October 15, 2008

Philip Guidice, Commissioner
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Comments Addressing Section 105 of Chapter 169 of the Acts of 2008

Dear Commissioner Guidice:

On behalf of NSTAR Electric Company ("NSTAR Electric" or the "Company") and at the invitation of the Department of Environmental Resources (DOER) I am writing to comment on the implementation of Section 105 of Chapter 169 of the Acts of 2008 (the "Green Communities Act" or "GCA"). Specifically G.L. Chapter 25A, Section 11F requires that regulations be established around the creation of a "Class II" renewable energy generating resource requirements, for facilities that began commercial operation before Dec 31 1997. In the paragraphs that follow NSTAR Electric will comment on a number of the outstanding issues before the DOER and how the legislation can be successfully implemented without overly burdening electric ratepayers in Massachusetts.

As the DOER is well aware, the electric ratepayers in the commonwealth currently pay some of the highest electricity prices in the United States. In addition, overburdened ratepayers are presently funding investments in renewable energy projects via the Massachusetts Renewable Energy Trust Fund and the current Renewable Portfolio Standard (RPS) program. Significant additional requirements will compound the burden on ratepayers resulting in financial hardship and job losses in Massachusetts. The DOER must balance the Legislature's goals of promoting alternative energy technologies with the economic realities of high energy costs.

NSTAR has developed three principal recommendations for the DOER as it works to develop and implement Class II standards for all retail electricity suppliers.

- MA electric ratepayers should not be additionally burdened with the cost of old, inefficient operating resources.

- The DOER is tasked with setting the percentage of kilowatt-hour sales from Class II resources. The percentage should initially be very small and should decrease rapidly over a short period of time.

- The Alternative Compliance Payment (ACP) should be set low and any proceeds should be used to encourage the development of additional Class I resources.

MA Electric ratepayers should not be additionally burdened with the cost of old, inefficient operating resources.

Older, inefficient, renewable electric generating resources in New England currently receive energy and capacity payments. In addition, many of these resources are in advanced stages of depreciation and thus operate at a considerable economic advantage to new facilities. NSTAR Electric believes that any additional payments to these resources will exert an added financial burden on electric ratepayer in the commonwealth. We strongly urge the DOER to restrict the renewable portfolio standard (RPS) payments paid to older resources, and focus the department's attention on new and more efficient technologies whenever possible.

RPS percentages should be set low and allocated to resources that prove the needs.

The percentage of sales of eligible end use customers that qualify for Class II should be set according to the volume of Class II resources that can prove the need for more funding. Class II resources are limited in quantity and are declining in volume as they are replaced by newer more efficient resources. In addition, the capacity factor of these resources declines over time as they compete with higher efficiency units. Funding their continued operation diverts dollars from newer, cleaner and more efficient resources.

Resources that are eligible for Class II RPS payments should be those that can demonstrate a strong need for economic support. For example, many of these resources operate under very expensive long term Purchase Power Agreements (PPA). These above market contracts adequately compensate their owners and should not be additionally compensated through an RPS Class II requirement. Older, dirtier resources that require the installation of pollution control equipment and do not have a long term PPA (or are willing to terminate their current PPA) may warrant compensation.

Set the Alternative Compliance Payment (ACP) based on specific needs

The focus for REC payments should continue to be on those resources identified by the DOER as Class I because they are the most economical and efficient. The ACP for Class II should be established for those units that require pollution control equipment to remain economically viable in the absence of a long term PPA. As previously stated these resources already benefit from many years of depreciation as well as from some of the highest energy and capacity payments in the country. We urge the DOER to reduce the burden on Massachusetts ratepayers by setting the ACP at a minimum.

Conclusion

Massachusetts electric ratepayers should not be burdened with the cost of old, inefficient operating resources. The focus should be on cleaner and more efficient Class I resources. To this end, the percentage of kilowatt-hour sales from Class II resources should be very small and decrease rapidly over time. Finally, the DOER should set the Class II ACP levels as low as practical in order to benefit only those units that can demonstrate the economic need to install pollution control equipment.

NSTAR ELECTRIC COMPANY

By: _____

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