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 discount reflects the terms on which heating load can be served rather than a subsidy collected from other customers." Please explain what you mean by this.

Response:

Please refer to the Company's response to CLF-SC-024[i] for a discussion on marginal cost. The point that was being made in the referenced sentence is that the ORSHR would be above the marginal cost to serve those customers, so on average, the rate is set high enough that customers on the ORSHR pay for the costs their load causes and contribute beyond that level. In that way, the rate is designed so that there is no subsidy collected from non-ORSHR customers in order to provide the ORSHR.

Prior Referenced Response:

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[i] CLF-SC-024 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.

CLF-SC-024 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.