KEEGAN, WERLIN & PABIAN, LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3525

(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

DAVID S. ROSENZWEIG
E-mail: drosen@kwplaw.com

January 8, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Boston Edison Company, D.T.E. 03-112

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company d/b/a NSTAR Electric ("Boston Edison" or the "Company") to the following information requests of the Department of Telecommunications Energy in the above-referenced proceeding: DTE-1-2, DTE-1-4 and DTE 1-6. The Company filed its responses to the remainder of the Department's information requests on January 7, 2004.

Thank you for your attention to this matter. Please contact me at your convenience if you have any questions relating to this filing.

Very truly yours,

David S. Rosenzweig

Enclosures
cc: Kevin Penders, Hearing Officer
Joseph Tiernan, Electric Power Division
Colleen McConnell, Assistant Attorney General
Bryant K. Robinson
Neven Rabadjija, Esq.
Stephen J. Carroll
Tam Ly

Information Request DTE-1-2

Refer to Exh. NSTAR-BKR-1, at 5. The Company states that it agreed to "treat costs associated with the Property as a component of its transition charge and to return the net proceeds of any subsequent sale in the Residual Value Credit."

A. Please provide a detailed account of the historical ratemaking treatment for the Property.

B. Please explain why, in the Company's Restructuring Settlement, in Boston Edison Company, D.P.U./D.T.E 96-23 (1998), it was considered appropriate to include the net book value associated with the Property as part of the fixed component of the Company's transition charge.

Response

A. As noted in response to Information Request DTE-1-1, the Property has never been used for utility purposes, and thus, the costs of the Property were not recovered in the Company's rates prior to approval of the Company's Restructuring Settlement in Boston Edison Company, D.P.U./D.T.E. 96-23 (1998).

B. The Company's Restructuring Settlement included the requirement to sell LaGrange Street property and credit the net proceeds to customers. The LaGrange Street property was neither generation property nor property that had been included in rates, and thus, the Company was not obligated by statute to use the above-market value of the property to mitigate its transition costs. However, as part of the settlement discussions that resulted in the Restructuring Settlement, the Company agreed to sell the property and use the above-market proceeds to mitigate transition costs. In order for the Company's customers to receive the benefits of the value of this non-utility property, it was appropriate to begin to account for the LaGrange Street property as if it were utility property. Accordingly, consistent with the accounting for the sale of utility property, the parties agreed that the net book value of the property would be included in the fixed component of the Transition Charge (Settlement Agreement page 245, line 21); when the property was eventually sold, the net proceeds would be used to mitigate the Transition Charge.

In responding to this Information Request, the Company has reviewed the historical accounting of the LaGrange Street property and has discovered a mistake in its initial filing that inures to the benefit of customers. In the calculation of the net proceeds that it proposes to return to customers as a result of the proposed sale, the Company reduced the gross proceeds by the full book value of the property. This was based on the (faulty) conclusion that the Company's customers had not paid any of the book value through the transition charge. The reason that the Company mistakenly concluded that customers had not paid for the book value is related to the securitization of the Company's fixed transition costs, as approved by the Department in D.T.E. 98-118.

In D.T.E. 98-118, the Company had initially proposed to securitize all components of its fixed transition costs, including the book value of the LaGrange Street property. D.T.E. 98-118, at 20 fn.18. The Attorney General and DOER objected to the inclusion of the LaGrange Street property in the securitization and the Company withdrew that portion of the securitization request. Id. Because the LaGrange Street costs were not securitized and because after securitization the fixed transition charge did not include any costs other than the securitization amounts (see, e.g., D.T.E. 03-117, Exhibit BEC-JFL-1, page 3), the Company mistakenly concluded in preparing this case that customers had not paid for the book value of the property. However, the Company had overlooked another adjustment to the transition cost accounting that it made subsequent to the Department's order in D.T.E. 98-118.

In the Company's true-up of the securitization amount pursuant to D.T.E. 98-118, the Company reconciled the present value of the fixed component of the Transition Charge with the Securitization amount, net of issuance costs. Because the size of the issuance and relative uncertainty of the issuance costs, it was not possible to project the exact size of the issuance costs. The difference between the estimate and the amount that was actually incurred was booked to the variable component of the Transition Charge. Since the book value of the LaGrange Street property that was included in the transition charge was not securitized, it was included in the net balance booked to the variable component. This method of limiting the fixed component to the securitization amount was shown in the 15 percent true up filing (see Attachment DTE-1-2(a)) and discussed extensively by Mr. Lubbock in hearing testimony in D.T.E. 99-107, pages 704 through 712, where he indicates his understanding that the

Attorney General agreed with the limitation of the Fixed Component to the Securitization amount and all other items to be cleared through the Variable Component (see Attachment DTE-1-2(b)). The settlement agreement with the Attorney General provided for all Fixed Component true-up items to be collected through the Variable Component (see Attachment DTE-1-2(c)). Thus, both the recovery of the LaGrange Street book value, as well as true ups to the Pilgrim net proceeds were moved from the Fixed Component to the variable component of the Transition Charge, just as the recovery of the L'Energia buyout quantity was moved from the variable component to the fixed component.

In this manner, the book value of the LaGrange Street property that had not already been collected through the Fixed Component of the Transition Charge was included in the variable portion of the Transition Charge, and has been paid by customers. This has two implications on the ratemaking proposal in this filing. First, because the book value has already been recovered from customers, Exhibit NSTAR-BKR-4, included in the Company's initial filing, should be revised by inserting a "$0" in Line 2, and deleting the figure "$787,400" (see Attachment DTE-1-2(d)). Second, the fact that the book value of the LaGrange property has been collected through the variable component of transition costs is consistent with the Company's proposal that the flowback to customers of the net proceeds of the sale follow the recovery method through the variable component of the Transition Charge.

Exhibit BEC-1 (Update of Exh. BEC-1 in DTE 98-111) at page 2 of 12, as attached hereto, shows the following information:

- Potential balance to be securitized $690.8
- Actual Amount Securitized $690.5
- Amount to be recovered in Variable Component $0.3

Page 12 of 12 of the Exhibit shows the remaining $0.3M to be recovered in the $8.3 net adjustment to Page 5 Column O in the Variable Component.

A further breakdown of the calculation is as follows:

- Potential balance to be securitized $690.8
- Less unrecovered LaGrange costs to be recovered through Variable Comp. - $0.7
- Net amount to be securitized $690.1
- Actual Amount Securitized $690.5
- Amount to be recovered in Variable Component -$0.4

Accordingly, the adjustment to the Variable Component may be calculated as follows:

- Unrecovered LaGrange Street $0.7
- Amount to be recovered (flowed back) -$0.4
- Net Change to Variable Component $0.3

This results in the exact same adjustment to the variable component, as demonstrated in the attached Exhibit.

EXHIBIT BEC-1

Update of the Transition (Access) Charge for the Pilgrim Sale, the L'Energia buyout and Securitization

Overall Description of the Exhibit

This schedule incorporates adjustments resulting from the Pilgrim Sale, the buyout of the L'Energia contract and Securitization. Given the complexity of the filing and the necessity of truing up the estimates in this filing, the Company is not asking for final approval of the amounts at this stage. Rather, the final approval of these amounts will be requested in the annual true up filing for 1999.

Index

Page	Description
1.	Summary
2.	Fixed Component
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6.	Variable Component – reconciliation adjustment – deferral charges
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8.	Pilgrim Residual Value Credit – Deferred Tax Component
9.	Pilgrim Residual Value Credit – Carrying Charge
10.	Variable Component – Power contracts – GWH obligation
11.	Variable Component – Power contracts – obligation in millions of dollars
12.	Variable Component – Revenue Credits and Damages, Costs or Net Recoveries from Claims

Page 1. Summary

This page shows updates from the filing made in DTE 98-111 and the column I "Current Access Charge" is taken from Exhibit BEC-1 Page 1 Col. H in that filing.
The recalculated fixed component items (Columns C and D) are taken from page 2 of this filing and the recalculated variable component items (Columns E and F) are taken from page 3 of this filing. The total recalculated Access Charge components are shown in Columns G and H and represent the total of the fixed components and the variable components. The change in the access charge in cents / kWh is shown as the difference between the New Access charge and the Current Access Charge. Customer savings in millions of dollars result from multiplying the Sales in Column B by the change in the Access Charge in column J.

Page 2. Fixed Component

This page shows the change in the Fixed Component as follows:

a) line 2 is split into 2 and 2a to reflect the date the securitized funds were received.
b) elimination of the "transportation in support of remote generating assets" in column D as a result of the sale of the fossil units"
c) Updated Pilgrim Residual Value Credit in Column K. This also incorporates the buyout of the L'Energia contract. Calculation of this column is shown on page 7.
d) The present value of the updated Net Fixed Component in column G at a 10.88% discount rate to give a total NPV of the fixed component of $702.6 million as shown at the foot of the page.
e) The actual net amount securitized was slightly less than the $702.6 million being $725 million less estimated transaction cost of issuance of $34,243,400 and less original issue discount of $244,860 as shown on attachment 1 of the Company's Issuance Advice Letter to the Department filed July 28th, 1999. Thus the net amount securitized was $690.5 million.
f) The straight line amortization of the securitized amount is shown in columns M and N which add to the required securitized cash flow shown in column H. This new amount is the only fixed component remaining and the Company proposes to recover the slight shortfall between the securitized amount and the amount available for securitization in the variable component of the access charge along with any true up of the above components in items a) through d). This will keep the fixed component of the access charge as an unchanged component and a simple calculation going forward.
g) The securitization savings are calculated as the difference between the fixed component of the Access Charge prior to securitization (Col.G) and the amount after securitization (Col.I). The savings amount is shown in Column D and present valued at the foot of the column to show securitization savings of $75.8 million.

Page 3. The Variable Component

This page shows the change in the Variable component as follows:

a) the Pilgrim sale eliminates the Nuclear decommissioning costs in Column B.
b) columns C, D and E are increased for the buyback contract from Pilgrim which was shown in the Pilgrim Divestiture filing Docket No. DTE 98-119, (Information Request No. DTE-3-18), and columns C, D and E are decreased by the L'Energia buyout as shown in Docket No. DTE 99-16, (Information Request No. AG-1-8).
c) The reconciliation amount in column M is derived on page 6.

Page 4. Mitigation Incentive

This page shows the mitigation incentive that the Company earns based on its reduction of the Access Charge rate. The recalculated Access Charge shown page 1 is calculated into a cumulative rolling average and then the resulting average is used to read the mitigation amount from the table based on the year in question.

Page 5. Variable Component – Reconciliation Adjustment

This page shows changes as follows:

a) the Pilgrim sale eliminates the Nuclear decommissioning costs in Column H(a).

b) the Pilgrim Sale increases the purchased power costs in columns I and J whereas the L'Energia buyout reduces these costs. These are the same as the amounts on page 3. The reconciliation amount in column M is derived on page 6.
c) The adjustment in column O is detailed on page 12.

Page 6. Variable Component – Reconciliation Adjustment deferral charges
This pages adds adjustments to the variable component for: deferral of the Access date (open access began 3/1/98 instead of the date on the schedule which was 1/1/98 in accordance with the settlement agreement), costs of Generation related transmission; and the access charge mitigation incentive. It also calculates the carrying charge on over or under-collections of the access charge.

Page 7. Pilgrim Residual Value Credit
The preliminary Pilgrim Residual Value Credit was used to set the balance for the securitized amount. The actual amount of the present value of the Pilgrim Residual Value Credit was slightly different and the differences are explained on page 12. We propose to finalize the fixed component at this stage to tie it to the securitization only and to true up any adjustments through the variable component. This allows the fixed component to be a very simple calculation that ties to the securitization.

Page 8. Pilgrim Residual Value Credit – Deferred Tax Component
This page calculates the difference between the book value of the divestiture proceeds (negative) and the elimination of the tax book value of Pilgrim previously included in the Access Charge calculation. Because when Pilgrim is sold the tax book value of Pilgrim goes to zero, the balance in the calculation of the access charge must also go to zero. In simple words, the Company receives a tax deduction for funding the decommissioning account as an expense as well as a tax deduction for selling Pilgrim. This is reflected in the estimated tax deduction of $498.8 million in column H translating into a reduced tax payment of $195.7 million in Column I. This amount decreases each year as the company collects the deficit in divestiture proceeds from customers (column d) and decreases as the Company assumed that the net tax book value of Pilgrim would decrease as the plant aged (column G).

Page 9. Pilgrim Residual Value Credit – Carrying Charge
The carrying charge on the negative proceeds is calculated on the remaining balance of the negative net proceeds less the deferred tax balance. This average balance is multiplied by the allowed return of 10.88% to arrive at the annual carrying charge amount.

Page 10 . Variable Component – Power contracts – GWH obligation
The GWH obligation reflects the Pilgrim power purchase as shown in DTE 98-117 and the elimination of the L'Energia power purchase as shown in DTE 99-16.

Page 11 . Variable Component – Power contracts – obligation in millions of dollars
The obligation reflects the Pilgrim power purchase and the elimination of the L'Energia power purchase.

Page 12 . Variable Component – Revenue Credits and Damages, Costs or Net Recoveries from Claims
This page takes the Pilgrim Residual Value credit amount from Exhibit BEC-2 of $245.5 million. This credit is negative because the decommissioning fund is funded today rather than being funded over time. It also includes the buyout of the L'Energia contract. The total of these amounts differ from the Pilgrim Residual Value credit calculated on page 7 and will continue to change slightly as the final numbers are received, reviewed and approved by the Department. Also included on this page is the credit from NEIL and from the Municipal contract customers. While the Municipal contract customers credit has been included at $2 million a year, there is a potential settlement at FERC that is likely to convert this to a lump sum payout of about $25 million. The proposed settlement is not yet signed and we propose to include this adjustment in a subsequent true-up.

Boston Edison Company
Summary of Transition Charge - Update
Pilgrim Sale - 7/13/99 Closing

Exhibit BEC-1
Update of Exh BEC-1 in DTE 98-111

Line #	Year	Estimate of BECo. GWH Sales	Fixed Component		Variable Component		Total Access Charge	New Access Charge	Current Access Charge	Change in Access Charge	Customer Savings
			$ in Millions	cents per kWh	$ in Millions	cents per kWh	$ in Millions	cents per kWh	cents per kWh	cents per kWh	$ in Millions
	Col. A	Col. B	Col. C	Col. D (Col.C / Col.B)	Col. E	Col. F (Col.E / Col.B)	Col. G (Col.C + Col.E)	Col. H (Col.G / Col.B)	Col. I	Col. J (Col.I - Col.H)	Col. K (Col. J * Col. B) / 100
1	1998	13,045	$ 146	1.12	$ 250	1.91	$ 395	3.03	3.03	0.00	
2	1999	13,187	128	0.97	208	1.58	336	2.55	2.76	0.21	28
3	2000	13,329	117	0.87	240	1.80	356	2.67	3.03	0.36	48
4	2001	13,445	111	0.83	186	1.38	296	2.20	2.44	0.24	32
5	2002	13,547	106	0.78	185	1.36	291	2.15	2.11	(0.03)	(5)
6	2003	13,693	101	0.74	194	1.42	295	2.16	2.11	(0.05)	(7)
7	2004	13,822	95	0.69	203	1.47	299	2.16	2.07	(0.09)	(12)
8	2005	13,839	90	0.65	192	1.39	282	2.04	2.08	0.04	6
9	2006	13,920	85	0.61	196	1.41	281	2.02	2.02	(0.00)	(0)
10	2007	14,024	80	0.57	190	1.35	270	1.92	1.92	(0.01)	(1)
11	2008	14,019	74	0.53	180	1.28	254	1.81	1.80	(0.01)	(1)
12	2009	14,159	69	0.49	183	1.29	252	1.78	1.77	(0.01)	(1)
13	2010	14,301	-	-	192	1.34	192	1.34	1.61	0.27	39
14	2011	14,444	-	-	169	1.17	169	1.17	1.45	0.28	40
15	2012	14,588	-	-	100	0.68	100	0.68	0.97	0.28	41
16	2013	14,734	-	-	101	0.69	101	0.69	0.70	0.01	1
17	2014	14,881	-	-	60	0.40	60	0.40	0.41	0.01	1
18	2015	15,030	-	-	68	0.46	68	0.46	0.46	0.01	1
19	2016	15,181	-	-	59	0.39	59	0.39	0.40	0.01	1
20	2017	15,332	-	-	-	-	-	-	-	0.00	
21	2018	15,486	-	-	-	-	-	-	-	0.00	
22	2019	15,641	-	-	-	-	-	-	-	0.00	
								Customer Savings @ 7.94% NPV			$125

Legend:

Col. B	per Settlement Attachment 3 at Page 241, Col. B
Col. C	per GOL-3R3, Page 2 of 11 Col. I
Col. I	per GOL-3R2, Page 1 of 11 Col. H
Col. E	per GOL-3R3, Page 3 of 11 Col. H

NOTE: Numbers may not add due to rounding on this Schedule

Boston Edison Company
Summary of Transition Charge
Fixed Component | **Pilgrim Sale - 7/13/99 Closing**
$ in Millions

Line #	Year Col. A		Pre-Tax Return on Generation Related Investment & Regulatory Assets Col. B	Amortization of Generation Related Investment & Regulatory Assets Col. C	Transmission in Support of Remote Generating Assets Col. D	Base Total Fixed Component Col. E (Cols. B+C+D)	Adjustment for Residual Value Credit Col. F (Col. J + Col. K)	Net Fixed Component Including Adj. for Residual Value Credit Col. G (Col. E + Col. F)	Securitized Cash Flow at 7.94% Col. H (Col. M + Col. N)	Securitized Net Fixed Component Including Adj. for Residual Value Credit Col. I (Col. G 1998 - 7/31/99, Col. H 8/1/99 - 2009, Col. G. 2010 - 2016)	Prior RVC Col. J	PRVC Col. K	Securization Principal Col. L	Amort. Col. M	Interest Col. N	Secur-itization Savings NPV @ 7.94% $ 76 Col. O (Col. G - Col. H)
1	1998		$ 86	$ 121	$ 1	$ 208	($62)	$ 146		$ 146						
2	1999	1/1 thru 7/28	42	69	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	78	(33)	[redacted]	[redacted]	[redacted]	[redacted]	
2a	1999	7/29 thru 12/31	30	49	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	(24)	[redacted]	863	[redacted]	22	22
3	2000		63	138	[redacted]	201	(22)	[redacted]	[redacted]	117	(57)	35	597	66	50	62
4	2001		54	82	[redacted]	138	(22)	[redacted]	[redacted]	111	(57)	35	531	66	45	3
5	2002		48	82	[redacted]	130	(24)	[redacted]	[redacted]	106	(57)	35	464	66	40	2
6	2003		42	82	[redacted]	123	(22)	[redacted]	[redacted]	101	(57)	35	398	66	34	0
7	2004		35	82	[redacted]	117	(22)	[redacted]	[redacted]	95	(57)	35	332	66	29	(1)
8	2005		29	82	[redacted]	111	(22)	[redacted]	[redacted]	90	(57)	35	265	66	24	(2)
9	2006		23	82	[redacted]	105	(22)	[redacted]	[redacted]	85	(57)	35	199	66	19	(2)
10	2007		17	82	[redacted]	99	(22)	[redacted]	[redacted]	80	(57)	35	133	66	13	(3)
11	2008		11	82	[redacted]	93	(22)	[redacted]	[redacted]	74	(57)	35	66	66	8	(3)
12	2009		6	82	[redacted]	87	(22)	[redacted]	[redacted]	69	(57)	35	0	66	3	(4)
13	2010															
14	2011															
15	2012															
16	2013															
17	2014															
18	2015															
19	2016															-0.16592
20	2017															
		Total Amortization		1,112								0.12228	0.09831	0.02595		

This is the NPV of Column G from line 2a onwards discounted at 10.88%

Potential Balance to be Securitized	$690.8
Actual Amount Securitized on 7/29/99	690.5
Amt to be recovered in Variable Component	$0.3
Check	$690.8

7.94%

Net Present Value of Securitization Savings @ 7.94% - Pilgrim only	$ 70.5
Net Present Value of Securitization Savings @ 7.94% - L'Energia only	$ 5.3
Net Present Value of Total Securitization Savings @ 7.94%	$ 75.8

Legend:
- Col. B per Settlement Attachment 3 at Page 242, Col. B
- Col. C per Settlement Attachment 3 at Page 242, Col. C
- Col. D per Settlement Attachment 3 at Page 242, Col. D
- Col. J per Transition Charge True-up
- Col. K per GOL-3R3, Page 7 of 11 Col. D
- Actual Market Valuation will be credited in Reconciliation Account

Note: Numbers may not foot due to rounding
The Securitization Principal, Amortization, and Interest schedule (Cols. L, M, & N) is provided for illustrative purposes.
The final amounts will vary due to the assumptions listed in Exhibit BE-3 on page 17.

Boston Edison Company
Summary of Transition Charge
Variable Component | **Pilgrim Sale - 7/13/99 Closing**
$ In Millions

Exhibit BEC-1
Update of Exh BEC-1 in
Page 3 of 12

Line #	Year Col. A		Nuclear Decomm. & Other Post Shutdown Costs Col. B	Power Contracts: Power Total Obligation Col. C	Power Contracts: Assumed Market Value Col. D	Power Contracts: Above Market Payments Col. E (Col. C - Col. D)	Future Power Contract Buyouts Col. F	Above Market Fuel Transport Col. G	Payments in Lieu of Property Taxes Col. H	Employee Severance and Retraining Costs Col. I	Damages, Costs, or Net Recoveries from Claims Col. J	PBR for Nuclear Units Remaining after Market Valuation Col. K	Base Total Variable Component Col. L	Recon-ciliation Account Col. M	Total Variable Component Col. N (Col. L + Col. M)
1	1998		$ 36	$ 318	$ 114	$ 204	$ -	$ 10	$ -	$ -	$ -	$ -	$ 250	$ -	$ 250
2	1999	1/1 thru 7/28	21	191	72	119	-	5	-	-	-	-	145	(11)	134
3	1999	7/29 thru 12/3	15	206	39	167	-	5	-	-	-	-	96	(22)	73
4	2000		23	453	253	199	-	8	-	-	-	-	222	18	240
5	2001		-	430	235	195	-	-	-	-	-	-	195	(10)	185
6	2002		-	415	223	192	-	-	-	-	-	-	192	(7)	185
7	2003		-	376	177	201	-	-	-	-	-	-	201	(6)	194
8	2004		-	401	192	209	-	-	-	-	-	-	209	(6)	203
9	2005		-	322	124	198	-	-	-	-	-	-	198	(6)	192
10	2006		-	328	126	202	-	-	-	-	-	-	202	(6)	196
11	2007		-	315	121	194	-	-	-	-	-	-	194	(5)	190
12	2008		-	307	124	183	-	-	-	-	-	-	183	(3)	180
13	2009		-	313	127	186	-	-	-	-	-	-	186	(3)	183
14	2010		-	327	132	195			-				195	(3)	192
15	2011		-	273	102	171			-				171	(3)	169
16	2012		-	170	68	102			-				102	(3)	100
17	2013		-	171	69	101			-				101	(0)	101
18	2014		-	109	48	60							60	(0)	60
19	2015		-	118	50	68							68	(0)	68
20	2016		-	98	39	59							59	-	59
21	2017		-	-	-	-							-	-	-

Legend:

Col. B	per Settlement Attachment 3 at Page 243, Col. D
Col. C	per GOL-3R3, Page 11 of 11 Col. O
Col. D	GWH per GOL-3R3, Page 10 of 11 Col. M * Settlement Agreement Market Price Forecast
Col. G	per Settlement Attachment 3 at Page 252, Col. D
Col. F & H - K	Forecast as 0
Col. L	Col. B + Col. E + Col. F + Col. G + Col. H + Col. I + Col. J + Col. K
Col. M	per GOL-3R3, Page 6 of 11 Col. K for the prior year, but this amount cannot allow the rate on GOL-3R3, Page 1 of 11, Col. H to exceed 3.35 any excess will be deferred as explained under section 2.9(g)
Col. B-K	Actual costs will be used for reconciliation as shown in GOL-3R3, Page 6 of 11

Boston Edison Company
Transition Charge
Transition Charge Mitigation Incentive Mechanism - Pilgrim Sale - 7/13/99 Closing

Line #	Year (Col. A)	Base Access Charge (cents/kWh) (Col. B)	Cumulative Rolling Average Access Charge (cents/kWh) (Col. C)	Cumulative Bonus Allowed (Col. D)	Nominal Annual Incremental Bonus Required (Col. E)	Impact on Access Charge (Col. F)
1	1998	3.03	3.03		-	-
2	1999	2.55	2.79		-	-
3	2000	2.67	2.75		-	-
4	2001	2.20	2.61	28.1	8.3	0.27
5	2002	2.15	2.52	35.4	10.1	0.07
6	2003	2.16	2.46	41.8	9.5	0.07
7	2004	2.16	2.42	46.7	7.5	0.05
8	2005	2.04	2.37	51.4	7.9	0.06
9	2006	2.02	2.33	54.8	6.0	0.04
10	2007	1.92	2.29	58.1	6.3	0.04
11	2008	1.81	2.25	61.4	6.7	0.05
12	2009	1.78	2.21	63.8	5.2	0.04
13						

Legend:

Col. B	per 1998 Transition Charge True-up
Col. C	Cumulative average of current & prior years shown in Col. B
Col. D	For any given year based upon cumulative average access charge, interpolate bonus from the table below:
Col. E	(Col. D current year - Col. D prior year) * (1 + WACC AT) ^ n, where n = number of years since 1998 +1, and WACC AT is the weighted cost of capital after-tax equal to 6.61%
Col. F	Col. E / GWH sales shown on Sch 1, Page 1, Col. B current year

Assumptions:
1998 $ NPV Cumulative Bonus/(Penalty)

Rolling Average Access Charge	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.00	$ 21	$ 38	$ 52	$ 63	$ 72	$ 80	$ 85	$ 90	$ 93	$ 96	$ 97	$ 98
1.20	20	36	49	60	68	76	81	86	89	91	92	93
1.40	19	34	47	57	65	72	77	81	84	86	88	88
1.60	18	32	44	53	61	68	73	77	79	81	83	83
1.80	17	31	41	50	58	64	68	72	75	77	78	78
2.00	16	29	39	47	54	60	64	68	70	72	73	74
2.20	14	25	34	41	47	52	56	59	61	62	63	64
2.40	12	21	29	35	40	44	47	50	51	53	54	54
2.60	10	17	23	28	33	36	39	41	42	43	44	44
2.80	8	13	18	22	25	28	30	32	33	34	34	34
3.00	5	10	13	16	18	20	22	23	24	24	25	25
3.20	3	6	8	10	11	12	13	14	14	15	15	15
3.40	1	2	3	3	4	4	4	5	5	5	5	5
3.50	0	0	0	0	0	0	0	0	0	0	0	0

Boston Edison Company
Reconciliation Adjustment — Pilgrim Sale - 7/13/99 Closing

	Revenue Adjustments					Boston Edison Company Variable Cost Adjustments													
Year Col. A	Estimated kWh Delivered Col. B	Actual kWh Delivered Col. C	Delta kWh Delivered Col. D	Access Charge Billed Col. E	Revenue Excess/ (Shortfall) Col. F	Base Total Variable Component Col. G	Actual Nuclear NCIC Col. H(a)	Actual Nuclear Decomm Col. H (b)	Actual Power Total Obligations Col. I	Actual Power Contracts Market Value Col. J	Actual Purchased Power Contract Buyouts Col. K	Actual Above Market Fuel Transp Costs Col. L	Actual Payments in Lieu of Property Taxes Col. M	Actual Employee Severance and Retraining Costs Col. N	Revenue Credits & Damages, Costs, or net Recoveries from Claims Col. O	Actual PBR for Nuclear Units Remaining after Market Valuation Col. P	Actual Total Variable Component Col. Q	Delta Variable Component Col. R	Annual Reconciliation Adjustment (Excess)/ Shortfall Col. S
Mar - May	3,122	3,226	104	3.51	$ 0.4														
June - Dec	7,792	8,051	259	3.03	0.8														
1998	10,914	11,276	363	3.17	$ 1.1	209	$ 17	$ 11	$ 250	$ 105	$ -	$ 7	$ -	$ (9)	$ -	$ 7	$ 179	$ (30)	$ (31)
1999	13,187	13,187	-	2.60	-	[redacted]	23	6	[redacted]	[redacted]	-	-	(4)	20	[redacted]	4	[redacted]	8	8
2000	13,329	13,329	-	2.60	-	[redacted]	23	[redacted]	[redacted]	[redacted]	-	-	(5)	-	(6)	-	203	(19)	(19)
2001	13,445	13,445	-	2.21	-	198	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(6)	-	189	(6)	(6)
2002	13,547	13,547	-	2.17	-	192	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(6)	-	186	(6)	(6)
2003	13,693	13,693	-	2.18	-	201	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(5)	-	196	(5)	(5)
2004	13,822	13,822	-	2.18	-	209	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(5)	-	204	(5)	(5)
2005	13,839	13,839	-	2.06	-	196	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(5)	-	153	(5)	(5)
2006	13,920	13,920	-	2.04	-	202	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(4)	-	198	(4)	(4)
2007	14,024	14,024	-	1.94	-	194	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(3)	-	192	(3)	(3)
2008	14,019	14,019	-	1.84	-	183	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(3)	-	181	(3)	(3)
2009	14,159	14,159	-	1.80	-	186	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(3)	-	183	(3)	(3)
2010	14,301	14,301	-	1.35	-	195	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(2)	-	192	(2)	(2)
2011	14,444	14,444	-	1.17	-	171	-	[redacted]	[redacted]	[redacted]	-	-	-	-	(2)	-	169	(2)	(2)
2012	14,588	14,588	-	0.69	-	102	-	[redacted]	[redacted]	[redacted]	-	-	-	-		-	102	-	-
2013	14,734	14,734	-	0.69	-	101	-	-	171	69	-	-	-	-		-	101	-	-
2014	14,881	14,881	-	0.69	-	60	-	-	109	48	-	-	-	-		-	60	-	-
2015	15,030	15,030	-	0.41	-	68	-	-	118	50	-	-	-	-		-	68	-	-
2016	15,181	15,181	-	0.46	-	59	-	-	98	39	-	-	-	-		-	59	-	-
2017	15,332	15,332	-	0.40	-	-	-	-	-	-	-	-	-	-		-	-	-	-
2018	15,486	15,486	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-

Legend:

Col. B	per Settlement Attachment 3 at Page 241, Col. B
Col. C	Assumed to equal Col. B
Col. D	Col. C - Col. B
Col. E	Assumed to equal GOL-3R3, Page 1 of 11, Col. H
Col. F	Col. D * Col. E
Col. G	per GOL-3R3, Page 3 of 11 Col. L
Col. H (a)	per Settlement Attachment 3 at Page 247, Col. B
Col. H (b)	Assumed to equal pro rata share of Settlement Attachment 3 at Page 248, Col. B
Col. I	Assumed to equal GOL-3R3, Page 3 of 11, Col. C
Col. J	Assumed to equal GOL-3R3, Page 3 of 11, Col. D
Col. L	Actuals per Fossil P&S
Col. M	1999 and 2000 reflect ComElectric and Montaup share of Col. H, additional payments will depend on resolution of property tax dispute with Plymouth
Col. N	1999 per Transition Charge True-up, 2000 per estimate reflected on Page 632 of Purchase and Sale Agreement for Pilgrim Nuclear Power Station Severance
Col. O	Includes the assumed annual payment of $2 million per year from the Pilgrim municipal contract customers through June 2006; the estimated amount of NEIL credits through 2011; and the fixed component shortfall
Col. P	per 1998 Transition Charge True-up
Col. Q	Col. H + Col. I - Col. J + Col. K + Col. L + Col. M + Col. N + Col. O + Col. P
Col. R	Col. Q - Col. G
Col. S	Col. R - Col. F

Boston Edison Company
Reconciliation Account
Pilgrim Sale - 7/13/99 Closing

Year Col. A	Reconciliation Adjustment Col. B	Deferral of Access Charge Date Col. C	Adjustment for Actual Generation Related Transmission Col. D	Access Charge Mitigation Incentive Col. E	Annual Shortfall/ (Excess) Col. F	Annual Pre-Tax Return on Balance Col. G	Collection of Prior Year Balance Including Interest Col. H	End of Year Reconciliation Account Balance Col. I	Price Cap Adjustment Col. J	Adjusted End of Year Reconciliation Account Balance Col. K
1997								-		
1998	(31)	-	10	-	(21)	-	-	(21)		(21)
9/1/99	(12)				(12)			(12)		(12)
1999	8	-	-	-	8	(2)	33	18		18
2000	(19)	8	-	-	(12)	2	(18)	(10)	-	(10)
2001	(6)	-	-	a	(6)	(1)	10	(7)	-	(7)
2002	(6)	-	-	a	(6)	(1)	7	(6)		(6)
2003	(5)	-	-	a	(5)	(1)	6	(6)		(6)
2004	(5)	-	-	a	(5)	(1)	6	(6)		(6)
2005	(5)	-	-	a	(5)	(1)	6	(6)		(6)
2006	(4)	-	-	a	(4)	(1)	6	(5)		(5)
2007	(3)	-	-	a	(3)	(0)	5	(3)		(3)
2008	(3)	-	-	a	(3)	(0)	3	(3)		(3)
2009	(3)	-	-	a	(3)	(0)	3	(3)		(3)
2010	(2)	-	-	-	(2)	(0)	3	(3)		(3)
2011	(2)	-	-	-	(2)	(0)	3	(3)		(3)
2012	-	-	-	-	-	(0)	3	(0)		(0)
2013	-	-	-	-	-	(0)	0	(0)		(0)
2014	-	-	-	-	-	(0)	0	(0)		(0)
2015	-	-	-	-	-	-	0	-		-
2016	-	-	-	-	-	-	-	-		-

Legend:

Col. B	per GOL-3R3, Page 5 of 11 Col. S	Col. F	Col. B + Col. C + Col. D + Col. E
Col. C	per 1998 Transition Charge True-up	Col. G	Col. K Prior Year * 10.88%
Col. D	per 1998 Transition Charge True-up	Col. H	per GOL-3R3, Page 3 of 11 Col. M
Col. E	assumed to be 0 until actually earned	Col. I	Col. I Prior Year + (Col. F + Col. G + Col. H Current Year)
		Col. J	assumed to be 0
		Col. K	Col. I + Col. J

(a) Actual earned incentive will be shown in this column when actually earned from the incentive mechanism on GOL-3R3, Page 4 of 11, Col. E

Boston Edison Company
Calculation of the PRVC per Docket No. DTE 98-119
Closing Date of 7/13/99
$ in Millions

Line #	Year Col. A	Pre-Tax Return on Net Pilgrim Proceeds Col. B	Amortization of Net Pilgrim Proceeds Col. C	Total Adjustment for Residual Value Credit Col. D
1	1999	5.3	10.9	16.1
2	2000	11.0	24.0	35.0
3	2001	10.3	24.7	35.0
4	2002	9.5	25.5	35.0
5	2003	8.6	26.4	35.0
6	2004	7.7	27.3	35.0
7	2005	6.4	28.6	35.0
8	2006	4.8	30.2	35.0
9	2007	3.0	32.0	35.0
10	2008	1.1	33.9	35.0
11	2009	(1.0)	36.1	35.0
12	2010			
13	Total	$ 66.6	299.7	$ 366.3
			299.7	

Legend:

Col. B	per GOL-3R3, Page 9 of 11 Col. F
Col. C	Principal portion of Annuity for Net Divestiture Proceeds
Col. D	Annuity for Net Divestiture Proceeds (Col. B + Col. C)

Boston Edison Company
Calculation of Deferred Taxes for PRVC per Docket No. DTE 98-119
Pilgrim Sale - 7/13/99 Closing
$ in Millions

Line #	Year Col. A	Balance Net Divestiture Proceeds Col. B	Book Basis Balance Generation Related Regulatory Assets Col. C	Total Net Divestiture Proceeds Col. D	Balance Net Tax Value of Generation Col. E	Tax Basis Balance Generation Related Regulatory Assets Col. F	Total Tax Basis Col. G	Excess Book Over Tax Col. H	Deferred Taxes at 39.225% Col. I
1	7/29/99	$ 299.7	$ -	$ 299.7	$ (191.5)	$ -	$ (191.5)	$ 491.2	$ 192.7
2	1999	288.8	-	288.8	(181.9)	-	(181.9)	470.8	184.7
3	2000	264.8	-	264.8	(160.5)	-	(160.5)	425.3	166.8
4	2001	240.1	-	240.1	(140.4)	-	(140.4)	380.4	149.2
5	2002	214.5	-	214.5	(120.2)	-	(120.2)	334.7	131.3
6	2003	188.1	-	188.1	(100.0)	-	(100.0)	288.1	113.0
7	2004	160.8	-	160.8	(81.3)	-	(81.3)	242.1	94.9
8	2005	132.2	-	132.2	(72.5)	-	(72.5)	204.7	80.3
9	2006	101.9	-	101.9	(64.9)	-	(64.9)	166.8	65.4
10	2007	70.0	-	70.0	(58.8)	-	(58.8)	128.7	50.5
11	2008	36.1	-	36.1	(54.0)	-	(54.0)	90.1	35.3
12	2009	0.0	-	0.0	(51.1)	-	(51.1)	51.1	20.0
13	2010	-	-	-	-	-	-	-	-

Notes:

Col. B	per Attachment GOL-2, Page 1 of 5, Line 48, Closing 3/31/99 plus $69 million L'Energia buy out cost plus $10 million GE nuclear fuel contract buy out
Col. C	assumed to be 0
Col. D	Col. B + Col. C
Col. E	Tax basis associated with Pilgrim Plant, Nuclear Core and Material & Supplies per DTE 96-23 Restructuring Settlement Agreement
Col. G	Col. E + Col. F
Col. H	Col. D - Col. G
Col. I	Col. H * 39.225% tax rate

Boston Edison Company
Calculation of Carrying Charge on PRVC per Docket No. DTE 98-119
Pilgrim Sale - 7/13/99 Closing
$ in Millions

Exhibit BEC-1
Update of Exh BEC-1
Page 9 of 12

Line #	Year End Col. A	Balance of Net Divestiture Proceeds Col. B	Deferred Taxes Col. C	Net Balance Col. D	Average Net Balance Col. E	Annual Return on Unamortized Balance using Base ROE Col. F
1	1998	299.7	192.7	107.0		
2	1999	288.8	184.7	104.2	105.6	9.8
3	2000	264.8	166.8	98.0	101.1	11.0
4	2001	240.1	149.2	90.8	94.4	10.3
5	2002	214.5	131.3	83.2	87.0	9.5
6	2003	188.1	113.0	75.1	79.2	8.6
7	2004	160.8	94.9	65.8	70.5	7.7
8	2005	132.2	80.3	51.9	58.8	6.4
9	2006	101.9	65.4	36.5	44.2	4.8
10	2007	70.0	50.5	19.5	28.0	3.0
11	2008	36.1	35.3	0.7	10.1	1.1
12	2009	0.0	20.0	(20.0)	(9.6)	(1.0)
13	2010	-	-	-	-	-

Carrying Charge		Year End 1995
Capital Structure		
	LTD Taxable	47.63%
	Preferred	8.92%
	Common Equity	43.45%
		100.00%
Cost Rates		
	LTD Taxable	8.31%
	Preferred	8.22%
	Common Equity	7.99%
Total Weighted Cost Rates		8.16%
Reimbursement for taxes on equity component		2.71%
Carrying Charge Rate		10.88%
Total weighted cost rate less tax shield on debt		6.61%

Legend:

Col. B	1998 per Attachment GOL-2, Page 1 of 5, Line 48, Closing 3/31/99, 1999 - 2009 prior balance - current period GOL-3R3, Page 7 of 11, Col. C amortization and includes L'Energia buy out and GE nuclear fuel contract buy out
Col. C	per GOL-3R3, Page 8 of 11 Col. I
Col. D	Col. B - Col. C
Col. E	(Col. D Prior Year + Col. D)/2
Col. F	Col. E * Carrying Charge Rate

13

Boston Edison Company
Summary of Transition Charge - Update
Annual Obligations in GWH
Pilgrim Sale - 7/13/99 Closing

Line #	Year Col. A	Conn Yankee Col. B	Canal 1 Col. C	Ocean State 1 Col. D	Ocean State 2 Col. E	NEA 1 Col. F	NEA2 Col. G	L'Energia Col. H	Mass Power Col. I	MBTA Jet 1 Col. J	MBTA Jet 2 Col. K	Pilgrim Col. L	Total Purchases Col. M	Revised Total Purchases Excluding L'Energia Col. M1
	Share of Unit	10%	25%	24%	24%	47%	29%	73%	44%	100%	100%	See Below		
1	1998		634	541	540	1,167	726	350	642	1	0		4,600	4,600
2	1999		661	532	533	1,166	726	364	729	1	1	2,421	7,134	6,830
3	2000		715	555	556	1,170	728	366	602	1	1	4,120	8,813	8,447
4	2001		568	533	545	1,166	726	365	731	1	1	3,662	8,298	7,933
5	2002			554	555	1,166	726	364	707	1	1	3,296	7,371	7,006
6	2003			533	534	1,167	726	365	755	2	1	1,831	5,913	5,548
7	2004			556	557	1,170	728	366	669	1	1	2,060	6,107	5,742
8	2005			533	545	1,167	726	365	732	1	1	175	4,244	3,879
9	2006			554	556	1,166	725	365	630		1	197	4,193	3,828
10	2007			533	534	1,166	725	364	644		1		3,966	3,602
11	2008			556	557	1,170	728	366	543		0		3,921	3,555
12	2009			556	557	1,170	728	366	543				3,921	3,555
13	2010			556	557	1,170	728	366	543				3,921	3,555
14	2011				418	1,170	546	366	543				3,044	2,678
15	2012					1,170		366	543				2,079	1,714
16	2013					1,170			543				1,714	1,714
17	2014					1,170							1,170	1,170
18	2015					1,170							1,170	1,170
19	2016					878							878	878
20	2017													
Termination Dates		6/29/2007	10/31/2001	12/31/2010	9/30/2011	9/14/2016	9/14/2011	12/31/2012	12/31/201	12/31/2005				

		BECo Entitlement	Contract Customer Entitlement	Total Entitlement	Forecasted Pilgrim Output GWh	Annual Obligation in GWh
Pilgrim	1999	74.26867%	3.73133%	78.00000%	4,695	2,421
	2000	74.26867%	3.73133%	78.00000%	5,282	4,120
	2001	74.26867%	3.73133%	78.00000%	4,695	3,662
	2002	58.66867%	3.73133%	62.40000%	5,282	3,296
	2003	35.26867%	3.73133%	39.00000%	4,695	1,831
	2004	35.26867%	3.73133%	39.00000%	5,282	2,060
	2005		3.73133%	3.73133%	4,695	175
	2006		3.73133%	3.73133%	5,282	197

Contract purchases assumed to begin 7/15/99 based on full year GWh Output 5,282

Boston Edison Company
Power Contract Obligations - Update
Annual Obligations in Millions of Dollars
(Includes both Energy and Capacity costs)

Line #	Col. A	Conn Yankee Col. B	Canal 1 Col. C	Ocean State 1 Col. D	Ocean State 2 Col. E	NEA (A) Col. F	NEA (B) Col. G	L'Energia Col. H	Mass Power Col. I	MBTA Jet 1 Col. J	MBTA Jet 2 Col. K	Hydro Quebec 1&2 Col. L	Mass Yankee Col. M	Pilgrim Col. N	Total Col. O	Revised Total Excluding L'Energia Col. O1
	Share of Unit	10%	25%	24%	24%	47%	29%	73%	44%	100%	100%	11%	10%	per contract		
1	1998	7	19	19	20	60	38	26	44	1	0	9	4		250	[illegible]
2	1999	21	26	25	27	76	54	26	53	2	0	11	6	85	412	384
3	2000	20	27	24	26	76	58	27	52	2	0	10	0	157	480	453
4	2001	21	23	24	26	76	63	27	56	2	0	10	-	129	458	430
5	2002	23	-	26	25	76	67	28	58	2	0	10	-	128	443	415
6	2003	24	-	23	27	76	72	29	61	2	3	9	-	80	407	378
7	2004	26	-	24	26	76	78	30	61	2	3	9	-	97	431	401
8	2005	27	-	24	26	76	84	31	65	2	3	8	-	7	353	322
9	2006	29	-	24	26	76	90	25	65	-	3	8	-	8	353	328
10	2007	16	-	24	25	76	97	26	68	-	3	8	-		342	315
11	2008	-	-	24	26	76	104	27	67	-	3	7	-		335	307
12	2009	-	-	24	26	78	112	29	66	-	-	7	-		342	313
13	2010	-	-	24	26	85	120	30	65	-	-	7	-		356	327
14	2011	-	-	-	19	86	97	31	64	-	-	6	-		304	273
15	2012	-	-	-	-	100	-	32	64	-	-	6	-		202	170
16	2013	-	-	-	-	102	-	-	63	-	-	5	-		171	171
17	2014	-	-	-	-	104	-	-	-	-	-	5	-		109	109
18	2015	-	-	-	-	113	-	-	-	-	-	5	-		118	118
19	2016	-	-	-	-	94	-	-	-	-	-	4	-		98	98
20	2017	-	-	-	-	-	-	-	-	-	-	-	-		-	-
21	2018	-	-	-	-	-	-	-	-	-	-	-	-		-	-
22	2019	-	-	-	-	-	-	-	-	-	-	-	-		-	-

Boston Edison Company
Pilgrim Sale - 7/13/99 Closing
$ in Millions

		Reference
Pilgrim Residual Value Credit	$ 245.5	Exh. BEC-2
L'Energia Credit	67.0	Exh. BEC-3
	$ 312.5	
Amount used to calculate the Securitized amount	299.7	
Differential to be recovered through the Variable Component	12.8	
Additional Amount to be recovered	0.3	Page 2 of 12
	13.1	
Pilgrim Municipal Contribution	(2.0)	estimated
NEIL Credits	(2.8)	estimated
Net Adjustment to page 5, col O	$ 8.3	

Page 704

1 BY MR. FRANCISCO:
2 Q. Will you turn to the prefiled testimony of
3 Mr. Martin, page 10, specifically line 1, starting
4 with the sentence "The company proposes that any
5 future change to the securitization bond be credited
6 or debited to the variable component." Do you see
7 that?
8 A. [LUBBOCK] Yes, I do.
9 Q. Based on your earlier testimony, this
10 proposal is based on the discussion of the parties
11 before the filing was made?
12 A. [LUBBOCK] For the life of me I can't
13 really remember how much we discussed that in the
14 Pilgrim sale discussions. If we discussed it with
15 any party, it would have been with the Attorney
16 General. I don't think there was an active interest
17 on the DOER's part and I can't remember the extent
18 of discussions we had, if any, on that particular
19 issue.
20 And let me correct this too. What it's
21 really supposed to say is the company proposes that
22 any future changes to the securitizable balances or
23 the fixed-component balances, because the
24 securitization at the moment, the bonds are known;

Page 705

1 the bonds are fixed. The bonds can't change.
2 Interest on the bonds can't change. So the
3 securitized bonds are not going to change. So with
4 that modification, I'd say it's correct.
5 Q. And similarly if you turn to page 7 of
6 that testimony, Exhibit BEC-RHM, and that page
7 starting on line 15 states that "The fixed component
8 presented in this filing and future filings reflects
9 the schedule of amortization and interest and
10 expense for the proceeds received on July 28, 1999,
11 for the five series of rate reduction bonds that
12 were issued to refinance the fixed component as it
13 is described in (1) above." And then the following
14 sentence sates "All adjustments to the fixed
15 component are adjusted through the company's
16 variable component." Do you see that?
17 A. [LUBBOCK] That's our proposal, yes.
18 Q. Again, same question. Was this proposal
19 to recover the adjustment to the variable component
20 discussed with the parties?
21 A. [LUBBOCK] Again, if it's the same
22 adjustment, I just can't remember how much we
23 discussed it. I am aware of more recent discussions
24 after the hearings that I believe the Attorney

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1 General is in favor of this, but I cannot speak for
2 the Attorney General. To the best of my
3 understanding, the discussions were very informal;
4 they were not put in the form of a proposal, do you
5 agree. It was more discussion of this is what we're
6 trying to do, this is why we believe it makes sense.
7 Q. You indicated earlier in your response to
8 the questions of Mr. Daley that the recovery of
9 costs, whether it is to be done through the fixed or
10 variable component, had zero impact. Would you
11 elaborate on that statement?
12 A. [LUBBOCK] Yes. If the company recovers
13 its money over time it receives a carrying charge
14 from the customer. If it receives its money today,
15 it gets its money without a carrying charge. In the
16 reverse, if the company flows money back to
17 customers, they get it today and the company doesn't
18 pay a carrying charge. And if we give it back to
19 customers over time, the company pays a carrying
20 charge.
21 So the carrying charge is designed to be
22 neutral to the customers and neutral to the company.
23 So there should be no incentive on Boston Edison's
24 part to move all the variable component to the fixed

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1 component, nor should there be any incentive to move
2 all the fixed component to the variable component.
3 The carrying charge for the fixed component keeps
4 the company and/or the customer whole and the
5 variable component is cash, so that's cash on the
6 barrelhead; whoever gets the money gets it
7 immediately.
8 In particular, if you're looking at small
9 numbers there, you're looking at interest, which is
10 a fraction of a small number.
11 Q. Could the company provide the Department a
12 list of items and the corresponding amounts that are
13 supposed to be recovered through the fixed component
14 as provided for in the settlement and which the
15 company is proposing to recover in the variable
16 component?
17 A. [LUBBOCK] Yes, we can.
18 MR. STEVENS: Mr. Robinson, do you have
19 something to add?
20 WITNESS ROBINSON: No.
21 WITNESS LUBBOCK: We believe that the only
22 items are those that are reflected in BEC-4, page 1
23 of 12, items 1 and 2.
24 MR. STEVENS: Items 1 and 2, the PRVC?

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1 WITNESS LUBBOCK: That's Pilgrim residual
2 value credit.
3 MR. STEVENS: And the FRVC adjustment?
4 WITNESS LUBBOCK: Yes, that's the fossil
5 residual value credit.
6 MR. STEVENS: You see that, Claude?
7 BY MR. FRANCISCO:
8 Q. BEC-4, page 1, line what?
9 A. [ROBINSON] Lines 1 through 11 and lines
10 13 through 17.
11 Q. So that's all of those items? There are
12 no other items that are supposed to be recovered in
13 the fixed aside from those shown on page 1 of
14 Exhibit BEC-4. Is that correct?
15 A. [LUBBOCK] Yes, with one exception,
16 I believe. You have to realize that the settlement
17 agreement is somewhat of a living document because
18 obviously we anticipated many things but we couldn't
19 anticipate everything with total vision.
20 I believe there's a category that is on
21 BEC-1, page 5 of 9, column K; for those with
22 wonderful eyesight it says "actual purchased-power
23 contract buyouts." It was envisaged at the time we
24 did that that the purchased-power contract buyouts

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1 would be flowed through the variable component of
2 the access charge. In this particular instance we
3 had a significant buyout, which was L'Energia, and
4 we proposed that we should be able to securitize
5 that. The way that we securitized that is by
6 putting it into the fixed component of the access
7 charge. And in securitizing that, the benefit to
8 the customer is that we would've kept that in the
9 variable component of the access charge probably for
10 several years where it would have earned 10.88
11 percent. Instead, we moved it over to the fixed
12 component of the access charge and the customers got
13 the differential in carrying charge, which is
14 approximately 7 to 10.88 percent.
15 So we did that. It was effectively a
16 modification -- Well, it wasn't the way the
17 settlement agreement was originally written, but it
18 provided additional benefits to customers doing it
19 the way we did. We presented it in our Pilgrim
20 hearings as to why we were doing that. But if you
21 go very strictly by the clearest instructions that
22 we had in the settlement agreement, you could say
23 that we were unable to securitize it and we were
24 unable to pass on the savings to customers.

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1 Q. When you said October hearings, what are
2 you referring to?
3 A. [LUBBOCK] The hearings when we went
4 through the Pilgrim sale and the securitization,
5 which was really joint proceedings, we talked about
6 being able to securitize that, increase the amount
7 of money we securitized so that the transaction
8 costs would be lower because you're securitizing
9 more and we'd be able to flow the benefit of about
10 $70 million with an interest differential of, call
11 it 7 to 10, 7 to 11, so 3 to 4 percent. So there's
12 an interest there of an extra two-million-dollar
13 benefit from securitizing the L'Energia contract.
14 The L'Energia sale was approved by the
15 Department in DTE 99-16 and that hearing was running
16 at approximately the same time as the Pilgrim
17 securitization hearings. But in summary what I'm
18 saying is that we didn't go exactly by the
19 settlement agreement in securitizing that particular
20 item. It would have to be in the fixed component of
21 the access charge to securitize it.
22 MR. WERLIN: I'm sorry. Just for the
23 record, in the securitization order, DTE 98-118, the
24 Department explicitly permitted the securitization

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1 of the L'Energia costs.
2 BY MR. FRANCISCO:
3 Q. So the L'Energia cost is an example of
4 where you moved costs from the variable to the
5 fixed?
6 A. [LUBBOCK] Right.
7 Q. And initially the question I had was more
8 the fixed being moved to the variable. Are there
9 any other --
10 A. [LUBBOCK] The reason that I mentioned
11 that is if you look at the second line here, we said
12 Pilgrim residual value credit but --
13 BY MR. STEVENS:
14 Q. What exhibit are you referring to,
15 Mr. Lubbock, again?
16 A. [LUBBOCK] I'm sorry. Let me back up a
17 bit. On Exhibit BEC-4, page 1 of 12, we said that
18 the items that moved from the fixed to the variable
19 component, which may be plus or minus, by the way,
20 were the Pilgrim residual value credit on line 1
21 through line 11 and the fossil residual value credit
22 on line 13 through 17. And one item that's included
23 there is on line 3, the L'Energia credit. That's
24 really technically not part of the Pilgrim sale. It

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1 just happened to go through at about the same time,
2 was rolled into the same securitization. So for
3 simplicity's sake we just rolled that one in there
4 as part of the adjusting items.
5 So the reason I was discussing the
6 L'Energia credit is that it technically should not
7 be there. So when Mr. Robinson and I were
8 mentioning that all the items between line 1 and
9 line 17 are fixed moving over to variable, that's
10 with the exception of line 3.
11 MR. FRANCISCO: Thank you. I have no
12 further questions.
13 MR. STEVENS: Thank you. Mr. Diaz, do you
14 have some questions?
15 MR. DIAZ: Yes.
16 MR. STEVENS: Mauricio Diaz has a few
17 questions, please.
18 BENCH EXAMINATION
19 BY MR. DIAZ:
20 Q. This is the testimony of Mr. Robinson,
21 BEC-BKR, and in the back of that testimony BKR-1.
22 Do you happen to have an annual report, by any
23 chance, the company's 1999 FERC Form 1?
24 A. [ROBINSON] I do not have it with me.

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1 (Pause) We have it, yes.
2 Q. You do have it?
3 A. [ROBINSON] Yes.
4 MR. STEVENS: Is it part of the record of
5 this proceeding, the FERC Form 1? I believe the
6 Attorney General may have asked for it.
7 MR. WERLIN: This was filed I believe in
8 the last couple of days.
9 MR. ROGERS: There was an update, I think,
10 yes.
11 MR. WERLIN: As a supplement to
12 information request AG-1-40.
13 MR. STEVENS: Okay.
14 BY MR. DIAZ:
15 Q. We have discussed a lot of the numbers in
16 here back and forth with different exhibits, so
17 I think it would make it clear to the record and
18 easier for us to go through the numbers if, for
19 example, you can indicate the number that you show
20 here at the bottom of this exhibit, the 10 million,
21 is that a number that you booked or that I can find
22 here in the annual report? Or how do you go about
23 booking that number? How do you reflect that in the
24 FERC Form 1?

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1 A. [ROBINSON] Costs related to the
2 transformer project are deferred; I don't know which
3 account. I believe it would be a 182 account, but
4 that's subject to check.
5 MR. STEVENS: Want us to give you a minute
6 to check it?
7 BY MR. DIAZ:
8 Q. Actually, can I take you to one of the
9 pages in your report? That would be page 233 and
10 that would be line 5. Are we talking about the same
11 number here?
12 A. [ROBINSON] Yes, I believe so. Again,
13 subject to check, that should be it.
14 Q. There's a slight difference there.
15 BY MR. STEVENS:
16 Q. Could you read that number into the record
17 just to be clear, Mr. Robinson? You're reading line
18 5 on page 233 of, what is that, the miscellaneous
19 deferred debits account?
20 MR. DIAZ: The company's 1999 FERC Form 1
21 annual report, page 233, and the category is
22 miscellaneous deferred debits.
23 A. [ROBINSON] Yes. The amount in column F
24 of line 5 of page 233 of the FERC Form 1 is

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1 10,046,992.
2 Q. And that's the account for what? What is
3 that identified with?
4 A. [ROBINSON] In column A it is identified
5 as Pilgrim transformer.
6 What I have here in Exhibit 1 to this
7 rebuttal testimony is an estimate that will not
8 necessarily agree with what's in the Form 1. This
9 was prepared at a point in time where the numbers
10 would not have been exact with the Form 1 at
11 12/31/99.
12 BY MR. DIAZ:
13 Q. That's the only difference?
14 A. [ROBINSON] This would have been provided
15 on an estimated -- This would have been prepared
16 after year-end 12/31/99.
17 BY MR. STEVENS:
18 Q. "This" being?
19 A. [ROBINSON] "This" being Exhibit
20 BEC-BKR-1.
21 BY MR. DIAZ:
22 Q. So the FERC form is more updated?
23 A. [ROBINSON] No, the testimony has an
24 update of the estimated number that would be in the

Attached is an extract from the Company's Settlement Agreement in Boston Edison Company, D.T.E. 99-107 which was the basis for the accounting of the Securitization true-up.

> See footnote 1, which states:
> ***"The Settling Parties have attached Settlement Exhibit BEC-4 which incorporates the changes in the Company's initial filing as set forth in this Settlement Agreement. The amounts computed in Settlement Exhibit BEC-4 will be carried forward in future reconciliation proceedings in the schedule identified as Exhibit BEC-1, page 5, column O in this case."***[1]

Please also see Exhibit BEC-4 from D.T.E. 99-107 (Settlement), attached hereto, which shows the recovery of costs relating to: (1) the Company's former L'Energia contract; (2) Pilgrim; (3) the Securitization difference amount[2]; and (4) the Fossil fixed component true up as being recovered through the Variable Component of the Transition Charge.

---

1 Note: Exhibit BEC-1, Page 5 refers to the Variable Component of the Access Charge. Column O has been used for Miscellaneous items.

2 Note: – this amount changed from the $0.3M shown on Attachment 1 due to slightly lower closing and accounting costs shown in Exhibit BEC-2 of D.T.E. 99-107.

DTE 99-107

ARTICLE 2

TERMS OF AGREEMENT

1999 Pilgrim RFO #12

2.1 The Settling Parties agree to adjust the transition cost recovery associated with RFO #12, as shown in Settlement Exhibit BEC-4,[1] page 7 of 12, line 16 from $63.520 million (Exhibit BEC-BKR-2) to $49.770 million. Said reduction in the transition costs recovered by the Company shall not be adjusted further in the future to reflect any additional costs, claims, recoveries or the true-up of any estimated amounts relating to Total RFO #12 Outage Costs. The $13.75 million reduction in Total RFO #12 Outage Costs flows to the Pilgrim Residual Value Credit ("PRVC") calculation in Settlement Exhibit BEC-4, page 2 of 12, line 25. For purposes of this Settlement the retail share[2] of this agreed-upon reduction is $10.725 million. This reduction is reflected in Settlement Exhibit BEC-4, page 2 of 12, line 48, and Settlement Exhibit BEC-4, page 1 of 12, line 2, and will be incorporated in the final reconciliation adjustment for 1999.

Streetlighting

2.2 The Settling Parties agree to reverse the Company's Streetlighting adjustment in the calculation of its Transition Charge, as originally reflected in Exhibit BEC-4,

---

1 The Settling Parties have attached Settlement Exhibit BEC-4 which incorporates the changes in the Company's initial filing as set forth in this Settlement Agreement. The amounts computed in Settlement Exhibit BEC-4 will be carried forward in future reconciliation proceedings in the schedule identified as Exhibit BEC-1, page 5, column O in this case.

2 For purposes of this Settlement, the retail share consists of the sum of Boston Edison's 74.26867 percent share and the municipal share of 3.73133 percent. The Company agrees to refund Commonwealth Electric Company's and Montaup Electric Company's or their successors, pro rata shares of the $13.75 million reduction in total RFO #12 outage costs.

Boston Edison Company
Revenue Credits & Damages, Costs, or net Recoveries from Claims
$ In Millions

Line #		DTE 99-107 As Filed	Updates during Hearings	Settlement Update	Change	Reference
1	**I. PRVC**					
2	Pilgrim Residual Value Credit	$ 248.552	$ 250.693	$ 239.968	$ (10.725)	Settlement Exhibit BEC-4 Page 2 of 12
3	L'Energia Credit	$ 65.873	$ 65.873	$ 65.873	$ -	Filed Exhibit BEC-4 Pages 9 and 10 of 12
4		$ 314.425	$ 316.565	$ 305.840	$ (10.725)	Line 2 + Line 3
5	Amount used to calculate the Securitized amount	$ 299.686	$ 299.686	$ 299.686	$ -	7/30/99 Filing Exhibit BEC-1 Page 7 of 12
6	Differential to be recovered through the Variable Component	$ 14.738	$ 16.879	$ 6.154	$ (10.725)	Line 4 - Line 5
7	Additional Amount to be recovered	$ 0.166	$ 0.166	$ 0.166	$ -	Exhibit BEC-2 Page 2 of 7 Line 22
8		$ 14.904	$ 17.045	$ 6.320	$ (10.725)	Line 6 + Line 7
9	Pilgrim Municipal Contribution	$ (1.433)	$ (1.433)	$ (1.433)	$ -	Estimate
10	NEIL Credits	$ -	$ -	$ -	$ -	Estimate
11	Subtotal: PRVC Adjustments	$ 13.471	$ 15.612	$ 4.887	$ (10.725)	Line 8 + Line 9 + Line 10
12						
13	**II. RVC Adjustments**					
14	FAS 87 RVC Adjustment	$ (8.192)	$ (8.192)	$ (8.192)	$ -	Filed Exhibit BEC-3 Pages 7 and 8 of 8
15	Fossil Lost Market Revenue (FRVC) Adjustment	$ (0.271)	$ (0.271)	$ (0.271)	$ -	Filed Exhibit BEC-3 Pages 3 and 4 of 8
16	Post 12/31/95 Fossil Additions Accumulated Depreciation	$ (0.300)	$ (0.300)	$ (0.300)	$ -	Filed Exhibit BEC-3 Pages 5 and 6 of 8
17	Total RVC Adjustments	$ (8.762)	$ (8.762)	$ (8.762)	$ -	Line 14 + Line 15 + Line 16
18						
19	**III. MWRA Transition Revenue Shortfall**					
20	1998 Transition Revenue Shortfall filed in DTE 98-111	$ 1.629	$ 1.276	$ 1.276	$ -	Settlement Exhibit BEC-4 Page 11 of 12
21	1999 Estimated Transition Revenue Shortfall	$ 1.730	$ 1.347	$ 1.347	$ -	Settlement Exhibit BEC-4 Page 11 of 12
22	Total MWRA Transition Revenue Shortfall	$ 3.359	$ 2.623	$ 2.623	$ -	Line 20 + Line 21
23						
24	**IV. Street Lighting Adjustment**					
25	Town of Acton Unrecovered Net Book Value	$ 0.037	$ 0.037	$ -	$ (0.037)	Settlement Depreciation Adjustment
26	Town of Lexington Unrecovered Net Book Value	$ 0.162	$ 0.162	$ -	$ (0.162)	Settlement Depreciation Adjustment
27	Total Street Lighting Unrecovered Net Book Value	$ 0.199	$ 0.199	$ -	$ (0.199)	Line 25 + Line 26
28						
29	Total Revenue Credits & Damages, Costs, or net Recoveries from Claims	$ 8.267	$ 9.672	$ (1.252)	$ (10.924)	Lines 11 + 17 + 22 + 27
30						
31	1998 Reconciliation Adjustment	$ 1.629	$ 1.276	$ 1.276	$ -	Line 20 above
32	1999 Reconciliation Adjustment	$ 6.638	$ 8.396	$ (2.528)	$ (10.924)	Line 29 - Line 31

Attachment DTE-1-2(d)

Boston Edison Company
Sale of LaGrange Street, Newton
Forecast of Net Proceeds (as of January 2004)

Line	Description:		Amount
1	Sales Price		$15,100,000
2	Remaining Book Value of Property		$0
3	Gross Proceeds		$15,100,000
4	Less:		
5	Registry Fees	$68,856	
6	Closing Fees	$15,000	
7	Legal Fees –(Sale and Regulatory-Related)	$150,000	
8	Broker Fees	$504,000	
8	Other Sales Costs	$110,000	
9	Total Sales Costs		$848,356
10	Net Proceeds		$14,251,644

Information Request DTE-1-4

Refer to Exh. NSTAR-BKR-1, at 8. The Company states that it "determined that, in order to maximize the proceeds from the sale of the Property, it would provide the two highest bidders the opportunity to participate in a second round of bidding." Explain how and why the Company reached this determination, providing complete and detailed documentation.

Response

The first round of bidding produced four conforming bids (see Company response to Information Request AG-1-6 **CONFIDENTIAL**). At the close of bidding, the Company negotiated with the highest bidder for the sale of the Property. However, such negotiations did not result in the bidder signing a purchase and sale agreement with the Company.

After negotiations with the first round's highest bidder failed, the Company determined that it had three options for proceeding with the disposition of the Property, i.e., (1) begin negotiations with the second highest bidder; or (2) re-open bidding to all first round bidders; and (3) re-open bidding to a subset of the first round bidders. The Company determined that its experience with generation asset divestitures suggested that opening a second round of bidding with first-round bidders would maximize the bids for the Property because bidders in a second round would have an incentive to increase their prior bids in order to prevail. See Boston Edison Company, D.T.E. 97 -113, at 9 (1998); Boston Edison Company, D.T.E. 98-119/126, at 14, 18 (1999). Conversely, if the Company had entered into negotiations with the second highest bidder from the first round, it was likely that the bidder would merely negotiate based on its initial bid without incentive to increase that bid significantly. Therefore, the Company determined that opening a second round of bids would maximize the value of the Property.

The Company decided to include only a subset of bidders from the first round in a second round in order to focus the efforts on the bidders who had shown the most interest. The Company narrowed the bidders for a second round to two based on the fact that the third-highest bid from the first round was much further from the Company's price expectations for the Property than the second highest bid (see Attachment AG-1-3(b)). Accordingly, the highest two bidders from the first round were offered the opportunity to bid in the second round. Neither bidder was told how many other bidders were included in the second round of bids,

although they were told that some bidders from the first round were not provided the opportunity to bid in the second round.

Information Request DTE-1-6

Please submit all written questions, memos or other documents submitted to the Company or its broker by potential bidders.

Response

In addition to the bid documents provided to the Attorney General in response to Information Requests AG-1-1 and AG-1-2, please refer to the attached correspondence (Attachments DTE-1-6(a) through (f)).

David B. Cohen
Mayor

City of Newton, Massachusetts
Office of the Mayor

Telephone
(617) 796-1100
Telefax
(617) 796-1113
E-mail
Dcohen@ci.newton.ma.us

February 13, 2003

Stephen Carroll
Real Estate Manager
NSTAR Electric & Gas Corp.
One NSTAR Way, SE210
Westwood, MA 02090

Dear Mr. Carroll:

I want to thank you for agreeing to extend the deadline on submission of bids on the Kessler Woods property to June 20, 2003. The additional time will enable the City to put together a plan of action that will allow us to submit a meaningful bid on the land.

I understand that you want to make sure that the City not use the additional time to change laws or regulations regarding the use of the land in a way that might harm NSTAR's interests. I think that NSTAR has been quite responsive and fair in giving us the additional time we have sought, and your objectives are entirely reasonable. In my opinion, engaging in tactics like those you are concerned about would be taking unfair advantage of your generosity.

I will not initiate that kind of action and I will not support it if attempted by someone else.

The City of Newton has asked for additional time to prepare a bid. We expect to submit the best bid without changing the rules of the game.

Very truly yours,

David B. Cohen
Mayor

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.ci.newton.ma.us

NSTAR ELECTRIC GAS

One NSTAR Way, SUMSE200 Westwood, Massachusetts

March 7, 2003

Mayor David B. Cohen
City of Newton
Office of the Mayor
1000 Commonwealth Avenue
Newton, MA 02459

RE: LaGrange Street property, Newton

The Honorable David B. Cohen:

I want to thank you for your letter dated February 13th, 2003 concerning the above-mentioned property. As you know there is a regulatory requirement that Boston Edison Company (d/b/a "NSTAR Electric") dispose of this property at maximum value, with all of the net proceeds generated by the sale flowing to its customers. NSTAR Electric appreciates your understanding that NSTAR Electric's extension of the deadline for the submission of conforming bids is dependent upon the continuing absence of any change in any of the various pre-existing legal and land-use constraints on the Property during the extension period that may in NSTAR Electric's view have an adverse impact on the Property's value. NSTAR Electric's extension of the bid deadline is therefore necessarily subject to NSTAR Electric's reserved right (as set forth in the documentation currently available on the internet website entitled "www.lagrangelandsale.com"), to again unilaterally change its sale process time frames to shorten or extend the same, to change any terms or conditions, to accept or reject any bid and to withdraw the Property from this sale process entirely.

In order to minimize the possibility that any such change might be initiated, we respectfully request that a copy of your February 13th, 2003 letter be circulated to each of the following city boards, commissions and offices, so that they may understand your position on this issue: (a) Board of Alderman, (b) Planning and Development Board Sitting as a Board of Survey, (c) Health Commission, (e) Conservation Commission, (f) Building Inspector, (g) Inspectional Services, (h) Zoning Commissioner, (i) and all special permit granting authorities including the Board of Appeals and the Planning Board.

NSTAR Electric's core mission is to serve our electric and gas customers well through dependable service and urgency in restoration response. Our core mission is not real estate development. We anticipate that a successful bidder for the LaGrange Street property will work with the City on the ultimate development plans for the property.

Sincerely yours,

Stephen Carroll
Real Estate Manager

KELSSLER WOODS, LLC

June 12, 2003

NSTAR
Doug Horan, Esq.
General Counsel
Corporate Headquarters
800 Boylston Street
Boston, MA 02199

Dear Mr. Horan:

We have further reviewed the Environmental Claim submitted by Bell, Boyd & Lloyd, which we received yesterday, June 11th.

It is clearly confirmed, after our reviewed of the Environmental Claim documents, that NSTAR has been withholding important information regarding this matter. It is difficult to believe that NSTAR was not aware of the City of Newton interest in submitting a bid for their property, and the fact the City of Newton had hired an environmental consulting firm to do a study on that same, property.

We, as other interested parties, have spent considerable amount of time and money for legal, engineering, and other various costs to provide a significant offer to purchase this property. The implications of this letter delivered yesterday, could render the land undeveloped and valueless.

To send us information regarding this property yesterday, in such a nonchalant manner, stating this is what we received in the mail two weeks ago, and don't forget to send in your offer next Friday, is unfair or reasonable.

It is apparent that the City of Newton and others had knowledge of the environmental issue or issues and had significant time to review and assess the significance and legalities. These parties will have an unmerited advantage in your bidding process. In fact, we accept as true, that this information has been intentionally dropped at the last minute for this very purpose.

We contend this to be tantamount to an unfair and deceptive trade practice, in violation of Massachusetts General Law's 93A sections 2-11. Since, the Attorney General's Office is already involved in this matter; I would suggest you review this issue with him.

Also, we believe it is only fair the sale of this property be postponed or be subject to a satisfactory study that the land is suitable for reasonable development.

If NSTAR truly wants an open and fair process, then, immediate action must be taken.

Sincerely,

Darrell W. MacLean

Cc: Patrick Cavanagh - Insignal/ESG, Inc.

David B. Cohen
Mayor

City of Newton, Massachusetts
Office of the Mayor

Telephone
(617) 796-1100
Telefax
(617) 796-1113
E-mail
Dcohen@ci.newton.ma.us

July 9, 2003

SENT VIA FACSIMILE @ (617) 424-2204 AND REGULAR MAIL

D. Anastasia
JUL 14 2003
FYI

Thomas May, Chairman and CEO
NSTAR
800 Boylston Street
Boston, Massachusetts 02199

Re: Boston Edison Property at LaGrange and Vine Streets ("Kesseler Woods")

Dear Mr. May:

I am writing this letter on behalf of the City of Newton and Cornerstone Corporation, as a follow-up to the cooperative bid that we recently submitted for the purchase of Kesseler Woods. Given that NSTAR has yet to announce the outcome of the pending bid process, we assume that our bid is still under consideration, and want to reaffirm our interest.

In the event that the ongoing review involves an evaluation of the City's bid against other bids in similar amounts, we would ask that NSTAR's review include consideration of the intangible and public benefits that would result from an award to the City of Newton/ Cornerstone. The arrangements between the City of Newton and Cornerstone Corporation would result in preservation of the entire south parcel and more than 50% of the north parcel as open space. The residential development, which includes a significant number affordable housing units, would be carried out in a manner that protects environmentally sensitive features of the site.

We believe that the public benefits to the communities of Newton, Boston and Brookline are of such great value that they merit the selection of our proposal over other bids even if the dollar amount of those other bids might exceed ours by a modest amount.

Please do not hesitate to contact me if you have any questions about the bid submitted by the City of Newton and Cornerstone Corporation.

Very truly yours,

David B. Cohen
Mayor

cc. Cornerstone Corporation

NSTAR ELECTRIC GAS
One NSTAR Way, SE210, Westwood, MA 02090

BY FACSIMILE (781) 769-9775
AND COURIER DELIVERY

July 11, 2003

Darrell MacLean
Kessler Woods LLC
823 Pleasant Street
Norwood, MA 02062

Re: LaGrange Property, Newton

Dear Mr. MacLean:

Reflecting our recent communications and discussions, you were informed on June 26, 2003, that the bid you submitted for the above property was the high qualifying bid.

Based on our subsequent meeting on June 30th, you recognized your obligation to enter into a Purchase and Sale Agreement for such property not later than July 14th, 2003, in accordance with the terms of the Offering Memorandum governing the sale process. At that time, a shared desire to expedite the execution of the Purchase and Sale Agreement was expressed by all parties.

In accordance with discussions among the legal representatives, certain issues were clarified in the proposed Purchase and Sale Agreement, and certain additional information was provided to you regarding the property. It is the position of Boston Edison Company that, as of Friday, July 11, 2003, there are no obstacles to the execution of the Purchase and Sale Agreement consistent with the terms of the Offering Memorandum.

Accordingly, this letter is to notify you that you have until close of business at 5 P.M. on Monday, July 14, 2003, to execute and deliver the Purchase and Sale Agreement in the form attached, and deliver the deposit in the amount of $2,476,000.20, in the form required under the terms of the Purchase and Sale Agreement.

Failing this, in accordance with the rights reserved under the Offering Memorandum, Boston Edison Company will proceed to notify the next highest bidder of its selection as the proposed purchaser of the LaGrange Property.

Very truly yours,

BOSTON EDISON COMPANY

By: _____
Donald Anastasia,
Assistant Treasurer

cc: Michael Callahan, Esq.
Jeffrey Musman, Esq.
Ralph Stone, Esq.

SEYFARTH SHAW
ATTORNEYS

World Trade Center East
Two Seaport Lane
Suite 300
Boston, MA 02210-2028
617-946-4800
fax 617-946-4801
www.seyfarth.com

Writer's direct phone
(617) 946-4938
Writer's e-mail
jmusman@seyfarth.com

July 14, 2003

VIA FACSIMILE AND EMAIL
617-424-2733

Neven Rabadjija, Esquire
Associate General Counsel
NSTAR Electric & Gas Corporation
800 Boylston Street, P-1700
Boston, Massachusetts 02199

Re: Land of Boston Edison Company on LaGrange and Vine Streets, Newton and Boston, Massachusetts

Dear Neven:

As we have now received the redraft of the Purchase and Sale Agreement and the revisions to the Title Commitment from Richard Murphy, we can now confirm our agreement on the form of each.

We now have had the opportunity to discuss with our clients the two (2) issues which were the focus of our conversations this morning, namely the environmental issue and the title/survey issue, both of which, we believe, will be issues for any buyer.

As to the environmental issue, while my clients intend to do further study, they have been made to understand that Boston Edison Company will not accommodate a contingency for environmental matters in the Purchase and Sale Agreement. Our clients are prepared to assume that risk, provided that reliance letters can be obtained from Foster Wheeler Environmental Corporation and Lightship Engineering.

With regard to the title/survey issue, we have concluded our discussions with Kevin Creedon of Fidelity National Title Insurance Company. Based on that conversation, and the revisions to the title commitment to follow, we are prepared to sign off on all title issues reflected in the Commitment with the exception of Items 7,9,12,13,14 and the note following Item 16 of the Schedule B exceptions, the locations of which cannot be ascertained at this time without the involvement of a surveyor. Since these items may have a significant impact on any proposed development (whether by my clients or any other prospective purchaser), and may materially affect the value of the property, my clients are not prepared to assume this risk without some limited further investigations. My clients have made arrangements with an engineering firm, who (with access now authorized by Boston Edison Company beginning tomorrow) has agreed to complete before the end of this week enough survey work so as to eliminate the uncertainty surrounding this issue. My clients are prepared to do this work at their cost and expense and are willing to share the results with Boston Edison Company.

Therefore, I propose the following:

(a) We have agreed upon the final form of the Purchase and Sale Agreement.

BOI 15589338.2

BRUSSELS WASHINGTON, D.C. SAN FRANCISCO SACRAMENTO NEW YORK LOS ANGELES HOUSTON CHICAGO BOSTON ATLANTA

(b) Boston Edison Company has now authorized our surveyor to go on to the property to perform this limited survey work; and

(c) On or before 5:00 p.m. on Friday, July 18, 2003, after our satisfactory review of this information, our clients will sign the Purchase and Sale Agreement in the form agreed and deliver to the Escrow Agent in bank or certified funds the balance of the deposit required under the Agreement.

We make this proposal in an effort to be sensitive to your expressed concerns regarding the bidding process. We do so based on our belief, which we hope you share, that this proposal represents the least invasive mechanism to allow Boston Edison Company to achieve a sale of the Property at the highest price in the shortest period of time.

Accordingly, we formally request the agreement of Boston Edison Company to an extension of the time for execution of the Purchase and Sale Agreement from 5:00 PM July 14 2003 to 5:00 PM July 18, 2003 in order to implement this proposal. Would you please acknowledge Boston Edison's agreement by signing and returning to me by fax a copy of this letter.

Thank you for your courtesy and cooperation in this matter..

Very truly yours,

SEYFARTH SHAW

Jeffrey Murman

Acknowledged and Agreed this 14 day of July, 2003

BOSTON EDISON COMPANY

By its counsel

Neven Rabadjija, Esq.

cc: Richard Murphy (by fax and email)
Ronald Simons (by fax and email)
Darrell MacLean (by email)
Ralph K. Stone, Esq.
Michael F. Callahan, Esq.

SEYFARTH SHAW
ATTORNEYS

World Trade Center East
Two Seaport Lane
Suite 300
Boston, MA 02210-2028
617-946-4800
fax 617-946-4801
www.seyfarth.com

Writer's direct phone
(617) 946-4938
Writer's e-mail
jmusman@seyfarth.com

July 17, 2003

BY FAX and FIRST CLASS MAIL

Richard H. Murphy, Jr.
Murtha Cullina LLP
600 Unicorn Park Drive
Woburn, MA 01801

Re: Land of Boston Edison Company on LaGrange and Vine Streets, Newton and Boston, Massachusetts

Dear Rick:

Based upon the results of the preliminary survey work, it is clear that Kessler Woods, LLC, on behalf of itself and its investors and lenders (the "Buyer"), is not in a position to go forward at this time with the execution of a purchase and sale agreement. These matters include the encroachment of neighbors onto the property, the impact of recorded encumbrances on the use of lots on the Preliminary Subdivision Plan, the location and status of Vine Street, location of boundaries and other monuments, and other matters which would be disclosed by an ALTA/ACSM survey. NSTAR has made it clear the no further extensions will be allowed for Buyer's review of these matters.

Since neither the title insurance commitment nor copies of the title exception documents were provided to bidders, and since no instrument survey was available to bidders, it was not possible to determine or address these issues in advance of the bid selection, and we believe that any sophisticated purchase of real estate would have similar concerns upon review of the title documents.

In light of the foregoing, and in an effort to allow NSTAR to proceed to sell the property to another interested party without delay, the Buyer respectfully requests return of its initial deposit of $25,000.

Thank you for your courtesy and cooperation in this matter.

Very truly yours,

Jeffrey Musman

cc: Michael F. Callahan, Esq.
Carl K. King, Esq.
Ralph K. Stone, Esq.
Darrell MacLean
Ronald Simons

ATLANTA BOSTON CHICAGO HOUSTON LOS ANGELES NEW YORK SACRAMENTO SAN FRANCISCO WASHINGTON, D.C. BRUSSELS