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January 6, 2022

Ms. Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 West Saginaw Highway  
Post Office Box 30221  
Lansing, MI 48909

**RE: MPSC Case No. U-20629 – In the matter, on the Commission's own motion, to establish a workgroup to review the Service Quality and Reliability Standards for Electric Distribution Systems and to recommend potential improvements to the standards.**

Dear Ms. Felice:

Enclosed for electronic filing in the above-captioned proceeding, please find **Comments of Consumers Energy Company on Proposed Service Quality and Reliability Standards for Electric Distribution Systems.**

This is a paperless filing and is therefore being filed only in PDF.

Sincerely,

Ian F. Burgess

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission’s own motion, )  
to establish a workgroup to review the Service )  
Quality and Reliability Standards for Electric )  
Distribution System and to recommend )  
Potential improvements to the standards. )  
\_\_\_\_\_)

Case No. U-20629

**COMMENTS OF CONSUMERS ENERGY COMPANY**  
**ON PROPOSED SERVICE QUALITY AND RELIABILITY STANDARDS**  
**FOR ELECTRIC DISTRIBUTION SYSTEMS**

**I. INTRODUCTION**

The Michigan Public Service Commission (“MPSC” or the “Commission”) issued its Order and Notice of Hearing (“Order”) on October 26, 2021, in Case No. U-20629, regarding the adoption of revised Service Quality and Reliability Standards for Electric Distribution Systems. The Order, with the proposed rules attached, scheduled a public hearing for December 9, 2021 to allow presentations by interested persons and to set a final deadline for written comments by 5:00 pm on January 6, 2022. The proposed rules modify the existing Service Quality and Reliability Standards for Electric Systems in Mich Admin Code, R. 460.701 – 460.752, which were adopted by the Commission in its January 29, 2004 Order in MPSC Case No. U-12270.

Stemming from the September 11, 2019 Commission Order in MPSC Case No. U-20464, which includes the final Michigan Statewide Energy Assessment and associated jurisdictional recommendations, the Commission opened the docket in Case No. U-20629 to establish workgroups, led by Staff, for the purpose of reviewing the current Service Quality and Reliability Standards for Electric Distribution Systems and to recommend potential improvements to the standards. Consumers Energy Company (“Consumers Energy” or the “Company”) participated in

multiple stakeholder sessions, hosted by the MPSC Staff (“Staff”), between December 3, 2019 and March 12, 2020. The Company also provided feedback in response to three draft rules sets on August 28, 2020, October 5, 2020, and November 25, 2020, in addition to other comments filed by Consumers Energy in the Case No. U-20629 docket.

The comments presented below are provided by Consumers Energy in response to the proposed rules attached to the Order. The proposed rules will govern the electric services that the Company provides to its electric customers; therefore, Consumers Energy has a direct interest in this proceeding. In filing these comments in response to the most recent draft of the Service Quality and Reliability Standards for Electric Distribution Systems, Consumers Energy reiterates its recommendations expressed in its previous comments filed by the Company in this Case No. U-20629 docket. Consumers Energy appreciates the opportunity to provide further comments on these standards.

## **II. COMMENTS**

### **A. R. 460.722 Unacceptable levels of performance during service interruptions sub rule (e) and (f)**

The Commission should clarify whether the difference between the required data in R 460.722(e) and R 460.722(f) is intentional. R 460.722(e) includes “both normal and catastrophic conditions,” while R460.722(f) includes “all conditions.”

### **B. R. 460.722 Unacceptable levels of performance during service interruptions sub rule (b)**

As expressed previously, the Company is not aligned with Staff’s proposal to set the performance threshold at 48 hours during catastrophic conditions. When the Company experiences storms that are significant enough to cause catastrophic conditions, it is usually the case that this weather is having a similarly devastating impact on the neighboring utilities that would be close enough to provide mutual assistance quickly. It generally takes 48 hours for crews

from out of state, whose service territories had not been impacted by the same events, to begin to arrive in Consumers Energy's territory, meaning that the Company would be without the mutual assistance it would require to recover in this time frame. The Company is not guaranteed to secure all the resources necessary through mutual assistance, as the releasing utility has the right to hold their resources due to a variety of reasons. Often, neighboring utilities are facing the same geographic storm system that the Company is facing, thus reducing the ability to secure help. As an example, on Saturday, November 14, 2020, the Company requested mutual assistance for 150 Distribution Line resources to support a windstorm that was expected to impact the state. All utilities in the Great Lakes Mutual Assistance network elected to hold all their resources, as they were expected to be impacted by the same wind event.

Moreover, the catastrophic category covers a huge amount of ground; a storm affecting 10% of the system is far different than a storm affecting 15% or 20% of the system. Even with best efforts, the Company cannot recover from this type of "double-catastrophic" type of event (such as the events of March 7, 2017, or December 21, 2013, affecting 18.5% and 21.7% of the system, respectively) in a 48-hour period, especially during the winter and still less over a holiday as assistance tends to be less available.

For this reason, Consumers Energy proposes a 60-hour threshold to meet its performance standards during catastrophic weather, plus four additional hours on national holidays for every 1% above the 10% threshold for catastrophic conditions. This will allow for additional time to secure the necessary resourcing to meet the response needs.

In order for the Company to meet these more stringent requirements, the use of pre-staging resources will be necessary and will be at an additional cost to the service restoration program. Pre-staging involves placing Distribution Line resources at locations expected to be impacted by

the storm event prior to the storm hitting. Recovery in rates will be sought to fund deploying resources prior to the event. It should be recognized that planning for an event and staging all the necessary resources takes days of preparation and planning. Weather can change and forecasts can be wrong. This could cause stranded costs in that the storm does not materialize as severely as predicted. It is likely that the Company will seek recovery for these additional costs in the service restoration program in the future in alignment with the more stringent requirements proposed.

C. **R 460.744 Customer accommodation for failure to restore service after sustained interruption due to gray sky and catastrophic conditions, R 460.745 Customer accommodation for failure to restore service during normal conditions**

Consumers Energy remains supportive of the increase of an automated customer outage accommodation from \$25 to \$35 in the proposed rules; however, the Company is not supportive of the \$2 per-hour additional accommodation. In a 24-hour period, the \$2 per-hour credit would result in a \$48 credit on top of the initial \$35 credit. This \$83 sum far exceeds an average residential customer's electric bill of \$3.89 per day. The outage credit is meant to be an "accommodation" and not a "penalty" on utilities, reflected in the recent revision to the title of R 460.744 and R. 460.745 from "Penalty" to "Customer Accommodation" for failure to restore service. The \$35 outage credit already provides accommodation for customers experiencing outages, so the additional hourly charge can only be viewed as a penalty to utilities as the state predicts increasingly stronger and more frequent storms due to climate change.

The Company is also concerned that the \$2 per-hour customer credit is overly complex, will be challenging for customers to understand, and may lead to misunderstandings between the Company and customers as to what the proper outage credit should be. This will result in unnecessary frustration and dissatisfaction for customers and additional administrative burden for

Consumers Energy. Similarly, the requirement to implement an hourly credit mechanism also significantly increases the cost and complexity of implementing the automated credit.

**D. Automated Outage Credit**

The Company supports the automatic application of the outage credit to eligible customers' bills. However, the Company's current billing system and Outage Management System does not support automatic bill credit applications, nor the new proration provision, and it will be costly to build this functionality. As the Company has begun formally initiating the project, it has completed a more detailed review of the scope to implement the complex changes to the Company's billing system (SAP), Data Lake, and Outage Management System required to meet the current draft rules. At present, the Company's estimated cost for this project is approximately \$1.6 million, with a target completion of December 2022. The Company will seek recovery for these costs associated with implementation of these requirements. If the updated Service Quality and Reliability rules are published prior to December 2022, the Company would ask that the MPSC recognize in the rules that additional time would be needed for implementation.

**E. Additional Comments**

Consumers Energy would like to draw attention to the benchmarking report provided by Public Sector Consultants in February 2020, during the active meeting phase of this workgroup process. This study concluded that "statewide standards do not lend themselves to utility-specific applications or guideline establishment for improving performance," noting that "the majority of [other] state standards require utilities to restore service as soon as possible and subsequently report their reliability performance ...."

Moreover, Michigan is unique from other states with broad requirements that utilities must operate the electric grid within defined parameters, in that Michigan's standards are "among the

most prescriptive in this study” – an observation made before subsequent Staff redlines that proposed further restrictions.

Finally, the Company encourages reconsideration of the proposed Standards in the spirit of the workgroup process. There have been significant redline changes during the comment period, and there has not been sufficient opportunity to clarify the rationale behind these changes or to allow for in-depth discussion of utility counter-proposals. The Company would welcome the opportunity to resume meeting virtually in order to participate in these discussions.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

STATE OF MICHIGAN  
DEPARTMENT OF ATTORNEY GENERAL



P.O. Box 30755  
LANSING, MICHIGAN 48909

DANA NESSEL  
ATTORNEY GENERAL

January 6, 2022

Ms. Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 West Saginaw Highway  
Lansing, MI 48917

Dear Ms. Felice:

**Re: MPSC Case No. U-20629, U-20630 and U-21150**

*In the matter, on the Commission's own motion, to establish a workgroup to review the service quality and reliability standards for electric distribution systems and to recommend potential improvements to the standards.*

*In the matter, on the Commission's own motion, to establish a workgroup to review the Technical Standards for Electric Service and to recommend potential improvements to the standards.*

*In the matter, on the Commission's own motion, to propose revisions to the rules governing consumer standards and billing practices of electric and natural gas utilities regulated in accordance with 1919 PA 419, as amended; 1939 PA 3, as amended; and 1965 PA 380.*

In its November 4, 2021, order in Case Nos. U-20629, U-20630, and U-21150, the Commission requested comments from interested parties regarding the proposed service quality and reliability standards, and also proposed revisions to rules governing consumer standards and billing practices of electric and natural gas utilities. The proposed service quality and reliability standards include customer bills credits when electric utilities fail to meet specified levels of performance and the provision for an incentive mechanism to encourage electric utilities to improve the level of performance of the electric distribution system.

The Attorney General (AG) is pleased to provide comments that will assist the Commission in finalizing the aforementioned standards and rules. The overriding objective of the Attorney General is that the reliability and service quality of the electric distribution system of Michigan utilities must improve from current levels and there should be an urgency to achieve significant performance improvement. In that regard, paramount in the Attorney General's comments below are the principles that standards and rules must be fair and reasonable to both customers



and utilities, and that the failure to achieve the stated standards and service quality levels has financial consequences for the utilities or cooperatives under the commission's jurisdiction.

The Attorney General's comments below pertain to those sections of the service quality and reliability standards filed with the November 4, 2021 Commission order in Case No. U-20629. Reference to utility or utilities also includes cooperatives under the commission's jurisdiction.

## PART 1: GENERAL PROVISIONS

## PART 2: UNACCEPTABLE LEVELS OF PERFORMANCE

The Attorney General does not agree with the proposed revisions to Part 1 and Part 2 of the Service Quality and Reliability Standards for Electric Distribution Systems. As expressed in her August 27, 2020 comments (attached to these comments), the creation of the gray sky conditions creates a greater restoration time for customers than the prior rules that contain just normal and catastrophic conditions. In fact, since these prior comments, it appears that the problem identified by the Attorney General has worsened in these new revised rules. In addition, no rule has been included to address the protecting customers in the event of a major disaster such as the discussed in the National Association of State Utility Consumer Advocates 2019-01 resolution. A disaster preparedness plan on how the utilities plan to respond and work with the cities, townships, police, consumer advocates, and community groups in their territories is also needed in these rules.

As to the outage credits, the Attorney General believes the amount is still not sufficient to address the cost incurred by customers following an electric outage. As expressed in her prior comments in this docket and others, the outage credits need to be automatic and the amount the credit doesn't properly take into account all the costs incurred by customers. The Attorney General provided a snapshot of costs incurred by customers as a result of the summer outages and believes that the Commission should conduct further investigation into the proper amount of the credit. The development of a disaster relief fund, as suggested by the Attorney General, would also help alleviate some of the burdens experienced by customers following a lengthy electric outage. The Commission can make an addition to Part I and create R 460.704. In R 460.704 the Commission could create the authority to create disaster preparedness plans and require utilities to file within 6 months of these rules being adopted to address such plans before the Commission.

Moreover, the standards define the unacceptable level if service is not restored or the response to a wire down is not achieved in a set number of hours for at least 90% of the affected customers or incidents. As written, the standards do not provide for a maximum acceptable service restoration time or response time for the remaining 10% of the power outages and wire-down situations. The remaining 10% is often the source of most customers complains when it takes several days or weeks

for customers to have electric service restored. The Commission should remove the gray sky condition as discussed above and create maximum acceptable service restoration times or response times. If the Commission adopts the proposed rules, then the Attorney General recommends that the Commission establish the following maximum service levels:

**R460.722(a) All weather conditions – AG Recommendation:** Maximum restoration time within 4 days (96 hours) for 100% of all customers experiencing sustained interruptions. No more than 50 exceptions above 96 hours will be acceptable within a calendar year for unusual and difficult service restoration situations.

**R460.722(b) Catastrophic conditions – AG Recommendation:** Maximum restoration time within 7 days (168 hours) for 100% of all customers experiencing sustained interruptions. No more than 100 exceptions above 168 hours will be acceptable within a calendar year for unusual and difficult service restoration situations.

**R460.722(c) Gray Sky conditions – AG Recommendation:** Maximum restoration time within 5 days (120 hours) for 100% of all customers experiencing sustained interruptions. No more than 50 exceptions above 120 hours will be acceptable within a calendar year for unusual and difficult service restoration situations.

**R460.722(d) Normal conditions – AG Recommendation:** Maximum restoration time within 3 days (72 hours) for 100% of all customers experiencing sustained interruptions. No more than 10 exceptions above 72 hours will be acceptable within a calendar year for unusual and difficult service restoration situations.

**R460.723(1) Wire Down all conditions – AG Recommendation:** Maximum response time within 240 minutes (4 hours) for 100% of all first responder wire-down notifications.

**R460.723(2) Wire Down Non-Metropolitan area – AG Recommendation:** Maximum response time within 360 minutes (6 hours) for 100% of all first responder wire-down notifications.

**R460.724(b) New Service Installation – AG Recommendation:** Maximum installation time for new service requests within 30 business days.

### PART 3: RECORDS AND REPORTS

**R460.732 Annual report contents. AG Recommendations:**

Subpart (b) through (g), should also require that the utility identify and explain all situations where service restoration and service levels exceeded the maximum acceptable level.

Subpart (i) through (l), should be revised to include the threshold hours for reporting customer credits recommended by the Attorney General in section R460.744 below.

Subpart (m), the requirement for electric utilities with 1 million or more customers to list the 10 worst performing circuits could be very limited given the hundreds of circuits operated by the large electric utilities. This requirement should be changed to the top 20% worst performing circuits.

Subpart (n), the requirement for electric utilities and cooperatives with less than 1 million customers to list the worst performing 1% of circuits could be very limited given the number of circuits operated by the large electric utilities. This requirement should be changed to the top 10% worst performing circuits.

Subpart (q), the requirement to report the number of CELID cases for indices CELID8hours, CELID24hours, and CELID48hours excludes reporting of other cases between CELID8hours and 48hours and any cases longer than 48 hours. The requirement should be changed to report cases between CELID8hours and 48 hours in 8-hour increments and also cases above 48 hours in total.

#### PART 4: FINANCIAL INCENTIVES AND CUSTOMER ACCOMMODATIONS

R 460.741 Approval of incentive and penalties by the commission.

*AG Recommendation:* This section should be revised to add penalties to be assessed to utilities if they fail to meet a threshold level of performance or repeatedly fail to achieve the minimum performance standards established in R 460.722, R 460.723, R 460.724, and R 460.151(2)(a) and (b). It is critical to create an incentive and penalty mechanism that is symmetrical. In the approved customer rates, electric utilities recover the cost to operate and maintain distribution facilities, including repair costs, in order for the utilities to provide the level of service defined in the aforementioned standards. Furthermore, electric utilities recover the cost of capital investments, including a return on those investments. If some or all of the service and the reliability standards are not met repeatedly year after year, customers are not receiving the expected value for costs paid and included in rates.

Therefore, it is necessary for customers to recover the lost value in future years in the form of penalties imposed on the utilities by the commission. Similarly, if utilities achieve performance levels that exceed the stated performance levels or tied to national average reliability performance standards, they should be rewarded with incentive payments. Furthermore, it is necessary to begin a performance incentive and penalty mechanism with some urgency given the under-performance of Michigan electric utilities relative to other electric utilities in the U.S. [CUB Utility Performance Report, 2020 Edition (CUB Report), available at: [https://d3n8a8pro7vhmx.cloudfront.net/cubofmichigan/pages/1152/attachments/original/1602176971/CUB\\_of\\_MI\\_UTILITY\\_Performance\\_Report\\_2020\\_Edition.pdf?1602176971](https://d3n8a8pro7vhmx.cloudfront.net/cubofmichigan/pages/1152/attachments/original/1602176971/CUB_of_MI_UTILITY_Performance_Report_2020_Edition.pdf?1602176971) ]

The Attorney General recommends the following revisions:

Rule 41.

(1) The commission may authorize an electric utility or cooperative to receive a financial incentive if it exceeds all of the service quality and reliability standards adopted by these rules **and exceeds national average reliability performance standards. The commission may also authorize financial penalties and increase credits to customers as provided in these rules if an electric utility fails to repeatedly meet one or more of the service quality and reliability standards established in R 460.722, R 460.723, R 460.724, and R 460.151(2)(a) and (b) and national average reliability performance standards.** [Bolded text proposed by AG]

(2) A request for approval of an incentive mechanism must **include financial penalties for failing to repeatedly achieve service quality and reliability standards and national average reliability performance standards, must** be made in either of the following proceedings, and **must** be conducted as a contested case under chapter 4 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to 24.288: [Bolded text proposed by AG]

(a) A rate case proceeding.

(b) A single-issue proceeding filed specifically to address adoption of an incentive program.

(3) An electric utility or cooperative shall ~~not~~ file an application seeking approval of an incentive mechanism, including **financial penalties and credit increases to customers for failing to meet threshold performance levels and for failing to repeatedly achieve service quality and reliability standards and national average reliability performance standards,** ~~until it has exceeded all of the service quality and reliability standards adopted by these rules continuously for a period of not less than~~ **within 6 months from the effective date of implementation of the service quality and reliability standards.** [Strikethrough and addition of bolded text proposed by AG]

R 460.742 Criteria for receipt of an incentive **or assessment of financial penalties:** [Bolded text proposed by the AG]

Rule 42. (1) If an electric utility or cooperative ~~qualifies~~ **has received approval** for implementation of an ~~previously approved~~ incentive and financial penalty mechanism, it shall file an application seeking authority to implement the incentive ~~mechanism~~ payment and/or penalty amounts at the same time that it submits the annual report required by R 460.732. [Strikethrough and addition of bolded text proposed by AG]

(2) An electric utility or cooperative shall not ~~apply for~~ **qualify** to receive a financial incentive ~~approved by the commission~~ unless all of the following criteria were met during the previous ~~12 months~~ **calendar year:** [Strikethrough and addition of bolded text proposed by AG]

(a) All required reports have been filed in a timely manner.

(b) All required reports fully comply with the requirements as determined by the commission.

(c) The electric utility's or cooperative's **actual performance for the year shall have exceeded— achieved an overall performance score of more than 100% above the target level for the combined service quality and reliability standards as defined within the incentive and penalty mechanism. Consumer Billing Standard R 460.151(2)(a) and (b) shall also be included in the proposed incentive and penalty mechanism.** [Strikethrough and addition of bolded text proposed by AG]

(d) The electric utility or cooperative shall have fully responded to any inquiries about the content of the reports made by the commission or its staff in a timely manner.

**(3) The commission may impose financial penalties, as defined within the financial incentive and penalties mechanism, for an electric utility or cooperative failing to achieve an overall service quality and reliability standards performance score of 100% for the year or for failing to achieve a performance standard for three or more consecutive years.** [Bolded text proposed by AG]

The Attorney General also recommends that the commission issue guidelines to the electric utilities and cooperatives that will guide their filing for an incentive and penalty mechanism. The Attorney General's proposed guidelines are outlined later in this document.

R 460.744 (Rule 44) Customer accommodations (**Bill Credits**) for failure to restore service after a sustained interruption due to gray sky and catastrophic conditions.

*AG Comment/Recommendation:* The proposed restoration time to trigger bill credits to customers is set at 96 hours for catastrophic conditions or twice the stated time of 48 hours established in the performance standards defined in R 460.722. Similarly, for grey sky conditions, the proposed restoration time to trigger bill credits to customers is set at 48 hours or twice the stated time of 24 hours established in the performance standards defined in R 460.722. This doubling of the restoration time to trigger bill credits is unjust and unfair to customers. If the standards of performance in R 460.722 are appropriate and reasonable, then it is appropriate to use those same standards to trigger bill credits to customers when those performance levels are not met. Therefore, the Attorney General recommends that the performance levels to trigger bill credits to customers be set at the same levels as those established in R 460.722 and to eliminate the gray sky condition.

R 460.745 (Rule 45) Customer accommodations (**Bill Credits**) for failure to restore service after a sustained interruption during normal conditions.

*AG Comment/Recommendation:* The proposed restoration time to trigger bill credits to customers is set at 16 hours or twice the stated time of 8 hours in the performance standards defined in R 460.722. This doubling of the restoration time is unjust and unfair to customers. If the standards of performance in R 460.722 are appropriate and reasonable, then it is appropriate to use those same standards to trigger bill credits to customers when those performance levels are not met. Therefore, the Attorney General recommends that the performance levels to trigger bill credits to customers be set at the same levels as those established in R 460.722.

R 460.746 Customer accommodations (**Bill Credits**) for repetitive interruptions.

*AG Comment/Recommendation:* The proposed number of repetitive interruptions to trigger bill credits to customers is set at 6 instead of the stated number of 4 interruptions in the performance standards defined in R 460.722. The higher number of repetitive power interruptions is unjust and unfair to customers. If the standard of performance in R 460.722 is appropriate and reasonable, then it is appropriate to use the same number of power interruptions to trigger bill credits to customers when that performance level is not met. Therefore, the Attorney General recommends that the performance level to trigger bill credits to customers be set at the same level established in R 460.722.

The Attorney General also recommends that the commission make it clear that any bill credits paid by the utilities will not be recoverable in future rate cases.

## PART 5: WAIVER AND EXCEPTIONS

R 460.751 Waivers and exceptions by electric utilities.

(3) An electric utility or cooperative need not meet the standards or grant the credits required by parts 2 and 4 of these rules under any of the following circumstances:

(a) The problem was caused by the customer.

(b) There was a work stoppage or other work action by the electric utility's or cooperative's employees, beyond the control of the electric utility or cooperative, that caused a significant reduction in employee hours worked.

(c) The problem was caused by an "act of God." The term "act of God" means an event due to extraordinary natural causes so exceptionally unanticipated **and widespread within the utility service area**, and devoid of human agency that reasonable care would not avoid the consequences and includes any of the following: [**Bolded** text proposed by AG]

(i) Flood.

(ii) Tornado.

(iii) Earthquake.

(iv) Fire **caused by other than the utility or cooperative, its employees or agents.** [**Bolded text proposed by AG**]

(d) The problem was due to a major system failure attributable to, but not limited to,

any of the following:

(i) An accident **caused by other than the utility or cooperative, its employees or agents.** [**Bolded text proposed by AG**]

(ii) A man-made disaster **caused by other than the utility or cooperative, its employees or agents.** [**Bolded text proposed by AG**]

(iii) A terrorist attack.

(iv) An act of war.

(v) A pandemic **preventing the utility, or cooperative, from performing service restorations from a power outage.** [**Bolded text proposed by AG**]

## CONSUMER STANDARDS AND BILLING PRACTICES

The Attorney General's comment below pertain to those sections of the consumer standards and billing practices filed with the November 4, 2021 Commission order in Case No. U-21150

*AG Comment/Recommendation:* The proposed service quality and reliability standards removed subpart (a), (b) and (c) from Rule 460.724 with the intent to transfer those standards to the consumer standards and billing practices Rule 460.151. It appears that R 460.724 (c) was inadvertently not transferred. Therefore, the Attorney General recommends that this standard be added to R 460.151(2)(b) to read as follows: "An electric utility shall have a complaint response factor of 90% or more within 3 business days."

## COMMISSION GUIDELINES FOR DISTRIBUTION SYSTEM INCENTIVE AND PENALTY MECHANISM

*AG Comment/Recommendation:* To guide the development of an effective incentive and penalty mechanism that will improve the performance of the electric distribution systems of Michigan utilities, the Attorney General proposes that the commission direct electric utilities to file an application as soon as possible to implement a mechanism that includes the following metrics and meets the following guidelines.

1. Include the service quality and reliability standards in R 460.722, R 460.723, and R 460.724.

2. Include consumer standards and billing practices R 460.151(2)(a) and (b).
3. Include the utility's annual goal to improve the SAIDI (Excl. MED).
4. Include service restoration O&M cost per incident (three-year rolling average, including MED).
5. Include an annual goal to reduce the number of customers who experienced one or more power outages during the year of 1 hour or longer.
6. Include a metric to reduce the number of power outages from trees, wind & weather.
7. Include a metric to reduce the number of power outages from equipment failures.
8. Include a metric for the number of miles of line cleared annually for vegetation for LVD and HVD circuits.
9. Include a metric to measure performance against national average reliability performance standards.
10. Each standard, goal, or metric should have an appropriate weight as a percentage of 100%.
11. Annually the utility or cooperative would file the actual results showing how it performed against each individual standard, goal or metric, and a scorecard showing how it performed on an overall basis.
12. If the overall scorecard results exceed 100% of target, the utility or cooperative would be eligible for an incentive payment for the year.
13. If the overall scorecard results are below 100% of target and/or the utility fails to achieve a performance standard level for three or more consecutive years the utility or cooperative would be assessed a penalty amount for the year.
14. The incentive or penalty amount should be based on a percent of the revenue requirement included in the Company's current rates for distribution capital investments and O&M expense in the most recent rolling five-year period.
15. Incentive payments and penalties should have reasonable maximum amounts to minimize the impact of an unusual or unexpected outcome. These maximums should be set as a percentage of the target amount.
16. If properly designed no deadband range for incentive or penalty payments should be necessary. The deadband creates a cliff problem where as soon as the deadband is exceeded a large payout or large penalty would need to be assessed.

These guidelines include the essential standards, goals and metrics to spur the desired improvements to the electric distribution systems of the Michigan electric utilities and cooperatives. The number of metrics should not be so few as to prevent achievement of the desired outcomes, or so many as to water down the essential metrics or make the performance measurement process unwieldy. The Attorney General's proposed guideline strike the appropriate balance.

The Attorney General reiterates its recommendation to the commission about the necessity to define the key outlines of an effective performance incentive and penalty mechanism with some specificity in order to have similar mechanisms



among the utilities. The commission should direct the utilities to present a mechanism that follows the above-proposed guidelines within 6 months from the implementation effective date of the service quality and reliability standards. The performance incentive mechanisms filed by the utilities and cooperatives should be refined through a collaborative process with Staff, the utilities, and other interested parties before final commission approval.

In summary, the Attorney General looks forward to assist the Commission and other parties participating in this difficult undertaking to reduce power outages and improve the reliability of electric service provided by Michigan utilities.

Sincerely,

Michael E. Moody (P51985)  
Assistant Attorney General  
Michigan Department of Attorney General  
Special Litigation Division



OFFICE OF CITY MANAGER

City of Farmington Hills

January 5, 2022

Ms. Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 W. Saginaw Highway  
Lansing, MI 48917

RE: Case U-20629

Dear Members of the Michigan Public Service Commission,

This letter is in response to your Order seeking public input on case U-20629 and expressing support for the proposed changes to the Service Quality and Reliability Standards for Electric Distribution Systems.

In general, the proposed changes provide a vast improvement in both clarification and effectiveness of the concerns we hear from our residents and businesses. More specifically, the inclusion of new definitions under Part 1 General Provisions to incorporate added conditions and metrics to improve accountability including CELID, CEMI4, Gray sky condition, Momentary interruption and Sustained interruption are greatly welcomed. Additionally, the inclusion of more defined service parameters under Part 2 Unacceptable Levels of Performance further establishes service timelines and thresholds for acceptable service interruptions.

Perhaps most importantly, the changes to Part 4 Financial Incentives and Customer Accommodations are an improvement in addressing the damages resulting from prolonged outages. While the upward increases in the customer accommodation for failure to restore service after sustained interruption due to gray sky and catastrophic conditions are appreciated, they still do not come close to the economic impacts that customers receive from these outages. For example, a customer that loses all their food or medicine that requires refrigeration will not be adequately reimbursed by a \$35 bill credit. Given this reality, both the base rate and hourly charge should both be increased to reflect actual losses sustained by customers. The accommodation over a 96-hour period should reflect a minimum \$100 base rate plus \$5.00 for every additional hour to better compensate for such losses.

Thank you in advance for your time and consideration. The City of Farmington Hills appreciates all efforts to improve the service quality and reliability standards for our electric distribution systems.

Sincerely,

A handwritten signature in black ink that reads "Joseph A. Valentine".

Joseph A. Valentine  
Assistant City Manager

**From:** [abuse@mi.chicago](mailto:abuse@mi.chicago)  
**To:** [MI.PS.CASES@psc.state.mi.us](mailto:MI.PS.CASES@psc.state.mi.us)  
**Subject:** Comment on Case 14-0629  
**Date:** Tuesday, 04 Oct 2022 10:08:03 AM

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CAUTION: This is an Ex-ernal email. Please send suspicious emails to [abuse@mi.chicago](mailto:abuse@mi.chicago)

Dear Michigan Public Service Commissioners

I am writing to demand action from the Michigan Public Service Commission in response to DTE Energy's deadly disregard for the safety of our communities.

We are demanding that the Michigan Public Service Commission

- > Ensure that customers are compensated for power outages – customers should receive rapid automatic bill credits that reflect the actual costs associated with power outages including lost groceries & lost work.
- > Make DTE pay for their poor performance – utilities' allowed profits should be based on their quality of service relative to national standards
- > Require that DTE prioritize safety and reliability with an explicit focus on low-income communities – to prevent future power outages and injuries from down power lines
- > Commit to racial and economic justice in health – consider the economic costs of health impacts caused by energy pollution in all MPSC decision-making
- > Commit to supporting community-based clean energy as a reliability measure and don't approve short-sighted investments in fossil fuels.

It is time for the Michigan Public Service Commission to go further to protect the entire public – not just those who can afford to live in affluent communities that receive better service from DTE.

Yours sincerely  
Michelle Preston

[REDACTED]

From: [abuse@om.chigan.go](mailto:abuse@om.chigan.go)  
To: [abuse@om.chigan.go](mailto:abuse@om.chigan.go)  
Subject: Comment on Gas 13-2629  
Date: Sunday, 4/13/2013 5:00:46 PM

CAUTION: This is an External email. Please send suspicious emails to [abuse@om.chigan.go](mailto:abuse@om.chigan.go)

Dear Michigan Public Service Commissioners

I am writing to demand action from the Michigan Public Service Commission in response to DTE Energy's deadly disregard for the safety of our communities. I am a DTE customer who has experienced multiple power outages in the past 3 years that lasted over 8 hours.

We are demanding that the Michigan Public Service Commission

- > Ensure that customers are compensated for power outages - customers should receive rapid notification and credits that reflect the actual costs associated with power outages including lost groceries and lost work.
- > Make DTE pay for their poor performance - utilities allowed profits should be based on the quality of service relative to national standards.
- > Require that DTE prioritize safety and reliability with an explicit focus on low-income communities - to prevent future power outages and injuries from down power lines.
- > Commit to racial and economic justice in health - consider the economic costs of health impacts caused by energy pollution in a MPSC decision-making.
- > Commit to supporting community-based clean energy as a reliability measure and don't approve short-sighted investments in fossil fuels.

It is time for the Michigan Public Service Commission to go further to protect the entire public - not just those who can afford to live in affluent communities that receive better service from DTE.

Yours sincerely  
Adrian A. Laurenti Laurenti  
Detroit, Michigan 48206, United States

This email was sent by Adrian A. Laurenti Laurenti via Do Gooder, a website that allows people to contact you regarding issues they consider important. In accordance with web protocol RFC 383, we have set the FROM field of this email to our generic no-reply address at [campaigns@good.do](mailto:campaigns@good.do) however Adrian A. Laurenti provided an email address [REDACTED] which we included in the REPLY-TO field.

Please reply to Adrian A. Laurenti Laurenti [REDACTED]

To learn more about Do Gooder visit [https://go02.safelinks.protection.outlook.com/?url=https://www.dogooder.com/?f&data=0%7C01%7CCLARA.MPSC-edoket%09%7C601bde26b8-93b632508d9f5c-838%7C45b70873777-2a866a8f2ef-7225d1%7C01%7C63780386-57696399%7C1akawo%7C7Wp6Zab38cyWJjoAMC-wLjAwMDALC3Qj9v2h0MdL-CJBT1B0kIhaWwLJCXVC16M6%3D%7C3000&camp\\_sdata=1zPdBSX-5Adon9Sh9ajum2BhY-dkPz2FZapUhere9RQ%3D&camp\\_reser-ed=0](https://go02.safelinks.protection.outlook.com/?url=https://www.dogooder.com/?f&data=0%7C01%7CCLARA.MPSC-edoket%09%7C601bde26b8-93b632508d9f5c-838%7C45b70873777-2a866a8f2ef-7225d1%7C01%7C63780386-57696399%7C1akawo%7C7Wp6Zab38cyWJjoAMC-wLjAwMDALC3Qj9v2h0MdL-CJBT1B0kIhaWwLJCXVC16M6%3D%7C3000&camp_sdata=1zPdBSX-5Adon9Sh9ajum2BhY-dkPz2FZapUhere9RQ%3D&camp_reser-ed=0)  
To learn more about web protocol RFC 383 visit [https://go02.safelinks.protection.outlook.com/?url=https://www.dogooder.com/?f&data=0%7C01%7CCLARA.MPSC-edoket%09%7C601bde26b8-93b632508d9f5c-838%7C45b70873777-2a866a8f2ef-7225d1%7C01%7C63780386-57696399%7C1akawo%7C7Wp6Zab38cyWJjoAMC-wLjAwMDALC3Qj9v2h0MdL-CJBT1B0kIhaWwLJCXVC16M6%3D%7C3000&camp\\_sdata=1zPdBSX-5Adon9Sh9ajum2BhY-dkPz2FZapUhere9RQ%3D&camp\\_reser-ed=0](https://go02.safelinks.protection.outlook.com/?url=https://www.dogooder.com/?f&data=0%7C01%7CCLARA.MPSC-edoket%09%7C601bde26b8-93b632508d9f5c-838%7C45b70873777-2a866a8f2ef-7225d1%7C01%7C63780386-57696399%7C1akawo%7C7Wp6Zab38cyWJjoAMC-wLjAwMDALC3Qj9v2h0MdL-CJBT1B0kIhaWwLJCXVC16M6%3D%7C3000&camp_sdata=1zPdBSX-5Adon9Sh9ajum2BhY-dkPz2FZapUhere9RQ%3D&camp_reser-ed=0)

DTE Electric Company  
One Energy Plaza, 1635 WCB  
Detroit, MI 48226-1279



Jon P. Christinidis  
(313) 235-7706  
jon.christinidis@dteenergy.com

January 6, 2022

Ms. Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 West Saginaw Highway  
Lansing, Michigan 48917

Re: In the matter, on the Commission's own motion, to establish a workgroup to review the service quality and reliability standards for electric distribution systems and to recommend potential improvements to the standards.  
MPSC Case No. U-20629

Dear Ms. Felice:

Attached for electronic filing in the above-captioned matter are DTE Electric Company's Comments pursuant to the Michigan Public Service Commission's November 4, 2021 Order in Case No. U-20629.

Very truly yours,

Jon P. Christinidis

JPC/erb  
Enc.



In the matter, on the Commission’s own motion, to )  
establish a workgroup to review the service quality )  
and reliability standards for electric distribution )  
systems and to recommend potential improvements )  
to the standards. )  
\_\_\_\_\_ )

Case No. U-20629

## DTE Electric’s comments on proposed changes to Service Quality and Reliability Standards for Electric Distribution Systems

U-20629

DTE Electric is fully committed to improving our customer experience and understands the frustration and inconvenience to our customers caused by losing power. In light of that understanding and our commitment to continue improving customer safety, reliability and affordability, DTE Electric would like to provide the following comments on the proposed Service Quality & Reliability Standards:

### Issue #1: Performance standard for customer duration threshold during CAT conditions in Rule 22 (b)

Many of DTE Electric 's customers had a difficult 2021 Storm season, which was historic in all manners of measurement. As discussed throughout the Commission's electric reliability and storm response technical conferences this fall, the state of Michigan expects increased severity of weather events going forward. We are taking a comprehensive approach to improving our grid resilience in the face of increasing storms, searching across the industry for best practices, and engaging all employees within the Company to have an efficient and safe process to restore customer outages due to severe weather. DTE Electric believes the trend in severe weather and the resultant impacts on our customers requires us to develop an industry-leading storm response process.

Large storms carry with them a variety of challenges. Protecting the public, ramping up internal resources, and bringing in external resources are all part of our standard for responding to DTE Electric Catastrophic-level events. While the team often ramps up these activities proactively before the storm, they require 2 to 3 days to bring in sufficient resources from out-of-state to restore outages with more than 70,000 customers affected (which would be defined as a relatively small Gray Sky day based on the proposed rule). Additionally, for large storms that impact the broader region, securing foreign crews can be especially challenging, as neighboring utilities will often not be able to release their crews.

The proposed rules define Gray Sky conditions as 1%-10% of customers, and Catastrophic conditions as >10% of customers. Restoring 90% of customers within 48 hours for a storm impacting >10% of customers, is nearly impossible. In the past several years, DTE Electric has experienced storms impacting 300,000, 400,000, even 500,000 or more customers, and restoring this high a volume of customers is a multi-day event because of the extraordinary number of resources that need to be mobilized. During DTE Electric's last 3 Catastrophic (>200,000 customers out), we were able to achieve a 90% restoration in approximately 6 days (144 hours) on average. DTE Electric proposes to maintain the 60-hour threshold for Catastrophic conditions, which is still a very difficult goal considering the increasing severity of storms. Alternatively, DTE Electric proposes a lower percentage of restoration in the 48-hour period such as 75% within 48 hours.

## Issue #2: Performance standard for CEMI metric in Rule 22 (e) and Rule 22 (f)

DTE Electric fully recognizes the customer impact of repetitive outages and the importance of the CEMI metric as a critical measure representing the customer experience. With the implementation of the investments identified in the 2021 Distribution Grid Plan, DTE Electric is confident our customers will see steady and significant improvements in service reliability in coming years. We expect to achieve second quartile SAIDI and SAIFI by 2025 and first quartile by 2030. With that said, even under an aggressive investment scenario driving reliability improvements, we do not expect to achieve the 6% CEMI 4 target until 2028 and 5% until 2035.

In the near-term we are accelerating our tree trimming program with the \$70 million surge investment, hiring more local labor to increase the pace of repairs and upgrades to pole-top infrastructure, and working our plan to improve communication with our customers during outages.

DTE Electric is concerned that the tightening of the frequency threshold as proposed does not allow sufficient time for the Company to execute the required improvements to the distribution grid outlined in the Distribution Grid Plan. DTE Electric has been working with the Commission and stakeholders on an alternative proposal, that utilizes a performance-based rate making mechanism to drive the CEMI 4 metric to a desired state. We recommend that the Commission and stakeholders consider performance-based rate making as the appropriate mechanism to drive improvements to the CEMI4 metric.

## Issue #3: The \$2/hour incremental payments for customers experiencing long duration outage event in Rule 44

DTE Electric understands the inconvenience our customers endure during power interruptions, particularly the loss of power for multiple days caused by severe weather conditions. DTE has in the past voluntarily offered customer outage credits beyond utilities standards (e.g., during this summer's August storm and in the March 8, 2017 wind storm) as well as setting up shelters for residents without power, delivering ice/water during summer storms and blankets/ hand warmers during winter storms. DTE Electric is committed to continuing to provide accommodations during these unusual circumstances above and beyond the standards' requirements in the future while working diligently to prevent the underlying causes and restore customers as quickly and safely as possible.

Adding the hourly component to credit payments may introduce negative impacts to customer satisfaction due to the additional complexity in the credit calculation and customers' potential lack of full understanding of how the credit is being calculated and applied. DTE Electric has received 31 complaints regarding outage credits since August, and the vast majority of these are due to customers not understanding the criteria. Further complicating the calculation, as presently proposed, will drive customer dissatisfaction. For these reasons, DTE Electric has proposed an alternative \$35 per day incremental payment in lieu of the \$2 per hour payment. We would like to recommend it again for the Commission and the stakeholders' consideration.



## Conclusion

As Public Sector Consultants noted in their February 2020 benchmarking report, which was submitted in the comment process, the purpose of the utility standards is to define the baseline performance for electric service. The report notes that no other state's utility standards have pursued, restoration duration, CEMI performance and customer outage credits in the same level of detail that is being proposed in Michigan. The MI Power Grid Incentives/Disincentives workgroup can address reliability concerns beyond the baseline performance which these rules address. With this in mind, we urge the Commission to reconsider the areas we have outlined.

Respectfully Submitted,

DTE Electric Company

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter, on the Commission's own motion, to )  
establish a workgroup to review the service quality )  
and reliability standards for electric distribution )  
systems and to recommend potential improvements )  
to the standards. )  
\_\_\_\_\_ )

Case No. U-20629

**PROOF OF SERVICE**

ESTELLA R. BRANSON states that on January 6, 2022, she served a copy of the DTE Electric Company's Comments in the above-captioned matter, via electronic mail upon the persons listed on the attached service list.

\_\_\_\_\_  
ESTELLA R. BRANSON

**MPSC Case No. U-20629**  
**SERVICE LIST**

**MPSC STAFF**

Steven D. Hughey  
Assistant Attorney General  
Public Service Division  
7109 W. Saginaw Highway, Fl 3  
Lansing, MI 48917  
[hugheys@michigan.gov](mailto:hugheys@michigan.gov)

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter, on the Commission's own motion, to )  
establish a workgroup to review the Service Quality )  
and Reliability Standards for Electric Distribution )  
Systems and to recommend potential improvements )  
to the standards. )  
\_\_\_\_\_ )

Case No. U-20629

In the matter, on the Commission's own motion, to )  
establish a workgroup to review the Technical )  
Standards for Electric Service and to recommend )  
potential improvements to the standards )  
\_\_\_\_\_ )

Case No. U-20630

**COMMENTS OF THE MICHIGAN ELECTRIC AND GAS ASSOCIATION**

**Introduction**

The MEGA companies<sup>1</sup> appreciate the MPSC staff's efforts to provide an open forum to discuss and collect feedback on the myriad of issues raised as part of the review of the Grid Security and Reliability Standards Workgroups. MEGA has engaged in the discussions to represent the unique position of small utilities to ensure the staff and other stakeholders understand how the impacts of potential changes can vary from that of larger utilities. These comments come from that perspective.

**Service Quality Standards (U-20629)**

The MEGA companies offer the following feedback on the Service Quality Standards:

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<sup>1</sup> The MEGA companies are Alpena Power, Citizens Gas Company, Indiana Michigan Power Company, Michigan Gas Utilities, Northern States Power-Wisconsin, SEMCO Energy, Upper Michigan Energy Resources Company, Upper Peninsula Power Company.

### Definitions (460.702)

MEGA has several comments or suggestions related to the new or modified definitions on section 460.702.

The definition of utility in 460.702 (i) does not make it clear whether transmission-caused interruptions should be included in its tracking and reporting or not.

### Grey Sky Conditions (460.722)

In the proposed Rule 22(e) and (f), grey sky conditions are excluded from (e) and included in (f).

### Annual Reporting Requirements (460.732)

The MEGA companies would appreciate the opportunity to see and comment on the staff format for annual reporting as part of the development process. In addition, the following suggestions apply to the reporting requirements:

- 460.732(o) should apply to worst performing *segments*, not circuits. Using segments will directly point to areas of the system with repetitive issues. An exemption of this requirement for small utilities would also be appropriate since they have relatively few circuits and therefore the data wouldn't provide the type of insight that might be gained for a larger utility.
- 460.732(p) same device would be a better measure than circuit, or use CEMI, SAIDI, SAIFI, CAIDI as better indicators state of the system overall. Similar to subsection (o) above, an exemption for small utilities would be appropriate due to the lack of value in the data.

- 460.732(s) consider an exemption for small utilities or recognition that some utilities don't have the systems capability to make this information readily obtainable or valuable.

#### Annual Report Momentary Outages (460.732(r))

There are several concerns with both the value of the data collected and reporting of momentary outages as required in 460.732(r), particularly as it applies to small utilities, and especially on a quarterly basis and MEGA would like this requirement eliminated.

First, as previously stated on this issue in the stakeholder process and in previous comments, the data will not distinguish between "good" momentary outages that are designed into the system to avoid widespread outages, and "bad" momentary outages that are truly a system failure and cause for concern. Further, some small utilities do not have equipment that would collect this data, and for some that have AMI, it is relatively new or in the implementation phase.

Second, expensive software upgrades will be required even for those that have advanced meters. If the requirement is retained, MEGA requests an exemption for small utilities is appropriate or having a threshold for companies with "mature" AMI based on the amount of penetration in the system or number of years since full deployment.

#### Outage Credits (460.744 - 460.746)

The MEGA companies accept the increase in the amount of the outage credit, but annual adjustments are cumbersome for small utilities.

Some MEGA utilities do not have systems in place to automate the credits which will be costly to incorporate and may require significant manual processing. MEGA also has concerns with the proposal that credits should be prohibited from recovery. As noted, these credits are intended to

be some compensation for customers experiencing outages but are not a penalty. Any amount associated with these credits would be better spent on continued improvements to the distribution system to avoid other issues in the future.

MEGA suggests the following changes:

- Revisiting the amount on a periodic basis, but five years or more would be more meaningful to minimize short-term volatility in the number of billing system changes that would be needed.
- Providing a date certain for the new credits to take effect. This provides certainty to both customer and the utility, providing the utility some time to update its systems accordingly to reflect the new credit. For example, if the commission were to issue an order in the Fall by September 30, the new amount should give, at minimum, six months for utilities to update their systems.

#### Outage Credit Thresholds – Repetitive Interruptions (460.746)

The reduction of the threshold of same circuit repetitive outages in 460.746 should include an exemption for rural utilities that keeps the threshold at 7 or identify a threshold of customer complaints for small/rural utilities with a required report about how the issue will be addressed. No basis has been provided to support the need to change this number or the specific reduction proposed.

## **Technical Standards for Electric Service Rules (U-20630)**

### Annual Line Clearing Report (460.3203(i))

MEGA appreciates the accommodation for small utilities from having to file a quarterly line clearing report. As discussed in prior comments, the line clearing plans included in the small utility rate cases have not been a source of controversy or concern. The level of data requested, and quarterly reporting would require a significant amount of manual work to report.

MEGA notes that the customer threshold for defining a small utility has traditionally included all the MEGA members, and MEGA requests that the customer count threshold be increased to recognize that longstanding principle.

### Solid State Meter Reporting: (460.3203(j))

Some small utilities have not yet adopted and/or are early in the process of adopting solid state meters. As such, the requested data is either not available or data systems not currently structured to collect or report the data as stated in the rule.

MEGA requests either an exemption for small utilities, limiting the data required to subsection (ii) that describes how the small utility uses the data, or threshold of time after adoption of solid-state meters would be an appropriate accommodation for small utilities.

### Extension of Electric Service: (460.3411(16))

MEGA maintains the addition of this new requirement is unnecessary. Utilities should remain responsive to customer requests for meetings and adding language to this Rule implies that there remain unresolved issues with Rule 411. There have been court decisions and law changes in recent years that have provided clarification of some gray areas, but at this time, the rule and



framework surrounding it are understood and working well. MEGA does not believe any revisions are necessary.

### **Conclusion**

MEGA reiterates its thanks to the Commission and the staff for their engagement on these topics and consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Dundas", with a stylized flourish at the end.

Dated: January 6, 2022

Daniel Dundas  
President  
Michigan Electric and Gas Association



January 6, 2022

Ms. Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 W. Saginaw Highway  
Lansing, MI 48917

Re: Case U-20629

In the matter, on the Commission's own motion, to establish a workgroup to review the Service Quality and Reliability Standards for Electric Distribution Systems and to recommend potential improvements to the standards.  
Case No. U-20629

Dear Ms. Felice:

Enclosed for filing in the above-referenced matter, please find the Comments of the Citizens Utility Board of Michigan. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy Bandyk', is written over a light blue horizontal line.

Amy Bandyk  
Executive Director  
Citizens Utility Board of Michigan

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

Case U-20629

In the matter, on the Commission's own motion, to establish a workgroup to review the Service Quality and Reliability Standards for Electric Distribution Systems and to recommend potential improvements to the standards.

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**COMMENTS OF THE CITIZENS UTILITY BOARD OF MICHIGAN**

The Citizens Utility Board of Michigan is submitting these comments in response to the order U-20629-0055 issued on Nov. 4, 2021 that requested “written comments, suggestions, data, views, questions, argument, and modifications concerning the issues” surrounding the proposed amendments to the service quality and reliability standards. We appreciate the opportunity to make recommendations to the Commission on this important topic. We offer extensive comments below.

I. The Commission should not squander this opportunity to have a meaningful impact on electric utility reliability.

It is well-established that Michigan electric utilities have for many years provided customers with relatively poor reliability, with outage frequency as measured by System Average Interruption Frequency Index (SAIFI) somewhat above national median, outage duration as measured by Customer Average Interruption Duration Index (CAIDI) amongst the worst in the country, and total annual outage experience as measured by System Average Interruption Duration Index (SAIDI) essentially always in the fourth quartile and often much worse than the 25<sup>th</sup> percentile. This poor performance characterizes the performance of Michigan utilities when either including or excluding major event days (MEDs). Graphs and tables illustrating this performance were

included in a recent report by the Citizens Utility Board of Michigan, available from [2021 Utility Performance Report\\_CUB of MI.pdf](#). The relevant graphs and tables are attached to these comments as Appendix A. A comprehensive perspective on recent average performance of Michigan's electric utilities is provided in the following graphs.

Figure 11: 2019 SAIFI vs. CAIDI with Major Event Days

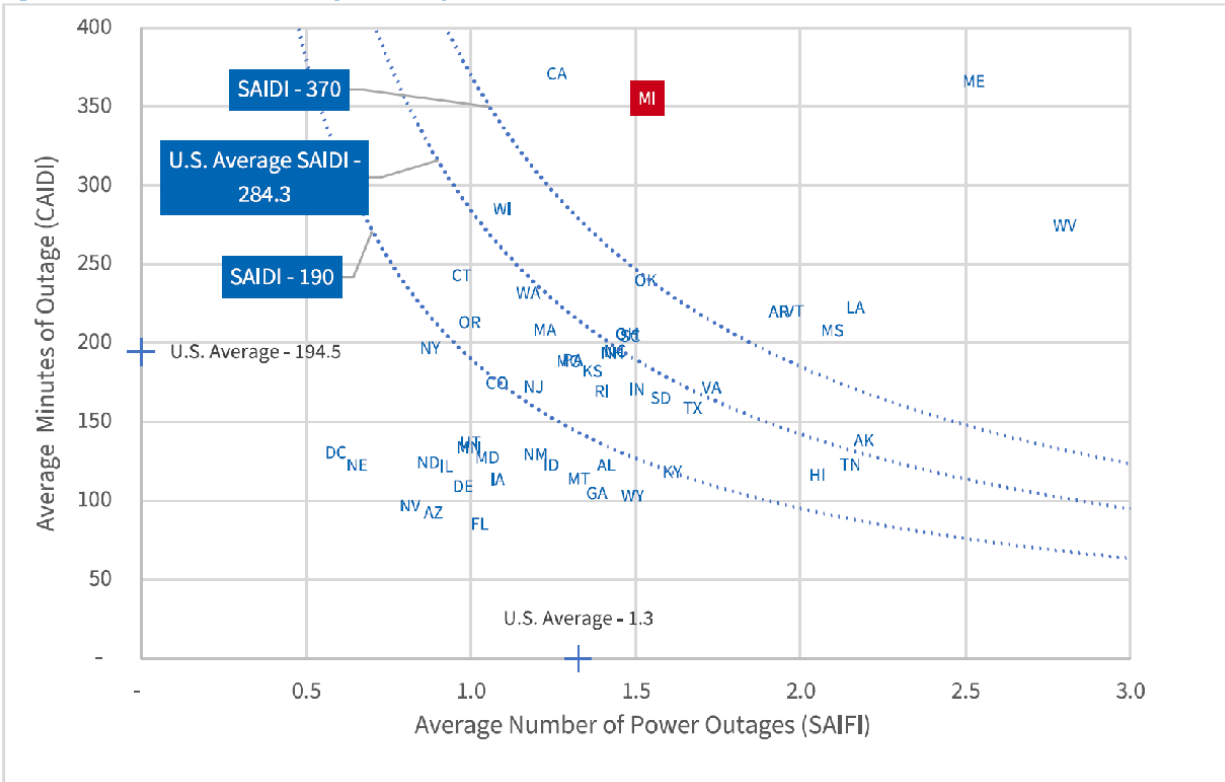
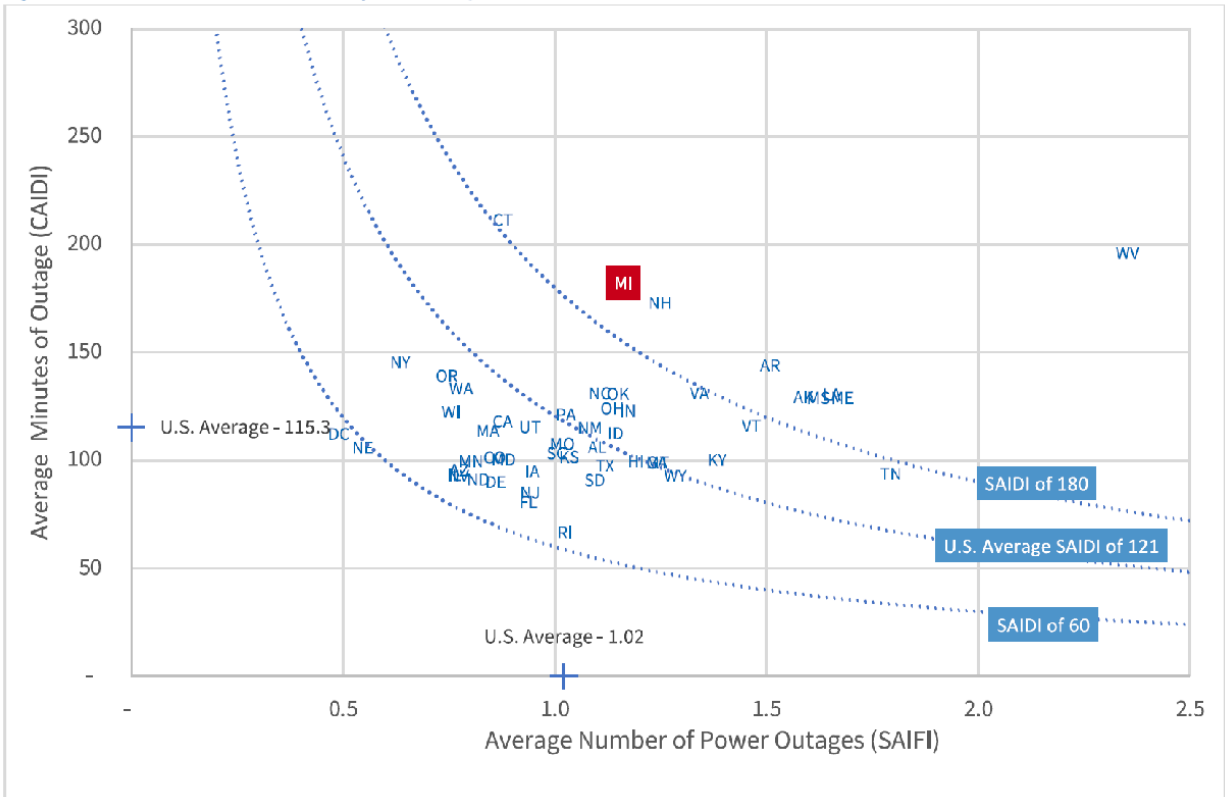


Figure 12: 2019 SAIFI vs CAIDI Without Major Event Days



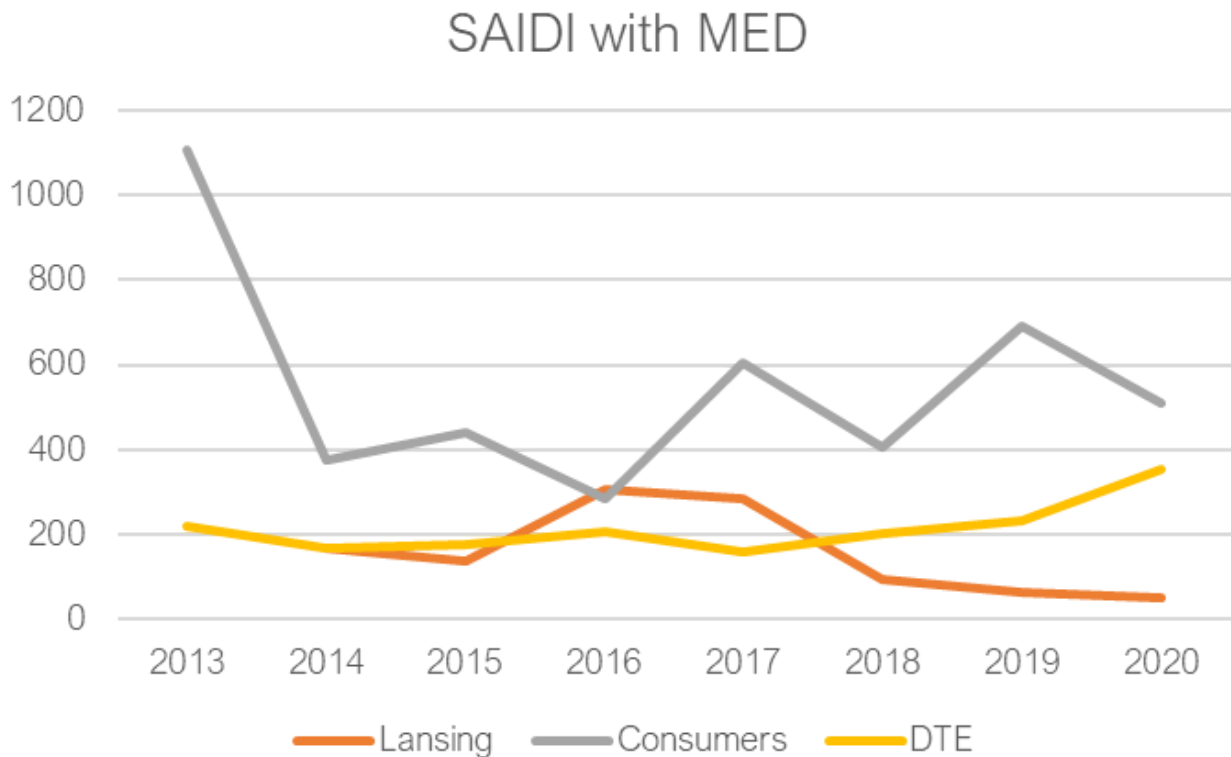
As can be seen in the tables in Appendix A, this level of performance by Michigan utilities has been persistent since 2013 when national recordkeeping on these topics was initiated by the US Department of Energy’s Energy Information Administration. We also know from prior information accumulated by a committee of the Institute of Electrical and Electronics Engineers (IEEE), which is no longer readily available for reference, that this level of comparative performance by DTE and Consumers Energy extends well back into the 20<sup>th</sup> century.

This Commission has repeatedly investigated, solicited Staff reports, solicited utility plans, and instructed utilities to do better in providing reliable electrical service to their customers. A partial history of these efforts includes:

- 1991 Investigation in U-9916
- 1995 Investigation in U-10908
- 1999 Staff Report
- 2000 Investigation in U-12269
- 2001 Initiated Adoption of Service Quality Standards
- 2002 Requirement for utilities to provide Service Quality Plans
- 2004 Adopted Service Quality Standards
- 2004 Investigation of Vegetation Management Practices in U-13975
- 2007 DTE Service Quality Plan litigated in U-15244
- 2007 Staff investigation of undergrounding in U-15279
- 2008 Investigation in U-15606

- 2009 Reliability Reporting Requirements adopted in U-16065 and U-16066
- 2010 Investigation in U-16462
- 2011 Consideration of outage management in Smart Grid Collaborative
- 2014 Investigation in U-17542
- 2017 Investigation in U-18346
- 2018 Investigation in U-20169
- 2019 Statewide Energy Assessment
- 2020 MiPowerGrid Review of Technical and Quality Standards

Throughout this history, the reliability performance of Michigan’s major utilities has not materially improved. However, it is worth noting that after a major ice storm caused widespread and long-duration outages for customers of the Lansing Board of Water and Light, recommendations from a citizens review committee and replacement of the General Manager led to rigorous tree trimming on a 5-year cycle beginning in 2015, with the results shown in the following graph:



This case demonstrates that, with appropriate effort, a utility can make a material improvement in reliability.

The MPSC Staff’s proposal for revisions to the service quality and reliability standards accomplishes the bare minimum of fixing the obviously irrational problems with the existing standards, such as the lack of automatic credits. But the proposal does not go much above that

floor and misses many opportunities to substantially improve consumer protections and enhance reliability.

CUB's view is that this round of amendments to the Commission's Service Quality and Reliability Standards is likely the last opportunity for potentially many years for the Commission to establish a just and reasonable framework for improving the poor reliability of electric utility service in Michigan. The standards have not been updated since 2004. Once this review process has finished, it will be very unlikely the standards will be changed again for quite some time. That means that for years, as severe weather events continue to increase and put additional pressure on the grid, utility customers will be locked into what the Commission decides here.

The Staff proposes some commonsense changes, such as requiring the utilities to offer credits to customers in an automatic and transparent process and updating the base credit from \$25 to \$35 to account for inflation, plus a very modest and limited variable credit (which we will address in more detail in these comments.) But these proposals have all been on the table for about a year (since the final Staff report was released). Since then, reliability has become a much bigger concern for Michigan residents due to the widespread power outages in the summer of 2021.

If the Commission simply approves the recommendations in the Staff report, it will appear as if the events of the summer had little to no impact on the Commission's views about the urgency of reliability. It seems hard to believe that the impact on customers from the power outages this summer would not push the Commission to be more ambitious.

CUB argues that, instead, the Commission should seize this rare moment where the impetus is behind revising these rules for the first time in about 20 years and use that momentum to put Michigan on a path for improved reliability. We urge the Commission not to squander this opportunity, but rather to further revise these proposed amendments to its Service Quality and Reliability Standards before proceeding with the adoption of these rule amendments.

There are three main areas where the Commission should harness the momentum: First, the Commission should adopt a credit that is based on the costs of service interruptions as informed by research on the economic cost of outages, and is not just an arbitrary amount. Second, the proposed use of a "gray sky" category to determine bill credit eligibility takes the standards backwards and needs to be amended. The standards should be expanding the number of residents eligible for credits, not reducing the number. Finally, the Commission should ensure the standards reflect Michigan's current level of poor reliability and thus are designed to incentivize utilities to work harder to reduce outages, and not reward utilities for unfocused or insufficient progress in improving reliability.

Following the primary text of the comments we show CUB's proposed redlines to the rules.

## II. The Commission should require utilities to collect data to support future redetermination of customer interruption costs.

We argue below that customers should receive bill credits for service interruptions that are commensurate with the costs to customers of service interruptions. First, however, we assert that it is important for the Commission to have accurate knowledge of customer interruption costs even if that information is not used to establish bill credits, that current estimates are not adequate, and that the Commission should therefore provide in these rules for the necessary accumulation by utilities of data needed to improve estimates of the cost to customers of service interruptions.

As the Commission is well aware, Michigan utilities are planning substantial distribution system spending, significantly justified by the need to improve service reliability.<sup>1</sup> The Commission has already recognized the importance of benefit-cost analysis in relation to distribution system planning, soliciting stakeholder discussion and Staff reports on this topic. Most recently, Staff reconvened stakeholders for a November 3, 2021 technical conference on benefit-cost analysis, on which the Staff reported on December 22, 2021. A portion of that technical conference was a presentation on the Interruption Cost Estimate (ICE) Calculator, which has been used by Michigan utilities to estimate benefits of improved reliability, by Joseph Eto of the Lawrence Berkeley National Laboratory, who has long been a leading researcher on this topic. The Staff summary of his presentation is in part that:

There are some challenges and limitations to the ICE Calculator. The currently used surveys are old and outdated. The surveys are from 1980-1990 and represent a time when many people did not work at home. Not all utilities or regions of the country are represented by the surveys. The surveys are designed around shorter duration interruptions and their use is not recommended for interruptions lasting longer than 24 hours.

There is a plan to update and upgrade the ICE Calculator at the beginning of next year. It would include the development of a consistent set of short duration, customer interruption cost survey questions including some to understand customer behavior during widespread, longer duration 6 interruptions. It would coordinate the administration of surveys to ensure the results are statistically representative of all US regions and customer classes. It would also include new information and improvements to design and performance. Sponsoring utilities' responsibilities in the update is to provide funding, support survey administration and sampling of customers, and provide feedback on ICE Calculator improvements to Berkeley Lab.<sup>2</sup>

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<sup>1</sup> See utility distribution system investment plans in docket U-20147.

<sup>2</sup> See page 5 of the Staff report at

[https://www.michigan.gov/documents/mpsc/BCA\\_Report\\_122121\\_FINAL\\_2\\_744216\\_7.pdf](https://www.michigan.gov/documents/mpsc/BCA_Report_122121_FINAL_2_744216_7.pdf)



The particular deficiencies of the ICE calculator presented by Eto are especially relevant in Michigan where we have a history and continuing problem of widespread, longer duration outages. Standard economic reasoning suggests that because customers have fewer options to mitigate the effects of an outage when it is widespread and/or of long duration, the costs to a single customer of an outage will increase with the scale of the outage and accelerate with the duration of an outage. It follows that the estimates produced by the ICE Calculator understate the outage costs experienced by Michigan utility customers.

This deficiency of information to support valid benefit-cost analysis is not only a problem at this moment, but one that will endure, as it will likely take a considerable time to improve distribution system reliability in Michigan and the problem of distribution reliability will be exacerbated by climate change. We therefore recommend that the Commission create a new rule in this rule set that gives the Commission clear authority and assigns utilities a clear responsibility to accumulate and provide to the Commission and stakeholders the data necessary to accurately analyze the economic value to customers of electricity service interruptions. The Commission could then make initial use of that authority to require Michigan utilities to participate in the Berkeley Lab's plan to improve the ICE Calculator. We propose the following rule:

"R 460.xxx Determination of the customer cost of service interruptions

- (1) The commission may adopt on its own motion standard service interruption survey instruments and procedures for the purpose of obtaining data about the customer cost of electric service interruptions.
- (2) Following each service interruption event experienced by customers of an electric utility or cooperative, the electric utility or cooperative shall survey affected customers as prescribed by the Commission's standard service interruption survey instruments and procedures. Not later than March 1 of each calendar year, each electric utility or cooperative shall convey to the commission in a form and manner prescribed by the commission all data accumulated by the electric utility or cooperative through such surveys, excluding data that identifies the respondent customers. Such data will be made available to researchers and stakeholders by the commission.
- (3) Within one year of the effective date of the amendments to these rules and not less than once every three years thereafter, the commission will open a docket for the purpose of establishing appropriate formulas and values to determine the customer costs of electricity service interruptions that are to be used by electric utilities in reporting service interruptions and in analyses of utility investments in distribution system reliability."

### III. Initial valuation of customer interruption costs

Economists have estimated the cost of outages through a combination of methods, such as surveys of customer behavior and computer modeling of changes in general equilibrium from

power outages.<sup>3</sup> Lawrence Berkeley National Laboratory and Nexant have entered dozens of datasets of various surveys estimating interruption costs into a meta-analysis that was used to develop the econometric model behind the ICE Calculator.

We entered Michigan-specific data into the ICE Calculator<sup>4</sup> and it produced a total cost to residential customers of \$78.55 million for that CAIDI/SAIFI combined score, or \$17.85 per customer. With average restoration time (CAIDI) at nearly six hours, that cost comes out to about \$3 per hour.

The ICE Calculator model is partially based on willingness-to-pay surveys, which ask participants for the maximum price they would be willing to pay for a product or service. Other estimates more specifically produced by willingness-to-pay surveys have estimated residential costs of power outages at \$4.4 per hour<sup>5</sup> and \$0.07 per minute, or \$4.2 per hour.<sup>6</sup>

Willingness-to-pay estimates, however, should be viewed as a lower-bound estimate for cost of outages. Since electricity is a basic necessity, the willingness-to-pay for electricity is, relative to share of income, comparably higher for low-income customers than it is for moderate or high-income customers. Their willingness-to-pay is so relatively high, in fact, that it at times outstrips their ability to pay. This reality can be observed by the amount of low-income customers who go into arrears on their electric bills, as well as through empirical studies of the sacrifices low-income customers make to be able to pay for power. Willingness-to-pay studies cannot capture the full value of electricity to customers of lesser means.

In summation, the above sources have estimated \$3 to just over \$4 as a reasonable hourly cost of outages for residential customers, and those estimates should be used as lower bounds due to the aforementioned issues with willingness-to-pay surveys when applied to electricity.

Aside from the use of outage-duration thresholds, which we discuss below, the Staff proposal to use \$2 per hour for residential customers appears to be materially less than the marginal residential customer cost of outage duration. CUB previously proposed \$2 per hour for all hours of outage as a more reasonable value than the amounts used in the current rules. The evidence suggests that CUB's proposal of \$2 per hour for all outages is very conservative, and likely too low. CUB recognizes, however, that when introducing a sharp change from the status quo, it is prudent to be conservative at the outset. Therefore, we also recommend that the MPSC order a

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<sup>3</sup> Baik, Hanus, Sanstad, Eto and Larsen (2021). A Hybrid Approach to Estimating the Economic Value of Enhanced Power System Resilience. Lawrence Berkeley National Laboratory. [https://www.researchgate.net/publication/349746078\\_A\\_Hybrid\\_Approach\\_to\\_Estimating\\_the\\_Economic\\_Value\\_of\\_Enhanced\\_Power\\_System\\_Resilience](https://www.researchgate.net/publication/349746078_A_Hybrid_Approach_to_Estimating_the_Economic_Value_of_Enhanced_Power_System_Resilience)

<sup>4</sup> 4.4 million residential customers, CAIDI: 356, SAIFI: 1.5, all numbers from CUB Utility Performance report

<sup>5</sup> Hartman, Doane, Woo (1991). Consumer Rationality and the Status Quo. The Quarterly Journal of Economics.

<sup>6</sup> Collins, Sullivan, Schellenberg and Bieler (2019). Southern California Edison: 2019 Value of Service Study. Southern California Edison Workpapers.

regularly scheduled review process for the value of the credit, so stakeholders can further refine the estimate and make it better conform to customer experience. We recommend that the proposed rules be changed to provide an initial bill credit for residential customers based on \$2 per hour, but that the rules authorize and require the Commission to update that value based on evidence.

We also note that Staff did not propose a change in the bill credits for business customers, which is essentially capped at a proportion of the customer's monthly fixed charge. This amount is generally radically less than the business customer cost of service interruption shown in the available evidence. Due to the variability of business customers both as to size of load and the sensitivity of the business to outages, the Commission will likely need to use a different approach than a bill credit based on outage duration. We recommend the Commission engage business customers in consideration of bill credit design for those customers.

#### IV. To be effective, bill credits must be automatically paid to customers

Current rules provide that bill credits are to be paid only to customers "that notify the utility of the interruption." Unfortunately, it is clear from the available record that bill credits available to customers under the current rules are rarely paid to customers, with Consumers Energy apparently crediting customers for less than 1% and DTE crediting customers only around 5% of the bill credits for which customers were eligible.<sup>7</sup> Indeed, it is unclear that bill credits are paid by some utilities to customers who "notify the utility of the interruption" unless the customer requests the bill credit.

Given that customers receive bill credits at such low rates, it is simply implausible that bill credits serve any policy purpose.

At the time the current rules were adopted in 2004, it was plausible to argue that a utility would not necessarily know of an outage or of the duration of an outage unless notified by the customer. With the advent of advanced metering and other grid sensors, a utility should know of an outage contemporaneously with its start and should have metered records of the start and end times of an outage. It is therefore practical for the utility to automatically credit customers for outages on the same schedule as it bills for power usage.

We strongly support the Commission's proposed amendments to require an electric utility to automatically credit customers for outages when the customer is eligible for credit.

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<sup>7</sup> Testimony of Douglas Jester on behalf of Michigan Environmental Council in Cases U-20134 and U-20162

V. The Commission should establish outage bill credits that reasonably reflect its best estimates of the customer costs of service interruptions, rather than limit credits based on the concept that they are penalties

As embodied in current rules and the proposed amendments thereto, bill credits serve primarily as a form of penalty for “unacceptable service,” standards for which are defined in the existing rules and would be modified by the proposed amendments; credits are payable only to customers who experience “unacceptable service” as prescribed by the rules and in amounts that have no established relationship to the customer costs of service interruptions. Nothing in the Commission’s stakeholder process or in the Commission’s records indicate that the standards for “unacceptable service” were proposed in light of evidence about the levels of service that can cost-effectively be achieved by a utility. Consequently, both the standards of service and the amounts of bill credits are essentially arbitrary.

The Commission should not view bill credits as penalties for “unacceptable service.” Rather, bill credits should be viewed as an instrument by which customers are partially insured against the costs of service interruption, partial redress for inequities amongst customers in electric utility service reliability and restoration, and as a key tool for performance-based regulation of utility distribution system reliability. Through provisions regarding utility revenue recovery for bill credit liabilities, the Commission can determine the degree to which bill credits serve as penalties for “unacceptable service,” without limiting customer bill credits to instances of “unacceptable service.” Much of the usefulness of bill credits depends on unlinking bill credits from exclusive treatment as a penalty for the utility. The usefulness of bill credits as insurance, for redressing inequities, and as a tool for performance-based regulation is optimized when bill credits closely reflect the customer costs of service interruptions.

There is no doubt that most electric utility customers suffer economic harm because of electric service interruptions and that that harm exceeds the customer’s avoided payments for electricity that is not delivered to the customer. Electric utilities have both a natural and a legal monopoly in the provision of electricity distribution services to customers in Michigan, so customers are stuck with the level of distribution reliability provided by their utility. Customers have some options to defend against lack of electric distribution reliability through use of on-site power supply resources, but these are comparatively expensive, are not physically and economically accessible for all customers, and in some cases are discouraged or limited by utilities and Michigan regulatory policy. Thus, most customers must suffer the consequences of electricity service interruptions and either suffer harms or make expenditures to mitigate those harms by replacing lost food, eating out, finding alternative lodging, etc. Lost work time either costs the employer in lost productivity or the person in lost income.

We could, as a society, provide optional insurance for utility customers to recover a portion of these costs but this is generally not done for small customers because of the marketing and

transaction costs that would be involved. Furthermore, an approach wherein each customer must either provide their own insurance or mitigate the costs of service interruption necessarily burdens those customers who, through no fault of their own, have the worst service reliability and they generally do not have control over their service reliability. Thus, separating the financing of insurance or mitigation of harm from the financing of utility service just adds insult to injury for those who experience poor reliability. We think that reasonable provisions for bill credits that offset a significant portion of the harms and/or mitigation costs of electricity service interruptions would be welfare-improving.

Providing bill credits for customer service interruptions does not increase electricity bills. To the extent that bill credits are not recoverable by the electric utility, bill credits will constitute a bill reduction and a utility incentive to cost-effectively reduce service interruption; we further discuss these aspects of bill credits below. To the extent that bill credits for customer service interruptions are recoverable by the electric utility by, for example, being included in distribution rates per kWh, that revenue is also paid out to customers in the form of bill credits. The net effect of rate-recoverable bill credits on customer bills is zero, but those customers who experience reliable service pay more and those customers who experience service interruptions pay less than they would in the absence of bill credits. Bill credits that are not rate-recoverable provide a bill reduction to customers who experience service interruptions.

If service interruptions are essentially random, then rate-recoverable bill credits serve simply as insurance. If service interruptions are not really random but instead reflect geographic variation in utility infrastructure and performance, then both non-recoverable and rate-recoverable bill credits provide more equitable electric service and bills. The commission has limited formal evidence regarding inequities in electric service but substantial reasons to assume that there is significant inequity amongst customers. Underground distribution and service lines are well known to provide more reliable service than overhead distribution and service lines and portions of each utility service territory are overhead and other portions are underground but with customers in the same class paying the same ongoing rates for distribution without regard to whether they are served by underground or overhead facilities.<sup>8</sup> The Commission has long required utilities to report “worst circuits,” a concept that has meaning only if reliability is not uniform and is therefore in some sense inequitable. Recent utility reports filed in docket U-21122 provide maps showing significant geographical inequities in distribution system reliability.

There is also good reason to believe that inequities in electric service reliability are correlated with income. Newer suburbs were developed after underground facilities became the norm and low-income communities are typically located in the older portions of towns and metropolitan areas. Distribution systems are upgraded when required by load growth so that growth areas tend to have new and improved distribution facilities that are likely more reliable but low-income communities are typically located in areas where load is not growing.

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<sup>8</sup> We acknowledge that the costs of initial construction of underground facilities as compared to overhead facilities are largely addressed through payments at service installation, but this practice falls far short of providing for accurate cost allocation and does not address the differences in reliability experience.

We therefore conclude that a system of bill credits, whether recoverable in utility revenue or not, will provide a valuable blend of insurance against the harms caused by service interruption and more equitable utility services and rates. Note that in Section X, below, we articulate a standard for recovering bill credits based on performance relative to an external standard. Setting bill credits at such a level will beneficially provide customers with appropriate insurance against the harms or mitigation costs of outages, reduce inequities in service quality and bills as between customers with different reliability experiences and likely improve equitability in relation to individual and community income. Used in conjunction with allowance for rate recovery of bill credits, bill credits will provide a key tool for implementing performance-based regulation of utility distribution system reliability. We strongly urge the Commission to change the proposed rules to align bill credits with the customer cost of service interruptions.

It is obvious that both the insurance and equity-improvement of a system of bill credits are best served if bill credits reasonably approximate the customer costs of electricity service interruption.

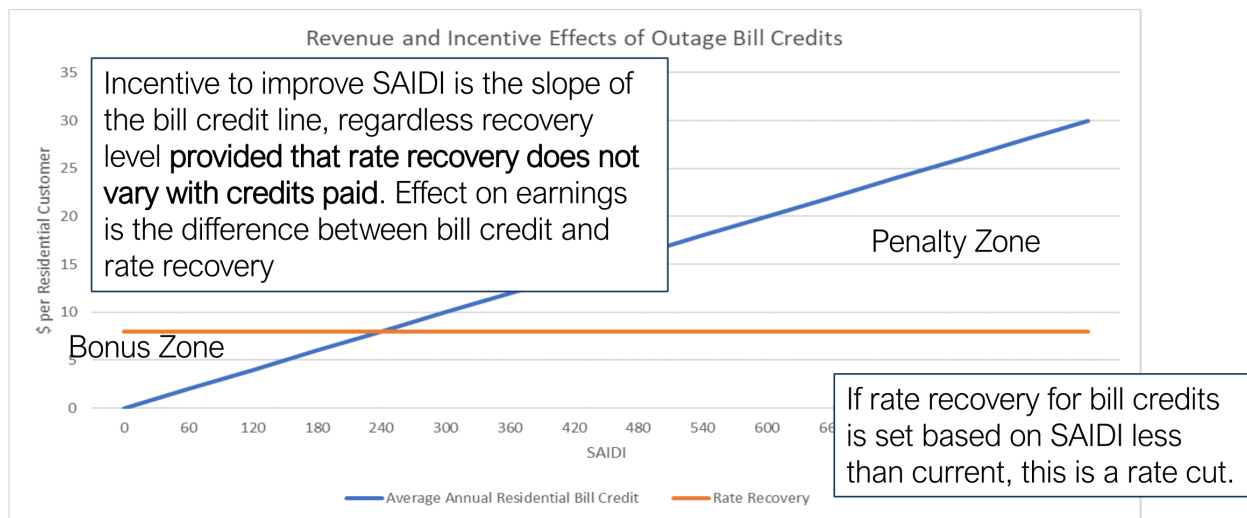
## VI. The Commission should penalize and incentivize utilities through the cost recovery of bill credits, not through the bill credits themselves

We next discuss the degree to which bill credits should be recoverable by the utility and the mechanisms by which bill credits provide a key tool for performance-based regulation. In effect, the Commission can determine the degree to which bill credits function as a penalty without limiting the amount of bill credits or the circumstances in which they are paid.

The utility's ability to fully recover the costs of bill credits back through customer rates weakens any incentive effects on the utility of the obligation to provide bill credits. The ability to recover a portion of the bill credit costs also weakens the incentive effect, although less so the farther the portion is from 100%. On the other hand, if recovery of bill credits is based on a performance standard that is fixed with respect to the utility's actual performance, then the full amount of bill credits per outage event serves as an incentive to the utility to reduce outage frequency or duration. If the utility provides service that is worse than the fixed standard, then bill credits will exceed recovery and will be a penalty for the utility. If the utility provides service that is better than the fixed standard, then recovery based on the bill credits that would be paid under the fixed standard will exceed actual bill credits and the utility will receive excess revenue and a positive incentive. If the fixed standard is understood to be either permanent or slowly evolving, then the expected net present value of avoided bill credits becomes an explicit benefit to the utility for improving reliability. If the amount of the bill credits reasonably approximates the customer costs of service interruption, then the net present value of avoided bill credits is a good proxy for customer benefits of reliability improvements. A comparison of the costs of the

avoided bill credits to the costs of reliability improvement can be an effective benefit-cost test for those reliability improvements. For these reasons, bill credits are a most effective tool for performance-based regulation if they reasonably approximate the customer costs of service interruptions and are not recoverable in proportion to bill credits paid out.

A Commission decision to establish bill credits that reasonably approximate the customer costs of service interruptions leaves open the question whether the revenue allowed to offset bill credits is structured so that utilities are penalized for their existing poor performance or provided an opportunity to earn additional earnings to equity. If for example, the revenue allowance for bill credits was set at the current expected level of bill credits (or higher), then the utility would only experience a positive incentive in that reduced outages would produce reduced bill credits which would increase utility earnings. Setting revenue allowance for bill credits at zero would mean that the utility would always experience bill credits as a penalty, though that penalty would be reduced by reliability improvements. Selection of any intermediate standard of performance as the basis for setting a revenue allowance for bill credits would create an initial penalty for currently poor performance but provide the utility the opportunity to reach incentive earnings through improved performance. The following graph illustrates that the Commission can establish the relative use of penalties and incentives by the way in which rate recovery is allowed, while providing bill credits that fully reflect the customer cost of service interruptions.



We therefore conclude that concern about utility financial results need not be a bar to applying bill credits that reasonably approximate customer costs of service interruption. Setting bill credits at such a level will beneficially provide customers with appropriate insurance against the harms or mitigation costs of outages, reduce inequities in service quality and bills as between customers with different reliability experiences and likely improve equitability in relation to individual and community income. Used in conjunction with allowance for rate recovery of bill credits, bill credits will provide a key tool for implementing performance-based regulation of utility distribution system reliability. We strongly urge the Commission to change the proposed rules to align bill credits with the customer cost of service interruptions.

We also draw the Commission's attention to the way in which use of bill credits for performance-based regulation helps to focus utility activity to improve reliability. Simply, a utility seeking to avoid bill credits because of the incentive effects of a performance-based regulation mechanism such as we propose will naturally focus on measures that are directly tailored to the avoidance of bill credits. This will include measures that reduce outage duration and not just efforts to avoid outages. The utility will focus on both the geography and distribution system components that are likely causes of outage. Bill credits as a tool for performance-based regulation would also create nearly as much incentive for operations and maintenance expenses as for investments, reducing the capital bias that we observe in current distribution system investment plans. In contrast, we believe that the most recent round of distribution system investment plans proposes expenditure patterns that are significantly less focused than we would expect under a performance-based regulatory mechanism that is based on bill credits.

## VII. Limiting bill credits to customers that experience “unacceptable performance” undermines the effectiveness of bill credits for any purpose

CUB stands by its proposal in previous comments that the credit should initially be a simple per hour credit that applies to all sustained interruptions (those that last more than five minutes) in all grid conditions.

The \$25 flat credit for unacceptable performance in the existing rules has no rationale behind it, as all parties seem to have agreed in the lengthy discussions throughout 2020 in the Service Quality and Technical Standards workgroup. The proposal to update the credit to \$35 to account for inflation, therefore, retains the same flaw as found in the original credit. The lack of rationale is perhaps best demonstrated by considering the Customer Average Interruption Duration Index, which measures the average time a customer is waiting for power to be restored after an interruption. The thresholds that the Staff have chosen for bill credit eligibility compare unfavorably to the CAIDI score of 356 minutes for Michigan utilities, or 5.93 hours. With a customer not receiving a credit until 16 hours under normal grid conditions, 48 hours under gray sky conditions and 96 hours under catastrophic conditions, Michigan customers would never qualify for credits under the vast majority of outages, despite the material economic harm that can come from outages that last well below 16 hours, much less 48 or 96 hours.

However, based on the available evidence that a residential customer experiences approximately a \$3 per hour cost of service interruption and with bill credits as provided in the proposed rules, a customer that experiences just under a 16-hour service interruption normal grid conditions has a cost of approximately \$42 but would receive no bill credit and a customer that experiences just over a 16-hour service interruption under normal grid conditions similarly experiences a cost of approximately \$42 but would receive a \$35 bill credit. A customer that experiences just under a 48-hour service interruption under gray sky conditions has a cost of



approximately \$144 but would receive no bill credit and a customer that experiences just over a 48-hour service interruption under gray sky conditions similarly experiences approximately \$144 in costs but would receive a \$35 bill credit. A customer that experiences just under a 96-hour service interruption under catastrophic conditions has a cost of \$288 and would not receive a bill credit and a customer that experiences just over a 96-hour service interruption under catastrophic conditions has a cost of \$288 but would receive a bill credit of only \$35.

While the Staff's idea of the credit increasing hourly after a certain threshold has been passed pushes the credit in the right direction, the use of thresholds based on the proposed definitions of "unacceptable performance" clearly fails to provide bill credits that will provide any material insurance function for customers, fails to address inequities in outage experiences as between customers, and fails to provide a useful tool for performance-based regulation. Furthermore, we do not believe that a system of credits based on large outage-duration thresholds can be made to provide those potential functions of a system of bill credits. While using a short outage duration such an hour as a "deductible" for bill credits would likely fit with an insurance perspective for most outages, it would fail to provide either insurance or utility incentives for customers who experience repeated temporary outages. We urge the Commission to apply bill credits to all sustained service interruptions (excluding momentaries) and to make those bill credits generally proportional to or increasing in the duration of the service interruption.

### VIII. The Commission should not use the "gray sky conditions" category as proposed to determine bill credit eligibility.

The "gray sky" conditions proposed by staff can refine data collection about outages by capturing a middle category of grid conditions that are neither normal nor catastrophic. While we support the concept of the "gray sky" category for data collection, the staff's proposal as is should not be used to determine credit eligibility.

The staff's proposal would create a new missing middle group of customers who currently qualify for credits but would not under the new rules: customers who lose power for more than 16 hours but less than 48 hours under gray sky conditions. Under the current standards, that situation would be considered normal grid conditions, and those customers would be eligible for credits. Given the severity of the reliability problem in Michigan, as seen this summer, this is not the time to be making it harder for customers to qualify for credits.

CUB's proposal avoids these problems entirely by using the same standard for credit eligibility regardless of grid condition. Another option would be to simply revise the threshold for gray sky conditions from 48 to 16, the same threshold as the staff's proposal for normal conditions.

We recommend the Commission not use the gray sky conditions category for bill credit eligibility. A very simple way to implement this recommendation is to set the credit at a fixed dollar rate per

hour, as we advocate above. Alternatively, it should allow customers whose power is out for 16 hours or more to be eligible for a bill credit under gray sky conditions.

IX. The Commission should not base utility performance-based regulation, bill credits, nor revenue allowances for bill credits on performance standards as lax as those in the proposed rule.

The existing rules, only slightly modified by the proposed amendments, allow a utility that meets all of the performance standards in the rules to seek an incentive plan from the Commission that would reward the utility for its performance (Rule 460.741) The existing performance standards would allow a utility to seek incentive revenue when up to 10% of the utility's customers who experience sustained service interruptions have service interruptions that exceed what the rules otherwise deem to be "unacceptable performance." The proposed rules would further relax the standards by allowing utilities to seek incentive revenue even if up to 10% of customers lose power for more than 4 days under "gray sky" conditions. While we think it unlikely that the Commission would actually authorize incentive revenue for a utility that had these performance levels, this illustrates how inadequately these rules are formulated as performance-based regulation.

Although there is not a straightforward way to model these standards in relation to the widely available SAIDI, SAIFI, and CAIDI statistics to compare Michigan utilities to those in other states, we believe that a utility satisfying the performance standards in the proposed rules could still have reliability performance that is amongst the worst in the United States. We note that the record in support of this rulemaking does not even include a calculation whether Michigan utilities currently satisfy all of the proposed standards for acceptable performance, despite their currently very poor ranking in comparison to utilities in the rest of the United States. Although there is no current reporting using the "gray sky" conditions defined and used in the proposed rules, our review of the available evidence on outage frequency and duration suggests that Michigan utilities would currently qualify for an incentive plan under the proposed rules.

We provided evidence above that basing bill credits on the proposed outage thresholds means that customers may experience very substantial harms without qualifying for a bill credit and that the proposed bill credits will often fall far short of the level of harm experienced by customers. This poor alignment of bill credits with harm is primarily due to the use of these "unacceptable performance" standards as the basis for bill credits. As noted above, this problem is exacerbated by the Staff's proposed addition of a "gray skies" condition to the rule.

For the same reasons, the proposed "unacceptable performance" standards should not be used as the basis for determining the revenue allowed a utility for recovery of bill credits.

We urge the Commission to unlink bill credits and incentives from the list of “unacceptable conditions” in the draft rules. We also urge the Commission to direct Staff to provide an analysis of whether meeting the proposed “unacceptable conditions” will materially improve current electric utility reliability in Michigan.

X. If the Commission adopts a performance-based regulation method based on an allowance for bill credits in rates, the allowance should be based on national average performance.

Based on our experience of the regulatory process, if the revenue allowed a utility for recovery of bill credits is not based on an external reference but is instead “negotiated” with the Commission, we think it likely that the Commission will start with an approach that is meaningful but that utilities will gradually render it ineffective or one based on positive incentives alone. We therefore strongly urge the Commission to apply an external reference in these rules.

Given the current poor reliability performance of Michigan’s utilities, we do not support an approach to performance-based regulation that only provides a positive incentive. Furthermore, most strategies proposed by utilities in their recent distribution investment plans and in rate cases attempt to improve reliability through additional capital investment that has the effect of increasing utility profits. Thus, a positive incentive would simply add to those profits and the associated increase in rates. We therefore strongly urge an approach that would initially result in a net penalty for the poor performance currently achieved by Michigan utilities.

Since improving reliability is likely to include investments that increase utility profits, we are inclined to achieve some symmetry by treating all bill credits as penalties. However, we anticipate that would inevitably lead to other utility accommodations, such as an increase in the authorized return on equity. We therefore recommend an approach that is symmetric, uses an external point of reference, and allows the standard to evolve as climate, technology practices, and technology evolve. We recommend that the Commission authorize revenue allowance for bill credits based on national average reliability of investor-owned utilities. This will begin as a penalty for the current poor performance of many Michigan utilities but enable them to reach a level of performance that provides additional earnings by outperforming their peers.

## Redlines

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

PUBLIC SERVICE COMMISSION

SERVICE QUALITY AND RELIABILITY STANDARDS

FOR ELECTRIC DISTRIBUTION SYSTEMS

(By authority conferred on the public service commission by section 10p of 2000

PA 141, section 7 of 1909 PA 106, section 5 of 1919 PA 419, sections 4 and 6 of 1939

PA 3, and sections 3, 9, and 231 of 1965 PA 380, MCL 460.10p, 460.557, 460.55,

460.4, 460.6, 16.103, 16.109, and 16.331)

PART 1. GENERAL PROVISIONS

R 460.701 Application of rules.

Rule 1. (1) These rules apply to electric utilities as defined by MCL 460.562(e) and cooperative electric utilities that are member regulated as provided in 2008 PA 167.

(2) These rules do not relieve an electric utility that is subject to the jurisdiction of the public service commission from any of its duties under the laws of this state, including all of the requirements of R 460.3101 to R 460.3908.

History: 2004 AACCS.

R 460.702 Definitions.

Rule 2. As used in these rules:

(a) "All conditions" means conditions reflected by data derived through the amalgamation of data from normal conditions, gray sky conditions and catastrophic conditions. "All conditions" does not mean only normal conditions or only gray sky conditions or only catastrophic conditions.

~~(b) "Answer" means that a utility representative, voice response unit, or automated operator system is ready to render assistance or ready to accept information necessary to process the call. An acknowledgment that the customer is waiting on the line does~~

~~not constitute an answer.~~

~~(c) "Call" means a measurable effort by a customer to obtain a telephone connection whether the connection is completed or not.~~

~~(d) "Call blockage factor" means the percentage of calls that do not get answered. The call blockage factor is calculated by multiplying the remainder obtained by~~

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~~subtracting the number of answers from the number of calls, multiplying by 100, and then dividing that value by the total number of calls.~~

(e) "Approved by the commission" means that a favorable commission order has been obtained.

(f) "Catastrophic conditions" means either of the following:

(i) Severe weather conditions that result in sustained interruptions for 10% or more of an electric utility's or electric cooperative's customers.

(ii) Events of sufficient magnitude that result in issuance of an official state of emergency declaration by the local, state, or federal government.

(g) "CELID" or "Customers Experiencing Long Interruption Durations" or "CELID" means the ratio of the number of customers experiencing one or more sustained interruptions longer than an indicated duration to the total number of customers served. For purposes of these rules, the interruption duration is denoted as an number and unit of time immediately following the term CELID, for example CELID8hours.

(h) "CEMIn" or "Customers Experiencing Multiple Interruptions" means the ratio of individual customers experiencing n or more sustained interruptions to the total number of customers served.

~~(i) "Complaint response" or "response" means a communication between the utility and the customer that identifies the problem and a solution to the complaint.~~

~~(j) "Complaint response factor" means the annual percentage of the complaints forwarded to a utility by the commission that are responded to within the time period prescribed by these rules.~~

(k) "Commission" means the Michigan public service commission.

(l) "Completion date" means the day on which service at a new installation is permanently energized. The provision of construction power does not affect a determination of the completion date.

(m) "Electric Cooperative" means cooperative electric utilities that are member regulated as provided in 2008 PA 167.

(n) "Electric utility" or "utility" means that term as defined in section 2(e) of 1995 PA 30, MCL 460.562(e).

(o) "Gray sky conditions: means conditions that result in sustained interruptions for greater than 1% but less than 10% of an electric utility's or electric cooperative's customers.

(p) "Meter reading factor" means the percentage of meters read within an approved billing period. An approved billing period is a "billing month" within the meaning of R 460.2102(b) of not less than 26 days, nor more than 35 days, or some other time period approved by the commission.

(q) "Metropolitan statistical area" means an area within the state of Michigan identified by the federal office of management and budget ~~on June 30, 1999. A map of the metropolitan statistical areas was attached to the July 11, 2001, order in Case No. U12270 as exhibit G and appears on the website of the United States department of~~

commerce, economics and statistics administration, bureau of the census--at

<http://www.census.gov/geo/www/mapGallery/stma99.pdf>.

(r) "Minimum bill prorated on a daily basis" means the amount that results from

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dividing the customer's minimum bill amount by the number of days in the billing period and then by multiplying that quotient by the number of days during which the customer remained out of service.

(s) "MISS DIG activities" means the requirements imposed pursuant to 1974 PA 53, as amended, MCL 460.701 et seq.

(t) "Momentary Interruption" means the full or partial loss of service to 1 or more customers for less than or equal to five minutes. Such switching operations must be completed within a specified time of less than or equal to five minutes. This definition includes all reclosing operations that occur within five minutes of the first interruption .

(u) "New service installation factor" means the percent of new service hookups that are completed within the time period prescribed by these rules, from start date to completion date. New service hookups dependent on the construction of a line extension other than the service line shall be excluded from the calculation of this factor.

(v) "Normal conditions" means conditions that result in sustained interruptions for one percent or less of an electric utility's or electric cooperative's customers,

(w) "Service restoration" means that the interruption condition has been corrected and that the interrupted customer or customers have regained the full use of their electric service.

(x) "Sustained interruption" means any interruption not classified as part of a

momentary event – that is any interruption that lasts more than five minutes. The duration of a customer’s interruption shall be measured from the time that the electric utility or electric cooperative is notified or otherwise becomes aware of the full or partial loss of service to one or more customers for longer than five minutes.

(y) "Start date for new installations" means the first business day after all of the following events have occurred:

(i) All rights of way, easements, licenses, and consents have been obtained and are and remain physically unencumbered.

(ii) All permits have been received.

(iii) All joint use requirements have been met.

(iv) All required inspections have been completed.

(v) All commission-approved tariff payments have been received.

(vi) All MISS DIG activities have been completed.

(v) "Wire-down relief factor" means the annual percentage ~~of the non-utility~~ employee first responder guarded downed wires that are relieved by a utility representative within the time period specified in Rule 23.

History: 2004 AACS.

R 460.703 Revision of tariff provisions.

Rule 3. Not more than 30 days after the effective date of these rules, an electric utility subject to the commission's jurisdiction shall file any revisions of its tariff provisions necessary to conform with these rules.

History: 2004 AACS.

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## PART 2. UNACCEPTABLE LEVELS OF PERFORMANCE



R 460.721 Duty to plan to avoid unacceptable levels of performance.

Rule 21. An electric utility or electric cooperative shall plan to operate and maintain its distribution system in a manner that will permit it to provide service to its customers without experiencing an unacceptable level of performance as defined by these rules.

History: 2004 AACs.

~~R 460.722 Unacceptable levels of performance during sustained interruptions.~~

~~Rule 22. It is an unacceptable level of performance for an electric utility or electric cooperative to fail to meet any of the following sustained interruption standards:~~

~~(a) Considering data derived through the amalgamation of data from normal, gray sky and catastrophic conditions, an electric utility or electric cooperative shall restore service within 36 hours to not less than 90% of its customers experiencing sustained interruptions.~~

~~(b) Considering data including only catastrophic conditions, an electric utility or electric cooperative shall restore service within 60-48 hours to not less than 90% of its customers experiencing sustained interruptions.~~

~~(c) Considering data including only gray sky conditions, an electric utility or electric cooperative shall restore service within 24 hours to not less than 90% of its customers experiencing sustained interruptions.~~

~~(d) Considering data including only normal conditions, an electric utility or electric cooperative shall restore service within 8 hours to not less than 90% of its customers experiencing sustained interruptions.~~

~~(e) Considering data derived through the amalgamation of data from normal, gray sky and catastrophic conditions, an electric utility shall not experience 4 or more repetitive sustained interruptions in a 12-month period for more than 5% of its customers."~~

History: 2004 AACS.

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R 460.723 Wire down relief requests.

Rule 23. (1) It is an unacceptable level of performance for an electric utility or electric cooperative to fail to respond to a request for relief of a first responder non-utility employee guarded downed wire at a location in a metropolitan statistical area within 120 240 minutes after notification at least 90% of the time under all conditions.

(2) It is an unacceptable level of performance for an electric utility or electric cooperative to fail to respond to a request for relief of a first responder non-utility employee guarded downed wire at a location in a non-metropolitan statistical area within 180 360 minutes after notification at least 90% of the time under all conditions.

(3) It is an unacceptable level of performance for an electric utility or electric cooperative to fail to exercise due diligence and care to ensure that first responders are relieved from guarding downed wires in the quickest manner possible.

(4) It is an unacceptable level of performance for an electric utility or electric cooperative to fail to exercise due diligence and care to ensure downed wires are repaired responded to and secured in the quickest manner possible.

History: 2004 AACS.

R 460.724 Unacceptable service quality levels of performance.

Rule 24. It is an unacceptable level of performance for an electric utility or electric cooperative to fail to meet any of the following service quality standards:

~~(a) An electric utility shall have an average customer call answer time of less than 90 seconds.~~

~~(b) An electric utility shall have a call blockage factor of 5% or less.~~

~~(c) An electric utility shall have a complaint response factor of 90% or more within 3 business days.~~

(d) An electric utility shall have a meter reading factor of 95% 85% or more within the approved period, including customer reads.

(e) An electric utility shall complete 90% or more of its new service installations within 15 business days.

History: 2004 AACS.

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### PART 3. RECORDS AND REPORTS

R 460.731 Deadline for filing annual reports.

Rule 31. Not more than 120 days after the end of the calendar year in which these rules became effective, an electric utility or electric cooperative shall file an annual report with the commission regarding the previous calendar year. For subsequent calendar years, an electric utility or electric cooperative shall file its annual report not more than 75 days after the end of the year. The annual report shall be filed on a form prescribed by the Commission.

History: 2004 AACS.

R 460.732 Annual report contents.

Rule 32. The annual report of an electric utility or electric cooperative made pursuant to these rules shall contain all of the following information:

~~(a) The call blockage factor. If the call blockage factor is more than 5%, then the annual report shall contain a detailed explanation of the steps that the electric utility is taking to bring its performance to an acceptable level.~~

~~(b) The complaint response factor. If the complaint response factor is less than~~

~~90% within 3 business days, then the annual report shall contain a detailed explanation of the steps that the electric utility is taking to bring its performance to an acceptable level.~~

~~(c) The average customer call answer time. If the average customer call answer time is 90 seconds or more, then the report shall contain a detailed explanation of the steps that the electric utility is taking to bring its performance to an acceptable level.~~

(d) The meter reading factor. If the meter reading factor is less than 95% 85%, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(e) The new service installation factor. If the new service installation factor is less than 90% completed within 15 business days, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(f) The wire-down relief factor. If the wire-down relief factor is less than 90% within 120 240minutes within metropolitan statistical areas or less than 90% within 180 360minutes in non-metropolitan statistical areas, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(g) The service restoration factor for all conditions. If the service restoration factor for all conditions is less than 90% of customers restored within 36 hours or less, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(h) The service restoration factor for normal conditions. If the service restoration factor for normal conditions is less than 90% of customers restored within 8 hours or

less, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

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(i) The service restoration factor for gray sky conditions. If the service restoration factor for gray sky conditions is less than 90% of customers restored within 24 hours or less, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(j) The service restoration factor for catastrophic conditions. If the service restoration factor for catastrophic conditions is less than 90% of customers restored within 48 60 hours or less, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(k) CEMI4: The number of customers experiencing four or more sustained interruptions, excluding those interruptions that occurred on major event days.

(l) Repetitive Circuit Interruptions. If more than 5% of circuits experience 4 or more repetitive sustained interruptions within a 12 month period, then the report shall contain a detailed explanation of the steps that the electric utility or electric cooperative is taking to bring its performance to an acceptable level.

(m) A description of all catastrophic conditions experienced during the year.

(n) The number and total dollar amount of all customer credits the electric utility or electric cooperative provided during the year, broken down by customer class, for its failure to restore service to customers within 96 hours of a sustained interruption that occurred during the course of catastrophic conditions.

(o) The number and total dollar amount of all customer credits the electric utility or

electric cooperative provided during the year, broken down by customer class, for its failure to restore service to customers within 48 hours of a sustained interruption that occurred during the course of gray sky conditions.

(p) The number and total dollar amount of all customer credits the electric utility or electric cooperative provided during the year, broken down by customer class, for its failure to restore service to customers within 16 hours of a sustained interruption that occurred during normal conditions.

(q) The number and total dollar amount of all customer credits the electric utility or electric cooperative provided during the year, broken down by customer class, for repetitive sustained interruptions.

(r) For each electric utility with 1 million or more customers, a list of their ten worst performing circuits for the prior year , excluding major event days. "Worst performing" shall be in terms of SAIDI, excluding major event days, and the calculation of SAIDI minutes for each circuit shall only consider the customers being served by the circuit itself.

(s) For each electric utility or electric cooperative with less than 1 million customers, a list of the worst performing 1% of circuits for the prior year. "Worst performing" shall be in terms of SAIDI, excluding major event days, and the calculation of SAIDI minutes for each circuit shall only consider the customers being served by the circuit itself.

(t) For each of the ten worst performing circuits listed in parts (r) or (s), the electric utility or electric cooperative shall provide the following information: (i) SAIDI and SAIFI excluding major event days for the year; (ii) circuit name, number and location; (iii) length of circuit (miles); (iv) number of customers served; (v) substation name; (vi)

last circuit trim; (vii) list of outages and causes; and (viii) corrective action to improve

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performance.

(u) Number of Customers Experiencing Multiple Interruptions (“CEMI”) reporting for indices CEMI0 hours through CEMI10+ hours excluding those interruptions that occurred on major event days.

(v) Number of Customers Experiencing Long Interruption Durations (“CELID”) reporting for indices CELID8hours, CELID24hours, CELID 48hours excluding those interruptions that occurred on major event days.

(w) Number of Commercial and Industrial customers experiencing Momentary Interruptions.

(x) A summary table indicating whether the electric utility or electric cooperative complied or failed to comply with each of the standards established by these rules.

History: 2004 AACCS

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R 460.733 Availability of records.

Rule 33. (1) An electric utility or electric cooperative shall make available to the commission or its Staff, upon request, all records, reports, and other information required to determine compliance with these rules and to permit the commission and its Staff to investigate and resolve service quality and reliability issues related to electric distribution service.

(2) An electric utility or electric cooperative shall make records, reports, and other information available to the commission or its Staff within 5 business days, preferably in an electronic format available through the internet, accessible with standard browser

software, identification, and password or as soon thereafter as feasible.

History: 2004 AACR.

R 460.734 Retention of records.

Rule 34. An electric utility shall preserve, in detail, all records required by these rules for the previous 24 months and shall preserve, in summary form, all records for not less than 4 years, unless otherwise ordered by the commission.

History: 2004 AACR.

#### PART 4. FINANCIAL INCENTIVES AND PENALTIES

##### CUSTOMER ACCOMODATIONS

R 460.741 Approval of incentives **AND PENALTIES** by the commission.

Rule 41. (1) **THE COMMISSION SHALL DETERMINE BY ADMINISTRATIVE RULING AN EXTERNAL STANDARD FOR RELIABILITY PERFORMANCE. THIS STANDARD WILL BE A BASIS FOR DETERMINING THE DEGREE TO WHICH A UTILITY CAN RECOVER THE COST OF OUTAGES. ~~The commission may authorize an electric utility to receive a financial incentive if it exceeds all of the service quality and reliability standards adopted by these rules.~~**

~~(2) A request for approval of an incentive mechanism shall be made in either of the following proceedings and shall be conducted as a contested case under chapter 4 of 1969 PA 306, MCL 24.271 et seq.~~

~~(a) A rate case proceeding.~~

~~(b) A single issue proceeding filed specifically to address adoption of an incentive program.~~

~~(3) An electric utility shall not file an application seeking approval of an incentive mechanism until it has exceeded all of the service quality and reliability standards adopted by these rules continuously for a period of not less than 12 months.~~



~~History: 2004 AACS.~~

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~~R 460.742 Criteria for receipt of an incentive.~~

~~Rule 42. (1) If an electric utility qualifies for implementation of a previously approved incentive mechanism, it shall file an application seeking authority to implement the incentive mechanism at the same time that it submits the annual report required by R 460.732.~~

~~(2) An electric utility shall not apply for a financial incentive approved by the commission unless all of the following criteria were met during the previous 12 months:~~

~~(a) All required reports have been filed in a timely manner.~~

~~(b) All required reports fully comply with the requirements as determined by the commission.~~

~~(c) The electric utility's performance shall have exceeded all of the individual service quality and reliability standards.~~

~~(d) The electric utility shall have fully responded to any inquiries about the content of the reports made by the commission or its Staff in a timely manner.~~

~~History: 2004 AACS.~~

~~R 460.743 Disqualification.~~

~~Rule 43. An electric utility shall be disqualified from receiving an incentive if the commission issues an order finding that the electric utility engaged in any type of anticompetitive behavior within the 12-month period preceding the filing of an application pursuant to R 460.742(1).~~

~~History: 2004 AACS.~~

R 460.744 ~~Penalty~~ Customer Accommodation for failure to restore service after a sustained interruption due to gray sky and catastrophic conditions.

Rule 44. (1) Unless an electric utility requests a waiver pursuant to part 5 of these rules, AN ELECTRIC UTILITY SHALL PROVIDE A CUSTOMER THAT EXPERIENCES A SUSTAINED INTERRUPTION THE APPROPRIATE BILL CREDIT IN THE BILL FOR THE BILLING PERIOD DURING WHICH THE INTERRUPTION OCCURRED.

~~an electric utility that fails to restore service to a customer within 96 hours after a sustained interruption that occurred during the course of catastrophic conditions shall provide any affected customer with a bill credit on the customer's bill within 90 days. The amount of the credit provided to a residential customer shall be the greater of a base rate \$35.00 plus \$2.00 for every hour of outage over 96 hours or the customer's monthly customer charge. The amount of the credit provided to any other distribution customer shall be the customer's minimum bill prorated on a daily basis.~~

~~(2) Unless an electric utility requests a waiver pursuant to part 5 of these rules, an electric utility that fails to restore service to a customer within 48 hours after a sustained interruption that occurred during the course of gray sky conditions shall provide any affected customer with a bill credit on the customer's bill within 90 days. The amount of the credit provided to a residential customer shall be the greater of a base rate of \$35.00 plus \$2.00 for every hour of outage over 48 hours or the customer's monthly customer charge. The amount of the credit provided to any other distribution customer shall be the customer's minimum bill prorated on a daily basis.~~

THE AMOUNT OF THE CREDIT PROVIDED TO A RESIDENTIAL CUSTOMER SHALL BE \$2.00 FOR EVERY HOUR OF OUTAGE, OR A LARGER AMOUNT DETERMINED BY THE COMMISSION PURSUANT TO RULE 460.xxx

(3) THE AMOUNT OF THE CREDIT PROVIDED TO A NONRESIDENTIAL CUSTOMER SHALL BE [], OR A LARGER AMOUNT DETERMINED BY THE COMMISSION PURSUANT TO RULE 460.xxx.

~~(3)~~ (4) No sooner than September 1, 2022, and by October 1 every year thereafter, the

Commission shall issue an order adjusting the customer accommodations base rate under subsection (1) and subsection (2) of these rules. The Commission shall adjust these customer accommodations by multiplying these accommodations by the difference between the Consumer Price Index for the month of October immediately preceding the commission's order implementing the inflation adjustment and the Consumer Price Index for the previous October. The commission shall round up each adjustment made under this subsection to the nearest multiple of \$1.00.

**R 460.xxx Determination of the customer cost of service interruptions**

- (1) The commission may adopt on its own motion standard service interruption survey instruments and procedures for the purpose of obtaining data about the customer cost of electric service interruptions.
- (2) Following each service interruption event experienced by customers of an electric utility or cooperative, the electric utility or cooperative shall survey affected customers as prescribed by the Commission's standard service interruption survey instruments and procedures. Not later than March 1 of each calendar year, each electric utility or cooperative shall convey to the commission in a form and manner prescribed by the commission all data accumulated by the electric utility or cooperative through such surveys, excluding data that identifies the respondent customers. Such data will be made available to researchers and stakeholders by the commission.
- (3) Within one year of the effective date of THE AMENDMENTS TO these rules and not less than once every three years thereafter, the commission will open a docket for the purpose of establishing appropriate formulas and values to determine the customer costs of electricity service interruptions that are to be used by electric utilities in reporting service interruptions and in analyses of utility investments in distribution system reliability.

History: 2004 AACs.

R 460.745 ~~Penalty~~ Customer Accommodation for failure to restore service during normal conditions.

Rule 45. (1) ~~Unless an electric utility requests a waiver pursuant to part 5 of these rules, an electric utility that fails to restore service to a customer within 16 hours after a sustained~~

~~interruption that occurred during normal conditions shall provide any affected customer a bill credit on the customer's bill within 90 days. The amount of the credit provided to a residential customer shall be the greater of a base rate of \$35.00 plus \$2.00 for every hour of outage over 16 hours or the customer's monthly customer charge. The amount of the credit provided to any other distribution customer shall be the customer's minimum bill prorated on a daily basis. THE AMOUNT OF THE CREDIT PROVIDED TO A RESIDENTIAL CUSTOMER SHALL BE \$2.00 FOR EVERY HOUR OF OUTAGE~~

(2) THE AMOUNT OF THE CREDIT PROVIDED TO A NONRESIDENTIAL CUSTOMER SHALL BE []

(3) No sooner than September 1, 2022, and by October 1 every year thereafter, the Commission shall issue an order adjusting the customer accommodation base rate under this rule. The Commission shall adjust these customer accommodations by multiplying these accommodations by the difference between the Consumer Price Index for the month of October immediately preceding the commission's order implementing the inflation adjustment and the Consumer Price Index for the previous October. The commission shall round up each adjustment made under this subsection to the nearest multiple of \$1.00.

History: 2004 AACS.

R 460.746 ~~Penalty~~-Customer Accommodation for repetitive sustained interruptions of the same circuit.

Rule 46. (1) Unless an electric utility requests a waiver pursuant to part 5 of these rules, a customer of an electric utility that experiences more than 5 sustained interruptions in a 12-month period shall be entitled to a billing credit on the customer's bill within 90 days. The amount of the credit provided to a residential customer shall be the greater of a base rate of

\$35.00 or the customer's monthly customer charge. The amount of the credit provided to any other distribution customer shall be the customer's minimum bill prorated on a daily basis.

(2) Following provision of the billing credit to a customer experiencing more than 5 sustained interruptions in a 12-month period the electric utility's interruption counter shall be reset to zero to ensure that another credit to the customer will be processed only after the occurrence of another 6 interruptions in a 12-month period.

(3) No sooner than September 1, 2022, and by October 1 every year thereafter, the Commission shall issue an order adjusting the customer accommodations base rate under subsection (1) of these rules. The Commission shall adjust these customer accommodations by

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multiplying these accommodations by the difference between the Consumer Price Index for the month of October immediately preceding the commission's order implementing the inflation adjustment and the Consumer Price Index for the previous October. The commission shall round

up each adjustment made under this subsection to the nearest multiple of \$1.00.

History: 2004 AACS.

R 460.747 Multiple billing credits allowed.

Rule 47. An electric utility's obligation to provide a customer with a billing credit for one reason does not excuse the obligation to provide an additional billing credit in the same month for another reason.

History: 2004 AACS.

R 460.748 Effect in other proceedings.

Rule 48. (1) The payment or nonpayment of a customer credit or an incentive award shall not affect the rights of a customer or an electric utility in any proceeding before the commission

or in any action in a court of law.

(2) The finding of a violation of a service quality or reliability standard adopted in these rules shall not affect the rights of a customer or an electric utility in any proceeding before the commission or in any action in a court of law.

History: 2004 AACs.

## PART 5. WAIVERS AND EXCEPTIONS

R 460.751 Waivers and exceptions by electric utilities and electric cooperatives.

Rule 51. (1) An electric utility or electric cooperative may petition the commission for a permanent or temporary waiver or exception from these rules when specific circumstances beyond the control of the utility render compliance impossible or when compliance would be unduly economically burdensome or technologically infeasible.

(2) An electric utility or electric cooperative may request a temporary waiver in order to have sufficient time to implement procedures and systems to comply with these rules.

(3) An electric utility or electric cooperative need not meet the standards or grant the credits required by parts 2 and 4 of these rules under any of the following circumstances:

(a) The problem was caused by the customer.

(b) There was a work stoppage or other work action by the electric utility's or electric cooperative's employees, beyond the control of the utility, that caused a significant reduction in employee hours worked.

(c) The problem was caused by an "act of God." The term "act of God" means an event due to extraordinary natural causes so exceptionally unanticipated and devoid of human agency that reasonable care would not avoid the consequences and includes any of the following:

(i) Flood.

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(ii) Tornado.

(iii) Earthquake.

(iv) Fire.

(d) The problem was due to a major system failure attributable to any of the following,

but is not limited to:

(i) An accident.

(ii) A man-made disaster.

(iii) A terrorist attack.

(iv) An act of war.

(v) A pandemic

History: 2004 AACS.

R 460.752 Proceedings for waivers and exceptions.

Rule 52. (1) A petition for a waiver of a customer credit provision filed by an electric utility or electric cooperative shall be handled as a contested case proceeding. The burden of going forward with a request for a waiver shall be on the electric utility or electric cooperative. To be timely, a petition for a waiver of a customer credit provision of these rules shall be filed not more than 14 calendar days after conclusion of the outage giving rise to application of the customer credit provision.

(2) A petition for any other waiver or exception may be granted by the commission without notice or hearing.

History: 2004 AACS.



December 6, 2021

Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 West Saginaw Hwy, 3rd Floor  
Lansing, MI 48909

Dear Executive Secretary,

Please accept these comments for filing in the docket of case U-20629, Service Quality and Reliability Standards for Electric Distribution Systems.

These comments address only the need for clear and specific standards to apply to street lighting services, which are absent in the proposed draft. The applicable statute requires that the Commission adopt “generally applicable service quality and reliability standards.” (MCL 460.10p(5)).

Members of MI-MAUI – local governments served by DTE Electric and Consumers Energy - have a particular interest in municipal street lighting. Primary concerns they share, relevant to this proceeding, include poor reliability performance of their streetlights, meager or non-existent bill credits for outages and lack of standards and penalties to compel utilities to improve reliability.

As a mostly unmetered service, the application of the current or proposed standards to streetlighting can be difficult and ambiguous. For instance, the rules require either unrealistically quick response times (those equivalent to residential or business customers) or none at all to streetlight outages, depending on how they are read. In practice, the tariffs and contracts in place within various utility territories create an inconsistent and patchwork approach to these customer classes.

### **Current Rules Fail to Create Quality and Reliability Incentives for Streetlighting Services**

This patchwork approach (or application of rules premised on the assumption that a customer is metered) is not achieving the statutory goal of fostering a robust and reliable system. See MCL 460.10(c). For instance, in the Consumers Energy territory from 2017-2020, streetlighting reliability declined every year, and grew from hundreds to more than a thousand outages that took more than 30 days to resolve. The combination of increased outages and increased average duration resulted in total *reported* outage-days more than doubling over that period. This slide in reliability was no more pronounced in the COVID year of 2020 than in 2018 or 2019. Nor are these reliability difficulties limited to a single utility – or even single lights in unobtrusive locations. In early 2020, it took 18 days from the time of report for DTE to restore service to six streetlights near the intersections of S. University and State Street in Ann Arbor (an intersection with very heavy U-M pedestrian and vehicle traffic); and that outage occurred in January and February, when the daylight hours are short and student traffic is high.



City of Ann Arbor staff, despite reporting and tracking numerous outages exceeding 30 days, cannot recall *ever* receiving a streetlighting outage credit.

In this and other ways, the rules fail to offer street lighting customers protections comparable to those offered to all other classes of customers. In this comment, we offer some specific adjustments to the rules that would improve protection for streetlighting customers. However, we believe the only way to provide streetlighting customers with workable, clear, quality and reliability protections fully comparable to those covering other distribution customers and consistent with the spirit of the Standards would be to develop comprehensive streetlighting-specific rules, and thus our primary recommendation is that the Commission order a collaborative process for that purpose.

### **Proposed Approach: Collaborative Process to Draft New Section to the Rules**

In general, we take the view that lighting customers should receive the same kinds of protections as other customer classes without necessarily having identical provisions, which is best achieved by lighting-specific rules.

First, when customers do not receive service, they should not pay, starting from the moment service goes out. No other customer class is forced to pay for service they do not receive.

Second, when customers of any kind experience long or repetitive outages, *additional* penalties should apply, consistent with the Standards.

Third, utilities should be required to consistently monitor their own equipment (either physically or through electronic means) to proactively identify faults and outages.

Allowing utilities to continue operating monitoring and response practices that they *know* leave many outages undetected and unreported for long after they occur is unfair to customers. Strong evidence suggests that undetected outages account for vastly more outage-days than reported outages, once again forcing customers to pay for service they are not receiving. Operational and technological solutions to outage detection are readily available. Utilities that fail to adopt them should not be permitted to cite lack of evidence as a reason to continue charging customers as if the lights were on all the time.

The proposed rules do not provide any of these protections for streetlighting customers. Thus, our primary recommendation is to follow MI-MAUI's original request to commence a stakeholder process to add specific streetlighting quality and reliability content to the Standards. MI-MAUI does not have members in all utility territories, and therefore would want to ensure that smaller utilities and customers have a voice in standards that would apply to them.

We believe this is the best approach because there are reasons *not* to apply the same reliability standards to unmetered services as to other electric distribution services. First, as noted above, most streetlights are unmetered, thus different ways to monitor service, quantify outage durations and frequencies may be needed. Second, it may be economically or socially impractical or undesirable to apply the same service restoration timelines to streetlights as to electricity service for occupied

buildings. But we do strongly maintain that streetlight customers are entitled to statewide uniform service and reliability standards rather than leaving it up to each utility to set individual standards, especially as resulting reliability levels do not meet statutory goals for robust and reliable service.

### **Smaller Changes to this Rule Set**

We recommend wholesale changes to create streetlighting-specific standards, but the following smaller changes could be made in the existing proposed rules as a start to addressing these issues.

- “Service restoration” should be defined for streetlighting to occur when “a fixture again provides light” to prevent an argument that (as some tariffs provide today) municipal customers should pay the same amount for a light that is working as they do for a light that is out, because electricity may be flowing to a luminaire that is not providing illumination.
- Annual reports on reliability should be required to include data for streetlighting specifically. Right now, the proposed (and current) rules require reports on sustained interruptions and credits by customer class, but utilities do not as a rule include streetlighting classes in those reports. We recommend the rules be amended to explicitly require both outage information and credits paid to streetlighting customers be included in these reports. We suggest adding “A report required under this section to report by customer class shall include all customer classes, including non-metered customer classes.”
- Sections R 460.744-745 detail customer bill credits for failure to restore service after sustained interruptions. We would recommend that for streetlighting, interruption to “lighting service” be defined as interruption to “the provision of light by each fixture for which the customer is billed,” for the same reason as described in the service restoration discussion above. Under normal weather conditions, for example, failure to restore service within 16 hours entitles the customer to a bill credit, meaning streetlighting customers would no longer be charged for those nights when the fixture is not providing light.

We have consistently advocated for better protections for street lighting customers since this docket was opened. While street lighting customers comprise a small percentage of electric service customers and load, the statute directing the Commission to adopt service quality and reliability protections requires that they be of general applicability, meaning that streetlighting customers must receive the same basic protections afforded all other customers. We urge the Commission to order development of standards that will bring street lighting customers under the same protective umbrella as all other customer classes, ideally by stepping away from a one-size-fits-all approach to crafting streetlighting-specific service quality and reliability rules.

Sincerely,



Rick Bunch  
Executive Director