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June 26, 2006

BY HAND AND ELECTRONIC MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 06-40, NSTAR Electric Merger

Dear Secretary Cottrell:

Enclosed is an original and nine (9) copies of the Petition to Intervene of the Massachusetts Institute of Technology in the above-captioned docket and the First Set of Information Requests of the Massachusetts Institute of Technology to NSTAR Electric.

Please date-stamp the enclosed copy of this cover letter and return it to the messenger for our files.

Thank you for your attention to this matter.

Sincerely,

John A DeTore (dcs)

John A. DeTore

JAD/df
Enclosures

cc: Service List

707505_1

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of NSTAR Electric Company	)	D.T.E. 06-40

PETITION TO INTERVENE
OF
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Pursuant to 220 C.M.R. 1.03, the Massachusetts Institute of Technology ("MIT" or the "Petitioner"), hereby petitions the Department of Telecommunications and Energy ("Department") for leave to intervene in the above-captioned proceeding. In support of this petition, the Petitioner states the following:

1. MIT is a non-profit educational institution, located at 77 Massachusetts Avenue, Cambridge, Massachusetts.

2. MIT is a large institutional customer of Cambridge Electric Light Company ("CELCo").

3. MIT owns and operates on-site, self-generation facilities in the form of a generation plant, which supplies part of MIT's electricity needs.

4. On December 6, 2005, pursuant to G.L. c. 164, § 94 and 220 CMR § 5.00 et seq., Boston Edison Company ("BECo"), Cambridge Electric Light Company ("CELCo"), Canal Electric Company ("Canal") and Commonwealth Electric Company ("ComElec"), (together "NSTAR Electric" or "the Companies") filed a petition with the Department of Telecommunications and Energy ("Department") seeking approval of a settlement agreement ("Settlement") entered into with the Attorney General of the Commonwealth ("Attorney

General"), the Low-Income Energy Affordability Network and the Associated Industries of Massachusetts. The Settlement contemplated the filing of this Petition as part of the corporate restructuring of the Companies into a single corporate entity and related rate matters. This Settlement was approved by the Department on December 30, 2005 in D.T.E. 05-85.

5. In this Petition, NSTAR Electric has filed several requests related to the proposed merger of the Companies including 1) approval of the proposed merger pursuant to G.L. c. 164, § 96; 2) determination that the terms of the proposed merger are consistent with the public interest; 3) approval of the consolidation of retail rates for Basic Service and the Pension Adjustment Factor; 4) approval of the ratemaking proposal relating to the functional reclassification of Cambridge's 13.8 kilovolt ("kV") facilities as distribution rather than transmission facilities[1]; 5) approval of a proposal to implement uniform depreciation rates; and 6) confirmation of the transfer of franchise rights of CELCo and ComElec to BECo (to be renamed NSTAR Electric Company). NSTAR's Petition requests the immediate consolidation of the particular rates described above prior to the planned 2010 complete consolidation of all of the rates of the merging companies.

6. The Department's decision in this proceeding will affect the rates, terms and conditions and quality of service for the Petitioner as a customer of CELCo and as an ultimate customer of NSTAR once the merger is effectuated. As such, MIT will be substantially and specifically affected by the Department's determination in this proceeding consistent with the requirements of 220 CMR 1.03.

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[1] The functional reclassification of the 13.8 kV facilities would transfer rate recovery for the revenue requirement associated with those facilities from a transmission rate set by the Federal Energy Regulatory Commission ("FERC') to a distribution rate subject to Department approval.

7. In approving proposed consolidation of rates related to a merger transaction, the Department will review the effect of the merger on rates among other factors. In its Petition, the Companies state that the proposal satisfies the statutory public interest standard set for in G.L. c. 164, § 96 as applied by the Department in recent merger proceedings, citing *Eastern-Colonial Acquisition*, D.T.E 98-128 (1999); *Eastern-Essex Acquisition*, D.T.E. 98-27 (1998) and *Boston Edison/Commonwealth Energy System Merger*, D.T.E. 99-19 (1999). The Companies assert and MIT agrees, that those cases establish a "no net harm" standard for evaluated proposed mergers. The Petition further defines the no-net harm standard as requiring a demonstration that "the public interest would be at least as well served by approval of a proposal as by its denial. Petition at 2.

8. MIT notes that the Department has been explicit in its application of the no net harm standard in reviewing the proposed consolidation of rates as part of a merger proposal. In reviewing rate impacts related to a merger, the Department has relied on the public interest standard set forth in G.L. c. 164, § 94. "a Section 94 review is necessary for the public interest standard that is statutorily explicit in G.L. c.96, lies also at the heart of G.L. c. 164, § 94 by judicial construction." See *Massachusetts Electric Company et. al*, D.T.E. 99-47, p. 18 (2000). In that case, the Department approved a plan to protect customers of one of the merging electric distribution companies, Eastern Edison, from rate increases otherwise associated with the merger of the rates of Eastern Edison with the rates of Massachusetts Electric. D.T.E. 99-47 at 22. In that instance, the merger of rates protected the customers who would otherwise receive increases from being adversely affected by the merger, thus meeting the no net harm standard for the merger request.

9. On its face, the proposed filing fails to meet the no net harm standard in relation

to the full consolidation of rates planned for 2010 or thereafter. Although the Companies failed to include any bill impact analysis of the full consolidation, even a cursory look at the relative retail rates of the three merging Companies demonstrates a substantial adverse rate impact on MIT and other Cambridge customers. The fact that the Companies plan to put off this consolidation for three and one-half years does not lessen the harm that will inevitably come to MIT and other Cambridge customers if the proposed rate consolidation is allowed. The bottom line is that absent the rate consolidation, Cambridge customers would not see a significant rate increase in 2010. It is difficult to postulate a clearer violation of the no net harm standard.

10. MIT submits that the information provided thus far by the Companies also does not permit a finding that the interim rate consolidation measures proposed in this docket meet the no net harm standard. Although the Petition asserts that the interim rate consolidation is revenue neutral, there is not enough material presented to determine if that is indeed the case. Based on the current state of the record, MIT respectfully submits that the Department can make no such finding. Specifically, more information is necessary to assess the true rate impact of the proposed consolidation of CELCo's existing rates for Basic Service into a single retail rate for each of the three electric distribution companies; the transfer of collections of the revenue requirement of the 13.8 kV facilities from federally regulated rates to distribution rates proposed for CELCo customers and now subject to Department review; the proposed change in the depreciation rates for CELCo to a single blended depreciation rate; the projected impact on CELCo's customers of the use of a proposed consolidated transmission rate in comparison to the use of CELCo's separate transmission rate component; the appropriate calculation of the transmission cost component to be used in calculating the impact of the proposed merged rate on CELCo's customers; the allocation of the costs and revenues of the 13.8 kV facilities between

CELCo and certain non-retail customers, the allocation of indirect and shared costs to the 13.8 kV facilities; the allocation of revenue adjustments to the 13.8 kV facilities and 115 kV facilities; the impact of future and ongoing proceedings before the Federal Energy Regulatory Commission on proposed and future rates charged to CELCo customers; and other issues related to the Companies' requests in this proceeding.

11. MIT is substantially and specifically affected by this proceeding because all of these issues described above (not to mention the 2010 rate consolidation) will directly impact the rates and prices paid by MIT for electric service and the quality of the services provided to MIT. Moreover, since many of these rate impacts will uniquely affect MIT and other Cambridge customers, there is no party in this proceeding which can adequately represent MIT's interests. Finally, MIT has intervened in prior Department proceedings in which the transfer of CELCO's 13.8 kV facilities has been an issue including, most recently D.T.E. 05-85. Hence, MIT is particularly well suited to assist in the development of record evidence which would provide support regarding the appropriate revenue recovery for costs associated with the 13.8 kV facilities and whether the proposed functional reclassification of certain 13.8 kV facilities would result in no net harm to MIT and other Cambridge customers.

12. In this proceeding, if permitted by DTE to intervene, MIT will seek to investigate and address: (1) whether the proposed distribution rate increase resulting from the transfer of the revenue requirement for the 13.8 kV facilities to the distribution component of rates charged to CELCo customers is appropriate and consistent with the provisions of G.L.c. 164; (2) whether CELCo's proposed revenue requirement for the 13.8 kV facilities is supported by the evidence presented in this filing; (3) whether the rate impact of the merger of the rates will result in a change to CELCo's tariffs and charges which meets the no net harm requirement as the

Department has applied that standard in other merger proceedings; (4) whether the proposed distribution rate increase related to the functional reclassification is supported by a fully allocated cost of service study and rate design for CELCo's customers; (5) whether MIT as a CELCo and NSTAR customer will be protected against potential cross-subsidization resulting from the provision of 13.8 kV service to wholesale customers; (8) whether MIT as a CELCo and NSTAR customer will be impacted by both implicit and explicit changes in proposed rate design; (9) whether the rate design of the transfer of costs to the distribution component for CELCo customers has an unfair impact on certain customer classes; (10) what the combined impact of this and other rate applications pending before the FERC and the Department are on CELCo's customers including MIT and (11) whether the proposed rates as filed adequately capture the estimated $100 million in savings that the Companies assert are associated with the merger process to date and (12) what the impact of the full rate consolidation in 2010 will be on MIT and other Cambridge customers. MIT has attached its First Set of Information Requests to this filing.

13. In addition, the design of the standby rate presented in this Petition has remained at issue since the settlement approved by the Department in D.T.E. 03-21. In that settlement, NSTAR Electric had agreed that this rate would be reviewed as part of a full investigation of the Company's overall revenue requirement. That review has never taken place. The Settlement precluded the opportunity for that investigation by the Terms approved on December 30, 2005. In light of the approval of the Settlement which would further defer the possibility of a new rate case investigation until at least 2010, MIT urges the Department to review the Standby Rate now, rather than allowing any additional delay in the review of that tariff. Further delay will continue to discourage the development of new distributed generation options that will provide significant

benefits to the Commonwealth. In the Petition, there appear to be net overall rate increases for the supplemental distribution charges collected through the demand charge component of both Rates SB-G2 and SB-G3 which are not discussed in the Petition. These increases are not revenue neutral and potentially could negatively impact MIT, violating the no net harm standard.

14. MIT respectfully requests that the Department commence an investigation of the companies' proposed filing and permit MIT to participate as a full intervenor in this case, and where appropriate, to file comments, attend and participate in technical conferences, present witnesses, file discovery, cross-examine witnesses, and submit briefs.

WHEREFORE, Massachusetts Institute of Technology respectfully requests that the Department grant its Petition to Intervene.

Respectfully submitted,
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
By its attorneys,

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Dated: June 26, 2006