Date Filed: November 16, 2026

Witness: **Juan-Pablo Velez**
Request from: **Connecticut Industrial Energy Consumers**

Question CIEC-3:

Please refer to Velez Direct Testimony at page 83, footnote 75, and page 101, lines 5-17.

a. Please explain why Mr. Velez did not propose a revenue-neutral seasonal design under which the winter reductions in Rate HP would be offset by higher summer distribution and transmission rates.

b. Would Mr. Velez object to a requirement that any revenue reduction resulting from Rate HP be recovered solely from the residential class? If so, explain why.

c. If any revenue reduction resulting from Rate HP were recovered solely from the residential class, please provide Mr. Velez's estimate of the resulting increase in Rate 1 distribution and transmission charges, with supporting workpapers.

Response:

a. I repeat part of my response to CIEC-2(a): Rate HP is *not* designed to be revenue neutral with respect to residential heat pump customers as a whole, *relative to what they would pay under Rate 1*. Under Rate 1, a heat pump customer overpays by $1,040 a year, on average.[1] Rate HP is designed specifically to remove this overcharge, while still charging these customers for any additional T&D costs their heat pumps cause.[2]

A revenue-neutral seasonal design would charge heat pump customers $1,040 less in winter, only to charge them $1,040 more in summer. As my testimony explains, such a design "merely shifts the overpayment between seasons, defeating the entire purpose of a heat pump rate."[3]

b. No. I would welcome it. As explained in CIEC-2(b), such a requirement would make explicit both the rationale and the aim of Rate HP: residential heat pump customers are cross-subsidizing other residential customers, and fair rates can fix this *intra*-class inequity.[4]

c. The increase in Rate 1 charges depends almost entirely on whether PURA decides to auto-enroll existing heat pump customers in Rate HP. If PURA directs the Company to auto-enroll every existing customer

[1] Direct Testimony of Juan-Pablo Velez on behalf of Conservation Law Foundation and Sierra Club ("Velez Direct"), at 23:9–10 (Oct. 21, 2026) ("fossil fuel-heated customers that install heat pumps overpay by an average of $1,040 a year").

[2] *Id.* at 85:2–7 (the winter rate reductions produce "a population-average T&D bill equal to the customer's pre-heat-pump T&D bill plus the incremental marginal T&D cost of serving the new electrified heating load").

[3] *Id.* at 101:9–10.

[4] *Id.* at 28:20–21 (heat pump customers' overpayment "contributes directly to a cross-subsidy to electric customers that heat with fossil fuels"), 29:15–17 (that cross-subsidy is "a significant violation of intra-class equity"), and 82:5–7 (the "ultimate objective of Rate HP is to fix the intra-class equity and building electrification policy problems that Rate 1 creates").

who has received a heat pump rebate through Energize CT, as my testimony recommends,[5] and the resulting revenue reduction is recovered solely from the residential class, as I propose in CIEC-2(b), Rate 1 distribution and transmission charges would rise by about **0.61¢ per kWh** (0.43¢ distribution, 0.18¢ transmission). That is about **3.7%** of Rate 1's proposed 16.335¢ per kWh delivery rate.[6] However, if PURA decides not to auto-enroll existing heat pump customers who received Energize CT rebates, the increase would likely be an order of magnitude smaller.

This increase is driven entirely by *existing* heat pump customers, not new ones. As explained in CIEC-1(a), each of the roughly 55,000 existing heat pump customers who would be auto-enrolled (CIEC-1(b)) would pay $1,040.34 less per year in distribution and transmission charges, on average. The resulting revenue reduction would be recovered from the residential customers who remain on Rate 1.[7] This is intentional: it is the cost of unwinding a cross-subsidy that currently overcharges residential heat pump customers by $1,040 a year, on average.[8] New heat pump customers, by contrast, do not reduce the Company's revenue when they enroll in Rate HP at installation: each pays $10.30 *more* per year in distribution and transmission charges than before the retrofit, on average.[9]

Because the increase comes from existing customers, it hinges on how many of them enroll. If PURA makes existing heat pump customers eligible for Rate HP without auto-enrolling them, I would expect an order of magnitude fewer of them to enroll, because each would have to learn about the rate and apply on their own. That friction is why opt-in heat pump rates elsewhere have drawn little participation, as discussed in CIEC-1(a): Central Maine Power's seasonal heat pump rate pilot peaked at 3,134 enrolled customers, and only about 500 households had enrolled in Con Edison's Steady Use Rate as of December 2025, barely 1% of the more than 40,000 heat pumps its customers have installed.[10] Without auto-enrollment, the increase in Rate 1 charges would likely shrink by an order of magnitude or more, to roughly 0.06¢ per kWh or less.

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[5] *Id.* at 93:7–12 ("the Company should auto-enroll all known electric customers who have previously installed heat pumps. . . . a portion of these customers are readily identifiable by the Company, those that previously received a heat pump incentive through EnergizeCT or any other relevant state or utility program").

[6] Net revenue reduction ÷ kWh of residential customers not on Rate HP, in 2031, the year with the highest cumulative enrollment. The estimate is essentially the same in every rate year and under both the low and high estimates of new heat pump customers in CIEC-1(c): 0.599¢ to 0.609¢ per kWh. Year-by-year figures, both estimates, and all inputs are in CIEC-3 Attachment 1, CIEC-3c_rate1_charge_increase.xlsx.

[7] CIEC-1 Attachment 1, CIEC-1a_rate_hp_revenue_reduction.xlsx, sheet revenue, rows 4–5 (the revenue decrease per existing customer and increase per new customer), and sheet enrollment, table "Existing customers".

[8] Velez Direct at 23:9–10 ("fossil fuel-heated customers that install heat pumps overpay by an average of $1,040 a year"), 28:20–21 (that overpayment "contributes directly to a cross-subsidy to electric customers that heat with fossil fuels").

[9] New customers affect the per-kWh increase only slightly, and only because each one leaves Rate 1, shrinking the kWh over which the existing customers' reduction is recovered. This is why the high estimate of new customers yields a marginally higher increase than the low estimate.

[10] Me. P.U.C. Docket No. 2022-00152, Central Maine Power Company, *Final Report*, Attachment 1 at 2 (Dec. 5, 2025) (3,134 customers enrolled in the Seasonal Heat Pump rate in December 2024, net of disenrollments); Mona Zhang, "How NY heat pump users got stuck with higher bills," *E&E News* (Mar. 3, 2026) (Con Edison: "only about 500 households — barely 1 percent" enrolled in the Steady Use Rate as of December, of "more than 40,000 heat pumps" installed).