



**NSTAR ELECTRIC COMPANY**

**REQUEST FOR PROPOSALS**  
**FOR POWER SUPPLY FOR DEFAULT SERVICE**

For the Delivery Term commencing  
January 1, 2010

**October 8, 2009**

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# NSTAR ELECTRIC COMPANY

## REQUEST FOR PROPOSALS FOR POWER SUPPLY FOR DEFAULT SERVICE

October 8, 2009

### I. Introduction and Background

NSTAR Electric Company (“NSTAR Electric” or the “Company”) is requesting wholesale power supply bids to provide a portion of All-Requirements Service to its Residential and Commercial customers on NSTAR’s Default Service<sup>1</sup> tariff, commencing January 1, 2010 and terminating December 31, 2010, and 100% of All-Requirement Service to its Industrial Default Service customers commencing January 1, 2010 and terminating March 31, 2010. The full terms of the procurements are detailed in this RFP. Final bids are due on Thursday, October 29, 2009 by 10 am EPT.

The Massachusetts Electric Industry Restructuring Act of 1997 (the “Act”) provides for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers. The Act provides access for all retail customers of NSTAR Electric as of March 1, 1998. The Act requires an electric distribution company to provide Default Service to those customers who are not receiving generation service from a competitive retail supplier. The Act further requires Default Service to be competitively procured. In addition, the Massachusetts Department of Public Utilities (“DPU”) ordered all electric companies in Massachusetts to procure Default Service through competitive solicitations by customer group (Residential, Commercial and Industrial) and to procure such power at fixed monthly prices. In subsequent proceedings, the DPU required electric companies in Massachusetts to procure Default Service supply on a load zone-specific basis and to establish separate Default Service prices for each load zone for Industrial customers and to procure Default Service supply on a quarterly basis for Industrial customers.<sup>2</sup>

Prior to 2007, the NSTAR retail electric companies were Commonwealth Electric Company, Cambridge Electric Light Company, and Boston Edison Company. Effective January 1, 2007 Cambridge Electric Light and Commonwealth Electric have been merged into Boston Edison, which has been renamed NSTAR Electric Company. The Metering Domains and load asset names and identification numbers that existed prior to the merger remain the same. The NSTAR Electric Company is a subsidiary of NSTAR, with a principal place of business at 800 Boylston Street, Boston, MA 02199. NSTAR Electric is hereby issuing this Request for Proposals (“RFP”) for power supply offers from qualified power suppliers (“Suppliers”) to supply firm, load-following power to meet the Default Service requirements (as defined below) for customer groups on a load zone-specific basis for the Delivery Term. Although Suppliers need not provide bids for each tranche of Default Service, Suppliers must provide separate fixed monthly prices for each tranche bid. NSTAR

<sup>1</sup> Default Service is termed “Basic Service” in all communications to retail customers in Massachusetts, pursuant to a DPU Order (D.T.E 04-115-A).

<sup>2</sup> Default Service, D.T.E. 02-40-C (September 11, 2003).

Electric plans to award the power supply for Default Service by load zone based on the combination of contracts that provide the best value and satisfy the needs of its customers.

Pursuant to the November 8, 2006 DPU Decision approving the merger of the operating companies (DTE 06-40), NSTAR Electric will no longer procure Default Service at the metering domain level and now has uniform Default Service rates for Residential and Commercial customers. The company also has a uniform zonal rate for Large Commercial and Industrial customers in Northeast Massachusetts Reliability Region (“NEMA”), and a separate, uniform zonal rate in Southeast Massachusetts Reliability Region (“SEMA”). For example, Industrial customers formerly in the Cambridge service territory (which was entirely in NEMA) and in the Boston Edison NEMA territory will now have the same Default Service rate.

## **II. Default Service Requirement**

NSTAR Electric is soliciting offers for All-Requirements Service, by load zone, to supply NSTAR Electric’s end-use customers in the Commercial, Industrial and Residential customer groups who take service pursuant to the Company’s Default Service Tariffs. Default Service is provided to retail customers who are not taking service from a competitive supplier. Service to customers can be initiated by: (a) a customer notifying NSTAR Electric that it wishes to terminate service from its competitive supplier and commence Default Service; (b) a competitive supplier notifying NSTAR Electric company that it is terminating service to a customer; (c) a competitive supplier ceasing to provide service to a customer; or (d) a customer moving into NSTAR Electric’s service territory, who has not affirmatively chosen a competitive supplier.

In total NSTAR will purchase 50% of the Residential and Commercial Default Service load for January 1, 2010 through December 31, 2010, and 100% of the Industrial Default Service load for the first quarter of 2010. Suppliers are requested to bid All-Requirements Service for the load in each zone for the full period of the solicitation. Suppliers may also bid All-Requirements Service in SEMA without certain cost components identified in Section VII of this RFP. Suppliers must offer to supply the entire load in each tranche bid upon. NSTAR Electric will consider only fixed price bids that can be evaluated on a monthly \$/MWh basis.

### **Industrial**

All-Requirements Service to begin on hour ending 0100 Eastern Prevailing Time (EPT) on January 1, 2010 and terminate on hour ending 2400 EPT on March 31, 2010 for four tranches of 25% each totaling 100% of the Default Service load for customers in the Industrial Customer Group, comprising the following load assets:

| <b>Zone</b> | <b>Asset Name</b>              | <b>Asset ID #</b> |
|-------------|--------------------------------|-------------------|
| NEMA:       | DEF_SERVICE_IND_BECO_LOAD      | 1485              |
| NEMA:       | DEF_SERVICE_IND_CAMBRIDGE_LOAD | 1491              |
| SEMA:       | DEF_SERVICE_IND_BECO_SEMA_LOAD | 8123              |
| SEMA:       | DEF_SERVICE_IND_COMM_LOAD      | 1488              |

## Commercial

All-Requirements Service to begin on hour ending 0100 EPT on January 1, 2010 and terminate the hour ending 2400 EPT on December 31, 2010 for two tranches of 25% each of the Default Service load for the Commercial customer group, comprising the following load assets:

| <b>Zone</b> | <b>Asset Name</b>              | <b>Asset ID #</b> |
|-------------|--------------------------------|-------------------|
| NEMA:       | DEF SERVICE COM BECO LOAD      | 1484              |
| NEMA:       | DEF SERVICE COM CAMBRIDGE LOAD | 1490              |
| SEMA:       | DEF_SERVICE_COM_COMM LOAD      | 1487              |
| SEMA:       | DEF_SERVICE_COM_BECO SEMA LOAD | 8122              |

## Residential

All-Requirements Service to begin on hour ending at 0100 EPT on January 1, 2010 and terminate on the hour ending 2400 EPT on December 31, 2010 for four tranches of 12.5% each of the Default Service load for the Residential customer groups:

| <b>Zone</b> | <b>Asset Name</b>              | <b>Asset ID #</b> |
|-------------|--------------------------------|-------------------|
| NEMA:       | DEF SERVICE RES BECO LOAD      | 1483              |
| NEMA:       | DEF SERVICE RES CAMBRIDGE LOAD | 1489              |
| SEMA:       | DEF_SERVICE_RES_COMM LOAD      | 1486              |
| SEMA:       | DEF_SERVICE_RES_BECO SEMA LOAD | 8121              |

## III. Delivery

The All-Requirements Service supply for Default Service is to be delivered to the Pool Transmission Facilities (“PTF”) within the NEMA and SEMA load zones, as appropriate for delivery to each customer taking default service. NSTAR Electric will make arrangements for NEPOOL Regional Network Service, which provides for transmission over PTF, and Local Network Service from any applicable local transmission provider(s), which provides for transmission over non-PTF. NSTAR Electric will be billed by ISO New England and the applicable local transmission provider(s) for these services. NSTAR Electric will pay these bills and recover the costs, along with its distribution costs, from its customers through its retail distribution tariffs. Any other transmission or distribution costs will be the Supplier’s responsibility.

#### **IV. Nature of Service**

Each Supplier with an accepted proposal will be assigned a share of the appropriate NSTAR load asset in the ISO New England settlement system. The Supplier of Default Service for each customer group and load zone shall be responsible for meeting a fixed percentage of the service requirements for NSTAR Electric's customers in the customer group and load zone taking such service. These service requirements include delivery, to the PTF within the NEMA and SEMA load zones, of the portion of the electric capacity, energy and ancillary services required to meet the needs of NSTAR Electric's Default Service customers pursuant to the terms of ISO New England Tariffs and the Master Power Supply Agreement. Supplier shall be responsible for all transmission and distribution losses associated with delivery of energy from the Delivery Points to the ultimate customers' meters.

The Supplier(s) of All-Requirements Service are not required to provide NSTAR Electric's renewable energy obligations resulting from the Massachusetts Renewable Energy Portfolio Standards promulgated at 225 CMR 14.00 and 15.00 et seq., or the Alternative Energy Portfolio Standard promulgated at 225 CMR 16.00 et seq. These requirements will be managed separately by NSTAR Electric.

#### **V. Expected Loads**

Although NSTAR Electric customers may leave Default Service to take service from competitive suppliers and return to Default Service, Industrial customers are restricted from returning to their previous competitive supplier for a period of six (6) months after leaving that supplier's service pursuant to the Department's decision in NSTAR Electric Company, D.T.E. 05-84 (2006). These rules were adopted to prevent competitive retail suppliers from using Default Service as a free option to park load when the price of Default Service is below market due to market timing and energy price movements. There are some limited exceptions to these rules. Potential bidders should review NSTAR Electric's Terms and Conditions for a more detailed explanation of NSTAR Electric's policy for reducing volatility in the volume of Industrial Default Service load: <http://www.nstar.com/docs3/tariffs/101.pdf>

To help Suppliers determine the potential load requirements NSTAR Electric is providing the following information electronically via NSTAR's web site at:

[http://www.nstar.com/business/energy\\_supplier/supply\\_wholesale.asp](http://www.nstar.com/business/energy_supplier/supply_wholesale.asp)

- ❑ A copy of this RFP
- ❑ A copy of the Form of Master Power Supply Agreement
- ❑ A Bid Form.
- ❑ Aggregate historical hourly reconciled Default Service load (including losses) by customer group, by distribution company, for the period January 2001 through June 2009, plus aggregate historical hourly preliminary Default Service load (including losses) by customer group, by distribution company, for the period July 2009 - through September 2009; and
- ❑ Aggregate historical hourly Standard Offer load (including losses) by distribution company, for the period January 2001 to February 2005; and
- ❑ Copies of the latest available DOER-110 reports showing the number of Default Service customers enrolled and energy consumption at retail by rate schedule.

NSTAR Electric cautions Suppliers that historical load data is not a guarantee of future load volumes. It is understood and agreed that NSTAR Electric shall have no liability or responsibility to any entity resulting from the use or reliance upon any such information. Suppliers are responsible for forecasting their obligations on an hourly, daily, and monthly basis. However, NSTAR Electric will provide Suppliers with certain information to facilitate the projection of load requirements. Such data includes the history of energy and peak Default Service load, with periodic updates to such information.

Suppliers may not limit the amount of supply that may be purchased by NSTAR Electric in each tranche, but may elect to bid only specific tranches of the load if the Supplier is willing to serve only particular customer groups or load zones. The amount of power supply for each customer group or load zone to be supplied by the winning Supplier(s) will be determined in accordance with the procedure contained in ARTICLE 6 of the Master Power Supply Agreement.

## **VI. Proposals**

Each Supplier shall submit a proposal, approved by an authorized official of the Supplier, containing the bid price information required in the Bid Form, which will be provided electronically. Suppliers must have an executed Master Power Supply Agreement and demonstrated an ability to comply with NSTAR's financial assurance provisions prior to a submitting proposal. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary. Each proposal must conform to the requirements of Section "VIII. Terms and Conditions" below, and must specify in the Bid Form the price at which the Supplier will provide Default Service for each customer group and load zone. Proposals shall be stated on an "as-delivered" energy basis with prices stated on a fixed \$/MWH basis. Prices may vary by calendar month, but must be uniform for the entire calendar month and cover the entire Delivery Term of the tranche selected by the Supplier. In addition, prices may not contain demand components or vary by time-of-use within a calendar month. Proposals that contain limits on the amount of power supply in any tranche, or any other conditions other than as expressly permitted herein, shall be rejected.<sup>3</sup> Suppliers shall specify a price for each customer group on which it bids. The price for each tranche, customer group or load zone may be different.<sup>4</sup>

## **VII. SEMA Local Second Contingency Charges**

Due to recent trends in Net Commitment Period Compensation (NCPC) reliability charges associated with wholesale load in the SEMA load zone, NSTAR Electric will no longer allow Suppliers the option to place bids under which all Local Second Contingency Protection Resource NCPC<sup>5</sup> charges would be a direct pass-through of actual costs.

<sup>3</sup> For example, a Supplier offering to supply the residential customer group in the NEMA load zone must agree to supply a fixed percentage of the needs of that group. The Supplier may not offer to serve a fixed percentage of the residential customer group in the NEMA load zone with the condition that the amount of service purchased does not exceed a specified MW level in any given hour.

<sup>4</sup> For example, a Supplier may bid to serve the residential customer group in the SEMA load zone at \$X/MWh, the commercial customer group in the SEMA load zone at \$Y/MWh and the industrial customer group in the SEMA load zone at \$Z/kWh for the month of January 2010. For the month of February, a Supplier may bid to serve the residential customer group in the SEMA load zone at \$A/MWh, the commercial customer group in the SEMA load zone at \$B/MWh and the industrial customer group in the SEMA load zone at \$D/MWh.

<sup>5</sup> As defined in ISO New England Inc, FERC Tariff No. 3, Section III - Market Rule 1

## **VIII. Terms and Conditions**

All proposals shall constitute an offer to sell to NSTAR Electric Default Supply Service to the applicable customer groups and load zones and such offer shall be required to be delivered to NSTAR no later than 10 A.M. on Thursday, October 29, 2009 and held open until the earlier of 3 P.M. EPT on Thursday, October 29, 2009 or the date and time at which such offer is either accepted or rejected by NSTAR Electric. Pricing or other terms contained in such offer may not be changed or withdrawn during this period. NSTAR Electric is not required to consider submissions received after the 10 A.M. deadline.

A winning Supplier(s) will be selected to provide Default Service to each of the customer groups and load zones during the term covered by this RFP. Each winning Supplier will provide Default Service to NSTAR Electric in accordance with the terms and conditions of the Master Power Supply Agreement (“MPSA”). All Suppliers are required to have in place an executed MPSA and agreed form of Transaction Confirmation prior to submitting bids. Winning suppliers will be required to execute the applicable MPSA transaction Confirmation documents and provide required financial assurances within five (5) business days of being notified that it has been selected as a winning Supplier.

Should a Supplier (who does not currently have a MPSA in place) request NSTAR Electric to consider any changes to the Master Power Supply Agreement, such request should be presented in the form of a mark-up to the MPSA to NSTAR Electric by 4 P.M. EPT on Friday, October 16, 2009.

## **IX. Right to Select or Reject Supplier**

Although it is NSTAR Electric’s firm intent to select Suppliers as a result of this RFP, NSTAR Electric shall have the exclusive right to select or reject any, all or none of the proposals submitted at any time, for any reason. NSTAR may disregard any bid submission not in accordance with the requirements contained in this RFP. Further, NSTAR Electric expressly reserves the right, in its sole and absolute discretion, to seek clarifications of any submissions, to negotiate to seek modifications to any submissions, to unilaterally change the schedule described herein or modify any of the rules and procedures set forth herein or any other procedures, to terminate the process described herein, and to invite any (or none) of the Suppliers to participate further in the process, all without prior notice to other potential parties.

A person’s or an entity’s preparation for this process, submission of information in response to this RFP, or participation in this process shall not operate to vest any rights in that person or entity or to create any duties or obligations for NSTAR Electric.

## **X: Supplier Requirements for Default Service**

Each Supplier must obtain all necessary regulatory and other approvals prior to October 29, 2009 that are required to enable it to provide the applicable service. Each Supplier responding to this RFP must meet certain conditions, including but not limited to:

- A. Each Supplier must be a member of NEPOOL and have a settlement account established with the ISO New England throughout the term of the period covered by this RFP;
- B. Demonstrate that it has the financial resources to perform its obligations. Further, Supplier shall be required to provide financial assurances and instruments satisfactory to cover NSTAR Electric's replacement power costs in the event of Supplier default, including a Letter of Credit in the amount required by the terms of NSTAR's credit policy, prorated to the amount of Load supplied and adjusted for the credit rating of the Supplier. See Attachment 1 of this RFP for unsecured Credit Limits;
- C. Demonstrate its own experience and qualifications (not that of its affiliates or special purpose entities) to provide the Default Service supply offered;
- D. Commit to assisting and cooperating with NSTAR Electric in any regulatory or judicial process relating to the proposed purchase, at the Supplier's expense;
- E. Demonstrate the ability to meet the labeling and disclosure requirements of the Massachusetts legislation for all resources bid.
- F. Each Supplier must be properly licensed by the Federal Energy Regulatory Commission to sell wholesale power.
- G. Comply with the bidding requirements set forth in this RFP.

## **XI. Retail Customer Relationships**

All customers taking Default Services covered by this RFP remain retail customers of NSTAR Electric. As the retail provider, NSTAR Electric performs billing and customer service functions for all customers taking Default Service.

## **XII. Regulatory Approval**

Any agreement(s) entered into for the delivery of MA Default Service pursuant to this solicitation will be subject to the MDPU's favorable review of the results of NSTAR Electric's solicitation for Default Service. Section 1 of the NSTAR Master Power Supply Agreement Form of Confirmation reflects this updated review standard, which NSTAR will require to be adopted for all Transactions subject to this solicitation. The Supplier is responsible for any applicable regulatory approvals for its obligations as stated above, and for satisfying any reporting requirements of the Federal Energy Regulatory Commission.

### **XIII. Process and Schedule**

#### **A. Schedule**

NSTAR Electric intends to adhere to the following schedule, although it reserves the right to modify the schedule at any time at its sole discretion.

| <b>Process Step</b>                         | <b>Date</b>  |
|---|--|
| Issue Request for Proposal                  | Thursday, October 8, 2009                              |
| Fully executed MPSAs in place               | Thursday, October 22, 2009 – 5:00 p.m. EPT             |
| Initial non-binding Proposals due           | Thursday, October 22, 2009 – 10:00 a.m. EPT            |
| Final Bids due                              | Thursday, October 29, 2009 – 10:00 a.m. EPT            |
| Award Group selected                        | Thursday, October 29, 2009 no later than 3:00 p.m. EPT |
| Transaction Confirmation Documents Executed | Friday, October 30, 2009                               |
| Service Begins                              | Friday, January 1, 2010                                |

#### **B. Communications**

All offers for supply must be made by E-mail, addressed to both the primary and alternate contact listed below:

All other communications regarding this RFP may be made by E-mail, or addressed to:

NSTAR Electric & Gas Corporation  
Electric and Gas Energy Supply  
One NSTAR Way, NE220  
Westwood, MA 02090-9230  
Attn: William Hass  
David Simek

Fax: 781-441-8167  
E-mail: william.hass@nstar.com  
E-mail: david.simek@nstar.com

**If you have any questions please call either:**

**Primary Contact: William Hass (781)-441-8011**

**Alternate: David Simek (781)-441-8336**

**C. Confidentiality**

NSTAR Electric agrees that it shall use commercially reasonable efforts to treat the non-public information it receives from Suppliers in a confidential manner and will not, except as required by law or in a regulatory proceeding, disclose such information to any third party or use such information for any purpose other than in connection with this RFP; provided, that, in any regulatory, administrative or jurisdictional proceeding in which confidential information is sought, NSTAR Electric shall take reasonable steps to limit disclosure and use of said confidential information through the use of non-disclosure agreements or orders seeking protective treatment, and shall inform the Supplier if confidential information is being sought. Notwithstanding the foregoing, in any regulatory proceeding in which such confidential information is sought and a request for confidential treatment is made to the DPU, NSTAR Electric shall not be responsible in the event that it is determined that the request for treating information in a confidential manner is not warranted. The Supplier shall be required to use commercially reasonable efforts to treat all information received from NSTAR Electric in a confidential manner and will not, except as required by law or in a regulatory proceeding, disclose such information to any third party.

**D. Evaluation**

Proposals will be evaluated on the following bases:

1. Lowest evaluated bid price by customer group and load zone;
2. Compliance with non-price bidding requirements; and
3. Risk relative to price and ability to serve the load.

In evaluating bid prices, NSTAR Electric will weigh monthly bids using a forecast of the monthly Default Service load.

## Attachment 1

### Table of Credit Exposure Limits

This table sets forth the maximum unsecured credit exposure that NSTAR may have to any individual entity based on its credit rating tier. For entities that are guarantors of counterparties, the maximum exposure is the lesser of the amount of the guaranty or the Rating Limit set forth in this table. Please note that the “Rating Limits” are subject to change in NSTAR Electric’s sole discretion.

| Tier | S&P Rating    | Moody’s Rating | Internal Rating | Rating Limit      |
|------|---------------|----------------|-----------------|-------------------|
| 1    | AA- or Higher | Aa3 or Higher  | AA- or Higher   | \$50,000,000      |
| 2    | A+, A         | A1, A2         | A+, A           | \$40,000,000      |
| 3    | A-            | A3             | A-              | \$35,000,000      |
| 4    | BBB+          | Baa1           | BBB+            | \$30,000,000      |
| 5    | BBB           | Baa2           | BBB             | \$20,000,000      |
| 6    | BBB-          | Baa3           | BBB-            | \$10,000,000      |
| 7    | Below BBB-    | Below Baa3     | Below BBB-      | Security Required |