

**PROCEDURES OF NSTAR ELECTRIC COMPANY
TO IMPLEMENT THE
FEDERAL ENERGY REGULATORY COMMISSION'S
STANDARDS OF CONDUCT – ORDER No. 2004**

I. APPLICABILITY

(a) These procedures apply to the relationship between (i) NSTAR Electric Company ("NSTAR Electric") the Transmission Provider, and (ii) NSTAR Electric's Electric and Gas Energy Supply Department, the Marketing unit of NSTAR Electric, and Hopkinton LNG Corp., NSTAR Gas Company, Medical Area Total Energy Plant, Inc., and MATEP LLC, the Energy Affiliates of NSTAR Electric.

II. GENERAL PRINCIPLES

(a) The Transmission Provider's employees engaged in transmission system operations must function independently from the employees of its Marketing and Energy Affiliates.

(b) The Transmission Provider must treat all transmission customers, affiliated and non-affiliated, on a non-discriminatory basis, and must not operate its transmission system to preferentially benefit its Marketing or Energy Affiliates.

III. DEFINITIONS

(a) Affiliate means:

(1) Another person which controls, is controlled by or is under common control with, such person. An Affiliate includes a division that operates as a functional unit, and

(2) For any exempt wholesale generator, as defined under Section 32(a) of the Public Utility Holding Company Act of 1935, as amended, the same as provided in Section 214 of the Federal Power Act.

(b) Control (including the terms "controlling," "controlled by," and "under common control with") as used in these Procedures includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A voting interest of 10 percent or more creates a rebuttable presumption of control.

(c) Energy Affiliate means an affiliate of a Transmission Provider that:

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- (1) Engages in or is involved in transmission transactions in U.S. energy or transmission markets; or
- (2) Manages or controls transmission capacity of a Transmission Provider in U.S. energy or transmission markets; or
- (3) Buys, sells, trades or administers natural gas or electric energy in U.S. energy or transmission markets; or
- (4) Engages in financial transactions relating to the sale or transmission of natural gas or electric energy in U.S. energy or transmission markets.
- (5) An LDC division of an electric public utility Transmission Provider shall be considered the functional equivalent of an Energy Affiliate, unless it qualifies for the exemption in Section III(d)(6)(v).
- (6) An Energy Affiliate does not include:
 - (i) A foreign affiliate that does not participate in U.S. energy markets;
 - (ii) An affiliated Transmission Provider or an interconnected foreign affiliated natural gas pipeline that is engaged in natural gas transmission activities which are regulated by the state, provincial or national regulatory boards of the foreign country in which such facilities are located.
 - (iii) A holding, parent or service company that does not engage in energy or natural gas commodity markets or is not involved in transmission transactions in U.S. energy markets;
 - (iv) An affiliate that purchases natural gas or energy solely for its own consumption. "Solely for its own consumption" does not include the purchase of natural gas or energy for the subsequent generation of electricity.
 - (v) A State-regulated local distribution company that acquires interstate transmission capacity to purchase and resell gas only for on-system sales, and

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otherwise does not engage in the activities described in Sections III(d)(1), (2), (3) or (4), except to the limited extent necessary to support on-system sales and to engage in de minimus sales necessary to remaining in balance under applicable pipeline tariff requirements.

- (vi) A producer, gatherer, Hinshaw pipeline or an intrastate pipeline that makes incidental purchases or sales of de minimus volumes of natural gas to remain in balance under applicable pipeline tariff requirements and otherwise does not engage in the activities described in Sections III(d)(1), (2), (3) or (4).

(d) Marketing means a sale or brokering for resale of natural gas or electric energy in interstate commerce. Sales and marketing employee or unit includes:

- (1) An interstate natural gas pipeline's sales operating unit, to the extent provided in 18 C.F.R. § 284.286, and
- (2) A public utility Transmission Provider's energy sales unit, unless such unit engages solely in bundled retail sales.
- (3) Marketing or sales does not include incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities.

(e) Marketing Affiliate means an Affiliate as that term is defined in these Procedures or a unit that engages in marketing, sales or brokering activities as those terms are defined in these Procedures. Marketing Affiliates of NSTAR Electric also are Energy Affiliates.

(f) Open Access Same-time Information System or OASIS refers to the Internet location where a public utility posts the information, by electronic means, required by 18 C.F.R. Part 37. For purposes of these Procedures, the OASIS is the OASIS of NSTAR Electric.

(g) Transmission means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subpart A of 18 C.F.R. Part 157 or subparts B or G of 18 C.F.R. Part 284; and electric transmission, network or point-to-point service, reliability service, ancillary services or other methods of transportation or the interconnection with jurisdictional transmission facilities.

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- (h) Transmission Customer means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.
- (i) Transmission Function Employee means an employee, contractor, consultant or agent of a Transmission Provider who conducts transmission system operations or reliability functions, including, but not limited to, those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations. The Transmission Function Employees of NSTAR Electric are the employees of Transmission Business Strategy, Transmission Engineering, System Planning, Substation Engineering, 345 kV Transmission Project, and Transmission Functions within Electric Operations.
- (j) Transmission Provider means:
- (1) Any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce; or
 - (2) Any interstate natural gas pipeline that transports gas for others pursuant to subpart A of 18 C.F.R. Part 157 or subparts B or G of 18 C.F.R. Part 284.
 - (3) A Transmission Provider does not include a natural gas storage provider authorized to charge market-based rates that is not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, has no exclusive franchise area, no captive rate payers and no market power.

NSTAR Electric is the Transmission Provider.

IV. INDEPENDENT FUNCTIONING

- (a) Separation of functions.
- (1) Except in emergency circumstances affecting system reliability, the Transmission Function Employees of the Transmission Provider must function independently of the Transmission Provider's Marketing employees or Energy Affiliates' employees.

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The Transmission Function Employees of NSTAR Electric function independently of the Marketing unit of NSTAR Electric and from its Energy Affiliates. The Energy Affiliates of NSTAR Electric have separate organizational charts, with employees reporting to a different Vice President than the Transmission Function employees of NSTAR Electric. The Transmission Function employees of NSTAR Electric report organizationally to a separate Vice President than the Marketing unit employees of NSTAR Electric.

- (2) Notwithstanding any other provisions in this section, in emergency circumstances affecting system reliability, the Transmission Provider may take whatever steps are necessary to keep the system in operation. The Transmission Provider must report to the Commission and post on the OASIS each emergency that resulted in any deviation from the standards of conduct, within 24 hours of such deviation.

In the event that ISO New England or the NSTAR Electric Control Center declares a system emergency, and such emergency requires any deviation from the Standards of Conduct, the relevant operator will notify NSTAR Electric's Chief Compliance Officer who will notify FERC within 24 hours of the event and post on the OASIS information related to the emergency. In addition, in the event of such a declared emergency, the relevant operator may ask NSTAR Electric's Marketing unit employees or employees of its Energy Affiliates to assist in the operation of the transmission system. If that occurs, a description of such action will also be brought to FERC's attention and posted on the OASIS within 24 hours.

- (3) The Transmission Provider is prohibited from permitting the employees of its Marketing or Energy Affiliates from:
 - (i) Conducting transmission system operations or reliability functions; and
 - (ii) Having access to the system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other transmission customers.

NSTAR Electric's system control center is located at a completely different physical location than its Marketing and

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Energy Affiliates. Additionally, access to the system control center is restricted via key card access to employees of NSTAR Electric involved in performing transmission reliability and operations functions. Computer databases for the Transmission Function of NSTAR Electric are password protected and are separate from those for the Marketing and Energy Affiliates.

- (4) The Transmission Provider is permitted to share support employees and field and maintenance employees with its Marketing and Energy Affiliates.

Certain in-house lawyers and employees in human resources, Information Services, Accounting and Finance, Revenue Requirements, Regulatory Policy and Rates, and Risk Management support the operations of the Transmission Function and the Marketing unit of NSTAR Electric and the Energy Affiliates of NSTAR Electric. Field and maintenance employees of NSTAR Electric provide support for the transmission and distribution system of NSTAR Electric.

- (5) The Transmission Provider is permitted to share with its Marketing or Energy Affiliates senior officers and directors who are not "Transmission Function Employees" as that term is defined in these Procedures. A Transmission Provider may share transmission information covered by Sections V(a) and (b) of these Procedures with its shared senior officers and directors provided that they do not participate in directing, organizing or executing transmission system operations or marketing functions; or act as a conduit to share such information with a Marketing or Energy Affiliate.

The shared managers of the Transmission Function employees of NSTAR Electric and the employees of the Marketing and Energy Affiliates of NSTAR Electric are not Transmission Function Employees. Intermediate managers are responsible for the supervision of transmission-related operations, including contract execution. The shared managers also do not act as a conduit to share transmission system information with NSTAR Electric's Marketing or Energy Affiliates.

- (6) The Transmission Provider is permitted to share risk management employees that are not engaged in

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Transmission Functions or sales or commodity Functions with their Marketing and Energy Affiliates.

NSTAR Electric's risk management employees are shared with the Marketing unit and the Energy Affiliates. However, all such activities are restricted to activities associated with corporate-level risk management, and do not involve customer-specific activities.

(b) Identifying affiliates on the OASIS.

- (1) The Transmission Provider must post the names and addresses of Marketing and Energy Affiliates on its OASIS.

This information may be found at

http://www.nstar.com/business/rates_tariffs/open_access/

- (2) The Transmission Provider must post on its OASIS a complete list of the facilities shared by the Transmission Provider and its Marketing and Energy Affiliates, including the types of facilities shared and their addresses.

This information may be found at

http://www.nstar.com/business/rates_tariffs/open_access/

- (3) The Transmission Provider must post comprehensive organizational charts showing:
- (i) The organizational structure of the parent corporation with the relative position in the corporate structure of the Transmission Provider, Marketing and Energy Affiliates;
 - (ii) For the Transmission Provider, the business units, job titles and descriptions, and chain of command for all positions, including officers and directors, with the exception of clerical, maintenance, and field positions. The job titles and descriptions must include the employee's title, the employee's duties, whether the employee is involved in transmission or sales, and the name of the supervisory employees who manage non-clerical employees involved in transmission or sales.
 - (iii) For all employees who are engaged in transmission functions for the Transmission Provider and marketing

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or sales functions or who are engaged in transmission functions for the Transmission Provider and are employed by any of the Energy Affiliates, the Transmission Provider must post the name of the business unit within the marketing or sales unit or the Energy Affiliate, the organizational structure in which the employee is located, the employee's name, job title and job description in the marketing or sales unit or Energy Affiliate, and the employee's position within the chain of command of the Marketing or Energy Affiliate.

- (iv) The Transmission Provider must update the information on its OASIS required by Sections IV(b)(1), (2) and (3) of these procedures within seven business days of any change, and post the date on which the information was updated.
- (v) The Transmission Provider must post information concerning potential merger partners as affiliates within seven days after the potential merger is announced.
- (vi) All OASIS postings required by these Procedures must comply with the requirements of 18 C.F.R. § 37.3.

The Transmission Business Strategy department will be responsible for ensuring that the Human Resources department notifies the Chief Compliance Officer weekly of transfers into and out of the Transmission Function of NSTAR Electric. The Chief Compliance Officer will then notify the OASIS administrator to post such information. All other information required to be posted will be reviewed periodically by the Chief Compliance Officer to determine when it should be updated.

(c) Transfers.

Employees of the Transmission Provider, Marketing or Energy Affiliates are not precluded from transferring among such functions as long as such transfer is not used as a means to circumvent the Standards of Conduct. Notices of any employee transfers between the Transmission Provider, on the one hand, and the Marketing or Energy Affiliates, on the other, must be posted on the OASIS. The information to be posted must include: the name of the transferring employee, the respective titles held while performing each function (i.e., on

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behalf of the Transmission Provider, Marketing or Energy Affiliate), and the effective date of the transfer. The information posted under this section must remain on the OASIS for 90 days.

Any transfers that are covered by this section of the Procedures must be reported to the Chief Compliance Officer not less than one business days prior to the effective date of the transfer.

(d) Books and records.

A Transmission Provider must maintain its books of account and records (as prescribed under 18 C.F.R. Parts 101, 125, 201 and 225) separately from those of its Energy Affiliates and these must be available for Commission inspections.

NSTAR Electric, the Transmission Provider, maintains separate books of account and records from its Marketing and Energy Affiliates.

(e) Written procedures.

- (1) The Transmission Provider has on file with the Commission and has posted on the OASIS a plan and schedule for implementing the Standards of Conduct.
- (2) The Transmission Provider must be in full compliance with the Standards of Conduct by September 22, 2004.
- (3) The Transmission Provider shall post on the OASIS current written procedures implementing the standards of conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section.

This information may be found at

http://www.nstar.com/business/rates_tariffs/open_access/

- (4) The Transmission Provider shall distribute these Procedures to each Transmission Provider employee and employee of the Marketing and Energy Affiliates

These Procedures must be provided to an employee when the employee first has access to such information and not less than once every calendar year thereafter.

- (5) The Transmission Providers shall train officers and directors as well as employees with access to transmission

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information or information concerning gas or electric purchases, sales or marketing functions. The Transmission Provider shall require each employee to sign a document or certify electronically signifying that s/he has participated in the training.

Training shall be conducted when the officer, director or employee first has access to such information and not less than once every calendar year thereafter.

- (6) The Transmission Provider is required to designate a Chief Compliance Officer who will be responsible for Standards of Conduct compliance.

The Chief Compliance Officer is Douglas S. Horan. The Chief Compliance Officer is responsible for:

- (i) Ensuring the timely posting on the OASIS, as required by these Procedures, of information concerning changes in organization, transfers of employees, mergers, deviations from the Standards of Conduct in emergencies and the sharing of information between Transmission Function Employees and Marketing or Energy Affiliate employees;
- (ii) Updating these Procedures as necessary to maintain compliance with the Standards of Conduct;
- (iii) Overseeing or conducting Standards of Conduct training of all employees, officers and directors who are required to receive training by these Procedures and maintaining signed certificates of training for all persons who have received such training;
- (iv) Distributing the Standards of Conduct procedures to employees in compliance with Section IV(e)(iv).
- (v) Serving as a point of contact for questions or concerns relating to compliance with the Standards of Conduct and these Procedures. The Chief Compliance Officer can be reached

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at (617) 424-2635 or
douglas.horan@nstar.com

- (vi) Ensuring compliance with the Standards of Conduct and these Procedures through periodic audits and reviews of compliance and, where necessary, taking action to ensure compliance;
- (vii) Retaining for three years records of evaluations and audits of Standards of Conduct compliance and actions taken to ensure compliance or correct instances of non-compliance with the Standards of Conduct;
- (viii) Receiving all reports of non-compliance with the Standards of Conduct and/or these Procedures and taking necessary corrective actions, including, where necessary, the posting of information on the OASIS and making reports to the FERC.

V. NON-DISCRIMINATION REQUIREMENTS.

(a) Information access.

- (1) The Transmission Provider must ensure that any employee of its Marketing or Energy Affiliate may only have access to that information available to the Transmission Provider's transmission customers (i.e., the information posted on the OASIS) and must not have access to any information about the Transmission Provider's transmission system that is not available to all users of the OASIS.
- (2) The Transmission Provider must ensure that any employee of its Marketing or Energy Affiliate is prohibited from obtaining information about the Transmission Provider's transmission system (including, but not limited to, information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans or similar information) through access to information not posted on the OASIS or that is not otherwise also available to the general public without restriction.

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NSTAR Electric employees are linked electronically via a Local Area Network ("LAN"). The Marketing and Energy Affiliate employees do not have access to any shared drives or other shared computer resources on the NSTAR Electric computer network that contains data considered to be Transmission Provider data. Access to such drives is restricted via group accounts which specify the users who are permitted access. Access to the OASIS is further restricted via password to two OASIS administrators.

(b) Prohibited disclosure.

- (1) An employee of the Transmission Provider may not disclose to its Marketing or Energy Affiliates any information concerning the transmission system of the Transmission Provider or the transmission system of another (including, but not limited to, information received from non-affiliates or information about available transmission capability, price, curtailments, storage, ancillary services, balancing, maintenance activity, capacity expansion plans, or similar information) through non-public communications conducted off the OASIS through access to information not posted on the OASIS that is not contemporaneously available to the public, or through information on the OASIS that is not at the same time publicly available.

Employees will be trained to report, via telephone, email or direct communication, any information disclosure violations directly to the Chief Compliance Officer.

- (2) A Transmission Provider may not share any information, acquired from non-affiliated transmission customers or potential non-affiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with employees of its Marketing or Energy Affiliates, except to the limited extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.

Employees will be trained to report, via telephone, email or direct communication, any information disclosure violations directly to the Chief Compliance Officer.

- (3) If an employee of the Transmission Provider discloses information in a manner contrary to the requirements of

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Sections I(b)(1) and (2), the Transmission Provider must immediately post such information on the OASIS.

After being notified pursuant to these procedures, the Chief Compliance Officer will direct compliance with posting requirements to the OASIS administrator, and will ensure that such posting is completed.

- (4) A non-affiliated transmission customer may voluntarily consent, in writing, to allow the Transmission Provider to share the non-affiliated customer's information with a Marketing or Energy Affiliate. If a non-affiliated customer authorizes the Transmission Provider to share its information with a Marketing or Energy Affiliate, the Transmission Provider must post notice on the OASIS of that consent along with a statement that it did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

The Transmission Provider must inform the Chief Compliance Officer of any request by a transmission customer to share information with a Marketing or Energy Affiliate employee not less than two business days before the information is to be shared. The Chief Compliance Officer shall ensure that the required information is posted prior to the time at which the information is shared.

- (5) A Transmission Provider is not required to contemporaneously disclose to all transmission customers or potential transmission customers information covered by Section V(b)(1) if it relates solely to a Marketing or Energy Affiliate's specific request for transmission service.
- (6) A Transmission Provider may share generation information necessary to perform generation dispatch with its Marketing and Energy Affiliate that does not include specific information about individual third party transmission transactions or potential transmission arrangements.

No generation dispatch information is shared.

- (7) Neither a Transmission Provider nor an employee of a Transmission Provider is permitted to use anyone as a conduit for sharing information covered by the prohibitions of Sections V(b)(1) and (2) with a Marketing or Energy Affiliate. A Transmission Provider may share information covered by

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Sections V(b)(1) and (2) with employees permitted to be shared under Sections IV(a)(4), (5) and (6) provided that such employees do not act as a conduit to share such information with any Marketing or Energy Affiliates.

Shared support employees generally do not have access to Transmission Provider information that is protected under these procedures. To the extent that they do have access to such information, they are trained to not act as a conduit to share such information with any Marketing or Energy Affiliates of NSTAR Electric.

- (8) A Transmission Provider is permitted to share information necessary to maintain the operations of the transmission system with its Energy Affiliates.

No generation dispatch information will be shared.

(c) Implementing tariffs.

- (1) A Transmission Provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if these tariff provisions do not permit the use of discretion.
- (2) A Transmission Provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner, if these tariff provisions permit the use of discretion.
- (3) A Transmission Provider must process all similar requests for transmission in the same manner and within the same period of time.
- (4) The Transmission Provider must maintain a written log, available for Commission audit, detailing the circumstances and manner in which it exercised its discretion under any terms of the tariff. The information contained in this log is to be posted on the OASIS within 24 hours of when a Transmission Provider exercises its discretion under any terms of the tariff.
- (5) The Transmission Provider may not, through its tariffs or otherwise, give preference to its Marketing or Energy Affiliate, over any other wholesale customer in matters

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relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

- (6) Any such log will be located at:
http://www.nstar.com/business/rates_tariffs/open_access/

(d) Discounts.

Any offer of a discount for any transmission service made by the Transmission Provider must be posted on the OASIS contemporaneous with the time that the offer is contractually binding. The posting must include: the name of the customer involved in the discount and whether it is an affiliate or whether an affiliate is involved in the transaction, the rate offered; the maximum rate; the time period for which the discount would apply; the quantity of power or gas scheduled to be moved; the delivery points under the transaction; and any conditions or requirements applicable to the discount. The posting must remain on the OASIS for 60 days from the date of posting.

NSTAR Electric's OASIS administrator, located in the Transmission Business Strategy department, is responsible for receiving requests for discounts, initiating discount offers, and satisfying posting requirements.