Date Filed: September 15, 2026

Witness: Donald J. Scacco Jr., Digaunto Chatterjee and Douglas P. Horton
Request from: Office of Consumer Counsel

Question:

Leadership Panel Exhibit CLP-ELP-3 – Performance Incentive Mechanisms and Metrics
Exhibit CLP-ELP-3, summarizes the Company's proposed PBR performance portfolio. Please explain how the Company determined that the proposed set of PIMs represents the appropriate performance areas to which financial incentives and/or penalties should be attached during the PBMRP term. In your response, please identify the criteria the Company used to determine which performance measures warranted financial incentives or penalties and explain how those criteria were applied to the potential PIMs identified in the Performance Evaluation System adopted in the Proposed Final Decision in Docket No. 21-05-15RE02.

Response:

When developing its proposed performance metrics, the Company sought to ensure that its proposed metrics would provide meaningful insight into the Company's performance in terms of service quality and customer service during the PBR term. The Company's proposed PBR performance portfolio, including PIMs, is designed as a balanced portfolio of measurable performance outcomes that reflect the quality, reliability, accessibility and responsiveness of electric service provided to customers and over which the Company has meaningful operational influence.

The approach is consistent with the broader evolution of performance-based regulations in the electric utility industry where reliability and customer service have traditionally been recognized as core service-quality areas appropriate for performance measurements and, in some jurisdictions, financial incentives or penalties. Similar to the proposed final decision in Docket No. 21-05-15RE02, the Company has included system and customer reliability in its PIMs proposal, while also expanding the customer experience related PIMs to represent a more well-rounded and holistic measurement of customer-facing performance.

The proposed PIMs address both system and customer reliability, customer service and customer experience. Collectively, these measures recognize that reliable electric service encompasses more than system wide outage performance. The measures also include the reliability experienced by individual customers and the quality, accessibility, timeliness and effectiveness of the Company's interactions with customers.

When determining whether a metric should include a financial penalty or incentive, the Company considered whether the metric (1) can be objectively measured; (2) has an established baseline against which performance can be measured; and (3) whether it will measure "performance" that is actually within the Company's control. PIMs that lack these foundational elements could result in unintended consequences of penalizing a utility for performance that is not actually substandard, nor a product of the utility's own efforts.

The proposed PIM financial incentives and penalties are appropriate because the measures establish clear, objective and measurable expectations for outcomes that are important to customers and sustainably within the Company's ability to influence through its operational practices, resource allocation and management decisions.

The asymmetrical application of incentives and penalties is intended to promote sustained performance, providing an opportunity for the Company to earn an incentive when it exceeds established expectations while creating accountability when performance falls below expectations. Taken together, the PIMs provide a comprehensive framework that aligns the Company's financial interests with customer interests while maintaining a balanced focus on reliability, affordability, customer service, efficiency, accessibility and the overall customer experience.