



MEDIA ALERT New England

FERC Approves Partial Incentives for Mass. Project

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ER09-14-000 and ER09-14-001

The Federal Energy Regulatory Commission (FERC) today granted NSTAR Electric Company's request for a limited waiver of the Dec. 31, 2008, construction deadline qualifying for the 100 basis point return of equity (ROE) adder established in an earlier proceeding. The 100 basis point ROE adder is for Phase II of NSTAR's 345 kV Transmission Reliability Project, located in and around Boston. FERC rejected the company's request for a 100 basis point ROE incentive for two transmission lines and denied the company's request for an ROE incentive for use of advanced transmission technologies.

Background

The Energy Policy Act of 2005 directed FERC to create incentive-based rate treatments to promote capital investment in transmission infrastructure. FERC Order No. 679 sets forth the process by which a public utility may seek transmission rate incentives.

NSTAR seeks two ROE incentives for its 345 kV project and for three separate transmission projects: the Brook Street, Carver and Barnstable projects. The company requests the following: (1) a limited waiver of the Dec. 31, 2008, construction deadline for the 100 basis point ROE adder established in Opinion No. 489, or alternatively, as established in Order No. 679, a 100 basis point ROE adder for Phase II of its 345 kV Project; (2) a 100 basis point ROE incentive for the Carver and the Barnstable Projects; and (3) a 50 basis point ROE incentive for use of advanced transmission technologies for the entirety of its 345 kV and Barnstable Projects, and for portions of its Brook Street and Carver Projects.

The Order

FERC approved NSTAR's request for a limited waiver of the Dec. 31, 2008 in-service deadline finding that Phase II of the 345 kV Project will be substantially in compliance with the December 31, 2008 deadline. The Commission concluded that good cause existed to grant the waiver due to several factors: there is an undisputed need for the projects; the company has relied in good faith on the availability of the 100 basis point ROE adder in moving forward with planning, financing and construction of the project so it would be unfair to impose a penalty by strictly enforcing the December 2008 deadline for Phase II; the regional benefits from the reliability enhancements and reduced congestion costs will not be diminished if Phase II comes into service after Dec. 31, 2008; and denial of the incentive at this late stage could create regulatory uncertainty and possibly deter the development of future projects.

FERC rejected NSTAR's request for a 100 basis point ROE incentive for the Carver and the Barnstable Projects because the projects are routine in nature and do not involve the kinds of scope, effects and risks or challenges that merit incentive rate treatment.

FERC also rejected the company's request for a 50 basis point incentive for the use of advanced transmission technologies for all the projects, saying the Brook Street and 345 kV Projects are completed or near completion and therefore are ineligible for incentive

treatment under Order No. 679 and that the remaining projects do not employ the type of technology that warrants incentives for advanced technology.

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The FERC decision can be found at www.ferc.gov

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