



800 Boylston Street, Boston, Massachusetts 02199-8003

Thomas J. May
Chairman, President and Chief Executive Officer

May 18, 2005

Wage & Benefit Summary Attached

Dear NSTAR Employee:

I wanted to take the time to communicate to you personally regarding our current situation here at NSTAR. I am truly disappointed that we were unable to reach an agreement with Union Leadership regarding the Local 369 contract. We did try very hard to come to agreement and, ultimately, we made a contract offer that I believe is both extremely fair and responsible.

Since we last negotiated a contract in 2000, much has changed in our industry and our Company. As you know, our customers expect more from us today than ever before. As a Company, I think we have accomplished much in terms of providing high quality, cost-effective service over the past several years, and our employees are largely responsible for our success.

When we began these negotiations, we were seeking an agreement on a new contract that provided excellent wages and benefits to our workers and, at the same time, allowed us to better serve our customers. I think the contract offer we made last Sunday at the conclusion of negotiations reflects these objectives. I have included, for your review, the major wage and benefit changes contained in that offer (attached).

You will see that many of the proposed changes represent improvements over the current situation. While it is true that there are also some reductions, I believe the only way to judge this offer is to look at it as a whole. When you do, you will see that the result is an outstanding contract with significant increases to an already excellent wage schedule, one of the best health care programs of any employer in the state, and a pension and retirement savings plan that is among the best in New England and in our industry.

With regard to the basic labor contract, we have proposed changes in work schedules and practices that will enable our workforce to be more efficiently and effectively utilized to serve our customers, and we have offered significant wage increases to compensate for these work rule changes. Many of the proposed changes were developed by joint labor and management committees. We also offered to hire more than 130 new workers as we look to replenish the workforce and introduce new dedicated maintenance crews. We sought a partnership with Union Leadership to help us develop a comprehensive training program to not only support this effort, but also to refresh the skills of our current workers.

Earlier this week, we advised the Union Leadership that we intended to communicate the terms of the Company's May 15th offer. **We also advised the Union Leadership this offer of settlement would remain in effect until close of business (5:00 p.m.) on Wednesday, May 25, 2005.** If the offer is not accepted by then, we are withdrawing it; but we will be available to continue to negotiate in good faith until we reach an agreement.

I know this is a difficult time for all of us and for our families. Hopefully, we can reach a successful agreement in the near future.

Sincerely,

A handwritten signature in cursive script that reads "Tom May".

Wage and Benefit Proposal Highlights

Term

- Two (2) year agreement

Wages

- Provide base wage increases ranging from 8% to 10.5% over two (2) years depending on job classification. This includes base pay adjustments to approximately 600 employees in exchange for work practice changes in certain classifications.

Premiums

- Increase Meal Allowance to \$8.50 on January 1, 2006 and \$9.00 on January 1, 2007.
- Increase Shift Differential to \$1.50 on January 1, 2006.

Benefits - Active

- No change to current PPO Medical Plan, Dental Plan or Vision Plan. Increase employee contribution rates from 15% to 17% on January 1, 2006 and 18% on January 1, 2007.
- Voluntary lower cost PPO Medical Plan to be offered at 10% contribution rate for both years. Company-sponsored Health Spending Account offered with the lower cost plan.
- Increase Medical Waiver to \$1,000 for individual, \$1,500 for two party and \$2,000 for family.
- Dependent coverages until ages 19 for non-students and 23 for students effective January 1, 2006. Grandparenting for non-students currently covered.
- Same Sex Domestic Partner benefits extended for Health, Dental, Life Insurance, Vision and Bereavement.
- Increase Tuition Assistance from \$4,000 to \$5,000 and reimburse for associated fees for state colleges and universities.
- Basic Group Term Life Insurance coverage at two (2) times annual base pay for all employees. No other coverage provided.
- Supplemental/Dependent Life Insurance, AD&D, Personal and Family Accident, Business Travel and Occupational Death, all unchanged, but no Felonious Assault plan.
- Change the annual sick day allowance from ten (10) days to seven (7) days, but allow for a cash payout of up to forty (40) hours for all unused sick days in a calendar year.
- No change to the current Disability Plans.
- No change to the current vacation schedule. Vacation pay to be provided at the base rate of pay in effect at the time the vacation is actually taken.

Benefits – Post Employment

- Current Local 369 Pension Plan remains unchanged. Employees hired after May 15, 2005 would be enrolled in the NSTAR Pension Equity Plan for new hires.
- 401(k) Savings Plan – Company match of fifty percent (50%) up to the first 8% of eligible base pay.
- Pre 65 Medical – current employee contribution formula would remain in effect but, in the event of significant future costs increases, would be capped – not to exceed 50%.
- Medical – at and after age 65 – Medex II including prescription drugs with the Company paying 80% of the cost of the plan. Prescription Drug co-payments and co-insurances as follows:
Retail: Generic/\$10, Formulary/\$20, Non-formulary/50% co-insurance with annual \$1,000 out of pocket participant maximum. Mail Order: Generic/\$20, Formulary/\$50, Non-formulary \$80.
- Post Employment Dental and Vision Benefits unavailable.
- Post Employment Life Insurance coverage as follows: Age 55 to 59 – \$50,000; Age 60 to 64 – \$30,000; Age 65 and older – \$20,000.
- Same Sex Domestic Partner benefits extended for post employment health plans.