Date Filed: October 21, 2026

Witness: Edward A. Davis, Kimberly R. Parsons, Matthew Nelson and Michael Goldman
Request from: CLF and Sierra Club

Question:

Refer to Exhibit CLP-IAP-1, at 70, which states that the Optional Residential Space Heating Rate (ORSHR) "is grounded in cost causation principles." Please define "cost causation principles" and explain how the ORSHR is "grounded" in each principle.

Response:

The reference to "cost causation principles" refers to the concept that rates should bear a causal relationship to the costs the Company incurs to serve the customers taking service under those rates. The ORSHR is consistent with that concept because the rate was established above the marginal cost of serving ORSHR load. Thus, on average, the rate is expected to recover more than the marginal costs of distribution service associated with serving those customers, so ORSHR customers pay for the costs their load causes and contribute beyond that amount.