Date Filed: September 03, 2026

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

Question:

(SPACE HEATING RATE) Proposed Rate 6 is described as "designed to provide a discounted rate for the incremental usage of residential electric service customers who adopt new electric air source heat pump technologies for space heating purposes?" Exhibit CLP-RATES-1, at 31, lines 16-18.

a. What is the purpose of the discount? What goal does the Company seek to accomplish with the discount?
b. How did the Company determine that the proposed level of the discount is sufficient to satisfy that goal?

Response:

a. The purpose of the discount is to address affordability. The discount serves the Company's broader affordability objectives in two ways. First, at the individual customer level, Rate 6 mitigates the winter bill escalation that accompanies air source heat pump adoption, supporting customers in realizing the bill savings from high-cost delivered fuels. Heat pump operation can substantially increase winter electricity consumption, and without a rate response, that seasonal increase can erode or eliminate the economic benefit of switching from oil or propane. Second, at the system level, the rate adds incremental load priced above the marginal cost of serving it, so each incremental kilowatt-hour contributes to recovery of the Company's cost of providing service. Spreading fixed costs over a larger sales base places downward pressure on average rates for all customers over time. This provides an economic benefit for all residential customers, not just Rate 6 participants. Rate 6 is deliberately structured as an affordability measure rather than a broad electrification subsidy; however, this also allows for value stacking with electrification incentives provided through energy efficiency or other programs.

   Rate 6 provides an affordability pathway for customers who adopt air source heat pump technology in circumstances where conversion makes economic sense, without requiring a substantive increase to non-participating customers to fund the discount.

b. The Company determined the level of the effective discount by reference to cost causation. The discounted rate is set to cover the incremental cost of serving the additional load the

converting customer adds, which establishes the floor; the standard residential rate establishes the reference point above it. The discount is the space between those two, and it is sized to be no deeper than that space. A Rate 6 customer pays to cover the incremental cost of serving that customer, such that no portion of that customer's cost of service is redistributed to non-adopting customers. The result is a more affordable rate for the customer making the conversion decision, achieved without imposing an offsetting burden on customers taking service under the standard rate. This is the level of discount the Company determined it could offer within those constraints.