STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission's own motion to establish a workgroup to investigate appropriate financial incentives and penalties to address outages and distribution performance moving forward. ______________________________________/	Case No. **U-21400**

MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S COMMENTS

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

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DATED: May 3, 2024

I. Introduction

On December 21, 2023, the Michigan Public Service Commission ("Commission") issued an order in Case No. U-21400 (Order) directing Commission Staff ("Staff") to convene an additional engagement session with interested parties to discuss the revised straw proposal coming out of the Financial Incentives and Disincentives workgroup.

That Order also directed Staff to file a report on the Financial Incentives and Disincentives workgroup's investigations and findings in this docket no later than 5:00 p.m. (Eastern time) on May 3, 2024.

II. Attachment

Attached to this filing is a report (Attachment A) that identifies the workgroup's investigations and findings.

Respectfully submitted,

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Attachment A

Financial Incentives and Disincentives Workgroup May 2024 Report

Revised Straw Proposal for Reliability Metrics

Executive Summary

Since convening the Financial Incentives and Disincentives Workgroup ("workgroup") by order of the Commission in April 2023, the workgroup has reviewed two versions of a straw proposal for reliability metrics through several rounds of comments and three engagement sessions. After conducting this review, Staff reports the following findings:

- Improving distribution system reliability still remains a high priority in the near-term;
- Financial incentives and disincentives can complement the MPSC's other regulatory actions to improve reliability;
- Interested parties provided valuable feedback on the initial and revised straw proposals but recommended further revisions;
- This report suggests additional revisions to the straw proposal in response to the workgroup's feedback; and
- After concluding this initial focus on reliability, the workgroup's scope can shift to the "plus" portion of the Reliability-Plus framework envisioned in the opening order of this proceeding.[1]

Background

On April 24, 2023, the Michigan Public Service Commission ("MPSC" or "Commission") issued the opening order in Case No. U-21400, which directed Commission Staff to convene a Financial Incentives and Disincentives workgroup as part of the MI Power Grid Initiative and file a report of the workgroup's investigations and findings by December 31, 2023.

In directing this action, the Commission referred to numerous prior decisions to address distribution system reliability and safety. The opening order also stated, "an initial focus of the Financial Incentives and Disincentives workgroup shall include developing appropriate metrics relating to reliability including, but not limited to, SAIDI [System Average Interruption Duration Index] (including and excluding MEDs [major event days]), SAIFI [System Average Interruption Frequency Index], CEMI [Customers Experiencing Multiple Interruptions], CAIDI [Customer Average Interruption Duration Index], and resilience, including, but not limited to, downed wire response and the frequency and duration of outages during extreme weather, and shall use the recently updated Service Quality rules[2] as a baseline."[3]

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[1] See Opening Order at p. 12., the Commission directed, "the workgroup shall also consider challenges around the readiness of utility distribution grids to effectively accommodate and leverage the increasing and further anticipated growth of distributed generation, EVs, and other DERs." This report identifies next steps for the workgroup's discussion of the reliability-plus framework.

[2] Service Quality rules refer to Michigan's Service Quality and Reliability Standards for Electric Distribution Systems.

[3] See Opening Order at p. 12. For reference, SAIDI, SAIFI, CEMI, and CAIDI are electric utility reliability metrics defined by the Institute of Electrical and Electronics Engineers ("IEEE").

On August 30, 2023, the Commission issued an order with a straw proposal for candidate distribution performance metrics and requested feedback from interested parties through comments and reply comments.[4] In addition, the Commission hosted technical conferences on October 10, 2023, and November 30, 2023. The first technical conference discussed the initial straw proposal and comments. Discussion in the second meeting focused on proposed revisions to the initial straw proposal based on feedback from interested parties.

On December 19, 2023, Commission Staff posted comments to this docket that included a status report and revised straw proposal. On December 21, 2024, the Commission issued an order requesting:

- Interested parties file comments on the revised straw proposal by February 2, 2024,
- Staff hold an engagement session on February 12, 2024,
- reply comments submitted by March 1, 2024, and
- Staff file a report on the Financial Incentives and Disincentives workgroup's investigations and findings by May 3, 2024.

By February 2, 2024, nine parties filed comments on the revised straw proposal.[5] On February 12, 2024, the Commission held an engagement session (see recording here). On March 1, 2024, seven parties submitted reply comments following the engagement session.[6]

This status report summarizes feedback received on the December 2023 revised straw proposal and describes additional revisions to reliability performance metrics based on feedback. The concluding section describes the next steps to discuss and develop the Reliability-Plus framework.

Summary of Feedback on December 2023 Revised Straw Proposal

In reviewing the two rounds of comments and discussion during February engagement session, the following themes were shared by participants:

- Significant concerns expressed with incentive opportunities – A broad range of interested parties opposed the opportunity for utilities to earn an incentive for performance below current Service Quality rules and cited requirements that utilities fulfill Service Quality standards before earning an incentive. This update incorporates this feedback into the incentive/penalty metrics and requires utilities to meet all Service Quality rules to earn a net incentive.

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[4] See August 30, 2023 Order issued in Case No. U-21400.

[5] The parties filing comments included: City of Ann Arbor, Michigan Energy Innovation Business Council (MIEIBC), Consumers Energy Company, DTE Electric Company, Michigan Municipal Association for Utility Issues, Association of Business Advocating Tariff Equity (ABATE), Department of Attorney General, Natural Resources Defense Council (NRDC), and Citizens Utility Board of Michigan (CUB). Comments from CUB were joined by the Ecology Center, Environmental Law & Policy Center, Michigan Municipal Association for Utility Issues, Union of Concerned Scientists, and Vote Solar. Comments from NRDC were joined by Michigan Environmental Council, Sierra Club, and Strategen.

[6] The parties filing reply comments included: Citizens Utility Board of Michigan (CUB), City of Ann Arbor, Consumers Energy Company, DTE Electric Company, ABATE, Department of Attorney General, and Indiana Michigan Power Company. Reply comments from CUB were joined by Michigan Municipal Association for Utility Issues, Union of Concerned Scientists, Environmental Law & Policy Center, Ecology Center, and Vote Solar.

- Expand proposed metrics – Interested parties provided mixed feedback on the revised metrics in the December 2023 revised straw proposal. The Attorney General recommended expanding the set of metrics with some support from Consumers Energy.[7] This update is informed by all the feedback from interested parties and aligns with the set of metrics proposed by the Attorney General for the reasons discussed below.
- Utility concerns about higher likelihood of penalties under proposed metrics – Utility comments have noted that the proposed SAIDI metrics have an asymmetric deadband and under current performance levels they are more likely to incur penalties in the near-term. The proposal in the update maintains the same structure as a major objective is to motivate rapid improvement in reliability performance across all weather conditions. The updated proposal retains opportunities for utilities to offset penalties with performance above current Service Quality rules.
- Interested parties suggested modifying the limit on incentives and penalties – This update proposes a maximum limit on penalties and incentives of $10 million and allocates a share of this total across the seven proposed metrics. The utilities' performance on the proposed metrics will determine if they incur penalties or result in net incentives (after meeting all Service Quality rules) under this framework. The proposed limit manages the risk of this new approach to customers and shareholders and aligns with the recommendation from the Attorney General.

The next section summarizes the proposed revisions to the Initial Straw Proposal and then describes each proposed metric in further detail.

May 2024 Update on Straw Proposal for Reliability Performance Metrics

MPSC Staff have carefully reviewed the feedback provided through written comments and participation in the engagement sessions. Staff suggest several revisions to the straw proposal to address this feedback. Table 1 summarizes the key proposed revisions:

Table 1: Summary of Proposed Revisions in May 2024 Update

Key Revisions	Updated Proposal	Discussion
Add storm response metrics	Include 72-hour catastrophic storm response and 24-hour gray sky storm response	Complements SAIDI and 48-hour storm response; places high priority on improving reliability in all conditions and restoring customers after storm events
Include CEMI-4 metric	Symmetric incentive/penalty mechanism based on	Includes metric to address customers with excessive #'s of outages

[7] Consumers Energy generally supported the Attorney General's Service Improvement Incentive Mechanism in their comments throughout this workgroup.

	Service Quality rule criteria (CEMI-4 < 6%)	
Reallocate incentive/disincentive share across metrics	Greater share on storm restoration metrics	Reflects high priority to improve reliability and storm response
Adjust limit on penalties/incentives for initial period	Reduce limit to $10 million	Address feedback on December 2023 proposal
Clarify treatment of incentives/penalties	Utilities must meet all Service Quality rules before earning net incentive; incentives can offset penalties	Address feedback on December 2023 proposal; Maintains symmetric incentive/penalty

Table 2 displays the details for each performance metric in this update. The table shows the seven proposed performance metrics, current baseline performance for Michigan's two largest utilities (where available), potential target levels for each metric, and incentive/disincentive mechanism.

Table 2: May 2024 Update – Straw Proposal for Reliability Performance Metrics

	Baseline		**Target Performance**		**Potential Incentive/Disincentive Mechanism**
Metric	DTE	Consumers	Penalty	Incentive	
SAIDI (Excluding MEDs)	141 (average using minimum 2 of 3 years from 2021-2023)	179 (average using minimum 2 of 3 years from 2021-2023)	5% reduction from baseline over 5 years (linear glidepath)	1 st. dev. deadband + 10% reduction from baseline over 5 years (linear glidepath)	Symmetric incentive/disincentive 15% of total pool Incentive/penalty scales linearly over 1 st. dev. range
SAIDI (All Weather) (5-yr average)	DTE (2022): 563 DTE (2023): 774	CE (2022): 597 CE (2023): 698	5% reduction from baseline over 5 years (linear glidepath)	1 st. dev. deadband + 10% reduction from baseline over 5 years (linear glidepath)	Symmetric incentive/disincentive 15% of total pool Incentive/penalty scales linearly over 1 st. dev. range
Storm Restoration (48-hour catastrophic storm response)	DTE (2023): 75%	CE (2023): 75%	Below Service Quality Rule (<=90%)	Exceed Service Quality Rule (>90%)	Scale penalty from 80%-90% and incentive from 90%-100% 25% of total incentive/disincentive pool

Storm Restoration (72-hour catastrophic storm response)	Not currently available	CE (2023): 88%	Below <=95%	Exceed >95%	Scale penalty from 85%-95% and incentive from 95%-100% 20% of total pool
Storm Restoration (24-hour gray sky response)	DTE (2023): 82%	CE (2023): 95%	Below Service Quality Rule (<=90%)	Exceed Service Quality Rule (>90%)	Scale penalty from 80% - 90% and incentive from 90%-100% 10% of total pool
CEMI-4	DTE (2023): 301,244 customers; approx. 13% 7%-13% over past 5 years	CE(2023): 200,458 customers; 11% 9%-13% over past 5 years	Below Service Quality rule (CEMI-4 => 6% of customers)	Exceeds Service Quality rule (CEMI-4 < 6% of customers)	Scale incentive from 0% - 6% and penalty from 6%-12% Account for 10% of incentive/disincentive pool
Worst performing circuits Circuits ranked by system-level SAIDI (exc MEDs)	Reports use multiple metrics	Reports by SAIDI (no MEDs) on a circuit basis	Circuits ranked by SAIDI (exc MEDs) on a system basis. Circuit repeats in top 10 during any future 5-year period.	No circuit repeats in top 10 during any future 5-year period.	Symmetric 5% of total pool

SAIDI (excluding MEDs)

Metric description – The revised proposal retains SAIDI (excluding MEDs) under the same incentive/penalty structure that was proposed in the December 2023 Status Report. This update proposes reducing the share of this metric to 15%.

Current performance – Table 1 displays proposed baseline values for DTE and Consumers using the average of lowest 2 values in the past 3 years. These were 141 minutes for DTE and 180 minutes for CE. The proposed baseline method addresses differences in the recent trends for each utility on this metric, which was highlighted in the presentation during the November 30, 2023 technical conference.

Target performance – The interim penalty thresholds are informed by the Attorney General's proposal to achieve a 5% cumulative reduction in this outcome over 5 years. The proposed revision treats this threshold as a “backstop” for penalties. That is, utility performance needs to improve from the baseline during each year to avoid incurring a penalty. The penalty threshold for interim years would be defined by a linear glidepath to the 5% cumulative improvement over 5 years.

The incentive threshold is predicated on achieving faster progress towards the industry median benchmark for this outcome across both utilities. Currently, DTE would need to improve by approximately 10% over the next 5 years. The incentive threshold was developed utilizing this 10% improvement rate plus a deadband that incorporates the historic level of variability between 2012-2023 for this outcome. Figures 1 and 2 display the proposed trajectories for these utilities and Table 3 provides the numeric details on this metric for each utility.

Incentive/Disincentive Mechanism – The revised proposal allocates 15% of the total incentive/disincentive pool to this metric and retains a symmetric opportunity to earn an incentive or incur penalties for reliability below the threshold. This update also proposes to scale the incentive or penalty linearly over a one standard deviation range. Using Figure 1, the following example illustrates how the penalty mechanism would work. Using the values for 2024, the utility would incur a penalty if the metric (SAIDI excl MEDs) exceeds a value of 140 minutes. The penalty would increase for values above 140 minutes until reaching the maximum at 162 minutes. For values within this range, the penalty is scaled proportionately. A metric value of 151 is the midpoint of the range and would incur half of the total penalty. Metric values that exceed the maximum value would incur the maximum penalty. The incentive mechanism would operate symmetrically for metric values below the incentive threshold of 116 minutes and earn the maximum incentive value for performance below 93 minutes.

SAIDI (All Weather)

Metric description –This update proposes to also retain SAIDI (all weather) under the same structure proposed in December 2023 status report and reduce the allocation of this metric to 15%.

Current performance – Table 1 shows current performance by both utilities, which is in the 4th quartile according to the annual IEEE utility benchmarking study.

Target performance – DTE has expressed a goal of reaching industry median performance for this metric. However, in recent years and particularly for 2023, utilities’ SAIDI (all weather) performance has been increasing (worse performance) and far exceeds industry median performance. As interim measures, this revision proposes a 5% cumulative improvement in the 5-yr average as a threshold for assessing penalties. For positive improvement towards the industry median, this update proposes a 10% improvement relative to recent performance with the addition of a deadband to address the significant annual variability in this metric.

This formulation is similar to the SAIDI (excluding MEDs) metric by using a “backstop” measure of performance as a threshold for penalties. For this metric, the penalty threshold still requires improvement from the current baseline. A deadband is applied to the incentive range to reduce the likelihood that a utility could earn the incentive solely by favorable weather. In addition, the outcome is measured using the 5-year average of performance, which further addresses annual variability from weather conditions.

Figures 3 and 4 display the proposed thresholds for DTE and CE on this metric. Table 4 shows the proposed values for both utilities.

Incentive/Disincentive Mechanism – This update proposes a weight of 15% for this outcome, which would result in the SAIDI performance metrics comprising 30% of the total. The update also proposes to reallocate from the SAIDI metrics primarily to the storm response metrics, which are discussed further below. With the proposed revisions, the SAIDI and catastrophic storm response metrics would now compose 75% of the total. The proposed revisions place a high priority on reducing outage duration and improving response to major storm events, which reflects consistent feedback that these are urgent problems.

48-Hour Catastrophic Storm Restoration

Metric description – This update also retains the metric for service restoration within 48 hours of a catastrophic event but modifies the penalty/incentive structure and increases the weight of this metric.

Current performance – Table 1 shows 2023 performance by both utilities.

Target performance – Under this updated proposal, utilities would be penalized for performing below the 90% level in the Commission's Service Quality rules and have an opportunity for an incentive for performance above the threshold.

Incentive/Disincentive Mechanism – This update proposes to retain a symmetric incentive/disincentive metric for this outcome for a maximum of 25% of the total incentive/penalty pool. The penalty and incentive would scale proportionately in a 10% range from the requirement in the Service Quality rules. The proposed ranges are displayed in Table 1.

72-Hour Catastrophic Storm Restoration

Metric description – The revised proposal includes a new performance metric for service restoration within 72 hours of a catastrophic event. The Attorney General recommended including this metric in addition to the other storm response metrics. The overall structure is similar to the AG's proposal.

Current performance – Utilities do not currently report this metric to the MPSC.

Target performance – Under the revised proposal, utilities would be penalized for performing below 95% service restoration and have an opportunity for an incentive for performance above 95%.

Incentive/Disincentive Mechanism – This update also proposes a symmetric incentive/disincentive metric for this outcome for a maximum of 20% of the total incentive/penalty pool. The penalty scales proportionately from 85%-95% and incentive from 95%-100%.

24-Hour Storm Restoration – Gray Sky

Metric description – The revised proposal includes a performance metric for service restoration within 24 hours of a gray sky event.[8] MPSC Service Quality rules require that utilities restore 90% of customers within 24 hours for these events.

Current performance – Table 1 shows DTE and Consumers Energy performance in 2023. DTE restored 82% of customers within 24 hours and CE achieved 95%.

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[8] MPSC Service Quality rules define gray sky event as, ""conditions that result in sustained interruptions for greater than 1% but less than 10% of an electric utility's or cooperative's customers."

Target performance – Under the revised proposal, utilities would be penalized for performing below the 90% level in the Service Quality rules and an opportunity to earn an incentive above 90%. The penalty and incentives are proposed to scale proportionately from 80%-90% and 90%-100%.

Incentive/Disincentive Mechanism – The update proposes a symmetric incentive/disincentive metric for this outcome for a maximum of 10% of the total incentive/penalty pool. The potential ranges are illustrated in Table 1.

CEMI-4

Metric description – This update proposes to include the CEMI-4 metric to maintain focus on improving service to customers experiencing repeated outages. The Service Quality rules establish a value of 6% for the CEMI-4 metric. The revised metric proposes using the threshold in the Service Quality rule as the basis for the incentive/disincentive metric.

Current performance – Table 1 displays the current performance for DTE and Consumers Energy.

Target performance – Utilities would incur a penalty when utilities exceed the Service Quality rule for CEMI-4 and an opportunity for an incentive for performance below this level. The incentive and penalty mechanism is proposed to scale proportionately from 0%-6% and 6%-12% (lower levels reflect better performance).

Incentive/Disincentive Mechanism – The update proposes a symmetric incentive/disincentive metric for this outcome for a maximum of 10% of the total incentive/penalty pool. The potential ranges are illustrated in Table 1.

Worst-Performing Circuits

Metric description – The revised proposal focuses on system-level SAIDI (excluding MEDs) to rank each utility's 10 worst-performing circuits and aligns with the incentive/penalty mechanism proposed by the Attorney General.

Current performance – Starting in 2024, utilities will provide this information to the MPSC in the R 460.731 Annual Reports, to be filed in U-12270.

Target performance – Target performance is that circuits do not repeat in the top 10 over a 5-year period.

Incentive/Disincentive Mechanism – Under this revised proposal, utilities would be assessed a penalty if a circuit repeats in the top 10 within 5 years. If a circuit repeats, then the penalty would be assessed. The update proposes to allocate 5% to this metric.

Limit on Penalties/Incentives and Allocation across Metrics

This update proposes to set an initial limit on potential penalties and incentives at $10 million per year. A utility would incur the maximum total penalty if they perform at or below the maximum penalty threshold on every metric. If they perform above the incentive threshold on a metric, the incentive could offset penalties from other metrics. To be eligible to earn a net incentive, the utility would need to meet all Service Quality rules and offset any penalties by performance on the other metrics.

The $10 million limit draws from the recommendations of the Attorney General to provide meaningful motivation to drive improved performance. The Attorney General's comments suggested two approaches to establish this limit based on share of utility net income and basis points of Return on Equity (ROE). The update adopts the AG's recommendation and reasoning for establishing a limit at $10 million.

Implementation Steps

This status update provides further description on the key implementation steps for this proceeding and subsequent review. The following steps are anticipated for implementing performance metrics:

- **Incentive/Disincentive metrics implemented through contested case proceeding –** This revised proposal anticipates that the incentive/disincentive framework would be implemented in a contested case proceeding subsequent to this workgroup process. The final decision in the contested case would implement performance metrics for each utility.

- **Conduct a review every two years -** Given the early stage of experience with performance metrics in Michigan, the metrics should be reviewed on a frequent basis and this revision proposes a two-year review cycle.

- **"Offramp" mechanism should be included in framework –** This revised proposal also anticipates adopting an offramp mechanism to allow for review of performance metrics during exigent circumstances where waiting for the normal review period is impractical. The frequent (two-year) review cycle should mitigate many circumstances where an offramp may be considered but this revised proposed still recommends including an offramp mechanism during this stage.

- **Incentives/disincentives tracked in regulatory asset** – This update anticipates tracking the net value of incentive and disincentives annually in a regulatory asset, which is reviewed in the utility's next rate case. Final decisions on cost allocation of the net value can be made in the rate case when the regulatory asset can be reviewed comprehensively with the utility's revenue requirement and cost-of-service.

Next Steps with Reliability-Plus Framework

In the order opening this proceeding, the Commission directed a focus on a "Reliability-Plus" approach to distribution grid performance, and, "of foremost and most immediate concern are issues involving distribution reliability and safety."[9] The Commission further detailed that the workgroup's initial focus, "shall include developing appropriate metrics relating to reliability including, but not limited to SAIDI (including and excluding MEDs), SAIFI, CEMI, CAIDI, and resilience, including, but not limited to, downed wire response and frequency and during of outages during extreme weather, and shall use the recently updated Service Quality rules as a baseline."[10] This status report proposes an updated set of performance incentive/disincentive mechanisms to address this initial focus area directed by the Commission.

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[9] See Opening Order at p. 12.
[10] Ibid.

The opening order's description of the "Reliability-Plus" framework included a broader focus than immediate reliability concerns. On this topic, the Commission stated, "the workgroup shall also consider challenges around the readiness of utility distribution grids to effectively accommodate and leverage the increasing and further anticipated growth of distribution generation, EVs, and other DERs."[11] This status report recommends next steps for the Commission to continue developing a Reliability-Plus framework for distribution grid performance.

Specifically, this status report recommends that the Commission request feedback from interested parties on the following four topic areas: equity, grid modernization, distributed energy resource (DER) integration, and resilience. Furthermore, parties' feedback is encouraged to identify performance metrics, scorecards, and performance incentive mechanisms relevant to distribution system performance in each topic area. Each of these concepts and topic areas are further described below.

Performance metrics are the broadest category of measurement and reflect information that is tracked on a particular outcome, which could include an activity, program, or outcome. A scorecard reflects a performance metric combined with a target or benchmark outcome. Finally, a performance incentive mechanism combines a performance metric, target, and financial incentive/disincentive.

The initial focus of this workgroup identified a set of performance incentive mechanisms to address high priority concerns with poor distribution system reliability and storm response. In broadening the focus of the Reliability-Plus framework, this update recommends that the Commission solicit feedback on potential performance measures for the following topics:

Equity – During the workgroup's earlier comment periods, several interested parties identified equity as a high priority in reviewing and improving distribution system performance. In this stage, workgroup participants are encouraged to propose potential metrics, scorecards, and performance incentive metrics that can improve equity in distribution system performance outcomes.

Grid Modernization – This topic area includes metrics to evaluate overall distribution system performance and electric utilities' implementation of approved distribution system investments. The Commission has offered guidance on this topic in prior reviews and decisions approving distribution system investments. Interested parties should build on this guidance in their responses on this topic. Measures in this focus area could also include proposed performance metrics, scorecards, and performance incentive mechanisms to evaluate system operations and investment effectiveness.

DER Integration – As discussed in the opening order, this focus area includes measures to accommodate and leverage the anticipated growth of DERs, such as distributed generation, community solar, energy storage, electric vehicles, and building electrification. Performance metrics and incentive mechanisms under this topic could include interconnection timelines, grid services provided by DERs, and implementation of cost-effective, non-wires alternatives (NWAs).

Resilience - This update proposes several performance incentive mechanisms for storm response that immediately address outcomes where utilities currently perform below Michigan's Service Quality rules.

[11] Ibid.

The focus area of resilience could include a broader set of measures and this update encourages interested parties to propose additional measures of resilience that could be tracked as metrics, scorecards, or performance incentive mechanisms, where appropriate.

Proposed Procedural Steps for Reliability-Plus Framework

This update recommends that the Commission seek comments from interested parties on the above topics and then host an engagement session to discuss the comments. After the engagement session, interested parties would have an opportunity to file reply comments.

Commission Staff would then review this feedback and submit an update to the Commission recommending further actions on the recommendations for the Reliability-Plus framework.

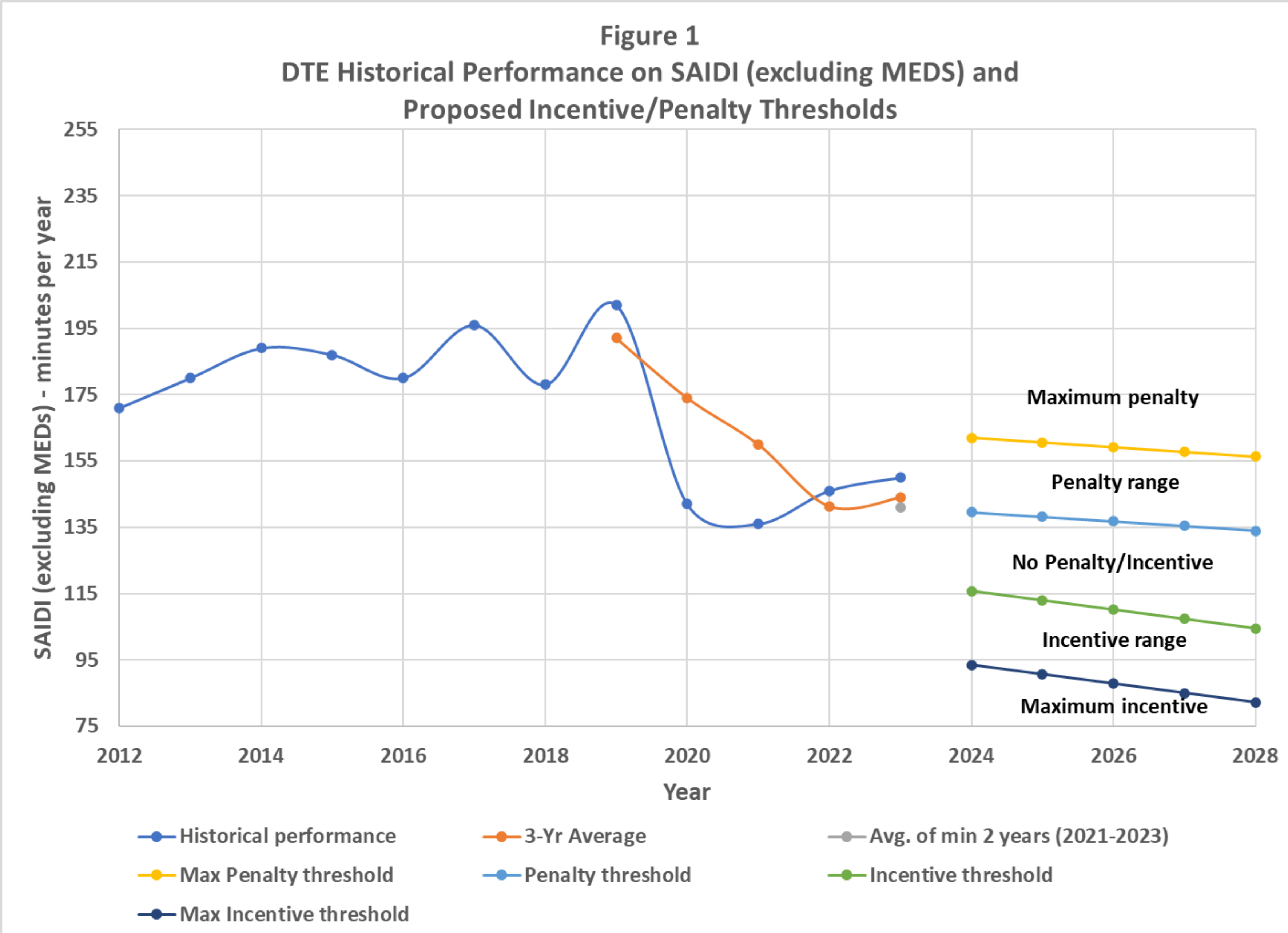
Figure 1
DTE Historical Performance on SAIDI (excluding MEDS) and
Proposed Incentive/Penalty Thresholds
SAIDI (excluding MEDs) - minutes per year
255
235
215
195
175
155
135
115
95
75
2012
2014
2016
2018
2020
2022
2024
2026
2028
Year
Maximum penalty
Penalty range
No Penalty/Incentive
Incentive range
Maximum incentive
Historical performance
3-Yr Average
Avg. of min 2 years (2021-2023)
Max Penalty threshold
Penalty threshold
Incentive threshold
Max Incentive threshold

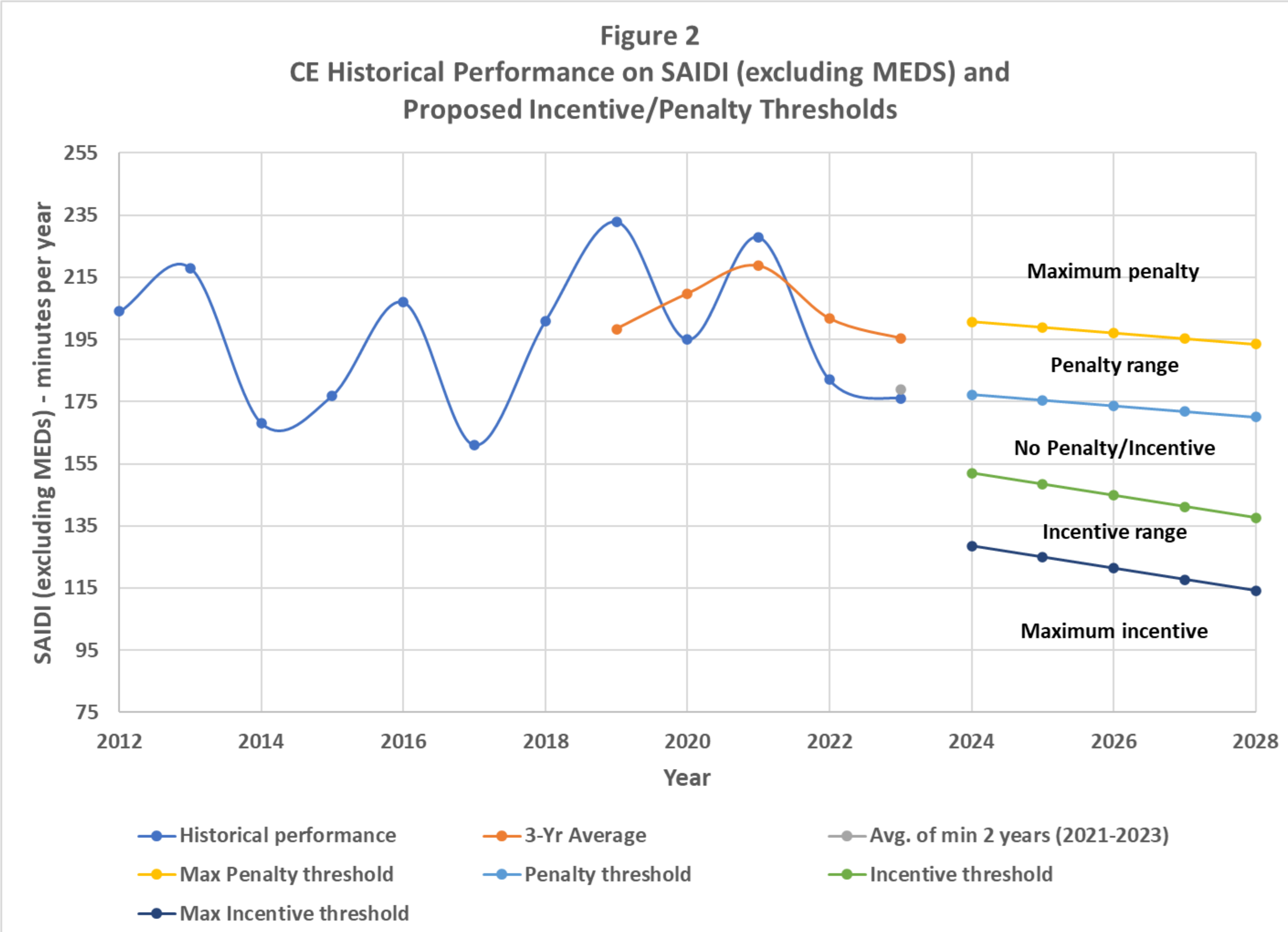
Figure 2
CE Historical Performance on SAIDI (excluding MEDS) and
Proposed Incentive/Penalty Thresholds
SAIDI (excluding MEDs) - minutes per year
255
235
215
195
175
155
135
115
95
75
2012
2014
2016
2018
2020
2022
2024
2026
2028
Year
Maximum penalty
Penalty range
No Penalty/Incentive
Incentive range
Maximum incentive
Historical performance
3-Yr Average
Avg. of min 2 years (2021-2023)
Max Penalty threshold
Penalty threshold
Incentive threshold
Max Incentive threshold

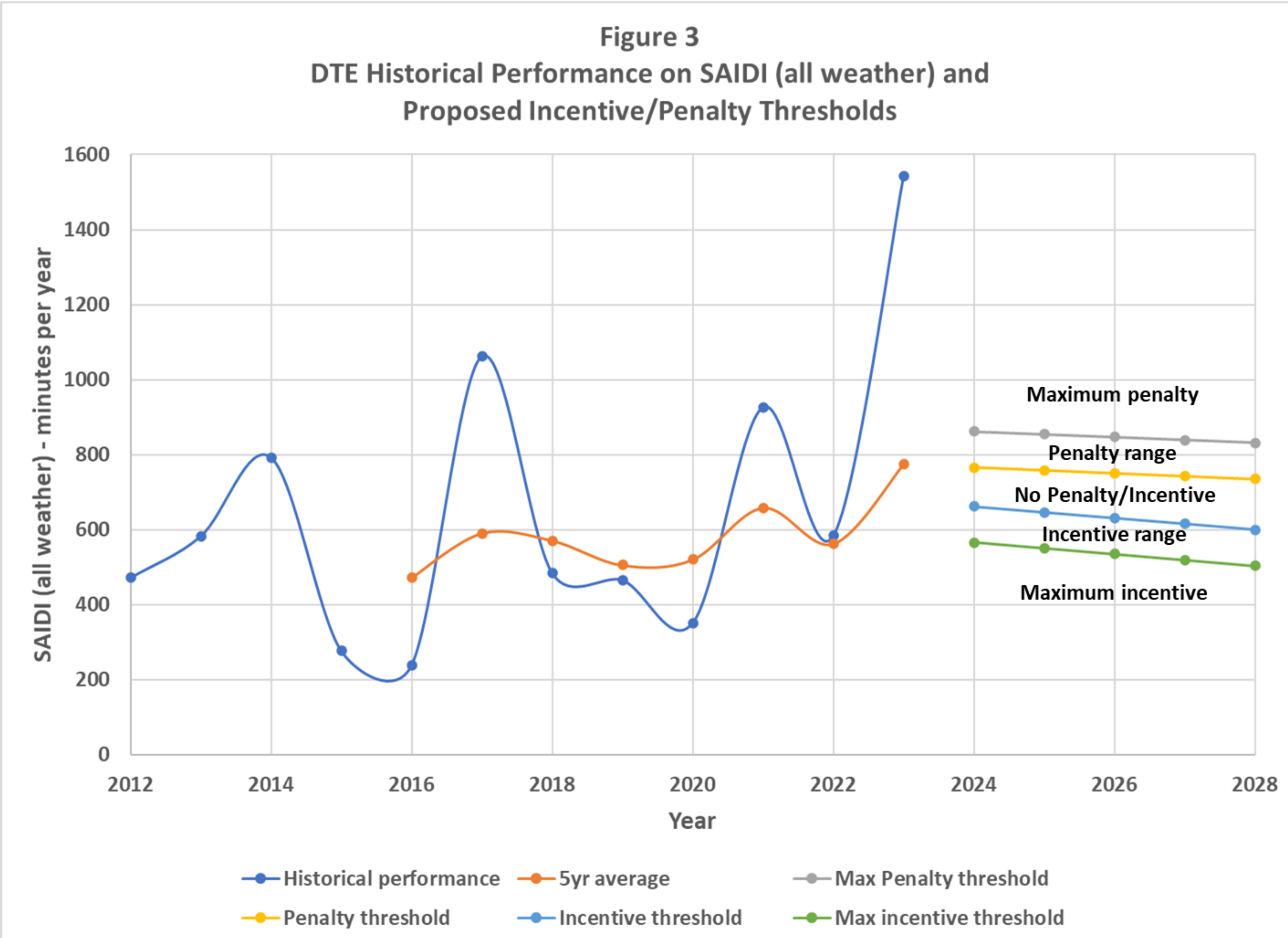

Figure 3
DTE Historical Performance on SAIDI (all weather) and
Proposed Incentive/Penalty Thresholds
SAIDI (all weather) - minutes per year
1600
1400
1200
1000
800
600
400
200
0
2012
2014
2016
2018
2020
2022
2024
2026
2028
Year
Maximum penalty
Penalty range
No Penalty/Incentive
Incentive range
Maximum incentive
Historical performance
5yr average
Max Penalty threshold
Penalty threshold
Incentive threshold
Max incentive threshold

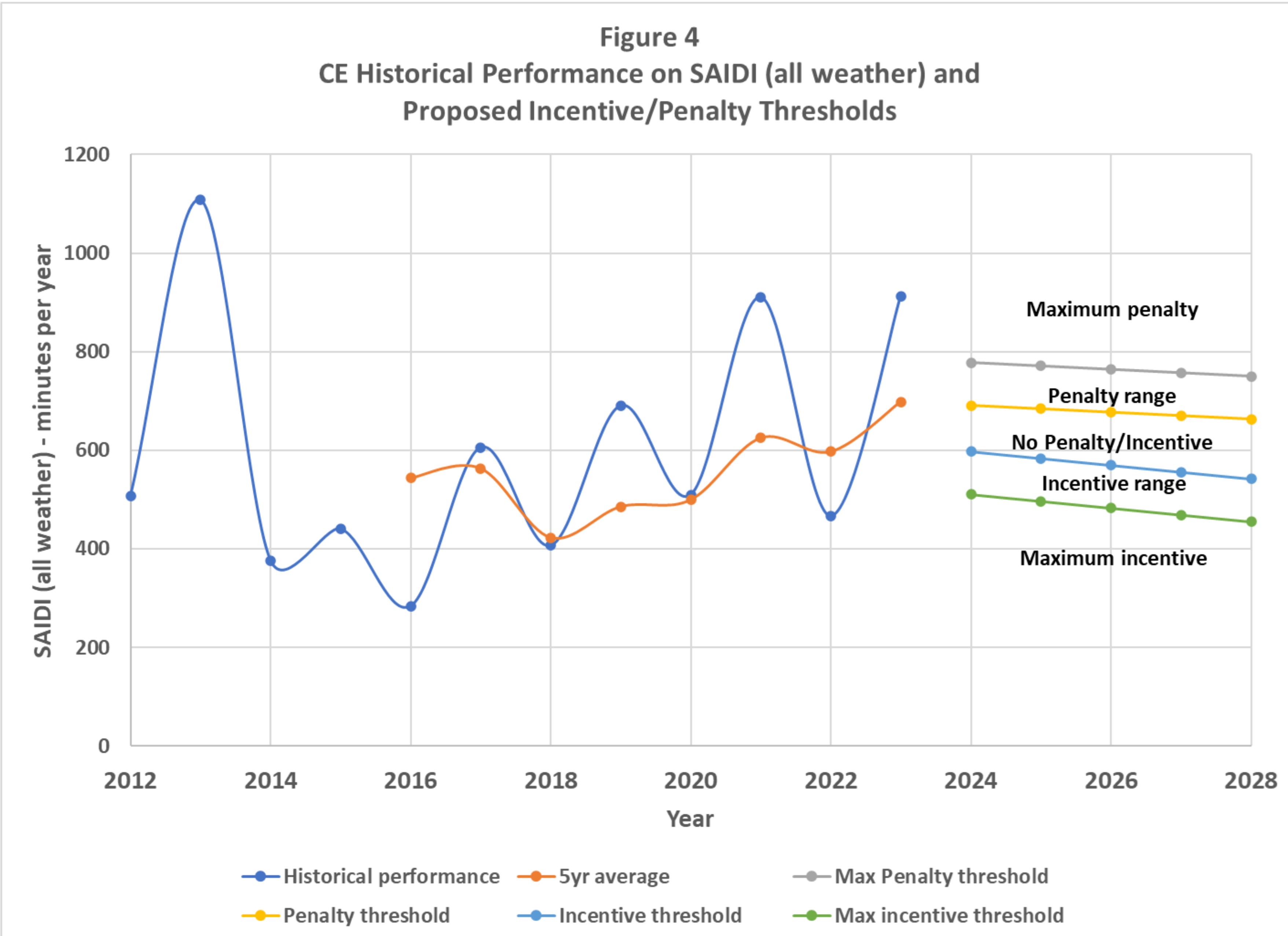
Figure 4
CE Historical Performance on SAIDI (all weather) and
Proposed Incentive/Penalty Thresholds
SAIDI (all weather) - minutes per year
1200
1000
800
600
400
200
0
2012
2014
2016
2018
2020
2022
2024
2026
2028
Year
Maximum penalty
Penalty range
No Penalty/Incentive
Incentive range
Maximum incentive
Historical performance
5yr average
Max Penalty threshold
Penalty threshold
Incentive threshold
Max incentive threshold

Table 3 - System Average Interruption Duration Index (SAIDI excluding MEDs)

Definition

Total amount of time average customer experiences a sustained interruption in a year excluding Major Event Days

Key Considerations

- Baseline uses avg. of lowest 2 yrs. from 2021-2023 to reflect recent improvements
- Long-term goal at median performance in IEEE benchmarking study
- Incentive/penalty scales linearly over 1 st. dev. range

Key Parameters	DTE	CE
Baseline (est. 2023)	141	179
5% Improvement Target	134	170
10% Improvement Target	127	161
Long-Term Goal	129	129
1 Standard Deviation (2012-2023)	22	23
Max Incentive/Penalty Allocation	15% ($1.5 M)	15% ($1.5 M)

DTE SAIDI (excl MEDs) Incentive/Penalty Mechanism

Year	Penalty	No Penalty/Incentive	Incentive
1	>162 – 140	140 – 116	116 – 93 >
2	>161 – 138	138 – 113	113 – 91 >
3	>159 – 137	137 – 110	110 – 88 >
4	>158 – 135	135 – 107	107 – 85 >
5	>156 – 134	134 – 105	105 – 82 >

CE SAIDI (excl MEDs) Incentive/Penalty Mechanism

Year	Penalty	No Penalty/Incentive	Incentive
1	>201 – 177	177 – 152	152 – 129 >
2	>199 – 175	175 – 148	148 – 125 >
3	>197 – 174	174 – 145	145 – 121 >
4	>195 – 172	172 – 141	141 – 118 >
5	>194 – 170	170 – 138	138 – 114 >

Table 4 - System Average Interruption Duration Index (SAIDI all weather)

Definition

Total amount of time average customer experiences a sustained interruption in a year under all weather conditions

Key Considerations

- Metric uses 5-yr average of SAIDI (all weather)
- Baseline uses 5-yr historical average to reflect recent improvements
- Long-term goal at median performance in IEEE benchmarking study
- Incentive/penalty scales linearly over 1 st. dev. range
- Includes a 1 st. dev. deadband to address variability

Key Parameters	DTE	CE
Baseline 5-yr avg. (est. 2023)	774	698
5% Cumulative Improvement	39 mins	35 mins
10% Cumulative Improvement	77 mins	70 mins
Long-Term Goal	250	250
1 Standard Deviation 5-yr avg. (2016-2023)	96	87
Max Incentive/Penalty Allocation	15% ($1.5 M)	15% ($1.5 M)

DTE SAIDI (all weather) Incentive/Penalty Mechanism

Year	Penalty	No Penalty/Incentive	Incentive
1	>863 – 766	766 – 663	663 – 566 >
2	>855 - 759	759 – 647	647 – 551 >
3	>847 – 751	751 – 632	632 – 535 >
4	>839 – 743	743 – 616	616 – 520 >
5	>832 - 735	735 – 601	601 – 504 >

CE SAIDI (all weather) Incentive/Penalty Mechanism

Year	Penalty	No Penalty/Incentive	Incentive
1	>778 – 691	691 – 598	598 – 511 >
2	>771 – 684	684 – 584	584 – 497 >
3	>764 – 677	677 – 570	570 – 483 >
4	>757 – 670	670 – 556	556 – 469 >
5	>750 – 663	663 – 542	542 – 455 >