

MICHIGAN PUBLIC SERVICE COMMISSION (EXCERPT)
Act 3 of 1939

460.6u Study; review of performance-based regulation systems; report; authority of commission.

Sec. 6u. (1) Not later than 90 days after the effective date of the amendatory act that added this section, the commission shall commence a study in collaboration with representatives of each customer class, utilities whose rates are regulated by the commission, and other interested parties regarding performance-based regulation, under which a utility's authorized rate of return would depend on the utility achieving targeted policy outcomes.

(2) In the study required under this section, the commission shall review performance-based regulation systems that have been implemented in another state or country, including, but not limited to, the RIIO (revenue = incentives + innovation + outputs) model utilized in the United Kingdom.

(3) In reviewing various performance-based regulation systems, the commission shall evaluate, but not be limited to, all of the following factors:

(a) Methods for estimating the revenue needed by a utility during a multiyear pricing period, and a fair return, that uses forecasts of efficient total expenditures by the utility instead of distinguishing between operating and capital costs.

(b) Methods to increase the length of time between rate cases, to provide utilities with more opportunity to retain cost savings without the threat of imminent rate adjustments, and to encourage utilities to make investments that have extended payback periods.

(c) Options for establishing incentives and penalties that pertain to issues such as customer satisfaction, safety, reliability, environmental impact, and social obligations.

(d) Profit-sharing provisions that can spread efficiency gains among consumers and utility shareholders and can reduce the degree of downside risk associated with attempts at innovation.

(4) Not later than 1 year after the effective date of the amendatory act that added this section, the commission shall report and make recommendations in writing to the legislature and governor based on the result of the study conducted under this section.

(5) This section does not limit the commission's authority to authorize performance-based regulation.

History: Add. 2016, Act 341, Eff. Apr. 20, 2017.