



Public Stakeholder Meeting

Docket No. EO26040117 – Utility
Business Model Reform Study

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OPENING REMARKS

ELIZABETH NOLL,
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MEETING FACILITATOR

JOSH RYOR,
REGULATORY
ASSISTANCE
PROJECT (RAP)

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Stakeholder Meeting Objectives

- **Share** information on the Utility Business Model Reform Study required under Section 7 of Executive Order #1
- **Inform** participants on Performance-Based Regulation (i.e., regulatory tools to reform the utility business model), including insights on best practices from former public utility Commissioners across the U.S.
- **Solicit input** from stakeholders on study priorities and desired outcomes



Agenda

Time	Title	Lead / Speakers
9:00 am	Welcome & Opening Remarks	President Christine Guhl-Sadovy / RAP
9:15 am	Overview of Executive Order No. 1	NJBPU Executive Director Bob Brabston
9:30 am	NJBPU Docket + Study Scope	
9:45 am	Existing Regulatory Framework	
10:00 am	Introduction to Performance-Based Regulation (PBR)	RAP
10:30 am	Break	
10:45 am	Commissioner Roundtable: Perspectives on PBR	Four Former Commissioners
11:45 pm	Facilitated Discussion	RAP
12:45 pm	Next Steps & Closing Remarks	RAP / NJBPU
1:00 pm	Adjourn	

Executive Order #1

- Issued on January 20, 2026
- Established a state of emergency on electricity affordability
- Directed BPU to take the following actions:
 1. Provide Residential Bill Credits by July 1, 2026
 2. Contemplate RGGI funds to provide customer relief
 3. Review all System Benefit Charges and the budget of the Clean Energy Program
 4. Update the Clean Energy Program budget by May 1, 2026
 5. Any budget adjustments just not impact low-income customers
 6. BPU shall consider a pause to distribution utility rate changes

Executive Order #1 (cont.)

- Section 7 of EO #1 directs BPU to complete a study on ways to reform the electric distribution utility business model (EO #1 Study).
- The study must evaluate:
 - › The relationship between the utility business model and affordability trends
 - › Policy pathways to reduce and stabilize electric bills
 - › Implementing performance-based regulatory mechanisms, such as:
 - » Appropriately balancing capital and operating expense
 - » Performance measures for, among other things, interconnection timelines
 - » Multi-year rate plans
 - » Utilities' return on equity
 - » State review of supplemental transmission projects
 - » Least-cost resource testing requirements
 - » Potential use of securitization
 - » Amendments to the regulations governing infrastructure investment
- The study must be completed by July 19, 2026.

BPU Docket E026040117

- BPU will receive and house filings and other relevant materials in its case management system
- Schedules, notices, **data requests** and other materials will be distributed via the listserv, [published on the website](#) and filed in the docket
- Procedural schedules and additional stakeholder meetings will be made available on a rolling basis

EO #1 Study Scope

- Overview of Utility Business Model Reform Study Scope
 - › Phase 1—“Qualitative” Alternatives Analysis
 - » Recent affordability trends
 - » Bill component trends, including generation, transmission, distribution and program cost drivers
 - » Incentives and decision drivers inherent to regulatory structures and utility business models

EO #1 Study Scope (cont.)

- › Phase 2—Baseline Analysis
 - » Data collection and calibration—primarily directed to the electric distribution companies (EDCs)—for example:
 - Most recent revenue requirement, cost of service, cost allocation, rate design workpapers
 - CAPEX and investment program forecasts
 - Forecasted sales and load growth assumptions
 - Generation interconnection queue
 - Grid utilization data
 - System performance and reliability data
 - » Scenario development

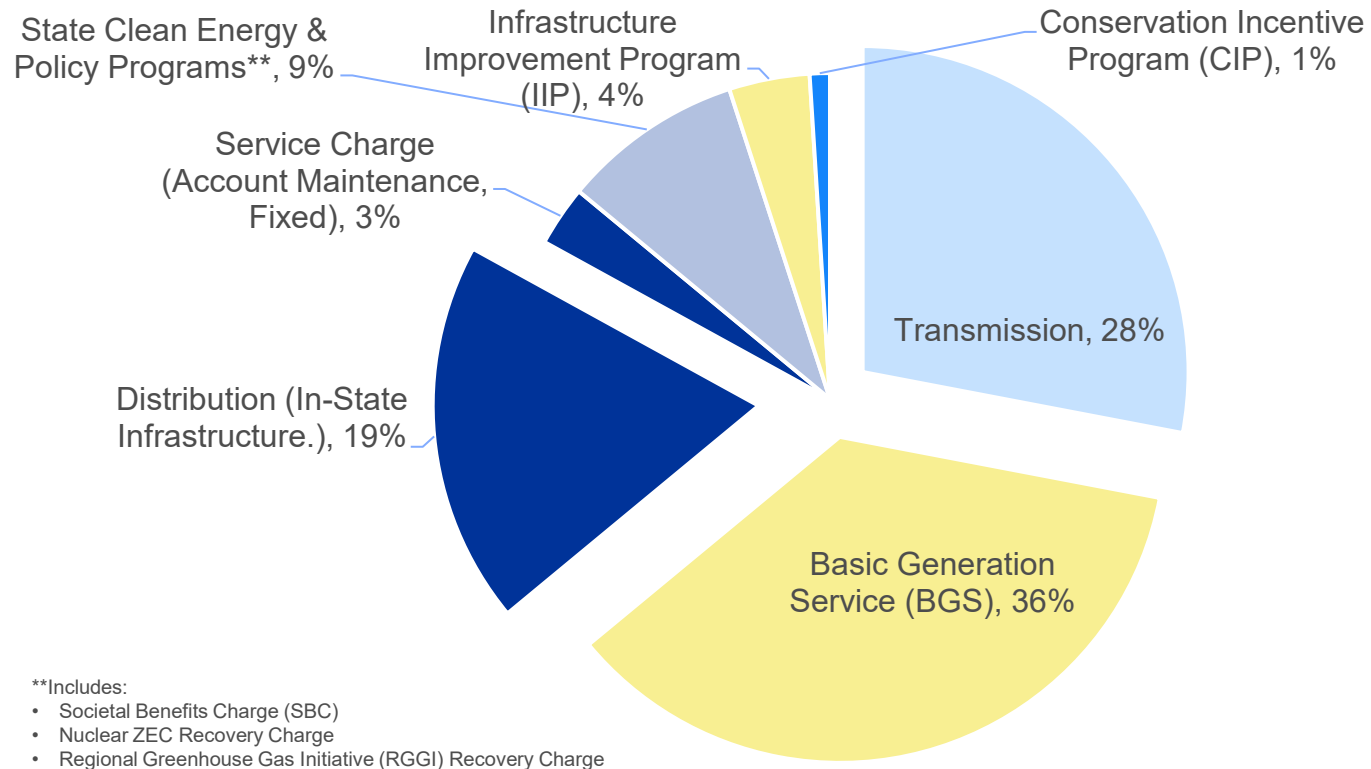
EO #1 Study Scope (cont.)

- › Phase 3—Quantitative Alternatives Analysis
 - » Explore alternative constructs and model scenarios
 - » Determine effective data presentation (e.g. visual representations)
 - » Ensure rigorous and transparent analysis of the factors and subject areas set forth in Section 7 of EO #1 (see slide 8)
- › Stakeholder Engagement
 - » Ongoing
- › Reporting

Existing Regulatory Framework

- Base rates overview
 - › Rate case frequency and relevant laws / guidance
- Mechanism overview
 - › Identify all mechanisms
 - » Infrastructure v. balancing
 - › What types of costs are included in them
 - » Utility investments / costs vs. passthrough costs
- Other components of a customer's bill

Existing Regulatory Framework (cont.)





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May 7, 2026

Introduction to Performance-Based Regulation

Docket No. EO26040117 – Utility Business Model Reform Study

Mark LeBel
Principal, Research & Strategy
mlebel@raponline.org




RAP Introduction

- Founded by former state utility commissioners in the early 1990s, RAP is now a global non-profit organization advancing policy innovation and thought leadership across the energy community.
- RAP staff are experienced practitioners dedicated to helping policymakers adopt best practices tailored to the local context.



The Big Picture



“Of course, all regulation is incentive regulation. In this context, the difference between good regulation and bad is that better regulators try to align the incentives so that the best economic results for the customers also produce the best economic results for the stockholders.”

Peter Bradford, Chairman of New York Department of Public Service
Incentive Regulation from a State Commission Perspective, February 1989

Regulating Utility Incentives

- Understanding utility rate of return and the impact on shareholder value is necessary to successfully influence utility decision-making
- It is also important to understand qualitative factors, such as institutional preferences
- Effectively addressing both financial and qualitative factors supports achievement of desired customer and policies outcomes



Evolution of Regulating Utility Incentives

- Traditional cost-of-service ratemaking is often considered the baseline
- A range of alternatives and additions have been around for decades
- New options are continually being explored around U.S. and the world
- State-regulated distribution utilities are now in many cases part of conglomerates with many business interests

Traditional Cost-of-Service Ratemaking Challenges


- Cost Control
 - Cost-plus revenue structure provides little incentive for long-term cost control.
- Capital Bias
 - Incentive to make capital investments if rate of return higher than cost of capital.
- Throughput Incentive
 - Increased sales typically lead to higher profits.
- Public policy goals
 - Under traditional regulation, financial incentives can diverge from policy goals.

Performance-Based Regulation

- PBR is a set of tools to incentivize and improve utility performance.
 - Not a shortcut and takes significant care and attention
 - Modern PBR should be considered a formalization of and improvement on less rigorous methods used historically by utility regulators and policymakers.
- Utility choices are shaped by the full regulatory scheme; not just individual elements.
- Outcome-based performance incentives -- rewards or penalties -- encourage utility management to strive for the best possible results without micromanaging the means to get there.



Key Components of PBR

- Multi-Year Rate Plans
 - Performance Incentive Mechanisms
 - Consideration of Non-Traditional Solutions
 - Modernizing Utility Planning Processes
- 

Multi-Year Rate Plans

- Multi-year rate plans establish / cap utility revenue and annual revenue changes over the plan duration.
- Utility revenue for future years is typically set by either:
 - Future test years; or,
 - A revenue formula that adjusts with inflation and other factors (i.e., “I-X”).
- Not all multi-year rate plans are created equal. They can be ineffective, and even harmful, without careful design that aligns the plans with intended goals.
 - Important to consider how multi-year rate plan is integrated with capital trackers and other revenue adjustment clauses

Multi-Year Rate Plans Considerations

- All parties can benefit from fewer rate cases, including, but not limited to:
 - Lower administrative costs;
 - Ability to focus on other, important efforts; and,
 - Less frequent and smaller “rate shocks” from distribution system cost increases.
- Stay-out periods can encourage utility cost reductions / efficient investments.
- Earnings-sharing mechanisms can limit utility profit from cost reductions, ensuring some savings is passed to ratepayers prior to the next rate case.
 - This can also help avoid extreme cost cutting measures (e.g., Pacific Northwest Bell)
- Revenue adjustment clauses and other features of PBR can soften stay-out periods.

Data Reporting, Metrics, and Performance Incentives

- Tracking utility performance and customer outcomes is vital to ensuring the efficacy of any regulatory framework and PBR mechanisms
- Performance and outcomes can be tracked with various levels of complexity, including:
 - Informal regulatory monitoring and oversight via regular compliance filing
 - Reporting requirements bench-marked against historical performances (metrics)
 - Reporting requirements bench-marked against other jurisdictions and/or established targets (advanced metrics)
- Financial rewards and penalties can be used to incentivize performance
 - Incentives typically tied to well understood / established metrics

Example Performance Incentives and ROE



Performance Incentive Considerations

- Outcome-based performance incentives, rewards or penalties, encourage utility management to strive for the best possible results without micromanaging the means to get there.
- Performance incentives are ideally designed to find a triple wins:
 - Better deal for consumers
 - Improved regulatory and public policy outcomes
 - Net financial benefits for well-run utilities
- Performance incentives to date have primarily been small add-ons to existing ratemaking practices, hemmed in by conflicting objectives.

Levelizing Non-Traditional Alternatives

- Alternatives to capital intensive, traditional poles and wires solutions (e.g., feeder and substation upgrades, etc.), can provide net benefits.
- Alternatives include, but are not limited to:
 - Grid-enhancing technologies (GETs)
 - Energy efficiency
 - Distributed generation
 - Storage owned by utilities, customers or third parties
- Approaches to ensuring that alternative solutions are given equal weight have emerged in recent years, including but not limited to:
 - Allowing alternative solutions to be rate based;
 - Establishing a shared-savings model between ratepayers and utilities;
 - Requiring robust cost-benefit analysis of all potential solutions; and,
 - Competitive solicitations.

Modernizing Utility Planning Requirements

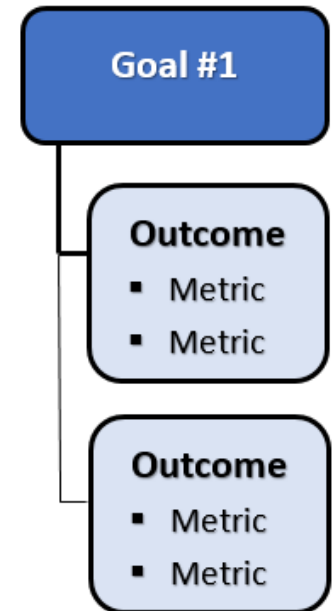
- Ensuring that utility planning processes incorporate best practices, public policy, and provide transparency complement other PBR mechanisms
- These best practices include, but are not limited to:
 - Advanced Forecasting and System Modeling
(e.g., EV adoption and charging needs forecasts)
 - Disclosure of System Needs and Value
(e.g., public data points on grid constraints and grid services solicitations)
 - Improved Solution Acquisition Practices
(e.g., public solicitations)
 - Support for Innovation
(e.g., dedicated innovation teams and regulatory sandboxes focused on Dx solutions)
 - Meaningful and Equitable Stakeholder Participation
(e.g., public plans, comment periods, and stakeholder advisory councils)



Goals-Outcomes Framework

The Goals-Outcomes hierarchy illustrates the relationship between foundational PBR elements

- Goals are the highest-level orientation for regulatory actions
 - In recent years, regulatory goals have expanded beyond reliable, affordable, and safe service
- Outcomes result from utility operations and business decisions
 - Outcomes represent how customers, market participants, and the public experience the power sector
- Metrics are a standard form of measuring outcome success
 - Metrics are fundamental to determine how utilities achieve outcomes and meet regulatory goals
- Jurisdictions often establish regulatory goals and customer outcomes to guide PBR development and implementation





Questions?

Discussion Questions After the Break

- What **regulatory goals** should drive the EO #1 Study and any subsequent investigations?
- What **customer outcomes** should be prioritized in any business model reforms?
- Which **PBR mechanisms** should BPU explore?



Break

The Commissioner Roundtable will
begin at 10:45

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Commissioner Roundtable



Jay Griffin
Former Hawaii Chair



Sarah Freeman
Former Indiana
Commissioner



Jamie Van Nostrand
Former Massachusetts
Chair

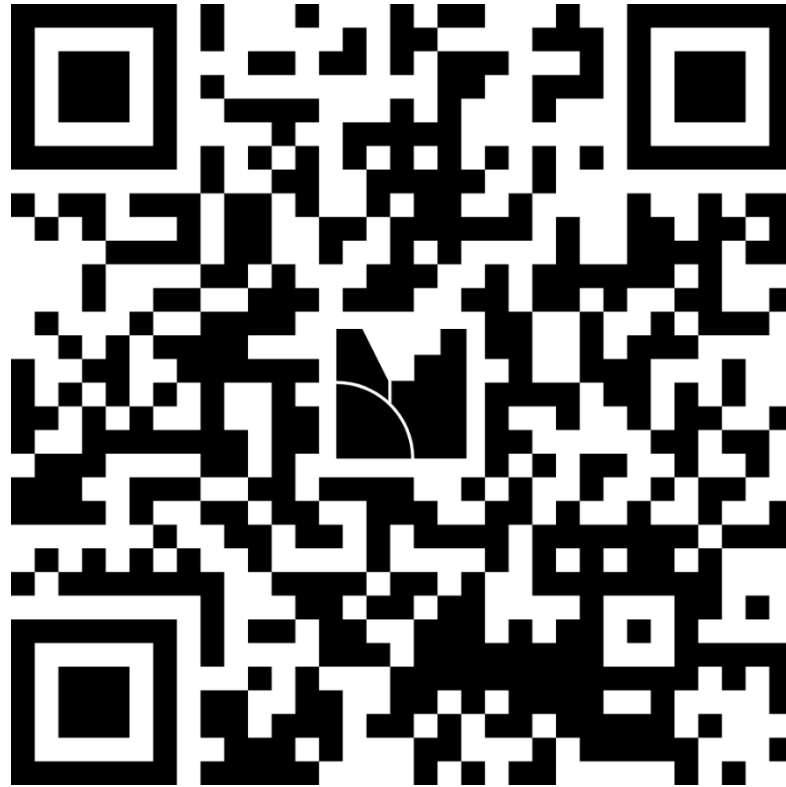


Carrie Zalewski
Former Illinois Chair

Facilitated Discussion

- What **regulatory goals** should drive the EO #1 Study and any subsequent investigations?
- What **customer outcomes** should be prioritized in any business model reforms?
- Which **PBR mechanisms** should BPU explore?

Facilitated Discussion



<https://www.menti.com/aly1ycyg3wyh>

Next Steps

- Stakeholders and members of the public are encouraged to submit comments in BPU Docket EO26040117.
- Comments can be submitted using the “Post Comments” button on the [Board’s Public Document Search tool](#).
- The deadline for comments is **5 p.m. on May 29, 2026**.

Thank You



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Appendix



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Hawaii PBR Goals-Outcomes

Goal	Priority Outcomes	
Enhance Customer Experience	Traditional	Affordability
		Reliability
	Emergent	Interconnection Experience
		Customer Engagement
Improve Utility Performance	Traditional	Cost Control
	Emergent	Distributed Energy Resources Asset Effectiveness
		Grid Investment Efficiency
Advance Societal Outcomes	Traditional	Capital Formation
		Customer Equity
	Emergent	Greenhouse Gas Reduction
		Electrification of Transportation
		Resilience

Connecticut PBR Goals-Outcomes

Regulatory Goals	Priority Outcomes
Excellent Operational Performance	1. Business Operations and Investment Efficiency
	2. Comprehensive and Transparent System Planning
	3. Distribution System Utilization
	4. Reliable and Resilient Electric Service
Public Policy Achievement	5. Social Equity
	6. GHG Reduction
Customer Empowerment and Satisfaction	7. Customer Empowerment
	8. Quality Customer Service
Reasonable, Equitable, and Affordable Rates	9. Affordable Service

PBR + Related Regulatory Mechanisms

- Mechanisms presented today, included in EO #1, and/or emerging best practices:
 - › Multi-year rate plans (all three)
 - › Data reporting, metrics, and performance incentive mechanisms (all three)
 - › Levelize consideration of traditional and non-traditional solutions (all three)
 - › Modernize utility planning processes (all three)
 - › Utility return on equity reform, including earning-sharings mechanisms (EO #1 and best practice)
 - › Use of securitization (EO #1 and best practice)
 - › State review of supplemental transmission projects (EO #1 and best practice)
 - › Rate designs that better reflects cost causation, grid costs at different times and locations, and reduce customer bill volatility (EO #1 and best practice)
 - › Update least-cost resource testing requirements (EO #1 and best practice)
 - › Develop a regulatory sandbox to promote innovation (best practice)