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Witness: Edward A. Davis, Kimberly R. Parsons, Matthew Nelson and Michael Goldman
Request from: Conservation Law Foundation

Question:

(SPACE HEATING RATE) Please refer to Exhibit CLP-RATES-1, at 32, lines 7-8: "Rate 6 will be available to any residential customer that currently heats with a delivered fuel heating system and demonstrates that it has installed air-source heat pump(s) or any new home build after July 1, 2027, that can demonstrate that they have installed air- source heat pump(s) for home space heating."

a. Please provide the definition of a "delivered fuel heating system" the Company would use to determine customer eligibility for Rate 6.
b. Is a heating system using natural gas considered a "delivered fuel heating system"? If not, why not?
c. Please provide copies of all notes, memorandum, reports, e-mails and text messages which discuss, reference, or conclude: 1) whether to include or exclude natural gas heating systems within the definition of a "delivered fuel heating system"; and/or 2) whether to provide eligibility for the new Rate 6 rate to Rate 1 customers who replace a natural gas heating system with an electric heat pump.
d. Why are new or existing geothermal heat pump customers not eligible for the proposed rate?
e. If a customer becomes eligible for and takes service under Rate 6, and subsequently either sells the dwelling or rents it, will the new owner or tenant remain eligible for Rate 6? If not, why not?
f. If a customer in a single dwelling unit becomes eligible for and takes service under rate 6 and subsequently converts the property to multiple dwelling units, will the customers in the new multiple dwelling units remain eligible for Rate 6? If not, why not?

Response:

a. A "delivered fuel heating system" is intended to refer to a heating system that runs on a fuel source like heating oil or propane, which is brought to the property by a truck and pumped into an on-site storage tank, rather than flowing through a permanent underground utility line. A heating system using natural gas is not considered a delivered fuel heating system because it does not meet this definition.

b. The Company deliberately excluded natural gas heating conversions from Rate 6 eligibility because Rate 6 is an affordability measure not a general electrification incentive. The rate is targeted at conversions that reduce the customer's total household energy costs. For customers heating with oil or propane, the highest-cost and most price-volatile heating fuels in Connecticut, conversion to an air-source heat pump generally lowers total annual heating expense, and Rate 6 further supports that outcome.

   For customers heating with natural gas, conversion to a heat pump typically increases the household's total energy bill at current prices. The Company is cognizant of the real affordability challenges for customers in Connecticut and therefore designed the rate to avoid encouraging conversions that would likely result in higher customer household energy. While natural gas conversions may produce emissions benefits, Rate 6 is designed to deliver bill savings, and eligibility was scoped accordingly.

c. The Company does not have reports on its decision to limit Rate 6 to delivered fuel conversions but refers to the pre-filed testimony set forth in Exhibit CLP-IAP-1, which focused on Investment & Affordability Policy, demonstrating the Company's strong emphasis in submitting proposals designed to address affordability.

d. Geothermal customers were not included in the eligibility for Rate 6 because Rate 6 is designed around the operating profile of air-source heat pumps, which experience declining efficiency and materially higher electricity consumption during the coldest portions of the heating season. This is the seasonal bill escalation the rate is designed to mitigate. Ground source systems maintain substantially higher and more stable cold-weather efficiency, so the winter bill impact Rate 6 addresses is far less pronounced for those customers. As DEEP describes, a geothermal system is more efficient than air-source heat pumps and far more efficient than systems relying on combustion of fossil fuels, and because it has relatively modest maintenance requirements, its operating cost typically is quite low, enabling homeowners and businesses to reduce their monthly expenses (see https://portal.ct.gov/deep/energy/renewable-energy/geothermal).

   Ground source installations also carry substantially higher upfront costs, however, meaning a volumetric rate discount may not provide a significant enough incentive for adoption. Air-source heat pump technology represents the overwhelming majority of Connecticut residential heat pump installations; focusing eligibility on air-source heat pumps simplifies verification and administration. It should also be noted that there are energy efficiency incentives through Energize CT for ground source heat pumps, with the current incentive levels for ground source heat pumps being higher than air source heat pumps, in recognition of the initial upfront capital hurdle for ground source heat pumps.

e. If a customer becomes eligible for and takes service under Rate 6, and subsequently either sells the dwelling or rents it, the new owner or tenant will remain eligible for Rate 6 because the rate will be attached to the meter. Additionally, the rate will continue to encourage the customer to use their heat pumps for space heating. This promotes affordability for the customer, encourages overall stable winter load for the grid, and supports climate goals.

f. If a customer in a single dwelling unit becomes eligible for and takes service under Rate 6 and subsequently converts the property to multiple dwelling units, the new service configuration will need to be evaluated before determining whether the new dwelling unit(s) will remain eligible for Rate 6.