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 69, which states: "customers that have not yet been able to transition to heat pumps will actually benefit from this rate because new incremental load from heat pumps will contribute to other fixed cost requirements." Does this create a cross-subsidy from customers who have transitioned to heat pumps to those who have not? Please explain why or why not.

Response:

No, this does not create a cross subsidy. A cross-subsidy exists when one group of customers pays less than the cost of serving it and another group makes up the difference. The intent of the rate is that it helps both those customers that adopt heat pumps in response to the ORSHR and those that do not qualify for the ORSHR. Customers that adopt heat pumps after the rate's effective date will pay a rate that is below the standard residential rate and above the Company's marginal cost of serving their heating load, so they pay for the costs they add to the system. These customers are likely to see overall household energy burden reductions when transitioning from delivered fuels. Customers who do not qualify for the ORSHR will continue to pay a standard rate, but may also see lower rate impacts than they would have in the absence of the ORSHR because the additional load encouraged by the ORSHR will contribute toward costs already incurred on the system. This is not a cross-subsidization from ORSHR customers to standard rate customers. It is the result of spreading costs already incurred over more load, and ORSHR customers share in that benefit on the portion of their bills at standard rates.

There is no cross-subsidization from customers on the standard rate to ORSHR customers because ORSHR is priced above the marginal cost to serve those customers, so the customers receiving the rate pay for themselves. In other words, each unit of heating load served under it contributes toward costs beyond what it adds to the system. Neither group is subsidizing the other.