

Exhibit A.

Figure 1. Policy goals in PBR enabling legislation since 2018 target emerging areas of power sector transformation.⁷

The most commonly cited policy goals enumerated in PBR statutes since 2018.

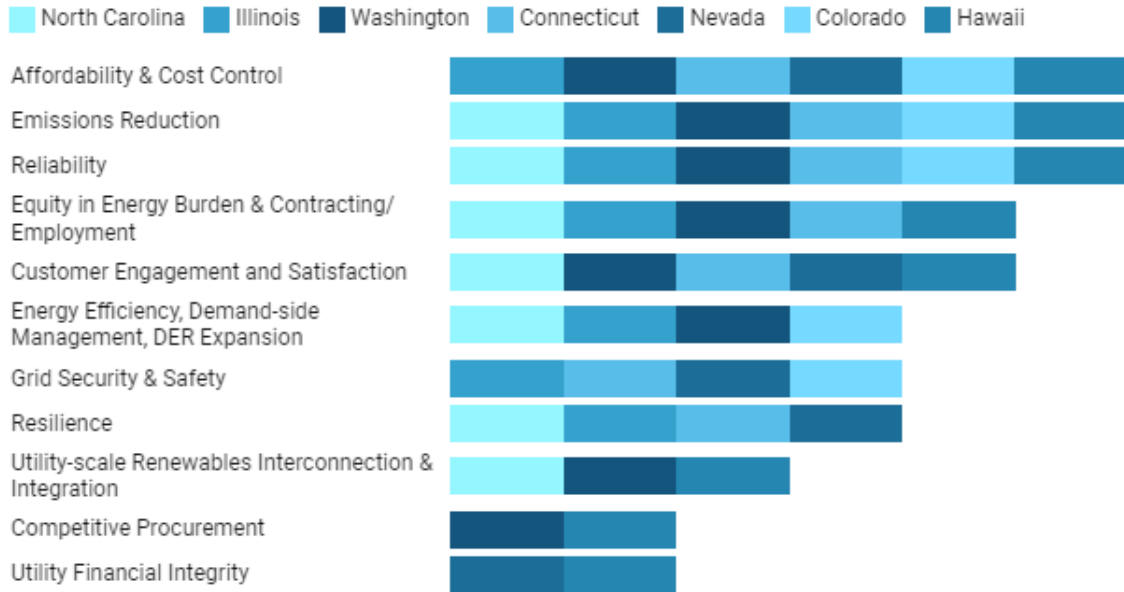
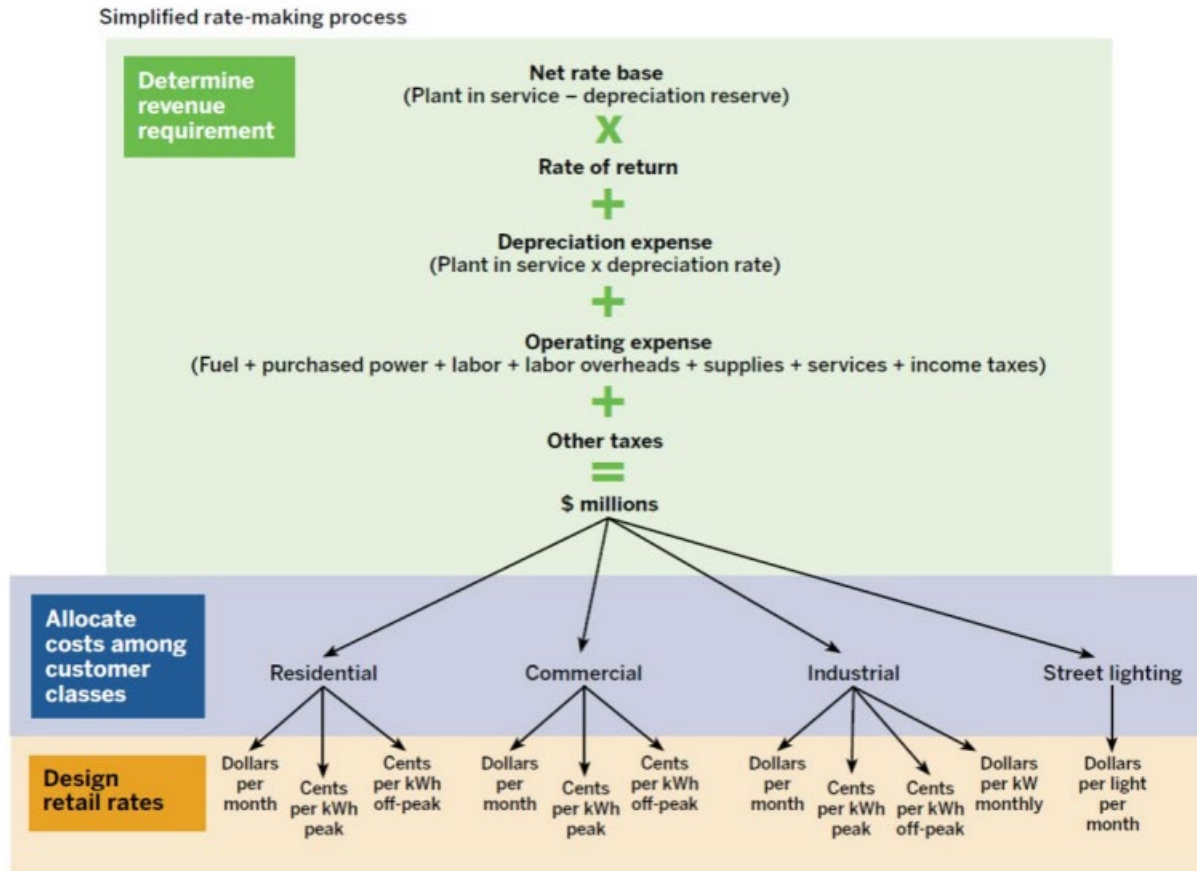


Chart: RMI • Created with [Datawrapper](#)

⁷ <https://rmi.org/states-move-swiftly-on-performance-based-regulation-to-achieve-policy-priorities/>

Figure 2. The term “rate design” refers to customer-facing retail rates (orange band below), to the exclusion of the upstream determination of the revenue requirement (green band). The terminology “performance-based regulation” would appropriately expand the tools available to regulators in evaluating and incentivizing desired outcomes.⁸



⁸ https://www.raponline.org/wp-content/uploads/2023/09/rap_lebel_usca_pbr_2021_nov_2.pdf

Figure 3. Rewards and penalties must be carefully designed relative to the existing rate of return to provide sufficient motivation to change utility behavior.⁹



⁹ <https://www.raponline.org/wp-content/uploads/2023/10/rap-improving-utility-performance-incentives-in-the-united-states-2023-october.pdf>

Draft Redline from the Natural Resources Council of Maine

LD 2172
PROPOSED SPONSOR AMENDMENT
Offered by Rep. Runte

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 35-A MRSA § 307, sub-§6 is enacted to read:

6. General rate increase; performance metric; rate-adjustment mechanisms. Notwithstanding any other provision of this Title, the commission may establish performance-based ~~incentives metrics~~ or rate-adjustment mechanisms in a proceeding for a general rate increase involving a public utility. ~~In doing so, the commission may evaluate the reasonableness and adequacy of the performance or service of the public utility and determine the reasonableness of the allowed rate of return of the utility based on such performance evaluation.~~

Strike section 2 of the bill and replace with the following.

Sec. 2. 35-A MRSA § 3196 is enacted to read:

§3196. Review of ~~p~~Performance-based regulation rate designs.

1. Commission proceeding. Beginning October 1, 2024, then every 3 years thereafter, the commission shall initiate a proceeding ~~to investigate, develop, adopt, and review a framework for evaluate~~ performance-based ~~regulation rate designs~~, including rate adjustment mechanisms, ~~performance incentives~~ and ~~other incentives for innovation ve rate designs~~, that the commission may implement for an investor-owned transmission and distribution utility.

A. In conducting a proceeding, the commission shall first, in accordance with subsection 2, paragraph A, establish goals for the utility's performance and then develop standards and metrics, in accordance with subsection 2, paragraph B, that may be used to assess the utility's performance towards achieving those goals.

B. In its evaluation, the commission must consider performance-based ~~regulation rate designs~~ to:

(1) Enhance the minimum service standards established pursuant to section 301, subsection 1-A; and

(2) Align utility performance with standards and metrics developed in accordance with subsection 2, paragraph B.

C. The commission shall also consider performance-based rate designs utilized in other states.

2. Goals, standards and metrics; considerations. The commission shall establish goals for a utility's performance and standards and metrics to assess the utility's performance towards achieving the goals in accordance with this subsection.

A. The commission shall establish goals that are consistent with the objectives of the State's climate action plan under Title 38, section 577 and address the elements of a utility's integrated grid planning filing pursuant to section 3147, subsection 4. The commission shall ~~develop also consider~~, at a minimum, goals that would benefit ratepayers and would achieve the following:

- (1) The promotion of efficiency and cost-effective utility operations;
- (2) Increased planning and preparation for extreme weather events and climate hazards;
- (3) The cost-effective and comprehensive response to outages;
- (4) Increased affordability, equity, customer empowerment and satisfaction; and
- (5) The advancement of the State's greenhouse gas emissions reduction goals established pursuant to Title 38, section 576-A.

B. After establishing goals in accordance with paragraph A, the commission shall establish specific standards and metrics for assessing transmission and distribution utility performance relative to the goals. In developing standards and metrics, the commission shall consider standards and metrics used in other states.

3. Incentive Regulation Innovative rate design. As a part of the proceeding pursuant to subsection 1, the commission shall consider implementing ~~regulatory approaches innovative rate designs~~ to align transmission and distribution utility ~~incentives~~ with performance ~~and outcomes consistent with~~ the standards and metrics developed pursuant to subsection 2, paragraph B, including, but not limited to, designs that:

- A. Assess the effectiveness and adjust the decoupling of the transmission and distribution utility profits from utility sales where appropriate;
- B. Use ~~the total of operations operating~~ and capital expenses as the basis for ratemaking, ~~rather than capital expenses alone~~; and
- C. Use of market cost of equity as the minimum to be recovered by utilities in rates, with any recovery above that amount determined by utility performance.
- D. Consider limits and incentives regarding executive compensation.

4. Competitive Innovation Program. As a part of the proceeding pursuant to subsection 1, the commission shall ~~consider establishing an innovation program to help identify, demonstrate, and scale proposals to support the transition to a clean, affordable, and equitable grid.~~

4-5. Stakeholder input. The commission shall hold stakeholder workshops to receive stakeholder input and to assist in ~~developing, implementing, and~~ evaluating performance-based ~~regulation rate designs.~~

Nothing in this section prohibits the commission from investigating performance-based ~~regulation rate designs~~ for consumer-owned transmission and distribution utilities.

5-6. Report. Beginning January 1, 2026, and then every 3 years thereafter, the Commission shall provide a report summarizing the proceeding, along with any information regarding the utilization of performance-based ~~regulation rate designs~~, and any recommended legislation, to the joint standing committee of the Legislature having jurisdiction over utility matters.

Insert new section 3 in the bill as follows.

Section 3. Technical policy group. The Public Utilities Commission shall create a technical policy group to assist the commission with long-term initiatives and emerging issues. The group shall support ~~development of develop~~ goals, standards and metrics, including those required by the Maine Revised Statutes, section 3196, subsection 2; monitor utility performance and recommend ~~regulatory reforms rate designs~~ based on performance; ~~and~~ draft legislative reports requiring policy-based analysis; and perform other activities to assist the commission with long-term initiatives and emerging issues. ~~that have broader implications related to the commission's regulatory oversight.~~ The commission may hire 3 full-time employees for this purpose.