Date Filed: November 16, 2026

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

Question CIEC-5:

Please refer to Velez Direct Testimony at page 13, lines 18-23, and page 14, lines 1-11.

a. Mr. Velez states that existing T&D infrastructure "does need to be paid for." Please explain how, under the cost causation framework in Velez Direct Testimony, the embedded costs of existing T&D infrastructure should be recovered and from whom.

b. If the incremental usage of a customer is priced at marginal T&D cost, as Mr. Velez proposes for heat pump load, please identify which customers would pay the embedded T&D costs that the incremental usage no longer contributes to.

c. Does Mr. Velez contend that the incremental load of commercial and industrial customers should likewise be priced at marginal T&D cost? Explain why or why not.

Response:

a. The same way they are recovered now. The testimony proposes no change to how embedded T&D costs are recovered, except one: a customer who installs a heat pump keeps paying its pre-heat-pump contribution to those costs, $1,055 a year for the average fossil fuel-heated customer, plus the $10.30 a year in new costs its heat pump causes, instead of taking on $1,040 a year of other customers' embedded costs, which nearly doubles what it paid toward them before installing the heat pump (CIEC-4(b)).

b. Customers who already heat with a heat pump and pay Rate 1 today ("existing heat pump customers") would pay less toward embedded T&D costs under Rate HP, and other residential customers would pay for these costs. This is intentional: these are embedded costs that other customers paid before, and that existing heat pump customers took on when they installed their heat pumps: the overpayment described in CIEC-4(b). Rate HP shifts them back to the customers who paid them originally (see CIEC-2(b)).

Customers who heat with fossil fuels today and install a heat pump after Rate HP takes effect ("new heat pump customers") leave no embedded costs for anyone else to pay. The question assumes their heat pump usage was contributing to embedded costs and would stop. It never was. When rates were set, the customer had not yet installed its heat pump, so that usage is not part of the sales Rate 1 relies on to recover embedded costs. And because the customer moves to Rate HP when it installs the heat pump, Rate 1 never collects embedded T&D costs on that incremental usage in the first place (see CIEC-1(a)). Therefore, after the switch, there is no lost contribution for anyone else to replace. The customer keeps paying its pre-heat-pump contribution under Rate HP, plus the new costs its heat pump causes (see CIEC-4(b)).

c. I take no position. The testimony addresses residential heat pump customers under Rate 1; it did not study the rate designs or load shapes of commercial or industrial customers, and makes no recommendation about how their load should be priced.