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**Witness: Edward A. Davis and Kimberly R. Parsons**
**Request from: UCONN**

**Question:**

(Rate Design & Tariff Structure) Refer to Exhibit CLP-RATES-3. Eversource assesses distribution demand charges and transmission demand charges to intermediate and large commercial customers using billing units based on kilovolt-amperes ("kVA").

a. Please explain why Eversource believes it is appropriate to continue assessing such charges in kVA rather than using kilowatts ("kW").
b. Please explain the bill impact of converting from kVA to kW billing units on Rates 55, 56, 57, and 58 customers. Please provide detailed analysis.

**Response:**

a. The use of kVA is designed to capture and present total delivery power requirements and incentivize efficient utilization of delivery facilities, as measured by power factor at their point of service. From the inception of kVA metering and billing customers have responded to this structure and the price signals afforded by kVA demand billing and achieved numerous benefits as a result of lowering demand charges, particularly through installing and maintaining power factor management and correction equipment at their facilities often with a relatively short payback. This kVA structure continues to provide an accurate and transparent means of informing each customer of their demand while achieving efficient utilization of the grid for power delivered to their facilities. The continued utilization of kVA demand ensures customers retain an accurate measure of their total power delivery requirements. The kVA demand directly translates to the current (amperes) flowing through the power system unlike kW. This current is what drives utilization of the system and impacts ratings of every piece of equipment which are always in amperes or kVA, not kW as it does not correlate directly to amperes flowing. Its use is an integral and valuable part of the demand-based rate structures that customers can rely and act on when making decisions about their electric service.

b. From a rate design and policy perspective, converting to kW from kVA billing runs counter to the intent and the benefits achieved through the establishment of kVA metering and billing. The factors in the Company's tariff for converting rates from a per kVA to a per kW basis is reserved and applies only to those customers for whom, at the time the kVA rate was established, kVA metering was not available. These factors are class average values that only apply on this limited basis. The application of kVA metering and billing was phased in over time, first for rates 57 and 58 customers and later for Rate 55 and 56

customers. Since its inception, customers have responded to kVA rates and invested in equipment that improved efficiency and lowered their total power delivery requirements and charges for electric service. These benefits have been realized in both distribution and time-varying transmission rates and charges. Reverting to a kW rate would remove this price signal and be regressive. A conversion using class average power factors would produce inaccurate and inappropriate kW values, particularly when compared with the actual power factors and resulting kW demand.

For illustrative purposes, the company has provided a calculation of kW demand values associated derived from billed kVA and assumed class average power factors. Please see these calculations, by rate class and demand charge type, in UCONN-09 Attachment 1. To reiterate, these calculations are strictly for illustrative purposes and are not a proposal for rate design for any of these rate classes. A conversion of this type will produce a higher unit rate and lower, theoretical kW billing units. While the higher rate would be retained, the actual bill impact compared with this illustration will vary, depending upon customers' actual power factors and thereby actual kW demand.