

SECTION 2: PERFORMANCE BASED REGULATION

THE EXPANDING SCOPE OF UTILITY REGULATION

In 2020, the General Assembly enacted Public Act 20-5, An Act Concerning Emergency Response by Electric Distribution Companies, The Regulation of Other Public Utilities and Nexus Provisions for Certain Disaster- Related or Emergency-Related Work Performed in The State (Take Back our Grid Act). This bipartisan legislation required PURA to, among other things, initiate a proceeding to research and consider financial, performance-based incentives, penalties, and metrics to use in regulating the electric distribution companies (EDCs), Eversource and UI. In other words, PURA is required to design a performance-based regulatory framework (PBR Framework) that cost-effectively incentivizes the EDCs to achieve the outcomes desired from Connecticut's electric grid, including but not limited to: reliability, safety, affordability, emergency responsiveness, cost-efficiency, equity, customer satisfaction, municipal engagement, resilience, and the advancement of the state's environmental and climate policy goals.

This PBR Framework, currently in development, will provide a set of tools to ensure utility performance and incentives are aligned with the public interest and enable innovations within modern power systems. PURA established a two-phase process to develop the PBR Framework. In Phase 1, which completed in 2023 in Docket No. 21-05-15, the Authority adopted a set of regulatory goals, foundational considerations, and priority outcomes to guide future electric utility regulation in Connecticut. The regulatory goals and priority outcomes are depicted in Table 3, below.¹ In Phase 2, which remains active, PURA is conducting an extensive stakeholder process to detail the components of the PBR Framework within three categories: Revenue Adjustment Mechanisms, Performance Mechanisms,

and Integrated Distribution System Planning. With the EDCs and stakeholders, PURA is investigating these three categories in separate “reopener dockets”: Docket Nos. 21-05-15RE01 (Revenue Adjustment Mechanisms); 21-05-15RE02 (Performance Mechanisms); and 21-05-15RE03 (Integrated Distribution System Planning). In 2025 PURA issued draft decisions in each of the PBR reopener dockets, however the timelines for completion PBR Framework have been paused due to the change in commissioner panel composition in 2025 and early 2026. The current panel of commissioners continue to review the records in each of the PBR reopener dockets and anticipates a path forward in 2026. Each of the PBR reopener dockets is discussed further below.

Table 3: PURA’s Regulatory Goals and Priority Outcomes

Regulatory Goals	Priority Outcomes
1. Excellent Operational Performance	<ul style="list-style-type: none"> • Business Operations and Investment Efficiency • Comprehensive and Transparent System Planning • Distribution System Utilization • Reliable and Resilient Electric Service
2. Public Policy Achievement	<ul style="list-style-type: none"> • Social Equity • Greenhouse Gas Reduction
3. Customer Empowerment & Satisfaction	<ul style="list-style-type: none"> • Customer Empowerment • Quality Customer Service
4. Reasonable, Equitable, and Affordable Rates	<ul style="list-style-type: none"> • Affordable Service

ACTIVE PBR INVESTIGATIONS

Across the three PBR reopener dockets in 2025, PURA hosted six Technical Meetings, issued three Written Comment Requests, issued 36 Interrogatories, and issued three proposed final decisions with an opportunity for participants to file written exceptions. Though the public proceedings for the PBR reopener dockets are currently paused as the current panel of commissioners continues to onboard, internal evaluation continues and the Authority anticipates completing these proceedings in 2026.

Docket No. 21-05-15RE01: Revenue Adjustment Mechanisms

The first PBR reopener is investigating potential modifications and additions to Revenue Adjustment Mechanisms. Specifically, these include: Multi-Year Rate Plans (MRP); Earnings Sharing Mechanisms (ESM); the Revenue Decoupling Mechanism (RDM); and potential Capex / Opex Equalization Measures. As the MRP is the primary mechanism governing EDC cost recovery through base rates, it has been the main focus of this investigation. By necessity, the ESM, RDM, and Capex / Opex Equalization will also be reviewed as mechanisms related to the MRP; however, such review may or may not result in reforms during Phase 2 if none are deemed necessary to advance priority outcomes. Moreover, the Authority is reviewing, considering, and investigating the MRP, ESM, RDM, and Capex / Opex Equalization as a group of Revenue Adjustment Mechanisms in Phase 2 to account for the interrelationships and collective results of such mechanisms and proposed modifications. The discovery, analysis, and deliberation of the Revenue Adjustment Mechanism reopener will culminate in a final Decision to adopt guidance for subsequent EDC rate cases.

Docket No. 21-05-15RE02: Performance Mechanisms

The second PBR reopener is investigating potential modifications and additions to Performance Mechanisms. These include: Reported Metrics; Scorecards; and Performance Incentive Mechanisms (PIMs). These elements of the state's regulatory structure provide transparency of information with respect to EDC performance and will help measure achievement of the regulatory goals and priority outcomes adopted in Phase 1 of PBR. The Authority is reviewing this group of performance mechanisms as a portfolio to account for the interrelationships and collective results of such mechanisms and proposed modifications.

The discovery, analysis, and deliberation of the Performance Mechanisms reopener will culminate in a final Decision to align existing reported metrics within the PBR Framework and elsewhere and potentially adopt new metrics effective immediately where necessary. Additionally, this reopener docket's final Decision may establish scorecards to be implemented as soon as practicable and/or PIMs likely to be implemented in subsequent EDC rate cases. The Final Decision in Docket No.

21-05-15RE02 is expected to include the requisite detail for implementation, including but not limited to, metric and scorecard reporting frequency, the format and venue for reporting, targets and benchmarks in the case of scorecards, and financial impact in the case of PIMs.

Docket No. 21-05-15RE03: Integrated Distribution System Planning

The third and final PBR reopener is investigating the establishment of an Integrated Distribution System Plan (IDSP). Such planning among EDCs is a growing industry standard to anticipate and optimize the proliferation of DERs and grid-edge technologies on the distribution system. Various elements of IDSP currently exist in Connecticut, for example, EDC hosting capacity maps and the Non-wires Solutions (NWS) Process established in Docket Nos. [17-12-03RE07](#) and [24-08-08](#). Additionally, the EDCs already conduct load forecasting and assess grid needs to inform capital investments – both of which are core practices of IDSP.

As a result, this proceeding is focused on documenting the existing components of IDSP, reviewing and evaluating the systems and processes that support IDSP, making components of IDSP more transparent and better connected where necessary, and establishing a public and transparent IDSP process and reporting standard.