year 2	Year 3 Forecast + Year 2 True-up Forecast to Actuals
Third Filing	End of Year 3	Year 4 Forecast + Year 3 True-up Forecast to Actuals

Other AFR Types

Key areas	Performance Incentive Mechanisms (PIMs)	Capital Tracker	Conservation / Decoupling
Description	• Metrics and formulas that determine the level of financial rewards or penalties (i.e., adjustments to allowed revenues) for achievement of the specified objectives	• Allows for the recovery of reliability focused capital investment in-between rate cases	• Decouples utility services with sales volumes; • In either an overall class revenue target or using a revenue per customer metric
Key Drivers	• Targeted performance related to reliability, customer service quality, energy policy goals (e.g., greenhouse gas emissions) • Becoming more common in conjunction with an MYP	• Maintains system reliability providing benefits to customers and allows the utility to recover on the reliability investments	• To recognize in a declining sales environment (either due to lack of load growth or energy efficiency) that the Utility still provides valuable services in light of declining sales trends
Jurisdictions Approved	• CO IL, ME, MI, MS, MN, MA, MO, PA, MD, NY, RI, TX, UT, VT, WA	• DC, NJ, MD, DE, PA, RI, GA, NH, KS, AK, KY, IN, LA, OH, OK, TX, WV, MI, CO, ND, SD, WY, SC, VA, FL, NC, CT, MA, MO, IL, MT	• DC, MD, NJ, IL, NY, MA, CA, WA, NV, UT, OR, NV, NM, CO, ID, WY, KS, OK, LA, GA, VA, SD, MN, MI, MA, VT, RI, ME, NC, SC, GA

Different AFRR Mechanisms for Different Goals

Goal	Incentive Area	Mechanism
Cost & Price Control and Transparency in Future Spend	Overall financial performance and accountability	Broad-based incentive frameworks MYPs, Forecasted Test Years, Formula Rates
Targeted Performance or Policy Goals	Traditional operational areas (e.g., SAIDI), Customer Service, Emerging performance targets (e.g., decreased DER interconnection time, reduced Greenhouse Gas Emissions)	Narrow Scope Incentive Mechanisms PIMS
Accelerated Investment (e.g., Reliability, Resiliency, Grid Modernization)	Risk Reduction	Supplemental Incentives Capital Expense Trackers/Riders
Align Utility interests and state Energy/Policy Goals (e.g., reduced usage (DER, EE))	Risk reduction, removes disincentive	Revenue Rider Decoupling or Conservation Mechanism

Next Steps

- Stakeholder feedback on AFRR Presentation
- Areas of interest requiring additional research or follow-up
- Forum and timing for future AFRR discussions

Appendix

Delaware Alternative Forms of Rate Regulation to Date

Approved

- Capital Trackers – Distribution System Improvement Charge (DSIC)

Previous Explorations

- Decoupling (Docket No. 09-414 and prior working group)
- Forward-Looking Rate Plan (Docket No. 13-384)

Stakeholder Concerns in Delaware:

- Forecasting accuracy
- Risk: customer vs. utility
- Agreement on capital spending plan

Delmarva Power, through its experiences in MD and its sister company, Pepco, in DC, has a better understanding of the mechanics of some variations of alternative forms of regulation

Alternative Regulatory Mechanisms by Jurisdiction

Jurisdiction	Multi-Year Rate Plans	Formula Rate Plans	Forward Test Years	MYP, Formula Rates or FTY	Performance Incentive Mechanisms
Alabama		x	x	x	
Alaska					
Arizona	x			x	
Arkansas		x	x	x	
California	x		x	x	
Colorado	x			x	x
Connecticut	x		x	x	
Delaware					
District of Columbia	x			x	
FERC		x		x	
Florida	x		x	x	
Georgia	x	x	x	x	
Hawaii	x		x	x	
Idaho	x			x	
Illinois	x	x	x	x	x
Indiana			x	x	
Iowa	x			x	
Kansas	x			x	
Kentucky			x	x	
Louisiana		x	x	x	x
Maine	x		x	x	x
Maryland	x			x	x
Massachusetts	x			x	x
Michigan			x	x	x
Minnesota	x		x	x	x
Mississippi		x	x	x	x
Missouri					
Montana					
Nebraska					
Nevada					
New Hampshire	x			x	
New Jersey					
New Mexico			x	x	
New York	x		x	x	x
North Carolina	x			x	
North Dakota	x		x	x	
Ohio	x			x	
Oklahoma		x		x	
Oregon			x	x	x
Pennsylvania	x	x	x	x	
Rhode Island			x	x	x
South Carolina		x		x	
South Dakota					
Tennessee		x	x	x	
Texas		x		x	x
Utah			x	x	x
Vermont	x			x	x
Virginia	x			x	
Washington	x			x	x
West Virginia					
Wisconsin			x	x	
Wyoming			x	x	
Sources and Notes:	25	12	25	41	16
	48.1%	23.1%	48.1%	78.8%	30.8%

Sources and Notes: Mark Lowry, Matthew Makos, and Gretchen Waschbusch, "Alternative Regulation for Emerging Utility Challenges: 2015 Update," November 11, 2015 (prepared for Edison Electric Institute). O'Neill Management Consulting LLC, "Recommendations for Strengthening the Massachusetts Department of Public Utilities' Service Quality Standards," December 13, 2012. Arkansas Public Service Commission, "Formula Rate Plan Rider," Docket No. 16-052-U, Order No. 8, Approved May 18, 2017. Indiana Code Title 8, Utilities and Transportation § 8-1-2-42.7.

How Have Other Jurisdictions Assessed Holistic Alternative Forms of Rate Regulation – Across the Fence Report Table 5.2

Table 5.2 (continued)
Alternative Regulation / Incentive Plans (as of June 2023)

Company	Parent	Province / State / Country	Formula-Based Rates	Formula-Based ROE	Performance Based Ratemaking[25]	Forward Test Year Allowed in Jurisdiction[26]	Price Freeze/ Cap	Earnings Sharing
Ameren Illinois Company	AEE	Illinois	✓	✓		✓		
Union Electric Company	AEE	Missouri				K	✓	
Southwestern Electric Power Company	AEP	Arkansas	✓			K		
Indiana Michigan Power Company	AEP	Indiana				K		
Kentucky Power Company	AEP	Kentucky				✓		
Southwestern Electric Power Company	AEP	Louisiana	✓		✓	✓		
Indiana Michigan Power Company	AEP	Michigan				✓		
Ohio Power Company	AEP	Ohio				✓		
Public Service Company of Oklahoma	AEP	Oklahoma				K		
Kingsport Power Company	AEP	Tennessee				✓		
AEP Texas Inc.	AEP	Texas						
Southwestern Electric Power Company	AEP	Texas						
Appalachian Power Company	AEP	Virginia				✓	✓	
Appalachian Power / Wheeling Power	AEP	West Virginia				K		
ALLETE (Minnesota Power)	ALE	Minnesota				✓		
Superior Water, Light and Power Company	ALE	Wisconsin	✓	✓		✓		
Black Hills Colorado Electric Utility Company, LP	BKH	Colorado			✓			

[25] Includes multi-year rate plans.
[26] K = Known and Measurable. Partially forecasted test years are included.

How Have Other Jurisdictions Assessed Holistic Alternative Forms of Rate Regulation – Across the Fence Report Table 5.2

Company	Parent	Province / State / Country	Formula-Based Rates	Formula-Based ROE	Performance Based Ratemaking[25]	Forward Test Year Allowed in Jurisdiction[26]	Price Freeze/ Cap	Earnings Sharing
Black Hills Colorado Electric Utility Company, LP	BKH	South Dakota				K		
Black Hills Power, Inc.	BKH	Wyoming				K		
Consumers Energy Company	CMS	Michigan				✓		
Dominion Energy SC	D	South Carolina				K		✓
Virginia Electric and Power	D	Virginia				✓	✓	✓
DTE Electric Company	DTE	Michigan				✓		
Duke Energy Florida, LLC	DUK	Florida	✓	✓		✓		
Duke Energy Indiana, LLC	DUK	Indiana				K		
Duke Energy Kentucky, Inc.	DUK	Kentucky				✓		
Duke Energy Carolinas, LLC	DUK	North Carolina	✓	✓	✓			✓
Duke Energy Progress, LLC	DUK	North Carolina	✓	✓	✓			✓
Duke Energy Ohio, Inc.	DUK	Ohio				✓	✓	
Duke Energy Carolinas, LLC	DUK	South Carolina				K		
Duke Energy Progress, LLC	DUK	South Carolina				K		
Southern California Edison Company	EIX	California	✓	✓	✓	✓	✓	
Connecticut Light and Power Company	ES	Connecticut			✓	✓	✓	✓
NSTAR Electric Company	ES	Massachusetts	✓		✓	K	✓	✓
Public Service Company of New Hampshire	ES	New Hampshire	✓		✓	K		

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Company	Parent	Province / State / Country	Formula-Based Rates	Formula-Based ROE	Performance Based Ratemaking[25]	Forward Test Year Allowed in Jurisdiction[26]	Price Freeze/ Cap	Earnings Sharing
Entergy Arkansas LLC	ETR	Arkansas		✓	✓	K		
Entergy Louisiana LLC	ETR	Louisiana	✓			✓		
Entergy New Orleans LLC	ETR	Louisiana	✓			✓		
Entergy Mississippi LLC	ETR	Mississippi	✓			K		
Entergy Texas Inc.	ETR	Texas						
Evergy Kansas Central	EVRG	Kansas			✓			✓
Evergy Kansas Metro	EVRG	Kansas			✓			✓
Evergy Missouri Metro	EVRG	Missouri				K	✓	
Evergy Missouri West	EVRG	Missouri			✓	K	✓	
Idaho Power Co.	IDA	Idaho			✓	✓	✓	✓
Idaho Power Co.	IDA	Oregon				✓		
Interstate Power and Light Company	LNT	Iowa				K		
Wisconsin Power and Light Company	LNT	Wisconsin			✓	✓		✓
Madison Gas and Electric Company	MGEE	Wisconsin				✓		
NorthWestern Energy	NWE	Montana				K		
NorthWestern Energy	NWE	South Dakota				K		
Oklahoma Gas and Electric Company	OGE	Arkansas	✓	✓	✓	K		
Oklahoma Gas and Electric Company	OGE	Oklahoma				K		
Portland General Electric Company	POR	Oregon				✓		
Kentucky Utilities	PPL	Kentucky				✓		
Louisville Gas and Electric Co.	PPL	Kentucky				✓		

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Company	Parent	Province / State / Country	Formula-Based Rates	Formula-Based ROE	Performance Based Ratemaking[25]	Forward Test Year Allowed in Jurisdiction[26]	Price Freeze/ Cap	Earnings Sharing
PPL Electric Utilities	PPL	Pennsylvania	✓	✓		✓		
Naragansett Electric Co.	PPL	Rhode Island			✓	K		✓
Alabama Power Company	SO	Alabama	✓	✓	✓	K		
Georgia Power Company	SO	Georgia			✓	✓		✓
Mississippi Power Company	SO	Mississippi	✓	.	✓	K		✓
Fitchburg Gas and Electric Light Co	UTL	Massachusetts				K		
Unitil Energy Systems	UTL	New Hampshire				K		
Upper Michigan Energy Resources Corp.	WEC	Michigan				✓		
Wisconsin Electric Power	WEC	Wisconsin	✓		✓	✓		✓
Wisconsin Public Service Company	WEC	Wisconsin	✓			✓		✓
Public Service Company of Colorado	XEL	Colorado						
Northern States Power Company - WI (Michigan)	XEL	Michigan				✓		✓
Northern States Power Company - MN	XEL	Minnesota	✓			✓		
Southwestern Public Service Company	XEL	New Mexico				K		
Northern States Power Company - MN (North Dakota)	XEL	North Dakota			✓	✓		✓
Northern States Power Company - MN (South Dakota)	XEL	South Dakota	✓			K		✓
Southwestern Public Service Company	XEL	Texas						
Northern States Power Company - WI	XEL	Wisconsin				✓	✓	

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Company	Parent	Province / State / Country	Formula-Based Rates	Formula-Based ROE	Performance Based Ratemaking[25]	Forward Test Year Allowed in Jurisdiction[26]	Price Freeze/ Cap	Earnings Sharing
Delmarva Power & Light Company	EXC	Delaware				K		
Potomac Electric Power Company	EXC	District of Columbia			✓.	✓		
Commonwealth Edison Company	EXC	Illinois	✓	✓	✓	✓		
Potomac Electric Power Company	EXC	Maryland				K		
Delmarva Power & Light Company	EXC	Maryland				K		
Baltimore Gas and Electric Company	EXC	Maryland			✓	K		✓
Atlantic City Electric Company	EXC	New Jersey				K		
PECO Energy Company	EXC	Pennsylvania				✓		

Additional AFR Educational Materials

- Maryland PC51 - Exploring the Use of Alternative Rate Plans or Methodologies to Establish New Base Rates for an Electric Company or Gas Company
    - NO. 1: NOTICE ON TECHNICAL CONFERENCE ON ALTERNATIVE FORMS OF RATE REGULATION
    - OTHER DOCUMENTS INCLUDE STAKEHOLDERS' INITIAL, REPLY AND FINAL COMMENTS
- Maryland PSC – Case No. 9618 – Alternative Forms of Rate Regulation
    - NO. 1: ORDER No. 89226: ORDER ON ALTERNATIVE FORMS OF RATE REGULATION AND ESTABLISHING WORKING GROUP PROCESSES
    - NO. 19: PUBLIC UTILITY LAW JUDGE – WORKING GROUP IMPLEMENTATION REPORT
    - NO. 25: ORDER NO. 25: ORDER ESTABLISHING MULTI-YEAR RATE PLAN PILOT
    - NO. 42: ORDER NO. 89638: ORDER APPROVING PERFORMANCE INCENTIVE MECHANISMS

- Performance-Based Regulation: Harmonizing Electric Utility Priorities and State Policy
- States Move Swiftly on Performance-Based Regulation to Achieve Policy Priorities
- Performance-Based Regulation
- National Regulatory Research Institute – Multi-year Rate Plans and the Public Interest
- State Performance-Based Regulation Using Multiyear Rate Plans for U.S. Electric Utilities
- NARUC PBR Working Group - Multi-Year Rate Plans
- NARUC Overview of Formula Rates
- Future Test Years: Evidence from State Utility Commissions
- Forward Test Years for US Energy Utilities