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NSTAR Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Peter Hark – Talon Capital.

Peter Hark – Talon Capital

We lost your presentation just as you were talking about the Boston economy and didn't hear anything post that. Should we go and redo that again or not. Maybe the people on the webcast were still involved but I'm guessing the people on the line didn't hear that part of the presentation.

Jim Judge

You heard me cover the decoupling?

Peter Hark – Talon Capital

Yes.

Jim Judge

I'll pick it up again and just to wrap up we did have a technical issue. A couple of issues that may on the minds of many of you, the local economy and cost inflation. Starting with the economy, as I stated in the earlier comments greater Boston economy looks to be performing well versus other part of the country. Just a few days ago the Commerce Department reported that the State's economy grew at a 3.2% annual rate. That's about five times faster than the 0.6% national rate. Also Massachusetts employers added jobs while companies nationwide cut more than 200,000 jobs.

Space technology, biotechnology and health service industries have helped Massachusetts withstand the economic pressures being felt nationally. In addition, our customer mix, as many of you know provides a bit of an economic hedge. Our commercial customer base is made up of many government, health care facilities, colleges and universities, its industrial customers that tend to be more sensitive to economic conditions and fortunately these days we have a very small industrial customer base less than 10% of our sales.

The second issue, cost inflation I'd like to point out that we have had a very good track record of controlling our O&M costs as many of you know. For example, as far back as 2003 our O&M costs totaled \$444 million and in 2007 our O&M costs amounted to \$447 million essentially a flat comparison. We will continue to evaluate all of our expenses to ensure that we keep these costs under control as we move through 2008 and beyond.

In addition, as you know we do have an annual PBR adjustment that's tied to the change in the GDP price index that provides some hedge against the impact of inflation but again remember still we are able to keep our total delivery rates flat to our customers. That concludes the formal remarks now I'd like to open it up for questions you may have.

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