

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

NSTAR Gas Company)

D.P.U. 09-126

**PETITION FOR APPROVAL OF ENERGY EFFICIENCY PROGRAMS AND
RECOVERY OF ENERGY EFFICIENCY RELATED COSTS FOR THE PERIOD
JANUARY 1, 2010 THROUGH DECEMBER 31, 2012**

Now comes NSTAR Gas Company (“NSTAR Gas” or the “Company”), and respectfully requests approval from the Department of Public Utilities (the “Department”), pursuant to G.L. c. 25, §§ 19 and 21, of its proposed plan, budget and allocation of program operating costs for its energy efficiency programs for the period January 1, 2010 through December 31, 2012 (the “Three-Year Plan”)(Exhibit NSTAR-1).¹ In support of this Petition, the Company states the following:

1. NSTAR Gas is a gas distribution company, pursuant to G.L. c. 164, § 1, with a principal place of business at 800 Boylston Street, Boston, MA.
2. NSTAR Gas is organized under the laws of the Commonwealth of Massachusetts, and is engaged in the business, among others, of selling and distributing natural gas at retail in Massachusetts.
3. The design, implementation, and cost recovery of the Company’s energy efficiency programs are subject to the jurisdiction of the Department of Public Utilities (“Department”) under the provisions of G.L. c. 164.

¹ The Company is filing as its Three-Year Plan the Massachusetts Joint Statewide Three-Year Gas Energy Efficiency Plan (the “Statewide Plan”) developed in concert with the Massachusetts Energy Efficiency Advisory Council (the “Council”) (Exhibit NSTAR-1), as well as Company-specific data in Exhibits NSTAR-3, NSTAR-4 and NSTAR-5 as described herein.

4. In accordance with the procedures and schedules stated in G.L. c. 25, § 21, and recognized by the Department in the Proposed Model Procedural Schedule and Procedures for Review of Three-Year Energy Efficiency Plans dated September 8, 2009 (“Memorandum”) in its Investigation by the Department of Public Utilities on its own motion into Updating its Energy Efficiency Guidelines Consistent with An Act relative to Green Communities, D.P.U. 08-50, the Company submits this petition with respect to its Three-Year Plan for energy efficiency programs (and recovery of costs related thereto), for effect during the three-year period commencing January 1, 2010 and ending December 31, 2012 (the “Plan Term”). This Petition and the attached materials contain the Company’s proposed plan that will allow for the implementation of all available cost-effective energy efficiency during the Plan Term, with due consideration of factors and concerns including, but not limited to, bill impacts, environmental benefits, and the need for a reasonable ramp-up schedule.
5. By way of background, the Company currently operates comprehensive energy efficiency programs targeting the residential, low-income, and small commercial & industrial (“C&I”) customer sectors. These programs are operated pursuant to the Company’s most recently reviewed and approved energy efficiency plan for program year 2009, NSTAR Gas Company, D.P.U. 08-122 (May 29, 2009); and is consistent with the Company’s previous filings, including the Company’s recent five-year energy efficiency program settlement, NSTAR Gas Company, D.T.E. 04-37 (2004).
6. In this filing, the Company requests approval for a bold new initiative in response

to the provisions of Section 11 of Chapter 169 of the Acts of 2008 (the “Green Communities Act” or the “Act”), which is fully supported by the Energy Efficiency Advisory Council (the “Council”), an advisory body established by the Act, following months of rigorous discussions with the Council, its consultants (the “Consultants”), and other interested stakeholders. This consensus-building approach has yielded state-of-the-art programs and ambitious goals for energy efficiency in the Commonwealth. This filing follows the template established in the D.P.U. 08-50 Working Group, including the table of contents and the tables filed herewith, which were developed in accordance with the Act and following many months of discussions and collaboration. The Company appreciates the contributions of the D.P.U. 08-50 Working Group in preparing this template as a means to apply the directives of the Act and establish consistency. In accordance with the template, today’s filing includes Company-specific data, while at the same time incorporating the collaboratively-prepared, Statewide Plan that was unanimously approved by the Council (together “Program Administrators” or “PAs”).

7. As detailed in the Three-Year Plan, the annual budgets for these program expansion efforts during the Plan Term represent a significant increase as compared to the budget levels set forth in the D.P.U. 08-122 proceeding, and are generally consistent with the enhanced energy efficiency goals of the Act. The three-year total budget proposed by the Company is \$ 59,441,737, with a ramp up from 2010 to 2012, as detailed in the Three-Year Plan and the Company-specific tables set forth in Exhibit NSTAR-3, attached hereto. Additionally, the Company proposes

savings goals that are aggressive while remaining mindful of bill impacts. The savings goals proposed for the Plan Term take into account alternate sources of funding, including expanded on-bill financing and third-party outside capital. The total three-year savings goals proposed by the Company are 10,872,562 therms, as detailed in the Three-Year Plan and the Company-specific tables set forth in Exhibit NSTAR-3. These savings goals do not assume any additional outside capital not already relied upon for 2010, but do include assumed amounts for 2011 and 2012. The Company, along with the other PAs, proposes that in the event that outside capital programs are not finalized by September 30, 2010, it will re-file 2011 and 2012 goals and budgets with consideration of the bill impacts resulting from failure to obtain outside capital. The Company also proposes to calculate bill impacts based on the methodology established in D.P.U. 08-50 (*see* Three-Year Plan Section II.E).

8. Where appropriate, and as detailed in the pre-hearing statement of the Company's expert witnesses in this proceeding, as well as in the Three-Year Plan, the Company has proposed programs that are based on current market conditions and that are responsive to the Act's mandate to develop energy efficiency plans that will "provide for the acquisition of all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply." G.L. c. 25, § 21(b)(1). During the Plan Term, the Company also proposes to offer its collaboratively-developed, Settlement-based low-income and market transformation initiatives in order to directly address the need for a transition from traditional utility-sponsored retrofit programs to market transformation efforts that can "create

long term changes that reap continuous energy efficiency savings at low costs.” Electric Industry Restructuring, D.P.U. 96-110, at 67; see also Boston Gas Company, D.P.U. 94-109 (Phase II) at 6, Interim Order on Gas Demand Side Management (1996); Western Massachusetts Electric Company, D.P.U. 96-8-CC at 7 (1996). Also, consistent with the precedent in D.P.U. 08-122, the Company seeks to retain the discretionary flexibility, during the Plan Term, to make appropriate modifications without Department approval. The Company seeks the flexibility to make ongoing revisions and enhancements after the adoption of the Plan in order to reflect in-the-field conditions, technological advances, financing opportunities, and state-of-the-art new technologies. In general, the Company seeks to retain the flexibility to adjust spending and add or subtract program measures, subject to the limitation that Company will not add a new program or terminate an existing program or change a program budget by more than 20 percent without prior approval by the Department, with the opportunity for full participation by the Council. Detailed budgets and, where applicable, cost-effectiveness analysis for the Company’s proposed programs are included with the Company-specific tables described in the accompanying pre-hearing statement, and in the Three-Year Plan accompanying this Petition. Also in Exhibit NSTAR-3, there is a narrative discussion that describes the content and key assumptions in each of the Company-specific tables.

9. During the Plan Term, the Company proposes to recover its costs, including the recovery of lost base revenue (“LBR”) (or through implementation of a Department-approved decoupled rate structure) and performance incentives. The

Company proposes to continue to recover its costs, along with any applicable incentives and lost margins, through its energy efficiency conservation charge (“CC”) decimal component of its local distribution adjustment factor (“LDAF”). The Company hereby requests approval of continuing recovery of energy efficiency-related costs through the LDAF during the Plan Term.

10. The Company also proposes performance incentives levels and a mechanism for earning performance incentives during the Plan Term based on the three core components of savings, value, and performance metrics. The Company proposes that the incentive pool would equate to the ability to earn \$832,615 in 2010, \$754,363 in 2011 and \$1,141,187 in 2012 if the Company meets all its target goals. The Company proposes a threshold performance of 75 percent of target for all three years, with a cap of 125 percent in 2010, as described further in the Plan.
11. The Company understands the importance of the evaluation, measurement and verification (“EM&V”) of its programs, and thus proposes a framework whereby both the Department and the Council, through its Consultants, provide oversight of the Company’s programs. The Company proposes to work collaboratively with the Council in a transparent process, as detailed in the Three-Year Plan, to ensure that the Company may report savings to the Department with full confidence.
12. Building upon the success of the Company’s previous energy efficiency proceedings in D.P.U. 08-122, and NSTAR Gas Company, D.P.U. 08-36 (2008), as well as the Company’s successfully brokered settlement in D.T.E. 04-37, the Company would be pleased to participate in settlement discussions or technical sessions at any time found to be convenient by the Department and other interested

parties.

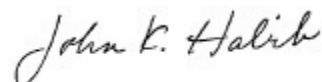
WHEREFORE, the Petitioner, NSTAR Gas Company, hereby respectfully requests as follows:

- a) that the Department promptly issue its order of notice and publication with respect to the Company's Petition and the applicable public hearing on such date or dates as may be necessary or appropriate;
- b) that the Department approve the Company's energy efficiency programs and budgets proposed for cost-effectiveness during the three-year period commencing January 1, 2010 and ending December 31, 2012;
- c) that the Department approve the Company's recovery of the costs of such energy efficiency programs through its currently reviewed and approved CC decimal component of its LDAF;
- d) that the Department approve the Company's proposed mechanism for performance incentives; and
- e) that the Department provide such other and further relief as may be necessary or appropriate.

Respectfully submitted,

NSTAR GAS COMPANY

By its attorneys,



David S. Rosenzweig, Esq.
John K. Habib, Esq.
Kevin F. Penders, Esq.
Keegan Werlin LLP
265 Franklin Street
Boston, MA 02110-3113
Telephone: (617) 951-1400
Telecopier: (617) 951-1354

Dated: October 30, 2009

