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Request from: Conservation Law Foundation

Question:

(SPACE HEATING RATE) Why did the Company choose to not copy the residential heat pump rate offering of its Massachusetts affiliate and provide for the automatic enrollment of all known existing heat pump customers into Rate 6?

Response:

The Company designed its proposed Rate 6 using characteristics of Connecticut-specific residential customers and their associated cost of service. Focusing specifically on the incremental usage anticipated through heat pump conversion, and having the benefit of both an allocated cost of service study ("ACOSS") and a marginal cost of service study ("MCOSS") prepared for this case, the Company has more specific and relevant insight into the costs and basis for setting rates for its residential customers, particularly for its Residential Rate 1 class.

The Company evaluated all components of service and found that the distribution component of service was the relevant component upon which to develop the proposed rate. This structure is designed to be applied on a whole house basis, but targets a share of the load associated with incremental load of newly added heat pumps. The Company is unable to specifically design a rate for only the end use device (i.e., the heat pump). However, block rate structures previously applied for end uses (e.g., water heaters) have been designed into residential rates. A similar concept, but for the incremental load associated with a heat pump, is applied in the design of Rate 6. Redesigning the rate for more efficient pricing of the volumetric rate, in the tail block, while addressing the practical reality of recovering costs on an average basis for usage of the incumbent rate class prior to adding the incremental load, supports more appropriate pricing for incremental load, and addresses the concern of other new, incremental load that may not be distinguishable from heat pump load.

A design that discounts the entire volumetric rate, such as the Massachusetts approach, would apply the discount to usage unrelated to the incremental heat pump load. Rate 6 avoids that outcome by confining the discounted pricing to an incremental block during the winter period, so that usage the customer would have taken in any event continues to be priced under the underlying base rate structure, thereby minimizing the costs that would otherwise be allocated to other customers.