



The Commonwealth of Massachusetts
DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY

D.T.E. 06-108

December 22, 2006

Petition of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company requesting approval of their 2006 Reconciliation Filing, pursuant to G.L. c. 164, §1A(a) and 220 C.M.R. § 11.03(4)(e).

APPEARANCES: Robert N. Werlin, Esq.
Keegan Werlin LLP
265 Franklin Street
Boston, Massachusetts 02110-3113

FOR: BOSTON EDISON COMPANY, CAMBRIDGE
ELECTRIC LIGHT COMPANY, AND
COMMONWEALTH ELECTRIC COMPANY
Petitioners

I. INTRODUCTION

On December 1, 2006, Boston Edison Company (“BECo”), Cambridge Electric Light Company (“Cambridge”), and Commonwealth Electric Company (“Commonwealth”) (together, “NSTAR Electric” or “the Companies”) filed with the Department of Telecommunications and Energy (“Department”) pursuant to G.L. c. 164, § 1A(a) and 220 C.M.R. § 11.03(4)(e) their 2006 reconciliation filing, which consists of the reconciliation of transition, transmission, basic/default (“basic”) service costs and revenues, the residential assistance adjustment factor, and proposed updated charges and tariffs to be effective January 1, 2007.¹ On December 13, 2006, the Department issued a notice and a request for comments on the Companies’ filing. Comments were filed by: ISO New England Inc. (“ISO-NE”), the Cape Light Compact (“Cape Light”), and the Attorney General of the Commonwealth (“Attorney General”). NSTAR Electric responded to eight Department information requests.²

II. DESCRIPTION OF PROPOSED TARIFFS

For 2007, the Companies propose the following: (1) average transition charge of \$0.01289 per kilowatthour (“KWH”) for BECo, \$0.00530 per KWH for Cambridge, and \$0.01466 per KWH for Commonwealth; (2) average transmission charge of \$0.01166 per KWH for BECo, \$0.02641 per KWH for Cambridge, and \$0.00914 per KWH for

¹ On December 30, 2005, the Department approved the Companies’ 2005 reconciliation filings, subject to further investigation and reconciliation. Cambridge Electric Light Company/ Commonwealth Electric Company, D.T.E. 05-89 (2005); Boston Edison Company, D.T.E. 05-88 (2005).

² On its own motion, the Department admits into evidence the Companies’ responses to eight Department information requests (DTE-1-1 through DTE-1-8).

Commonwealth; and (3) a default service adjustment factor of \$-0.00268 per KWH for BECo, \$-0.00198 per KWH for Cambridge, and \$-0.00042 per KWH for Commonwealth (Exhs. BEC-HCL-1, at 1; COM-HCL-1, at 1; CAM-HCL-1, at 1). The Companies state that the rate adjustments are based upon part-actual and part-forecast data for 2006, which will be updated in 2007 consistent with previous reconciliation filings (NSTAR Electric Filing at 1-2).

The proposed rate adjustments include: (1) distribution rate changes incorporating the Companies' fourth annual pension and post-retirement benefits other than pensions adjustments, which are under Department review in NSTAR, D.T.E. 06-111; (2) distribution rate changes incorporating NSTAR Electric's first annual performance-based rate simplified incentive plan ("SIP) and capital projects scheduling lists ("CPSL") program adjustments, which were filed pursuant to a rate settlement approved in NSTAR, D.T.E. 05-85 (2005) ("Settlement")³ and are under Department review in NSTAR Electric, D.T.E. 06-82; (3) a transmission rate increase of \$9.8 million for one third of the net present value of the estimated customer savings of \$33.5 million that NSTAR Electric proposes to recover over three years pursuant to the Settlement, which is under Department review in NSTAR Electric, D.T.E. 06-107; (4) distribution rate changes incorporating the reclassification of Cambridge's 13.8 kilovolt facilities from transmission to distribution, which is under review in D.T.E. 06-82; and (5) the preliminary reconciliation of 2006 transition costs and revenues, which was filed in D.T.E. 06-82.

³ The parties to the Settlement are NSTAR Electric, NSTAR Gas Company, the Attorney General, the Low-Income Energy Affordability Network and the Associated Industries of Massachusetts.

III. COMMENTS

Cape Light filed comments requesting that the Department investigate NSTAR Electric's estimated over-collection of 2006 basic service costs (Cape Light Comments at 2). In addition, Cape Light contends that the basic service adjustment charge should not be collected from all customers, but rather only those who receive basic service (Cape Light Comments at 3). In his comments, the Attorney General states, "[c]onsistent with previous annual true-up filings, the Department should approve the rates that incorporate the preliminary 2006 costs subject to a final reconciliation and initiate a formal investigation into the Company's proposed reconciliation as it has for all the Company's prior filings" (Attorney General Comments at 2).

ISO-NE filed comments asking the Department to reject the transmission rate increase of \$9.8 million related to estimated customer savings that NSTAR Electric proposes in D.T.E. 06-107 (ISO-NE Comments at 3). ISO-NE asserts that recovery of these savings is premature and unsupported as the Department has not investigated D.T.E. 06-107, ruled on its merits or heard from all interested parties (ISO-NE Comments at 2-3). In reply, NSTAR Electric contends that ISO-NE misunderstands the nature of reconciling charges (NSTAR Reply Comments at 2). NSTAR Electric asserts that the costs associated with estimated customer savings are like any other reconciling costs, which are included in the preliminary calculation of rates and approved by the Department subject to further investigation and reconciliation (NSTAR Reply Comments at 2-3).

IV. ANALYSIS AND FINDINGS

Based upon its review of the Companies' filing, the Department has determined that further investigation is necessary. With the exception of the standby rate tariffs as discussed below, the Department finds that the tariffs filed by the Companies for service on and after January 1, 2007, are in compliance with Department precedent⁴ and G.L. c. 164, § 1B(b). Consequently, the rate changes are allowed, subject to reconciliation pursuant to the Department's ongoing investigation.

Regarding NSTAR Electric's estimated customer savings filing, D.T.E. 06-107, the Department will allow those savings to be included in rates to take effect January 1, 2007, but will hold a public hearing and investigate those savings consistent with the Department's Order approving the Settlement. D.T.E. 05-85, at 31-32. The schedule established for this investigation is attached to this Order.

With regard to standby rate increases relating to the implementation of the SIP and CPSL as proposed in D.T.E. 06-82, the Department is aware that those increases may have an adverse effect on the development of future distributed generation in the NSTAR Electric service territory. Recognizing the value of distributed generation as a resource option in the restructured electric industry, the Department recently directed Cambridge to delay

⁴ Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U./D.T.E. 97-111 (1998); Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 99-90 (2001); Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 00-83 (2002); see also, Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 01-79 (2001); Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 03-118-A (2004).

implementing increases to its standby rates in NSTAR Electric, D.T.E. 06-40, at 118-119 (2006). Consistent with the Department's Order in D.T.E. 06-40 and in order to eliminate an adverse effect on the development of future distributed generation in the NSTAR Electric service territory, the Department directs the Companies to delay the implementation of the effect of the SIP and CPSL on their standby rates until the completion of the Department's investigation of the design of standby rates, or until August 1, 2008 (the expiration of the D.T.E. 03-121 Settlement),⁵ whichever is sooner. In addition, during this same period, the Department directs the Companies to not apply the ISA to transition rates for standby customers. Accordingly, the Companies shall modify their 2007 standby rates.

V. ORDER

After review and consideration, it is

ORDERED: That the tariff filed by Boston Edison Company with the Department on December 1, 2006, M.D.T.E. No. 190, for service on and after January 1, 2007 is DENIED; and it is

ORDERED: That the tariff filed by Commonwealth Electric Company with the Department on December 1, 2006, M.D.T.E. No. 390, for service on and after January 1, 2007 is DENIED; and it is

⁵ In D.T.E. 03-121, the Department approved a settlement that established rates for standby, maintenance and supplemental service for the Companies.

FURTHER ORDERED: That the tariff filed by Cambridge Electric Light Company with the Department on December 1, 2006, M.D.T.E. No. 290, for service on and after January 1, 2007 is DENIED; and it is

ORDERED: That the tariffs filed by Boston Edison Company with the Department on December 1, 2006, M.D.T.E. Nos. 140G and 142G, for service on and after January 1, 2007 are APPROVED; and it is

ORDERED: That the tariffs filed by Commonwealth Electric Company with the Department on December 1, 2006, M.D.T.E. Nos. 340G and 341H, for service on and after January 1, 2007 are APPROVED; and it is

FURTHER ORDERED: That the tariffs filed by Cambridge Electric Light Company with the Department on December 1, 2006, M.D.T.E. Nos. 240H and 241G for service on and after January 1, 2007 are APPROVED; and it is

FURTHER ORDERED: That the rate changes for Boston Edison Company, Commonwealth Electric Company and Cambridge Electric Light Company are ALLOWED subject to reconciliation pursuant to the Department's investigation; and it is

FURTHER ORDERED: That Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company shall file new tariffs and schedules of rates and charges as required by this Order; and it is

FURTHER ORDERED: That Boston Edison Company, Commonwealth Electric Company and Cambridge Electric Light Company comply with any and all other directives contained in this Order.

By Order of the Department,

_____/s/_____
Judith F. Judson, Chairman

_____/s/_____
James Connelly, Commissioner

_____/s/_____
W. Robert Keating, Commissioner

_____/s/_____
Brian Paul Golden, Commissioner

_____/s/_____
Soo J. Kim, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.

ATTACHMENT

The Department issues the following procedural schedule in D.T.E. 06-107:

Discovery Begins on a Rolling Basis ¹	Tuesday, January 2, 2007
Petitions to Intervene Due	Monday, January 8, 2007
Pre-Filed Testimony Due from Parties to Settlement in D.T.E. 05-85	Friday, January 12, 2007
Pre-Filed Testimony Due from all other Intervenors	Monday, January 29, 2007
Deadline for Issuing Discovery	Monday, February 5, 2007
Deadline for Discovery Responses	Friday, February 9, 2007
Evidentiary Hearings	Wednesday, February 14, 2007 Thursday, February 15, 2007
Simultaneous Initial Briefs Due	Thursday, March 1, 2007
Simultaneous Reply Briefs Due	Thursday, March 8, 2007
Issuance of Final Order	Friday, March 30, 2007

¹ Discovery begins for individual intervenors once their petition(s) to intervene are allowed.