COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of Telecommunications and Energy on its own motion as to the propriety of the rates and charges set forth in the following standby rate tariffs: M.D.T.E. Nos. 136A and 137A, M.D.T.E. Nos. 237C, 238C, 239C, 254A and 255A; and M.D.T.E. Nos. 337A and 338A, filed on January 16, 2004, to become effective February 4, 2004, by Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company d/b/a NSTAR Electric.	)	D.T.E. 03-121

Comments by Aegis Energy Services, Inc.

We appreciate the opportunity to provide the following comments. Aegis has 18 years experience in providing small 75 kW and multiples thereof of combined heat and power (CHP) distributive generation (DG) systems throughout New England. We have also participated in standby rate issues on several occasions. These small units perhaps up to several hundred kWs have distinctly different characteristics from large megawatt DG in regards to utility distribution.

We suggest that immediate action be taken to change the effective date of the proposed standby rates to 6 months after the date of the DTE decision on this matter and be based off contractual dates rather then operational dates. The December 1, 2003 effective date will cause uncertainty in the DG market and would stall the development of any DG project during these proceedings.

We also recommend that the DTE dismiss this case for a variety of reasons:
1) The case is based on a false premise that DG is not paying their fair share of utility distribution costs for standby power.

> Many if not most of existing and future DG are driven by natural gas reciprocating engines, which require a minimum of at least one shut down a month for oil changes and other maintenance. **The customer thus incurs the general service demand charge for this standby capacity.**
>
> Most previous and future on-site DG will be small. Small machines, 60 to 300 kW, are insignificant to distribution systems and their cost because of load diversity. Utilities, both in Massachusetts and Connecticut, have indicated that small DG customers continue to have load patterns similar to other non-generating customers within their rate class. NSTAR has not provided any data to the contrary.

2) Similar standby and supplemental power rates for small DG customers have been discussed in several rate cases presented to the Connecticut Department of Public Utility Control (CT DPUC)[1] The standby rates proved to be complex to apply, costly to administer and possibly discriminatory under PURPA . Although applicable to large multi-megawatt plants, the CT DPUC ruled that the standby rates were not mandatory for small DG customers.

3) The conversion of distribution kilowatt-hour charges to a demand charge as noted in the Nstar testimony regarding SB-2 discriminates against the DG customer and potentially violates PURPA for QF sites since there are 2 different and unequal means of collecting revenue for the same power..

> The typical customer will pay significantly more for supplemental power than the customer with the same load on rate G-2. (Attachment 1)
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> If the distribution kilowatt-hour charges truly represent fixed distribution costs, the customer with short hours of use is not paying his "fair" share and is being cross-subsidized by those customers with long hours of use. (Attachment 2)

4) With today's electric rates and fuel costs, DG without the use of recovered heat is uneconomical. Only a small percentage of buildings can effectively utilize recovered heat. DG systems will continue to provide only a small percentage of our energy needs and will have minimal impact on the utility distribution.

The environmental benefits of CHPDG have not been factored into the standby rate. These benefits are extraordinary in that both the fuel used on site for heating and the fuel at the central station power plant are offset. There are further benefits to NSTAR in delayed additions to the transmission and distribution facilities. Additionally, these CHP systems are capital intensive and are not installed at the ratepayer's expense.

Sincerely,

Spiro Vardakas
President

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"…The findings in this case are consistent with previous Department rulings on this matter. See Decision dated January 24, 1990, in Docket Nos. 89-08-11 and 89-08-12, Application of The United Illuminating Company for an Increase in Rates and Application of The United Illuminating Company To Amend Its Rate Schedules, pp. 62 and 63, and Decision dated December 16, 1992, in Docket No. 92-06-05, Application of The United Illuminating Company for a Rate Increase, pp. 77-79. In those decisions, the Department found that customers with self-generation were not required to take backup service under Rate NUS, but were allowed to choose supplemental service under their otherwise appropriate rate for all their electric needs when their self-generation unit was not in operation. The Department concluded that to limit self-generation only to backup service under Rate NUS would be discriminatory."