Date Filed: September 15, 2026

Witness: Elli Ntakou and Lavelle A. Freeman
Request from: Office of Consumer Counsel

Question:

Targeted System Performance Plan Exhibit CLP-TSP-1: Reliability PIMs
Please provide any analysis comparing the Company's proposed Customer Reliability PIM methodology with the methodology identified in RE02. In particular, please identify whether the Company could earn an incentive under its proposed methodology in a year in which:

a. the total number or percentage of customers experiencing CEMI-5 increases;
b. the total number or percentage of customers experiencing CELID-6 increases; or
c. either measure worsens for particular customer groups or geographic areas.

Response:

As explained in response to OCC-525[i], the Company's proposed Customer Reliability PIM methodology is intended to encourage the Company to reduce the number of repeat CEMI-5 and CELID-6 customers, while avoiding the unintended consequence of RE02 PIM, such as rewarding the Company for random events that impact the number of CEMI-5 or CELID-6 customers in a single year.

a. Based on the Company's proposed PIM, if the total number of CEMI-5 customers increases, but there are fewer repeat CEMI-5 customers, then the Company can earn an incentive, assuming all else remains equal. This is reasonable because increased CEMI-5 annual customers with reduced overlap with the previous year's CEMI-5 customers means that the additional CEMI-5 customers are not due to long-term underperformance, which aligns with what a well-designed customer reliability PIM should target, per the RE02 Proposed Final Decision. However, under the RE02 PIM, an increase of CEMI-5 customers can also lead to the Company earning an incentive if the CELID-6 customer reduction is higher than the CEMI-5 customer increase. As explained in OCC-525, the reductions of these annual metrics are not necessarily tied to Company investments. The components of the proposed composite metric reflecting repeat customers in the RE02 Proposed Final Decision are mathematically insignificant to the calculated value of the metric.

b. Based on the Company's proposed PIM, if the total number of CELID-6 customers increases, while there are less repeat CELID-6 customers, then the Company can earn an incentive, assuming all else remains equal. This is reasonable; increased CELID-6 annual customers with reduced overlap with the previous year's CELID-6 customers means that the additional CELID-6 customers are not due to long-term underperformance, which

aligns with what a well-designed customer reliability PIM should target, per the RE02 Proposed Final Decision. However, under the RE02 PIM an increase of CELID-6 customers can also lead to the Company earning an incentive if the CEMI-5 customer reduction is higher than the CELID-6 customer increase. As explained in OCC-525, the reductions of these annual metrics are not necessarily tied to Company investments. The components of the proposed composite metric reflecting repeat customers in the RE02 Proposed Final Decision are mathematically insignificant to the calculated value of the metric.

c. Yes, because both the Company's proposed Customer Reliability PIM and the customer reliability PIM in the RE02 Proposed Final Decision are calculated for the Company's territory and across all customers. As explained above, as a composite metric, both the Company's proposed PIM and the RE02 PIM, could result in an incentive, in circumstances where performance under any one submetric worsens and performance in other submetrics significantly improves. The primary difference between the Company's proposed Customer Reliability PIM and the RE02 Proposed Final Decision is under the Company's proposed PIM, the Company cannot earn an incentive unless there is a reduction in either the repeat CEMI-5 or CELID-6 customers. Under the RE02 PIM, however, the Company could earn an incentive if there is an increase in repeat CEMI-5 and CELID-6 customers because the RE02 metric is driven by total number of CEMI-5 and CELID-6 customers. As discussed in response to OCC 525, the RE02 PIM can be influenced heavily by random events, rather than Company investments to reduce otherwise repeat CEMI-5 and CELID-6 customers.

   Further, it is not clear what the phrase "particular customer groups and geographic areas" refers to. Customer reliability PIMs based on repeat CEMI-5 and CELID-6 should not be calculated more granularly than at the Company level and across all customers. Multiple PIMs per customer groups or small geographic areas would be largely impractical and inactionable, as circuits and projects to improve customer reliability include various customer groups and could span multiple geographic areas. PIMs also typically need large enough numbers to establish a baseline and a meaningful decrease. In other words, targeting to decrease single digits of customers is not conducive to PIMs and incentives.

Prior Referenced Response:

[i] OCC-525 Question:
Targeted System Performance Plan Exhibit CLP-TSP-1: Reliability PIMs
The final RE02 Performance Evaluation System identifies a potential Customer Reliability PIM based on CEMI-5, the percentage of repeat CEMI-5 customers, CELID-6, and the percentage of repeat CELID-6 customers. The Company instead proposes to use the average count of repeat CEMI-5 and repeat CELID-6 customers. Please explain why the Company selected this methodology and how it is expected to better incentivize improved reliability for

customers experiencing frequent or long-duration outages.

OCC-525 Response:

The Company's proposed Customer Reliability PIM shares the same core purpose as the customer reliability PIM in the RE02 Proposed Final Decision, which is that this PIM should encourage the Company to reduce repeat customers that experience long-duration interruptions and/or frequent interruptions.

As explained in Exh. CLP-TSP-1, at 81-83, the Company proposes that the customer reliability PIM be calculated as the total number of repeat CEMI-5 customers and repeat CELID-6 customers. This slightly deviates from the customer reliability PIM in the RE02 Proposed Final Decision to ensure that the PIM measures performance based on factors within the Company's control and encourages the Company to reduce the repeat customers with long-duration interruptions and frequent interruptions. The RE02 Proposed Final Decision contemplated Customer Reliability PIM based on a composite of four sub-metrics: (1) total number of CEMI-5 customers; (2) the percent of repeat CEMI-5 customers; (3) total number of CELID-6 customers; (4) and the percent of repeat CELID-6 customers.

The Company's Customer Reliability PIM is focused on repeat customers because the frequency and/or duration of interruptions for CEMI-5 and/or CELID-6 customers in a particular year can be due to one-off events without repeat in a subsequent year. In other words, while CEMI-5 and CELID-6 represent edge cases of performance, isolated events that result in CEMI-5 or CELID-6 customers should not all be actionable as those events would drive investment to resolve largely isolated or infrequent events. However, customers that experience long duration or frequent service interruptions in multiple years should be addressed by the Company, since these situations are more likely to be due to systemic issues. Accordingly, the Company has designed the PIM to focus on repeat CEMI-5 and CELID-6 customers.

In addition, the composite metric proposed in the RE02 Proposed Final Decision could have unintended consequences due to the disproportionate scale of the submetrics. The percent of repeat CEMI-5 and repeat CELID-6 are numerically much smaller than submetric (a) and do not meaningfully impact the value of the composite metric. Therefore, the proposed customer reliability PIM in the RE02 Proposed Final Decision would be driven by annual CEMI-5 and CELID-6 customers, rather than repeat customers. The Company's historical data shows that annual CEMI-5 and CELID-6 customer counts are orders of magnitude higher than repeat CEMI-5/CELID-6 customers, because of the isolated events discussed above.

Also, Company data shows that annual CEMI-5 and CELID-6 customers have large year-to-year variability. Therefore, the customer PIM identified in the RE02 Proposed Final Decision could reward the Company for CEMI-5 and/or CELID-6 reductions driven by random events rather than driven by targeted investments to reduce repeat service interruptions, which is more tailored result that the Company's proposed customer reliability PIM would achieve.