

Edgar Filing: NSTAR/MA - Form 425

NSTAR/MA
Form 425
December 07, 2010

Filed by Northeast Utilities Pursuant to Rule 425

Under the Securities Act of 1933

And Deemed Filed Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: NSTAR

Commission File No.: 333-170754

Overview
of
the
Announced
NU/NSTAR
Merger
December 6, 2010

2
Safe Harbor
Information Concerning Forward-Looking Statements
In
addition
to
historical

information,
this
filing
may
contain
a
number
of
forward-looking
statements
as
defined
in
the
Private
Securities
Litigation
Reform
Act
of
1995.
Words
such
as
anticipate,
expect,
project,
intend,
plan,
believe,
and
words
and
terms
of
similar
substance
used
in
connection
with
any
discussion
of
future
plans,
actions,
or
events
identify

forward-looking
statements.

Forward-looking
statements
relating

to
the
proposed

merger
include,

but
are
not

limited
to:
statements

about
the
benefits

of
the
proposed

merger
involving
NSTAR

and
Northeast
Utilities,

including
future
financial

and
operating
results;

NSTAR's
and
Northeast

Utilities'
plans,
objectives,

expectations
and
intentions; the expected timing of completion of the transaction; and other statements relating to the merger that are not historical.

Forward-looking statements involve estimates, expectations and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Important factors could cause actual results to differ materially from those indicated by such forward-looking statements. With respect to the proposed merger, these factors include:

limited
to:
risks

and

uncertainties
relating
to
the
ability
to
obtain
the
requisite
NSTAR
and
Northeast
Utilities
shareholder
approvals;
the
risk
that
NSTAR
or
Northeast
Utilities
may
be
unable
to
obtain
governmental
and
regulatory
approvals
required
for
the
merger,
or
required
governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could reduce the anticipated
benefits from the merger or cause the parties to abandon the merger; the risk that a condition to closing of the merger may not be met due to
the length of time necessary to consummate the proposed merger; the risk that the businesses will not be integrated successfully, which could
that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; the
disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of
management time on merger-related issues; the effect of future regulatory or legislative actions on the companies; and the risk that the
credit
ratings
of
the
combined
company
or

its
subsidiaries
may
be
different
from
what
the
companies
expect.

These
risks,
as
well
as
other

risks associated with the merger, are more fully discussed in the joint proxy statement/prospectus that is included in the Registrant's Statement on Form S-4 (Registration No. 333-170754) that was filed by Northeast Utilities with the SEC in connection with the merger.

Additional
risks
and
uncertainties

are
identified
and
discussed
in

NSTAR's
and
Northeast
Utilities
reports
filed
with
the
SEC
and
available

at
the
SEC's
website
at
www.sec.gov.

Forward-looking
statements
included
in
this
release

speak
only
as
of
the
date
of
this
release.
Neither
NSTAR nor Northeast Utilities undertakes any obligation to update its forward-looking statements to reflect events or circumstances that occur after the date of this release.

3
Agenda
Rationale and Benefits of Merger
Overview of NSTAR
Impacts on CL&P and Yankee Gas

4
A
Compelling
Combination

Creates
Largest

Utility

Company in New England

Significant transmission investment opportunities combined with balance sheet strength provides for substantial growth potential

Larger, more diverse and better positioned to support economic growth and renewables in New England

Accretive to earnings in Year 1 and provides enhanced total shareholder return proposition

Enhances service quality capabilities to the largest customer base in New England

Highly experienced and complementary leadership team with proven track record

NSTAR Electric Service Area

NSTAR Gas Service Area

Northeast Utilities Electric Service Area

Northeast Utilities Gas Service Area

ME

NY

VT

NH

M

A

RI

Combined Service Territory

5
A New England Based Utility Holding Company
Supporting the Regional Economy
Combined Statistics
2009 Revenue (\$bn)
\$8.5
Regulated Utilities

6
Regulated States
3
Electric Customers
3,000,000
Gas Customers
500,000
Electric Transmission (Miles)
4,500
Electric Distribution (Miles)
72,000
Gas Distribution (Miles)
6,300
Generation (MW)
1,200
Total Rate Base (\$bn)
\$10.8
Employees
9,300
\$10.8
\$9.5
\$8.0
\$7.0
\$6.9
\$6.8
\$6.6
\$5.4
\$5.2
\$4.1
\$4.1
\$31.6
SO
XEL
Pro
Forma
NU
DTE
WEC
AEE
CNP
CEG
NU
SCG
TEG
NST
#16
#21
#1
#29
3.1

3.0
2.7
2.4
2.4
2.1
2.1
2.1
1.9
1.8
1.1
1.1
0.7
5.4
EXC
PGN
Pro
Forma
NU
ETR
AEE
D
CNP
DTE
PEG
NU
POM
PNW
NST
SCG
#13
#19
#1
#26

Source: FactSet, company filings.

1. US utility rankings as of 10/15/10, based on companies in the S&P 500 Utilities Index excluding IPPs and Gas LDCs.

Ranking
by
Market
Capitalization
(\$
in
billions)
Ranking
by
Electric
Customers
(in
millions)
(1)

(1)

6

Specific Benefits to NU

A projected ~ 20% dividend increase

Cash flow increase to eliminate equity issuance for foreseeable future

Likely credit upgrades and reduction in debt issuance leading to lower long-term, short-term interest costs

Increased market liquidity

Enhanced opportunities to reduce costs over time

Ability to achieve higher earnings growth rate

7

Enhanced Credit Quality

Strong balance sheet and cash flows position NU to fund rate base growth program principally through internally generated funds

Combined company and operating subsidiaries will have an enhanced credit profile

Highest quality business profile
Highly diversified earnings and cash flow
100% stock transaction
no new debt issued for merger
No long-term debt triggers

8

Benefits to NSTAR

Enhanced earnings and dividend growth outlook

Ability to apply strong balance sheet and cash flow to attractive transmission investment opportunities

Larger utility footprint provides access to projects and opportunities not available today

More diverse and better balanced earnings profile
Compelling total return opportunity

9
Key Merger Terms
Timing / Approvals:
Expected
to
close
within
9

12

months

Shareholders, federal, and state

Headquarters:

Dual

Hartford and Boston

Company Name:

Northeast Utilities

Consideration:

100% NU shares

Exchange Ratio:

1.312 shares of NU per NSTAR share

Pro Forma Ownership:

56% NU shareholders

44% NSTAR shareholders

Pro Forma Dividend:

Following close, dividend increase for NU shareholders to NSTAR level

Dividend parity for NSTAR shareholders

Governance:

Chuck Shivery to be non-executive Chairman

Tom May to be President and CEO

14 Board members

7 nominated by Northeast Utilities including Chuck Shivery

7 nominated by NSTAR including Tom May

Balanced Terms and Governance

10
Post Merger High Level Company Organization Chart
Northeast Utilities
Connecticut Light
& Power
Yankee Energy
Systems, Inc.

(Holding Company)

NU Enterprises, Inc

Public Service

Company of New

Hampshire

Western

Massachusetts

Electric Company

NSTAR LLC

(Holding Company)

NSTAR Companies

(NSTAR Electric,

NSTAR Gas, etc.)

Other NU Companies

(NUSCO, Rocky

River Realty, etc.)

Yankee Gas

Services Company

11
Executive Management Organization
Tom May
President & Chief
Executive Officer
Greg Butler
General Counsel

David McHale
Chief Administrative
Officer
Lee Olivier
Chief Operating
Officer
Christine Carmody
Human Resources
Jim Judge
Chief Financial Officer
Joe Nolan
Corporate Relations
Chuck Shivery
Non-Executive
Chairman

12
Building A Larger, More Diverse and Better Positioned
Regulated Utility Business
FERC
31%
CT
26%

NH
11%
MA
32%
Rate Base By State / Federal
Electric
Generation
4%
Electric
Distribution
54%
Gas
Distribution
11%
Electric
Transmission
31%
Rate Base By Business
Combined 2009 Rate Base: \$10.8 billion

13
Southwest Connecticut Reliability:
Projects Complete
1
Connecticut Borders (MA, RI):
NEEWS Projects Under Way
3

5

Excellent Transmission Opportunities into Largest
New England Load Centers
Hydro-Québec-
HVDC

4

HVDC Line between Québec and New
Hampshire
Potential Wind Sites
Southeastern Massachusetts (MA):
Cape Cod Line

2

Load Center Populations
(1)

Greater Boston:

4,600,000

Hartford:

1,200,000

Fairfield County:

900,000

1.

.Source: IHS Global Insight Winter 2009 - 2010, US Markets: State Economies, U.S. Census Bureau 2009 estimates.

13

Renewables & Clean Energy (ME/NH/VT):

Projects in Development/
High Wind potential areas

14
Regulatory Timeline
Oct 2010
Closing Expected in 9
12 months
Q4 2010
Q1 2011
Q2 2011

Q3 2011

Merger Announced

Commence

Regulatory Filings

File Joint Proxy

Statement/Prospectus

Regulatory Processes

FERC, SEC, NRC, DOJ,

MDPU, FCC, Maine PUC

Northeast Utilities and

NSTAR Shareholder

Meetings

Develop Transition Implementation Plans

Receive Regulatory

Approvals

Close Merger

15
NSTAR
A Track Record of Strong Performance

High levels of customer service and
reliability

Constructive regulatory outcomes

Solid, consistent financial results

Strong credit profile and positive cash flow

NSTAR

Key Facts and Figures

NSTAR is the largest Massachusetts-based investor-owned electric and gas utility

NSTAR transmits and delivers electricity and gas to 1.1 million electric customers in 81 communities and approximately 300,000 gas

customers in 51 communities

Residential customers comprise 87% of the total electric customers and 90% of the total gas customers

For the nine months ended September 30, 2010, NSTAR derived 86% of its operating revenues from electric operations and 14% from gas operations

NSTAR employs more than 3,000 people

Service Territory

MA

NSTAR Electric Service Area

NSTAR Gas Service Area

16

17

NSTAR Electric

Provides distribution and transmission electricity service to 1.1 million customers over an area of 1,702 square miles

Approximately 35,000 miles of distribution lines with 37% being under ground, and 951 miles of transmission lines

Created January 1, 2007 through the merger of Commonwealth Electric

Company, Cambridge Electric Light Company, and Boston Edison
Company
Currently
operating
under
a
2007

2012
distribution
rate
settlement

that establishes annual inflation-adjusted distribution rates that are
generally offset by an equal reduction in transition rates (stranded cost
charges)

Distribution rate base at 12/31/09 of \$2.5 billion

Transmission rates set by the FERC as part of ISO-NE regional system
(similar to NU)

18

NSTAR Gas

Distributes natural gas to approximately 300,000 customers over an area of 1,067 square miles

Like Yankee Gas, the sales and transportation of gas are divided into

two categories

firm and interruptible

Supply portfolio consists of natural gas supply contracts, transportation contracts on interstate pipelines, market area storage and peaking services

A portion of the gas supply storage is provided by Hopkinton, a wholly-owned subsidiary of NSTAR, with facilities consisting of LNG liquefaction and vaporization, and above-ground storage tanks

Last rate proceeding was a settlement in 2005

Commercial, industrial, and residential customers can choose their supplier of natural gas

Rate base at 12/31/09 of \$500 million

19
A Long History of Negotiated, Multi-Year Distribution
Rate Agreements

25
years
of

rate
agreements

last
litigated
rate
increase
in
1986

Fully reconciling pension & post-retirement mechanism and
recovery of energy supply

Current electric seven year rate plan through December 31, 2012

10.5% ROE with +/-
2% neutral zone

Plan to pursue a new rate agreement effective in 2013

20
History of Disciplined Cost Control
\$453
2005
\$431
2006
2007

Operations & Maintenance Expense

\$447

\$ IN MILLIONS

2008

\$454

2009

\$431

Productivity & automation

Performance driven
culture

Engaged workforce and
constructive union
relations

Continuous improvement
philosophy
Key
Drivers

21
Highest Credit Rating in the Industry
NSTAR
A+
FPL Group, Inc.
A
Southern Company

A
Consolidated Edison, Inc.
A-
Dominion Resources, Inc.
A-
DPL Inc.
A-
Duke Energy Corporation
A-
Energy East Corporation
A-
KeySpan Corp.
A-
Niagara Mohawk Power Corporation
A-
Vectren Corporation
A-
ALLETE, Inc.
BBB+
Alliant Energy Corporation
BBB+
Integrys Energy Group, Inc.
BBB+
Kentucky Utilities Company
BBB+
Louisville Gas and Electric Company
BBB+
MDU Resources Group, Inc.
BBB+
MidAmerican Energy Holdings Company
BBB+
OGE Energy Corp.
BBB+
PG&E Corporation
BBB+
Portland General Electric Company
BBB+
Progress Energy, Inc.
BBB+
SCANA Corporation
BBB+
Sempra Energy
BBB+
Wisconsin Energy Corporation
BBB+
Xcel Energy Inc.
BBB+
American Electric Power Company, Inc.
BBB
CenterPoint Energy, Inc.

BBB
Cleco Corporation
BBB
El Paso Electric Company
BBB
Energy Corporation
BBB
Exelon Corporation
BBB
FirstEnergy Corp.
BBB
Great Plains Energy Inc.
BBB
Green Mountain Power Corporation
BBB
Hawaiian Electric Industries, Inc.
BBB
IDACORP, Inc.
BBB
Northeast Utilities
BBB
North Western Corporation
BBB
Peeco Holdings, Inc.
BBB
PPL Corporation
BBB
Public Service Enterprise Group Inc.
BBB
TECO Energy, Inc.
BBB
UIL Holdings Corporation
BBB
Allegheny Energy, Inc.
BBB-
Ameren Corporation
BBB-
Avista Corporation
BBB-
Black Hills Corporation
BBB-
CMS Energy Corporation
BBB-
Constellation Energy Group, Inc.
BBB-
Duquesne Light Company
BBB-
Edison International
BBB-
Empire District Electric Company

BBB-
IPALCO Enterprises, Inc.
BBB-
NiSource Inc.
BBB-
Otter Tail Corporation
BBB-
Pinnacle West Capital Corporation
BBB-
Westar Energy, Inc. Puget Energy, Inc.
BBB-
Puget Energy, Inc.
BB+
NV Energy, Inc.
BB
PNM Resources, Inc.
BB-
Energy Future Holdings Corp.
B-
#1 NSTAR
A+
*As published by EEI

22

Earnings and Dividend Growth

\$2.22

\$1.93

\$2.07

2006

2007

2008

2009

\$2.37

\$2.45 -

\$2.60

2010

Guidance

\$1.21

\$1.30

\$1.40

2006

2007

\$1.50

2008

2009

2010

\$1.60

Earnings Growth of 7% Outperforms
Industry 19 Consecutive Years of
Operating Earnings Growth
Consistent, Above Average Dividend
Growth 12 Consecutive Years of
Increase

23

Impact on CL&P and Yankee Gas

No changes to the tariff rates or services of CL&P or Yankee Gas

(or

other NU affiliates) are planned or contemplated as a condition of the merger

There is no consolidation of NSTAR Electric, NSTAR Gas, CL&P,

and/or Yankee Gas (or other NU affiliates) that would result from the merger

The merger will not result in a change of control of CL&P or Yankee Gas (or other NU affiliates) and they will continue to be first-tier subsidiaries of NU

The merger will strengthen the financial integrity and investment capability of NU; a corollary effect will be the enhancement of CL&P's and Yankee Gas capability to maintain reliable and cost-effective delivery systems

Over time, the integration of NSTAR and NU is anticipated to produce net savings in costs that will be passed on to customers through reduced costs of service

24

Creates New England's premier energy provider

More diverse, stable and higher earnings growth profile than could be achieved standalone

Highly experienced management teams with proven track records of success

Combined company will have one of the most attractive total

return profiles in the industry
Summary

26
NSTAR Electric
Comparison of typical bills*
Boston
Cambridge
Commonwealth
CL&P

Edison
Electric
Electric
Generation
\$82.88
\$59.85
\$59.85
\$59.85
Transmission
\$13.39
\$11.15
\$13.70
\$11.80
Delivery
\$38.34
\$48.10
\$42.26
\$48.96
Other
\$7.98
\$5.14
-\$3.07
\$11.90
TOTAL BILL
\$142.59
\$124.24
\$112.74
\$132.51
Non-Generation
\$59.71
\$64.39
\$52.89
\$72.66
Residential (Based on 750 kWh per Month)
Boston
Cambridge
Commonwealth
CL&P
Edison
Electric
Electric
Generation
\$1,172
\$853
\$853
\$798
Transmission
\$182
\$372
\$204

\$160
Delivery
\$464
\$865
\$436
\$419
Other
\$142
\$69
\$1
\$159
TOTAL BILL
\$1,960
\$2,159
\$1,494
\$1,536
Non-Generation
\$788
\$1,306
\$641
\$738
Commercial (Based on 10,000 kWh per Month & 40 kW (33% Load Factor))
*As published by EEI
Typical Bills, Summer 2010

27
NSTAR Electric
Comparison of typical bills*
Boston
Cambridge
Commonwealth
CL&P

Edison
Electric
Electric
Generation
\$25,582
\$28,424
\$28,424
\$28,236
Transmission
\$5,368
\$6,220
\$4,987
\$6,316
Delivery
\$7,404
\$17,829
\$7,285
\$8,975
Other
\$4,208
\$3,262
-\$611
\$6,810
TOTAL BILL
\$42,562
\$55,735
\$40,085
\$50,337
Non-Generation
\$16,980
\$27,311
\$11,661
\$22,101
Industrial (Based on 400,000 kWh per Month & 1,000 kW (54% Load Factor))
*As published by EEI
Typical Bills, Summer 2010

* * *

Information Concerning Forward Looking Statements

In addition to historical information, this filing may contain a number of forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipate, expect, project, intend, plan, believe, and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. Forward-looking statements relating to the proposed merger include, but are not limited to: statements about the benefits of the proposed merger involving NSTAR and Northeast Utilities, including future financial and operating results; NSTAR's and Northeast Utilities' plans, objectives, expectations and intentions; the expected timing of completion of the transaction; and other statements relating to the merger that are not historical facts. Forward-looking statements involve estimates, expectations and projections and, as a result, are subject to risks and uncertainties. There can be no assurance that actual results will not materially differ from expectations. Important factors could cause actual results to differ materially from those indicated by such forward-looking statements. With respect to the proposed merger, these factors include, but are not limited to: risks and uncertainties relating to the ability to obtain the requisite NSTAR and Northeast Utilities shareholder approvals; the risk that NSTAR or Northeast Utilities may be unable to obtain governmental and regulatory approvals required for the merger, or required governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could reduce the anticipated benefits from the merger or cause the parties to abandon the merger; the risk that a condition to closing of the merger may not be satisfied; the length of time necessary to consummate the proposed merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of management time on merger-related issues; the effect of future regulatory or legislative actions on the companies; and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect. These risks, as well as other risks associated with the merger, are more fully discussed in the joint proxy statement/prospectus that is included in the Registration Statement on Form S-4 (Registration No. 333-170754) that was filed by Northeast Utilities with the SEC in connection with the merger. Additional risks and uncertainties are identified and discussed in NSTAR's and Northeast Utilities' reports filed with the SEC and available at the SEC's website at www.sec.gov. Forward-looking statements included in this release speak only as of the date of this release. Neither NSTAR nor Northeast Utilities undertakes any obligation to update its forward-looking statements to reflect events or circumstances after the date of this release.

Additional Information And Where To Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed merger between Northeast Utilities and NSTAR, on November 22, 2010 Northeast Utilities filed with the SEC a Registration Statement on Form S-4 (Registration No. 333-170754) that includes a preliminary joint proxy statement of Northeast Utilities and NSTAR and that also constitutes a preliminary prospectus of Northeast Utilities. These materials are not yet final and may be amended. Northeast Utilities and NSTAR will mail the final joint proxy statement/prospectus to their respective shareholders. **Northeast Utilities and NSTAR urge investors and shareholders to read the registration statement, and any other relevant documents filed with the SEC, including the preliminary joint proxy statement/prospectus that is a part of the registration statement, and the definitive joint proxy statement/prospectus, when available, because they will contain important information.** You may obtain copies of all documents filed with the SEC regarding this proposed transaction, free of charge, at the SEC's website (www.sec.gov). You may also obtain these documents, free of charge, from Northeast Utilities' website (www.nu.com) under the tab Investors and then under the heading Financial/SEC Reports. You may also obtain these documents, free of charge, from NSTAR's website (www.nstar.com) under the tab Investor Relations.

Participants In The Merger Solicitation

Northeast Utilities, NSTAR and their respective trustees, executive officers and certain other members of management and employees may be soliciting proxies from Northeast Utilities and NSTAR shareholders in favor of the merger and related matters. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Northeast Utilities and NSTAR shareholders in connection with the proposed merger is contained in the preliminary joint proxy statement/prospectus filed with the SEC and will be contained in the definitive joint proxy statement/prospectus when it becomes available. You can find information about Northeast Utilities' executive officers and trustees in its definitive proxy statement filed with the SEC on April 1, 2010. You can find information about NSTAR's executive officers and trustees in its definitive proxy statement filed with the SEC on March 12, 2010. Additional information about Northeast Utilities executive officers and trustees and NSTAR's executive officers and trustees can be found in the above-referenced Registration Statement on Form S-4 in the preliminary joint proxy statement/prospectus. You can obtain free copies of these documents from Northeast Utilities and NSTAR using the website information above.