



**The Commonwealth of Massachusetts**  
**DEPARTMENT OF PUBLIC UTILITIES**

D.P.U. 08-10-A

October 1, 2008

Petition of NSTAR Electric Company for approval by the Department of Public Utilities of its 2008 Revised Energy Efficiency Plan.

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Petitioner

TABLE OF CONTENTS

I. INTRODUCTION. . . . . 1

II. 2008 REVISED ENERGY EFFICIENCY PLAN. . . . . 3

    A. Introduction. . . . . 3

    B. Revised Plan. . . . . 4

    C. Cost Recovery. . . . . 7

III. COMMENTS. . . . . 8

    A. Introduction. . . . . 8

    B. General Comments. . . . . 8

        1. Program Budgets. . . . . 8

        2. Funding Mechanisms. . . . . 10

        3. Scope of Proposed Energy Efficiency Programs. . . . . 11

        4. Performance Incentives. . . . . 12

    C. Company-Specific Comments. . . . . 12

        1. Program Budgets. . . . . 12

        2. Funding Mechanism. . . . . 13

        3. Scope of Proposed Energy Efficiency Programs. . . . . 14

IV. ANALYSIS AND FINDINGS. . . . . 15

    A. Introduction. . . . . 15

    B. Revised Plan. . . . . 16

    C. Cost Recovery. . . . . 19

V. ORDER. . . . . 21

## I. INTRODUCTION

On April 22, 2008, NSTAR Electric Company (“NSTAR Electric” or “Company”) filed with the Department of Public Utilities (“Department”) its electric energy efficiency plan for calendar year 2008 (“2008 Plan”). NSTAR Electric filed its 2008 Plan pursuant to G.L. c. 25, § 19, G.L. c. 25A, § 11G, and Order Promulgating Final Guidelines to Evaluate and Approve Energy Efficiency Programs, D.T.E. 98-100 (2000) (“Energy Efficiency Guidelines”).<sup>1</sup> This matter was docketed as D.P.U. 08-10.

By Letter Order dated July 25, 2008, the Department directed all Massachusetts energy efficiency Program Administrators<sup>2</sup> to submit a proposal to increase spending for residential heating programs for the 2008 winter season, stating that “there is an urgent need to expand funding for existing residential gas and electric energy efficiency programs in order to respond to the potential for very high heating costs in the coming months.” Request to Increase Funding for Residential Energy Efficiency Programs, Letter Order (July 25, 2008) (“Letter Order”).<sup>3</sup> NSTAR Electric submitted its proposal to increase funding for residential energy

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<sup>1</sup> On that same date, an offer of settlement (“Settlement”) was submitted jointly by NSTAR Electric, Associated Industries of Massachusetts, the Conservation Law Foundation, The Energy Consortium, the Low-Income Energy Affordability Network, Massachusetts Climate Action Network, and the Northeast Energy Efficiency Council.

<sup>2</sup> Program Administrators are those entities that administer energy efficiency programs, including distribution companies and municipal aggregators. Energy Efficiency Guidelines § 2.

<sup>3</sup> The Letter Order was issued in response to a request made to the Department by the Massachusetts Department of Energy Resources in a letter dated July 16, 2008.

efficiency programs on August 15, 2008 (“Revised Plan”). The Department requested comments on all Program Administrators’ Revised Plans by August 25, 2008. Request to Increase Funding for Residential Energy Efficiency Programs, Hearing Officer Memorandum (August 1, 2008). Comments were received from Associated Industries of Massachusetts (“AIM”), the Attorney General of the Commonwealth of Massachusetts (“Attorney General”), the Conservation Law Foundation (“CLF”), the Massachusetts Department of Energy Resources (“DOER”), Environment Northeast (“ENE”), the Low-Income Energy Affordability Network (“LEAN”), and Wal-Mart Stores East, L.P. (“Wal-Mart”). The Department requested reply comments on all Program Administrators’ revised plans by September 5, 2008. Request to Increase Funding for Residential Energy Efficiency Programs, Hearing Officer Memorandum (August 27, 2008). Reply comments were received from NSTAR Electric, ENE, LEAN, and The Energy Consortium (“TEC”). The evidentiary record includes eight responses to information requests.<sup>4</sup>

On September 19, 2008, the Department approved the 2008 Plan as initially filed, finding that, among other things, the Company (1) calculated program cost-effectiveness consistent with the Energy Efficiency Guidelines, and (2) demonstrated that each program included in the 2008 Plan was cost-effective. NSTAR Electric Company, D.P.U. 08-10

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<sup>4</sup> On its own motion, the Department moves into the evidentiary record of this proceeding the Company’s responses to Information Requests DPU 1-1; DPU 2-1 through DPU 2-6; and DPU 3-1.

at 24 (2008).<sup>5</sup> The Department stated that it would address the Company's Revised Plan, which proposes to increase spending on residential heating programs for the 2008 winter season, in a subsequent Order. Id. at 2. This Order addresses NSTAR Electric's Revised Plan.

## II. 2008 REVISED ENERGY EFFICIENCY PLAN

### A. Introduction

In the Department's July 25, 2008 Letter Order at 1, we directed the Program Administrators to submit a proposal "that will allow for the implementation of the maximum achievable level of cost-effective expenditures on residential heating programs for the remainder of 2008." In support of their proposals, the Department directed the Program Administrators to submit the following information: (1) the energy efficiency programs that are targeted at residential heating end uses; (2) the additional dollars the Company projects it can spend in a cost-effective manner; (3) the constraints that limit the additional dollars the Company projects it could spend cost-effectively; (4) the additional number of residential customers that will be served; (5) the additional kilowatt-hour ("kWh") or kilowatt savings that will be expected to be achieved; (6) the dollar savings on monthly bills that additional participants will be expected to realize; (7) the effect on the cost-effectiveness of the applicable

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<sup>5</sup> With the exception of a portion of Section VII and Section VIII, the Department also approved the Settlement. D.P.U. 08-10, at 29-31.

programs; and (8) the Company's proposed mechanism for recovery of incremental costs. Id. at 2.

B. Revised Plan

The Company proposes to increase spending by \$1,342,115<sup>6</sup> on five residential programs:

- The RCS/MassSave Program, which provides energy education and home energy audits to residential customers and offers rebates on insulation, air sealing, ENERGY STAR refrigerators, heating and water heating equipment, and windows. The program also offers a low-interest loan option which can be used for heating equipment upgrades;
- The residential multi-family program, which serves residential customers in multi-family structures with five or more units and offers the installation of low-cost efficiency measures at no direct cost to the customer. The program also offers incentives for lighting upgrades, replacement of inefficient refrigerators, heat pump testing, duct sealing, insulation, and air sealing;
- The low-income new construction program, which captures lost opportunities when single and multi-family housing is built for low income customers or tenants;
- The low-income single family program, which offers a variety of customer incentives including free insulation, ENERGY STAR lighting products, appliance upgrades, and energy consultations into the homes of eligible low-income single-family customers; and
- The low-income multi-family program, which offers a variety of customer incentives including free insulation, ENERGY STAR lighting products, appliance upgrades, and energy consultations for the homes of eligible low-income customers who live in multi-family housing.

(Revised Plan, Exh. NSTAR-PC, at 6-8).

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<sup>6</sup> This dollar amount does not include incremental shareholder incentives. Including shareholder incentives, the Company's proposed increase in its 2008 budget is equal to \$1,452,531 (Revised Plan at 6).

Table 1, below, summarizes the information provided by the Company regarding the additional proposed spending for these programs:

Table 1

Program	Additional Spending		Increased Savings		Benefit/Cost Ratio <sup>7</sup>	
	\$	% Incr.	kilowatt- hour (Annual)	% Incr.	2008 Plan	Revised Plan
RCS/ MassSAVE	642,114	20.0	956,000	29.3	2.55	2.54
Res. Multi- Family	200,000	14.1	339,000	14.9	1.48	1.50
Low-Income New Construction	150,000	29.5	13,000	21.7	3.01	4.38
Low-Income Single- Family	250,001	7.8	170,000	8.7	1.82	1.83
Low-Income Multi-Family	100,000	9.5	111,000	12.3	1.71	1.76

(Revised Plan, Exh. NSTAR-PC at 6-10, App. A).

The Company states that it expects to serve approximately 27 percent, or 3,000, additional customers as a result of the increased spending, and that participating customers should expect savings between \$9 and \$14 per month on their electric bills, depending on the measures that they install (Revised Plan, Exh. NSTAR-PC at 9-10; NSTAR

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<sup>7</sup> These calculations include the capacity demand reduction induced price effect.

Reply Comments at 4). The Company states its ability to spend additional dollars cost-effectively is constrained by the time needed (1) to train energy specialists to perform energy audits; (2) to train and hire additional insulation contractors; and (3) for the multi-family programs, to recruit participants, assess facility opportunities, and implement recommended improvements (Revised Plan, Exh. NSTAR-PC at 8-9).<sup>8</sup>

In addition to increasing the budget for the RCS/MassSAVE Program, the Company proposes the following program design changes:

- an increase in the customer incentive to 100 percent of costs for customers with incomes that range between 60 percent and 80 percent of the median income;<sup>9</sup>
- an increase the customer incentive for weatherization measures to 75 percent of the cost up to \$2,000; and
- modify the current heat loan program to allow customers to receive both a zero percent loan up to \$10,000 as well as incentives and rebates for eligible program measures

(Revised Plan, Exh. NSTAR-PC at IV-3).<sup>10</sup>

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<sup>8</sup> The Company states that it intends to support its program ramp-up through additional marketing and education to residential heating customers and by reaching out to heating contractors and heating, ventilation, and air conditioning supply houses as a means to increase high efficiency heating system replacements (Revised Plan at 12).

<sup>9</sup> The Company notes that, in order to support and help meet potential demand, these customers may also be served by the low-income community action program agencies (Revised Plan, Exh. NSTAR-PC at IV-3).

<sup>10</sup> The Company states that this is consistent with the heat loan program offered in 2006 and an Act Relative to Green Communities, Chapter 169 of the Acts of 2008 (“Green Communities Act”) (Revised Plan, Exh. NSTAR-PC at IV-3). The Company states that heat loan costs will be tracked and reported separately (id.).



The Company also proposes to modify the low-income single family program to expand eligibility to customers with incomes that range between 60 percent and 80 percent of the median income (Revised Plan, Exh. NSTAR-PC at IV-6).

C. Cost Recovery

The Company proposes to modify its existing energy efficiency charge (“EEC”) tariffs to include an energy efficiency reconciliation factor (“EERF”) (Revised Plan, Exh. NSTAR-PC at 2). The EERF is designed to reconcile the Company’s energy efficiency costs in a particular program year with the revenue it receives through: (1) the system benefits charge (“SBC”); (2) its participation in the Forward Capacity Market (“FCM”); and (3) proceeds from cap and trade programs such as the Regional Greenhouse Gas Initiative (“RGGI”) (Revised Plan, Exh. NSTAR-HCL at 5-8). In addition to costs associated with program implementation and shareholder incentives, the Company proposes to recover incremental lost base revenues for energy efficiency measures installed as part of its increased spending in winter 2008, as well as in 2009 (Revised Plan, Exh. NSTAR-HCL at 7-10). The Company states that, in light of the Department’s goal of implementing expanded residential heating energy efficiency programs as soon as possible, “it is not proposing that the Department review the revised tariffs contemporaneously with its review of the Company’s expanded 2008 EE Plan. Rather, the Company’s proposed EEC tariffs are being filed with effective dates of January 1, 2009” (Revised Plan, Exh. NSTAR-HCL at 2).<sup>11</sup>

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<sup>11</sup> The EERF would then be subject to change on the first day of each future calendar year  
(continued...)

### III. COMMENTS

#### A. Introduction

The majority of comments were of a general nature, applicable to most or all of the Program Administrators' revised gas and electric plans. In addition, certain comments were specific to an individual Program Administrator's revised plan. General and company-specific comments are each summarized below.

#### B. General Comments

##### 1. Program Budgets

AIM argues that the Department's request for increased funding for energy efficiency programs is an overreaction to a temporary rise in energy prices and, accordingly, that any increased spending should be delayed until 2009 (AIM Comments at 1-2). While the Attorney General does not challenge the need for increased energy efficiency funding to reduce low-income and residential customer heating bills this winter, she argues that the proposals fail to provide the detailed information required by the Department and, therefore, raise several substantive and procedural issues (Attorney General Comments at 3). For example, the Attorney General asserts that most proposals do not provide detailed budget increases, as required by the Department (*id.* at 4). Without such information, the Attorney General argues

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<sup>11</sup> (...continued)  
(Revised Plan, Exh. NSTAR-HCL at 6).

that the Department cannot ascertain where the additional funds will be spent, the extent that customers will benefit, or whether all proposed programs will be cost-effective (id. at 7).

DOER states that electric Program Administrators have proposed Revised Plans with significant increases of at least 30 percent over 2008 budgets for residential and low-income programs. However, DOER states that gas energy efficiency proposals vary widely (DOER Comments at 3). DOER argues that all gas proposals should increase budgets at least as much as electric proposals and that all cost-effective residential program budgets should be increased (id. at 3).

LEAN agrees that an immediate increase in energy efficiency program budgets is necessary. Furthermore, LEAN contends that the revised plans must be approved as soon as possible, otherwise the Program Administrators will be unable to implement the programs for this winter (LEAN Comments at 1-2). TEC notes that the cost to advance known projects will be minimal and will not diminish program cost-effectiveness and, therefore, recommends that Program Administrators advance current heating contracts by paying contractors overtime or a performance incentive to complete projects as soon as possible (TEC Reply Comments at 2).

ENE states that, by its calculations, there is a large spread in proposed budget increases among the Program Administrators (ENE Comments at 4). So that the revised plans are directly comparable, ENE recommends that the Department or DOER require the Program Administrators to submit identical spreadsheets that include proposed spending levels by customer class on a per customer and per unit of energy sold basis (id. at 3-4). ENE also states

that, in some revised plans, budgets appear to be reduced and that the Department should not approve any reductions without good reason (id. at 4).

## 2. Funding Mechanisms

The Attorney General contends that many of the electric proposals contain insufficient detail about the sources of additional funding. The Attorney General states that, in order for the Department to approve funding mechanisms that collect additional money from customers, the Department must consider the effect on residential and commercial customers and the availability of private or public funds (Attorney General Comments at 13, citing St. 2008 c. 169, § 11). In addition, the Attorney General argues that any new reconciling rate mechanism designed to recover incremental energy efficiency program costs must be subject to a hearing before the Department under G.L. c. 164, § 94 to establish just and reasonable rates (id. at 14-15, citing Consumers Organization For Fair Energy Equity, Inc. v. D.P.U., 368 Mass. 599, 606 (1975)). Wal-Mart also asserts that any request to approve a funding mechanism for incremental energy efficiency expenditures requires a thorough investigation that includes discovery and an evidentiary hearing (Wal-Mart Comments at 2-3). CLF suggests that any new energy efficiency tariffs or reconciling mechanisms should be considered by the Department in a separate proceeding (CLF Comments at 1-2).

DOER states that proposals to recover lost based revenues through various mechanisms is a departure from current practice that must be thoroughly reviewed by the Department (DOER Comments at 3). Finally, LEAN states that significant consumer savings can only

occur if energy efficiency measures are fully funded and that funding is allowed to rollover from year to year (LEAN Comments at 2).

### 3. Scope of Proposed Energy Efficiency Programs

The Attorney General states that the revised plans go beyond the scope of the Department's directives. First, the Attorney General states that some revised plans include spending increases for programs that are not designed to reduce heating costs for residential customers (Attorney General Comments at 4-5).<sup>12</sup> In addition, the Attorney General states that many proposals include new programs and program changes (id. at 11). The Attorney General argues that such program changes and new programs require more investigation than is allowed for in this expedited review (id. at 12). Accordingly, the Attorney General recommends that the Department deny any request to implement new programs or changes to existing programs (id.). Alternatively, the Attorney General suggests that Program Administrators could implement new pilot programs and other initiatives without Department approval if shareholders agree to fund the programs (id.).

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<sup>12</sup> For example, the Attorney General states that nearly all gas companies and some electric companies propose to change the income eligibility level from 60 percent to 80 percent of the Commonwealth's median income for low-income energy efficiency programs (Attorney General Comments at 11). The Attorney General argues that the low-income eligibility issue is currently the subject of Investigation into Issues Affecting Low-Income Customers, D.P.U. 08-4, and, therefore, should not be considered by the Department in the instant proceeding (id. at 11-12). In contrast, LEAN contends that there is no valid reason to deny proposals that make energy efficiency measures more affordable to households with incomes between 60 and 80 percent of the median income (LEAN Reply Comments at 2).

Unlike the Attorney General, LEAN supports increased budgets for energy efficiency measures that are not directly related to heating (LEAN Reply Comments at 2). LEAN argues that any measure that reduces utility bills will help customers this winter (LEAN Comments at 2).

DOER states that, despite the Department's focus on approving only residential heating programs, it should consider allowing "stop-gap" proposals that address large unmet demand in cost-effective commercial and industrial ("C&I") programs (DOER Comments at 3). However, AIM contends that funding for C&I programs should not be increased this winter because the lead time to implement these programs is long (AIM Comments at 3). Rather, AIM suggests that C&I programs should be considered for budget increases in 2009 (*id.*). Finally, CLF agrees that proposals to increase funding for C&I programs should be deferred to proceedings on the 2009 energy efficiency plans (CLF Comments at 1).

#### 4. Performance Incentives

The Attorney General suggests the Program Administrators forgo shareholder incentives to help customers this winter (Attorney General Comments at 11). DOER states that increased spending levels may necessitate adjustments to shareholder incentives to avoid inappropriate gains by Program Administrators (DOER Comments at 3).

### C. Company-Specific Comments

#### 1. Program Budgets

The Attorney General contends that the budget information provided by NSTAR Electric is insufficient and lacks details on information that is necessary for the Department to approve

the Revised Plan (Attorney General Comments at 7). Specifically, the Attorney General states that NSTAR Electric fails to: (1) identify how much money will be spent on administrative costs and other cost categories; (2) identify how marketing costs relate to energy efficiency programs; and (3) provide the number of additional customers that will be served (id. at 6-7).

ENE notes that NSTAR Electric's proposed spending increases for low-income programs that target existing buildings are below ten percent (ENE Comments at 5). ENE recommends that NSTAR Electric work with policy makers, contractors, and weatherization administrators to increase these amounts (id. at 5).

In its reply comments, NSTAR Electric provided additional information that the Attorney General identified as missing from the Company's Revised Plan. NSTAR Electric states that its Revised Plan does not dedicate any additional funds to administrative costs (NSTAR Electric Reply Comments at 4). Further, NSTAR Electric provided exact marketing costs that are related to heating programs (id.). NSTAR Electric states that it is unable to provide a precise number of additional customers to be served, but was able to provide an estimate at 3,000 (id.).

## 2. Funding Mechanism

The Attorney General and Wal-Mart both commented on NSTAR Electric's proposed EEC tariff. The Attorney General states that the Company fails to provide important details about the magnitude and effect of the tariff changes on customer rates, and that the Department should either reject or request clarification and modification of the proposed tariff (Attorney General Comments at 15). Further, the Attorney General and Wal-Mart contend that NSTAR

Electric's proposed tariff, which will increase rates, must be subject to a hearing pursuant to G.L. c. 164, § 94 to determine whether rates are just and reasonable (Attorney General Comments at 14-15, Wal-Mart Comments at 2-3). Wal-Mart recommends that the Department delay a decision on the Company's proposed tariff changes until a full investigation can be conducted (Wal-Mart Comments at 4).

NSTAR Electric argues that the Attorney General and Wal-Mart are incorrect in their assertion that a general rate case is required for approval of its proposed EEC tariff (NSTAR Electric Reply Comments at 2). NSTAR Electric argues that the proposed EEC tariff is focused on collecting energy efficiency program costs and not the Company's cost of service, thus, G.L. c. 164, § 94 is not applicable (*id.*). NSTAR Electric does, however, state that it has no objection to the Department holding a separate hearing and investigation into the proposed tariff (*id.*).

### 3. Scope of Proposed Energy Efficiency Programs

The Attorney General states that NSTAR Electric's proposal contains increased budgets for residential programs that have little to do with heating costs, including increases for marketing activities, lighting rebates, appliance rebates, and administrative costs (Attorney General Comments at 5-6). The Attorney General argues that marketing and outreach costs must be related to heating for the budget increases to be approved (*id.*).

In response, the Company affirms that each of the programs that it has identified for additional funding in the Revised Plan relate to heating measures (NSTAR Electric Reply



Comments at 3). NSTAR Electric further states that no additional funds will be allocated to administrative costs as a result of the Revised Plan (id. at 4).

#### IV. ANALYSIS AND FINDINGS

##### A. Introduction

In order for the increased spending to provide benefits to customers during the 2008 winter season, it is necessary for the Company to accelerate implementation of cost-effective energy efficiency programs as soon as possible. Nevertheless, the Department is obligated to review the programs, applying its criteria from the Energy Efficiency Guidelines, which require that the Company's energy efficiency programs be cost-effective. Energy Efficiency Guidelines §§ 4.2.1(a), 6.2.

An energy efficiency program is deemed cost-effective if its benefits are equal to or greater than its costs, as expressed in present value terms. The Department evaluates program cost-effectiveness using the Total Resource Cost ("TRC") test, which considers the costs and benefits to both the energy system and the participating customers. Id. at § 3. Energy system costs are comprised of two components: (1) Program Administrator costs, including costs to develop, plan, administer, implement, market, monitor, and evaluate programs; and (2) a performance-based shareholder incentive. Id. at § 3.2.2. Program participant costs include all costs incurred by customers as a result of their participation in the programs, net of company rebates and other incentives. Id. at § 3.2.3.

B. Revised Plan

The Company proposes to increase spending on five programs: (1) RCS/MassSave; (2) residential multi-family; (3) low-income new construction; (4) low-income single-family; and (5) low-income multi-family. As discussed in Section II.B, above, the Company provided information on: (1) the additional dollars it proposes to spend; (2) the constraints on its ability to spend additional dollars cost-effectively; (3) the additional kWh savings that will be achieved; (4) the additional number of customers that will be served; and (5) the dollar savings on monthly bills that additional participants will be expected to realize. As shown in Table 1, the Company projects that all of these programs will remain cost-effective at the increased spending levels (Revised Plan, Exh. NSTAR-PC at 6-10, App. A).

In addition to increasing program funding, the Company also proposes program design changes to the RCS/MassSave program and the low-income single family program. Specifically, the Company proposes: (1) to increase customer rebate levels in the RCS/MassSAVE Program; and (2) to change the eligibility criteria for participation in its low-income single family program (Revised Plan, Exh. NSTAR-PC at IV-3, IV-6). The Department's July 25, 2008 Letter Order was silent regarding whether we would allow Program Administrators to make changes to program designs for the remainder of 2008. The Department generally encourages the adoption of program design changes that improve the efficiency and cost-effectiveness of the delivery of energy efficiency services to customers. However, in light of the need to increase spending on residential heating programs as soon as feasible, the Department must limit the types of program design changes that we will allow at

this time. Accordingly, we will allow only those program design changes that (1) are not a significant departure from current program designs, and (2) will have no affect on the program's cost-effectiveness.

With respect to the RCS/MassSave program, we find that the changes proposed by the Company are not a significant program design change. Further, we find that the proposed changes will not affect the program's cost-effectiveness. Under the TRC test, costs incurred by both Program Administrators and program participants are included in the cost-effectiveness analysis. Therefore, increases in the level of customer rebates paid by a Program Administrator do not affect a program's cost-effectiveness because the additional costs incurred by the Program Administrator are fully offset by the reduced costs incurred by program participants. Accordingly, the Department approves the Company's proposal to increase the customer rebates for its RCS/MassSAVE Program.

In contrast, the Company's proposal to change the eligibility criteria for participation in its low-income single family program is a significant departure from current program design. While such a change may ultimately be found to be appropriate, it should not be adopted without sufficient review and input from the relevant efficiency stakeholders. Accordingly, the Department will not approve this proposed change at the current time. The Company may propose new eligibility thresholds for its low-income programs in its 2009 energy efficiency plan.

The Attorney General argues that the Company's increased budget goes beyond the Department's directives because a portion of the additional dollars will be spent on non-heating

measures. In directing Program Administrators to propose increased funding for residential heating programs, the Department did not intend to limit additional spending strictly to heating measures. Instead, we intended for Program Administrators to focus their efforts on programs for which a primary target is heating end-uses. It has long been Department policy that companies should comprehensively pursue all cost-effective opportunities when delivering energy efficiency services to a customer, in order to avoid lost opportunities. Investigation into Pricing and Ratemaking Treatment of New Electric Generating Facilities which are not Qualifying Facilities, D.P.U. 86-36-F at 25 (1988).

With the exception of the low-income single family program, the Department concludes that, based on the information included in NSTAR Electric's Revised Plan, reply comments, and responses to information requests, the Company (1) satisfied the requirements set forth in our July 25, 2008 Letter Order, and (2) sufficiently demonstrated the cost-effectiveness of the programs for which it proposes to increase spending. Therefore, we direct the Company to revise its 2008 budgets for the RCS/MassSave, residential multi-family, low-income new construction, and low-income multi-family programs consistent with spending levels included in its Revised Plan.

With regard to the low-income single family program, the Department directs the Company to implement the program during the remainder of 2008 using the existing eligibility criteria. We direct the Company to submit a compliance filing, within seven days of the date of this Order, that includes the revised information for this program required by the

Department's July 25, 2008 Letter Order, taking into account the retention of the existing eligibility criteria.

C. Cost Recovery

As discussed above, the Company proposes a new cost recovery mechanism that calls for an annual reconciliation of its energy efficiency costs and revenue, to be recovered through its distribution charges. Several commenters recommended that the Department defer consideration of the Company's proposed cost recovery mechanism until a later date, stating that the proposal raises issues that cannot be satisfactorily addressed in this proceeding, given its expedited nature (Attorney General Comments at 13-15; CLF Comments at 1-2; Wal-Mart Comments at 2-3). Further, the Company acknowledges Department review of the tariff may take longer than the review of its Revised Plan, however, it expects the tariff to be effective January 1, 2009 (NSTAR Electric Reply Comments at 2).

The cost recovery mechanism proposed in the Company's Revised Plan requires further investigation. Therefore, the Department will not consider at the present time the Company's proposed tariff. The Company will be allowed to recover the increased 2008 budget amounts approved in this Order through its 2009 energy efficiency budget.<sup>13</sup> The Department expects that the 2009 energy efficiency budgets will include revenues from the SBC, FCM, RGGI, and, if necessary, from a fully reconciling distribution charge, pursuant to the Green

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<sup>13</sup> Consistent with past practice, the Company may recover carrying costs associated with the amount by which its 2008 energy efficiency expenditures exceed its energy efficiency revenues. See NSTAR Electric Company, D.P.U. 08-10, at 29-30 (2008).

Communities Act. G.L. c. 25, § 20(d)(2). The under-recoveries from 2008 residential programs should be recovered from 2009 residential budgets. For low-income programs, 2008 under-recoveries should be collected from the 2009 budgets of all customer classes, based on each class' proportional contribution to low-income programs in the 2009 energy efficiency plan budgets.

Although the Department will not consider the Company's proposed cost recovery mechanism in this Order, we find it necessary to address the Company's proposal to recover lost base revenue associated with the savings that result from the increased spending during the remainder of 2008. In Rate Structures That Will Promote Efficient Deployment of Demand Resources, D.P.U. 07-50-A at 81-84 (2008), the Department stated that lost based revenue "can serve as a useful tool to accommodate an orderly transition to the implementation of decoupling for all distribution companies." For electric distribution companies, the Department stated that lost based revenue recovery for incremental efficiency savings<sup>14</sup> would apply to measures installed "beginning in 2009 and extending through the term of their initial three-year energy efficiency plans (i.e., through 2012)... ." The Department directed an electric distribution company that seeks to recover lost based revenues to do so in conjunction with the filing of its 2009 energy efficiency plan. D.P.U. 07-50-A at 83. Therefore, the

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<sup>14</sup> The Department defined incremental efficiency savings as those savings that exceed the efficiency savings from a company's 2007 energy efficiency activities. D.P.U. 07-50, at 83.

Department rejects the Company's proposal to recover lost base revenue for incremental savings that result from the additional measures installed during the remainder of 2008.

V. ORDER

Accordingly, after due notice, opportunity for comment, and consideration, it is

ORDERED: That except for the proposed cost recovery mechanism as discussed in Section IV (C) and program design change altering low-income eligibility as discussed in Section IV (B) the revised electric energy efficiency plan for calendar year 2008 submitted by NSTAR Electric is APPROVED; and it is

FURTHER ORDERED: That NSTAR Electric shall file a compliance filing within seven days of the date of this Order, as discussed in Section IV(B); and it is

FURTHER ORDERED: That NSTAR Electric shall comply with all other directives contained in this Order.

By Order of the Department,

/s/  
Paul J. Hibbard, Chairman

/s/  
W. Robert Keating, Commissioner

/s/  
Tim Woolf, Commissioner



D.P.U. 08-10-A

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 20 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 20 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. Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971.