

# TAB 1

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## NStar

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#### News

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#### Financial Results

Reports

### General Information

#### Address/Contact

##### NSTAR

800 Boylston Street  
 Boston, MA 02199  
 United States  
 Map

Phone: 1-617-4242000  
 Fax: 1-617-4244032

<http://www.nstar.com>

Additional Company Links

Ownership Type: Listed  
 DUNS provided by D&B : 087571431  
 Auditor/Accountant: PWC LLP

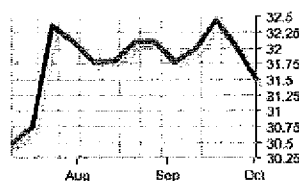
Most Recent Stock Split:  
 2.0 (6 June 2005)

Historical Stock Split(s):  
 2.0 (2 October 1986)

#### Stock Price Activity

Quote | Add to Quote List

##### 3 Months Weekly



Ticker RIC  
 NST NST.N

Price

31.70

Change

0.13

Volume

76,700

Exchange

New York Stock Exchange

52-Week High

36.94

52-Week Low

25.68

Currency

USD

#### Discovery Pane

News discovered around this company.

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#### Keywords

total assets  
 dow jones  
 jones industrials  
 net tangible  
 day map

### Business Description

NSTAR is a holding company engaged in the energy delivery business. The Company, through its subsidiaries, is involved in serving approximately 1.4 million customers in Massachusetts, including approximately 1.1 million electric distribution customers in 81 communities and approximately 300,000 natural gas distribution customers in 51 communities. NSTAR derives its revenues from the sale of energy, distribution and transmission services to customers. NSTAR's operating segments are the electric and natural gas utility operations that provide energy delivery services in 107 cities and towns in Massachusetts.

Reuters Extended Business Description  
 Datamonitor Products and Services  
 Datamonitor Company Statement

Datamonitor Business Description  
 Datamonitor Overview and History  
 Datamonitor SWOT Analysis

### Primary Industry Classification

Dow Jones Industry

Electric Power Distribution

SIC

4911 Electric Services

NACE

N/A

NAICS

221111 Hydroelectric Power Generation

### Secondary Industry Classification

Source: Reuters

### Key Facts

## Key Executives

Chairman of the Board of Trustees, President, Chief Executive Officer: Thomas J. May  
 Chief Financial Officer, Senior Vice President, Treasurer: James J. Judge  
 Senior Vice President - Strategy, Law and Policy, General Counsel, Secretary: Douglas S. Horan  
 Senior Vice President - Human Resources: Christine M. Carmody  
 Senior Vice President - Customer & Corporate Relations: Joseph R. Nolan Jr.

## Key Financials

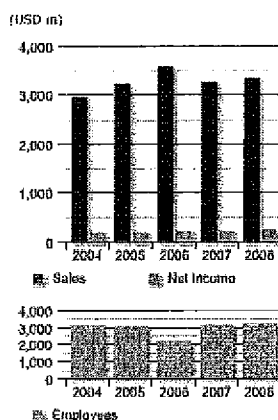
Currency: USD  
 Sales: 3,345.39 m  
 Sales Growth (1 year): 2.56%  
 Last Reported Employees (Date): 3,250 (9 February 2009)  
 Employees Growth (1 year): 3.17%  
 Last Reported Auditor (Date): PWC LLP (9 February 2009)  
 Market Cap (USD): 3,371.94 m (8 October 2009)  
 Net Income: 239.51 m  
 Net Profit Margin: 7.16%  
 EPS: 2.22  
 Audit Fees (Including Non-Audit Fees): 1,620,000.00  
 Non-Audit Fees: 3,000.00  
 Fiscal Year-End Date: 31 December 2008

## News

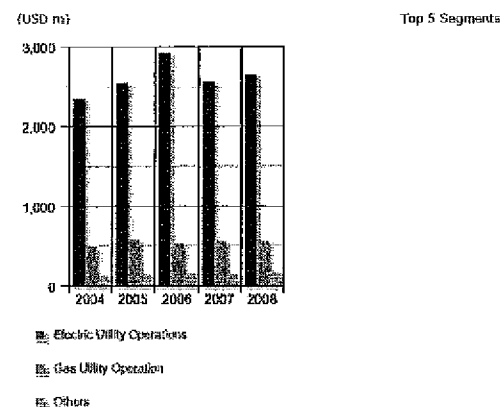
Source: Reuters

## Performance/Segment Information

## Financial Performance



## Business Segment



Source: Reuters

## Latest News Web News Multimedia

**Suggested Categories:** All | Performance | Bankruptcy | Management Moves | Contracts/Orders | New Products/Services | Legal/Judicial | Ownership Changes | Press Releases | Trade Articles | Capacities/Facilities | Earnings

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- Apogee Interactive, Inc. Experts Present Smart Grid Vision and Keys to Utility...**  
Energy Weekly News, 16 October 2009, 638 words, (English)
- NSTAR ; Fall's Here - Be Prepared for the Heating Season with Tips from NSTAR**  
Energy Weekly News, 16 October 2009, 507 words, (English)
- COUNCIL RATIFIES PATRICK ADMINISTRATION, ATTORNEY GENERAL COAKLEY AGREEMENT ON...**  
States News Service, 7 October 2009, 853 words, (English)
- UPDATE: Massachusetts Targets 1.4% Cuts In Electricity Usage**  
Dow Jones Energy Service, 17:03, 7 October 2009, 401 words, (English)
- NSTAR Rises 1.3% on thin volume October 05, 2009**  
Global Round Up - Stocks, 5 October 2009, 1,432 words, (English)

## Peer Group

Nearest 10 by Sales

Dow Jones Industry: Electric Power Distribution  
 Total Number of Companies: 71

Rank	Company Name	Sales USD m	Employees	Market Cap USD m	Net Income USD m	Net Profit Margin
4	CPFL Energia S.A.	4,977.98	7,119	8,977.32	654.28	13.24%
5	Eletropaulo Metropolitana Sao Paulo SA	4,013.25	4,141	3,589.60	510.75	12.73%
6	AES Elpa SA	4,012.99		2,249.72	210.42	14.56%
7	Manila Electric Company	3,961.47	6,050	4,377.82	57.84	1.63%
8	NSTAR	3,345.39	3,250	3,371.94	239.51	7.16%

9	Light SA	2,802.18	3,732	3,100.64	538.26	18.68%
10	Rede Energia SA	2,178.83		953.70	115.02	7.17%
11	ENEA SA	2,104.79	10,133	3,546.60	73.61	3.50%
12	Chilectra SA Ex Elestr SA (Parent)	1,920.56		2,864.36	458.87	23.89%
13	Westar Energy, Inc.	1,839.00	2,415	2,137.97	178.14	9.69%

Competition List from Reuters Research

Source: Reuters

Note: Based on publicly traded company data.

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# TAB 4

## **Rate and Regulatory Proceedings**

### **a. Rate Structures**

#### **Rate Settlement Agreement**

Beginning January 1, 2007 and continuing through 2012, the Rate Settlement Agreement establishes annual inflation-adjusted distribution rate increases (SIP of 1.74%, 2.68%, and 2.64% effective January 1, 2009, 2008, and 2007, respectively). These increases are generally offset by an equal and corresponding reduction in transition rates. Uncollected transition costs are deferred and will be collected through future rates with a carrying charge.

#### **Basic Service Rates**

Electric distribution companies in Massachusetts are required to obtain and resell power to retail customers through Basic Service for those customers who choose not to buy energy from a competitive energy supplier. Basic Service rates are reset every six months (every three months for large commercial and industrial customers). The price of Basic Service is intended to reflect the average competitive market price for electric power. As of December 31, 2008, 2007, and 2006, customers of NSTAR Electric had approximately 45%, 47%, and 49%, respectively, of their load requirements provided through Basic Service. NSTAR Electric fully recovers its energy costs through DPU-approved rate mechanisms.

#### **Firm Natural Gas Rates**

In addition to delivery service rates, NSTAR Gas' tariffs include a seasonal CGAC and a LDAC. The CGAC provides for the recovery of all gas supply costs from firm sales customers. The LDAC provides for the recovery of certain costs applicable to both sales and transportation customers. The CGAC is filed semi-annually for approval by the DPU. The LDAC is filed annually for approval. In addition, NSTAR Gas is required to file interim changes to its CGAC factor when the actual costs of gas supply vary from projections by more than 5%. Changes in the cost of gas supply have no impact on the Company's earnings due to the CGAC and LDAC rate recovery mechanisms.

### **b. Service Quality Indicators**

SQI are established performance benchmarks for certain identified measures of service quality relating to customer service and billing performance, safety and reliability and consumer division statistics performance for all Massachusetts utilities. NSTAR Electric and NSTAR Gas are required to report annually to the DPU concerning their performance as to each measure and are subject to maximum penalties of up to two percent (two and one-half percent beginning in 2009) of total transmission and distribution revenues should performance fail to meet the applicable benchmarks.

NSTAR monitors its service quality continuously to determine if a liability has been triggered. If it is probable that a liability has been incurred and is estimable, a liability is accrued. Annually, each NSTAR utility subsidiary makes a service quality performance filing with the DPU. Any settlement or rate order that would result in a different liability level from what has been accrued would be adjusted in the period that the DPU issues an order determining the amount of any such liability.

On March 1, 2007, NSTAR Electric and NSTAR Gas filed their 2006 Service Quality Reports with the DPU that demonstrated the Companies achieved sufficient levels of performance. The reports indicate that no penalty was assessable for 2006. The DPU approved both filings but did not approve NSTAR Electric's benchmarks due to outstanding DPU decisions relating to changes in the calculation of reliability measures for the duration and frequency of service interruptions. On September 25, 2008, the DPU issued an order clarifying these requirements, and NSTAR Electric will file recalculated benchmarks in 2009.

### **Regional Transmission Facilities**

The FERC also authorized a 50 basis point adder on regional facilities for joining a RTO effective February 1, 2005 (the RTO effective date). NSTAR joined ISO-New England on the RTO effective date, thereby qualifying for the adder. This brings the ROE on NSTAR's regional transmission facilities to 10.9% for the period from February 1, 2005 to October 31, 2006, and 11.64% thereafter. Customers of the ISO-NE participants benefit from this order because it responds to the need to enhance the New England transmission grid to alleviate congestion costs and reliability concerns.

### **Additional Incentive Adders**

Additional incentive adders are decided on a case by case basis according to FERC's most recent national transmission incentive rules. The FERC may grant a variety of financial incentives, including ROE basis point incentive adders for qualified investments made in new regional transmission facilities. New England projects that were included in ISO-NE's regional system plan and went into service prior to December 31, 2008 qualified for a 100 basis point ROE adder. This 100 basis point adder, when combined with the FERC's approved ROEs described above, results in a 12.64% ROE for qualified regional investments. The incentive is intended to promote and accelerate investment in transmission projects that can significantly reduce congestion costs and enhance reliability in the region. NSTAR's 345 kV Transmission Project, among others, has received this additional incentive adder.

### **Proposed Transmission Investment**

On December 12, 2008, NSTAR Electric, together with Northeast Utilities (NU) (collectively, the Petitioners), filed a joint petition with the FERC for a declaratory judgment that would allow the Petitioners to enter into a bilateral transmission services agreement with Hydro Quebec (HQ) subsidiaries. Under this agreement, the Petitioners would sell 1,200 MW of firm transmission service over a new, participant-funded transmission tie line connecting New England with the HQ system in order for HQ to sell and deliver this same amount of firm power from the HQ system to interested parties in New England for a term of no less than twenty years. This project would provide a competitive source of clean power that is favorable in comparison to current alternatives and provides for an expansion of New England's transmission system without raising regional transmission rates.

The Petitioners and HQ are negotiating:

- A joint development agreement for the design and construction of a 1,200 MW high-voltage direct current line over existing rights-of-way in Northern New England to a point to be determined in Southern New Hampshire and are performing joint planning studies for this line
- A long-term bilateral transmission service agreement
- A Purchase Power Agreement for HQ to sell 1,200 MW of firm power to NSTAR Electric, NU and other interested New England entities for a period of no less than twenty years

These transmission agreements must be approved by the FERC and the Purchase Power Agreement between HQ, NSTAR Electric, and other interested New England entities, must be approved by their appropriate state regulatory agencies. NSTAR Electric anticipates that, if approved by the FERC and the DPU, construction will commence in the 2011 to 2014 timeframe and forecasts that its portion of the construction funding to be approximately \$200 million. NSTAR Electric and NU will finance and own this transmission line, while HQ will reimburse NSTAR Electric and NU for the total costs of this project, including an investment return to NSTAR Electric and NU, over twenty years.

These increases were partially offset by:

- Decreased transmission revenues related to lower forecasted reliability must-run (RMR) payments to energy generators (\$38.4 million) that are fully recoverable from customers

Energy, transition, and other revenues primarily represent charges to customers for the recovery of costs incurred by the Company in order to acquire the energy supply on behalf of its customers and a transition charge for recovery of the Company's prior investments in generating plants and the costs related to long-term power contracts. The energy revenues relate to customers being provided energy supply under Basic Service. These revenues are fully reconciled to the costs incurred and have no impact on NSTAR's consolidated net income. Energy, transition, and other revenues also reflect revenues related to the Company's ability to effectively reduce stranded costs (incentive entitlements), rental revenue from electric property, and annual cost reconciliation true-up adjustments. The \$70.4 million increase in energy, transition, and other revenues is primarily attributable to the increased recovery of energy supply costs. Uncollected transition charges as a result of the reductions in transition rates are being deferred and collected through future rates with a carrying charge.

#### *Gas Revenues*

Firm and transportation gas revenues primarily represent charges to customers for the Company's recovery of costs of its capital investment in gas infrastructure, including a return component, and for the recovery of costs for the ongoing operation and maintenance of that infrastructure. The transportation revenue component represents charges to customers for the recovery of costs to move the natural gas over pipelines from gas suppliers to take stations located within the Company's service area. The \$7.1 million decrease in firm and transportation revenues is primarily attributable to warmer winter weather conditions offset by customers converting to natural gas from alternate fuel sources as a result of higher energy price concerns. These factors resulted in the decrease in sales volumes of 1.4% through December 31, 2008.

Energy supply and other gas revenues primarily represent charges to customers for the recovery of costs to the Company in order to acquire the natural gas in the marketplace and a charge for recovery of the Company's gas supplier service costs. The energy supply and other revenues increase of \$0.4 million primarily reflects an increase in the cost of gas supply offset by the lower sales demand. These revenues are fully reconciled with the costs currently recognized by the Company and, as a result, do not have an effect on the Company's earnings.

#### *Unregulated Operations Revenues*

Unregulated operating revenues are derived from NSTAR's district energy and telecommunications operations. Unregulated revenues were \$152.1 million in 2008 compared to \$138.5 million in 2007, an increase of \$13.6 million, or 9.8%. The increase in unregulated revenues is primarily the result of the absence of a provision for a potential customer refund recorded in 2007 and increases in energy sales, prices and higher ISO-NE capacity revenues during 2008.

#### *Operating Expenses*

**Purchased power and transmission costs** were \$1,430.4 million in 2008 compared to \$1,390.6 million in 2007, an increase of \$39.8 million, or 2.9%. This increase in expense reflects \$34.8 million of higher transmission costs and higher Basic Service and other energy supply costs of \$5 million. NSTAR Electric adjusts its rates to collect the costs related to energy supply from customers on a fully reconciling basis. Due to this rate adjustment mechanism, changes in the amount of NSTAR Electric's energy supply expense have no impact on earnings.

**Cost of gas sold**, representing NSTAR Gas' supply expense, was \$372.4 million in 2008 compared to \$375.8 million in 2007, a decrease of \$3.4 million, or 0.9%. The decrease in this cost primarily reflects the 1.4% decrease in firm gas sales and the lower settlement of hedging contracts during the current year that decreased