# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2011-11-07** | Period of Report: **2011-09-30**
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## FILER

**NSTAR ELECTRIC CO**

CIK:**13372**| IRS No.: **041278810** | State of Incorp.:**MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-02301** | Film No.: **111185200**
SIC: **4911** Electric services

Mailing Address
*800 BOYLSTON ST*
*P1600*
*BOSTON MA 02199*

Business Address
*800 BOYLSTON ST*
*P1600*
*BOSTON MA 02199*
*6174242000*

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2011**

**or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from to**

**Commission File Number: 001-02301**

# NSTAR Electric Company
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Massachusetts** | **04-1278810** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **800 Boylston Street, Boston, Massachusetts** | **02199** |
| **(Address of principal executive offices)** | **(Zip code)** |

**(617) 424-2000**
**(Registrant' s telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of shares outstanding of the registrant' s class of common stock was 100 shares, par value $1 per share, as of November 5, 2011.

The Company meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

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**NSTAR Electric Company**

**Form 10-Q**

**Quarterly Period Ended September 30, 2011**

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Important Information

NSTAR Electric files its Forms 10-K, 10-Q, 8-K reports, and other information with the SEC. You may access materials free of charge on the SEC’ s website at *www.sec.gov* or on NSTAR’ s website at *www.nstar.com*: Select “Investor Relations,” “Financial Information,” then select “SEC filings” from the drop-down list. Copies of NSTAR Electric’ s SEC filings may also be obtained free of charge by writing to NSTAR’ s Investor Relations Department at the address on the cover of this Form 10-Q or by calling 781-441-8338.

As a wholly-owned subsidiary of NSTAR, NSTAR Electric is subject to the NSTAR Board of Trustees Guidelines on Significant Corporate Governance Issues, a Code of Ethics for the Principal Executive Officer, General Counsel, and Senior Financial Officers pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, and a Code of Ethics and Business Conduct for Trustees (Directors), Officers and Employees (“Code of Conduct”). NSTAR intends to disclose any amendment to, and any waiver from, a provision of the Code of Ethics that applies to the Chief Executive Officer or Chief Financial Officer or any other executive officer and that relates to any element of the Code of Ethics definition enumerated in Item 406(b) of Regulation S-K, in a press release, on the NSTAR website or on Form 8-K, within four business days following the date of such amendment or waiver. NSTAR’ s Corporate Governance documents, including charters, guidelines and codes, and any amendments to such charters, guidelines and codes that are applicable to NSTAR’ s executive officers, senior financial officers or directors can be accessed free of charge on NSTAR’ s website at: *www.nstar.com:* Select “Investor Relations” and “Company Information.”

The certifications of NSTAR Electric' s Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached to this Quarterly Report on Form 10-Q as Exhibits 31.1, 31.2, 32.1, and 32.2.

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## Glossary of Terms

The following is a glossary of abbreviated names or acronyms frequently used throughout this report.

**NSTAR Companies**

| | |
|---|---|
| NSTAR | NSTAR (Holding Company) or NSTAR and its subsidiaries (as the context requires) |
| NSTAR Electric | NSTAR Electric Company |
| NSTAR Gas | NSTAR Gas Company |
| NSTAR Electric & Gas | NSTAR Electric & Gas Corporation |
| HEEC | Harbor Electric Energy Company |

**Regulatory and Other Authorities**

| | |
|---|---|
| DOE | U.S. Department of Energy |
| DOER | Massachusetts Department of Energy Resources |
| DPU | Massachusetts Department of Public Utilities |
| DPUC | Connecticut Department of Public Utility Control |
| EFSB | Massachusetts Energy Facilities Siting Board |
| FERC | Federal Energy Regulatory Commission |
| IRS | U.S. Internal Revenue Service |
| ISO-NE | ISO (Independent System Operator) - New England, Inc |
| MPUC | Maine Public Utilities Commission |
| NHPUC | New Hampshire Public Utilities Commission |
| NRC | U.S. Nuclear Regulatory Commission |
| PCAOB | Public Company Accounting Oversight Board (United States) |
| PURA | Connecticut Public Utilities Regulatory Authority |
| SEC | U.S. Securities and Exchange Commission |

**Other**

| | |
|---|---|
| AFUDC | Allowance for Funds Used During Construction |
| ASC | Financial Accounting Standards Board (U.S.) Accounting Standards Codification |
| CAP | IRS Compliance Assurance Process |
| CPSL | Capital Projects Scheduling List |
| CY | Connecticut Yankee Atomic Power Company |
| EERF | Energy Efficiency Reconciling Factor |
| GAAP | Generally Accepted Accounting Principles in the United States of America |
| GCA | Massachusetts Green Communities Act |
| kW | Kilowatt (equal to one thousand watts) |
| kWh | Kilowatthour (the basic unit of electric energy equal to one kilowatt of power supplied for one hour) |
| LBR | Lost Base Revenues |
| MD&A | Management' s Discussion and Analysis of Financial Condition and Results of Operations |
| MW | Megawatts |
| MWh | Megawatthour (equal to one million watthours) |
| MY | Maine Yankee Atomic Power Company |
| NETOs | New England Transmission Owners |
| NU | Northeast Utilities |
| OATT | New England ISO Open Access Transmission Tariff |

**Glossary of Terms (continued)**

The following is a glossary of abbreviated names or acronyms frequently used throughout this report.

| | |
|---|---|
| PAM | Pension and PBOP Rate Adjustment Mechanism |
| PBOP | Postretirement Benefits Other than Pensions |
| ROE | Return on Equity |
| SEMA | Southeastern Massachusetts Transmission Project |
| SIP | Simplified Incentive Plan |
| SQI | Service Quality Indicators |
| YA | Yankee Atomic Electric Company |

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**Cautionary Statement Regarding Forward-Looking Information**

This Quarterly Report on Form 10-Q contains statements that are considered forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements may also be contained in other filings with the SEC, in press releases, and oral statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. These statements are based on the current expectations, estimates or projections of management and are not guarantees of future performance. Some or all of these forward-looking statements may not turn out to be what NSTAR Electric expected. Actual results could differ materially from these statements. Therefore, no assurance can be given that the outcomes stated in such forward-looking statements and estimates will be achieved.

Examples of some important factors that could cause our actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to, the following:

- adverse financial market conditions including changes in interest rates and the availability and cost of capital
- adverse economic conditions
- changes to prevailing local, state and federal governmental policies and regulatory actions (including those of the DPU, other state regulatory agencies, and the FERC) with respect to allowed rates of return, rate structure, continued recovery of regulatory assets and energy costs, financings, municipalization, and operation and construction of facilities
- acquisition and disposition of assets
- changes in tax laws and policies
- changes in, and compliance with, environmental and safety laws and policies
- new governmental regulations or changes to existing regulations that impose additional operating requirements or liabilities
- changes in available information and circumstances regarding legal issues and the resulting impact on our estimated litigation costs
- weather conditions that directly influence the demand for electricity
- impact of continued cost control processes on operating results
- ability to maintain current credit ratings
- impact of uninsured losses
- impact of adverse union contract negotiations
- damage from major storms and other natural events and disasters
- impact of conservation measures and self-generation by our customers
- changes in financial accounting and reporting standards
- changes in hazardous waste site conditions and the cleanup technology
- prices and availability of operating supplies
- failures in operational systems or infrastructure, or those of third parties, that disrupt business activities, result in the disclosure of confidential information or otherwise adversely affect financial reporting and/or the Company’ s reputation
- catastrophic events that could result from terrorism, cyber attacks, or attempts to disrupt the Company’ s business, or the businesses of third parties, that may impact operations in unpredictable ways and adversely affect financial results and liquidity
- impact of service quality performance measures; and

impact of the expected timing and likelihood of completion of the pending merger with Northeast Utilities, any of which could be adversely affected by, among other things, (i) the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the pending merger; (ii) litigation brought in connection with the pending merger; (iii) the ability to maintain relationships with customers, employees or suppliers, as well as the ability to successfully integrate the businesses; and (iv) the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.

Any forward-looking statement speaks only as of the date of this filing and NSTAR Electric undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult all further disclosures NSTAR Electric makes in its filings to the SEC. Other factors in addition to those listed here could also adversely affect NSTAR Electric. This Quarterly Report also describes material contingencies and critical accounting policies and estimates in the accompanying Part I, Item 2, "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" in Part II, Item 1A, *"Risk Factors"* and in the accompanying Part 1, Item 1, *Notes to Condensed Consolidated Financial Statements* and NSTAR Electric encourages a review of these items.

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**Part I. Financial Information**

**Item 1. Financial Statements**

NSTAR Electric Company
Condensed Consolidated Statements of Income
(Unaudited)
(in thousands)

| | Three Months Ended September 30, 2011 | Three Months Ended September 30, 2010 | Nine Months Ended September 30, 2011 | Nine Months Ended September 30, 2010 |
|---|---|---|---|---|
| Operating revenues | $751,319 | $750,365 | $1,920,157 | $1,912,602 |
| Operating expenses: | | | | |
| Purchased power and transmission | 318,525 | 341,730 | 841,837 | 893,894 |
| Operations and maintenance | 93,416 | 84,847 | 269,961 | 247,962 |
| Depreciation and amortization | 67,779 | 66,978 | 204,939 | 214,727 |
| Energy efficiency programs | 59,204 | 42,879 | 132,160 | 82,537 |
| Property and other taxes | 28,537 | 27,188 | 83,938 | 77,755 |
| Total operating expenses | 567,461 | 563,622 | 1,532,835 | 1,516,875 |
| Operating income | 183,858 | 186,743 | 387,322 | 395,727 |
| Interest charges (income): | | | | |
| Long-term debt | 22,591 | 22,637 | 67,848 | 68,106 |
| Transition property securitization | 1,891 | 2,781 | 6,228 | 9,395 |
| Interest income and other, net | (6,410) | (6,468) | (22,386) | (24,089) |
| Total interest charges | 18,072 | 18,950 | 51,690 | 53,412 |
| Other income (deductions): | | | | |
| Other income | 680 | 1,175 | 2,802 | 2,373 |
| Other deductions | (1,077) | (264) | (1,952) | (1,083) |
| Total other income (deductions) | (397) | 911 | 850 | 1,290 |
| Income before income taxes | 165,389 | 168,704 | 336,482 | 343,605 |
| Income taxes | 65,569 | 66,357 | 133,115 | 135,845 |
| Net income | $99,820 | $102,347 | $203,367 | $207,760 |

Per share data is not relevant because NSTAR Electric Company’ s common stock is wholly owned by NSTAR.

The accompanying notes are an integral part of the condensed consolidated financial statements.

NSTAR Electric Company

Condensed Consolidated Statements of Retained Earnings

(Unaudited)

(in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Balance at the beginning of the period | $1,147,768 | $1,072,919 | $1,158,501 | $1,100,086 |
| Net income | 99,820 | 102,347 | 203,367 | 207,760 |
| Subtotal | 1,247,588 | 1,175,266 | 1,361,868 | 1,307,846 |
| Deduct dividends declared: | | | | |
| Common stock dividends declared to Holding Company | 28,300 | 28,300 | 141,600 | 159,900 |
| Preferred stock dividends declared | 490 | 490 | 1,470 | 1,470 |
| Subtotal | 28,790 | 28,790 | 143,070 | 161,370 |
| Balance at the end of the period | $1,218,798 | $1,146,476 | $1,218,798 | $1,146,476 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

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NSTAR Electric Company

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $10,043 | $8,964 |
| Restricted cash | – | 17,007 |
| Accounts receivable, net of allowance of $27,412 and $29,033, respectively | 277,216 | 227,115 |
| Accrued unbilled revenues | 48,333 | 42,528 |
| Regulatory assets | 274,773 | 331,772 |
| Inventory, at average cost | 22,924 | 18,254 |
| Refundable income taxes | – | 128,340 |
| Other | 376 | 33,735 |
| Total current assets | 633,665 | 807,715 |
| **Utility plant:** | | |
| Electric plant in service, at original cost | 5,616,377 | 5,468,560 |
| Less: accumulated depreciation | 1,433,134 | 1,351,537 |
| Net electric plant-in-service | 4,183,243 | 4,117,023 |
| Construction work in progress | 157,982 | 87,678 |
| Net utility plant | 4,341,225 | 4,204,701 |
| **Other investments:** | | |
| Equity and other investments | 4,464 | 4,755 |
| Restricted cash | 3,373 | 3,373 |
| Total other investments | 7,837 | 8,128 |
| **Deferred debits:** | | |
| Regulatory assets | 1,561,912 | 1,676,688 |
| Other deferred debits | 30,503 | 39,706 |
| Total deferred debits | 1,592,415 | 1,716,394 |
| **Total assets** | $6,575,142 | $6,736,938 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

NSTAR Electric Company
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| **Liabilities and Capitalization** | | |
| **Current liabilities:** | | |
| Long-term debt | $1,100 | $687 |
| Transition property securitization | 68,872 | 46,955 |
| Notes payable | 82,500 | 227,500 |
| Power contract obligations | 32,976 | 72,553 |
| Accounts payable | 169,534 | 205,467 |
| Payable to affiliates, net | 95,424 | 110,304 |
| Income taxes | 131,066 | 63,622 |
| Accrued interest | 26,107 | 18,587 |
| Other | 52,880 | 58,470 |
| Total current liabilities | 660,459 | 804,145 |
| **Deferred credits and other liabilities:** | | |
| Accumulated deferred income taxes | 1,250,576 | 1,219,810 |
| Power contract obligations | 118,523 | 143,224 |
| Pension liability | 265,709 | 254,014 |
| Regulatory liability - cost of removal | 234,470 | 226,738 |
| Payable to affiliates | 67,683 | 66,702 |
| Other deferred credits | 80,192 | 84,320 |
| Total deferred credits | 2,017,153 | 1,994,808 |
| **Capitalization:** | | |
| **Long-term debt:** | | |
| Long-term debt | 1,599,626 | 1,616,011 |
| Transition property securitization | 43,493 | 127,860 |
| Total long-term debt | 1,643,119 | 1,743,871 |
| **Cumulative non-mandatory redeemable preferred stock** | 43,000 | 43,000 |
| **Common equity:** | | |
| Common stock, par value $1 per share (100 shares issued and outstanding) | – | – |
| Premium on common stock | 992,613 | 992,613 |
| Retained earnings | 1,218,798 | 1,158,501 |
| Total common equity | 2,211,411 | 2,151,114 |
| **Total capitalization** | 3,897,530 | 3,937,985 |
| Commitments and contingencies | | |
| **Total liabilities and capitalization** | $6,575,142 | $6,736,938 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

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NSTAR Electric Company
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

| | Nine Months Ended September 30, 2011 | Nine Months Ended September 30, 2010 |
|---|---|---|
| **Operating activities:** | | |
| Net income | $203,367 | $207,760 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 204,939 | 214,727 |
| Debt amortization | 3,706 | 3,601 |
| Deferred income taxes | 5,063 | 5,180 |
| Net changes in: | | |
| Refundable income taxes | 128,340 | – |
| Current assets and liabilities | (467) | (49,537) |
| Regulatory assets | 102,547 | 114,906 |
| Long-term power contract obligations | (63,518) | (96,946) |
| Deferred debits and credits, net | 8,040 | (30,250) |
| Net cash provided by operating activities | 592,017 | 369,441 |
| **Investing activities:** | | |
| Plant expenditures (including AFUDC) | (241,819) | (208,054) |
| Decrease (increase) in restricted cash | 17,007 | (12,400) |
| Proceeds from sale of properties | 188 | – |
| Net change in other investment activities | 443 | 3,962 |
| Net cash used in investing activities | (224,181) | (216,492) |
| **Financing activities:** | | |
| Transition property securitization redemptions | (62,450) | (72,289) |
| Long-term debt issuances | – | 300,000 |
| Discount on issuance of long-term debt | – | (4,806) |
| Debt issuance costs | – | (3,022) |
| Long-term debt redemptions | (16,237) | (126,239) |
| Net change in notes payable | (145,000) | (83,500) |
| Dividends paid | (143,070) | (161,370) |
| Net cash used in financing activities | (366,757) | (151,226) |
| Net increase in cash and cash equivalents | 1,079 | 1,723 |
| Cash and cash equivalents at the beginning of the year | 8,964 | 7,457 |
| Cash and cash equivalents at the end of the period | $10,043 | $9,180 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid (received) during the period for: | | |
| Interest, net of amounts capitalized | $66,107 | $64,477 |
| Income taxes | $(94,088) | $150,871 |
| Non-cash investing activity: | | |
| Plant additions included in accounts payable | $29,418 | $12,160 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Notes to Condensed Consolidated Financial Statements**

(Unaudited)

The accompanying notes should be read in conjunction with Notes to Consolidated Financial Statements included in NSTAR Electric’ s 2010 Annual Report on Form 10-K.

**Note A. Business Organization and Summary of Significant Accounting Policies**

1. About NSTAR Electric

NSTAR Electric Company (NSTAR Electric or the Company) is a regulated public utility incorporated in 1886 under Massachusetts law and is a wholly-owned subsidiary of NSTAR. NSTAR Electric serves approximately 1.1 million electric distribution customers in the City of Boston and 80 surrounding communities. NSTAR is a holding company engaged through its subsidiaries in the energy delivery business serving approximately 1.4 million customers in Massachusetts, including NSTAR Electric’ s customers and approximately 300,000 natural gas distribution customers of NSTAR Gas in 51 communities. NSTAR has a service company that provides management and support services to substantially all NSTAR subsidiaries−NSTAR Electric & Gas.

Harbor Electric Energy Company (HEEC), a wholly-owned subsidiary of NSTAR Electric, provides distribution service and ongoing support to its only customer, the Massachusetts Water Resources Authority’ s wastewater treatment facility located on Deer Island in Boston, Massachusetts. NSTAR Electric’ s three wholly-owned consolidated special-purpose subsidiaries are BEC Funding LLC, BEC Funding II LLC, and CEC Funding LLC, all established to facilitate the sales of electric rate reduction certificates at a public offering. The certificates of all special-purpose subsidiaries are secured by a portion of the transition charge assessed on NSTAR Electric’ s retail customers as permitted by the 1997 Massachusetts Electric Restructuring Act and authorized by the DPU. The activities of BEC Funding LLC were substantially completed as of March 31, 2010 and the Company was dissolved on April 14, 2010.

2. Pending Merger with Northeast Utilities

On October 16, 2010, upon unanimous approval from their respective Boards of Trustees, NSTAR and Northeast Utilities (NU) entered into an Agreement and Plan of Merger (the Merger Agreement). The transaction will be a merger of equals in a stock-for-stock transfer. Upon the terms and subject to the conditions set forth in the Merger Agreement, at closing, NSTAR will become a wholly-owned subsidiary of NU. On March 4, 2011, shareholders of each company approved the merger and adopted the merger agreement. Under the terms of the agreement, NSTAR shareholders will receive 1.312 NU common shares for each NSTAR common share that they own. Following completion of the merger, it is anticipated that NU shareholders will own approximately 56 percent of the post-transaction company and former NSTAR shareholders will own approximately 44 percent of the post-transaction company.

The post-transaction company will provide electric and gas energy delivery services through six regulated electric and gas utilities in Connecticut, Massachusetts and New Hampshire serving nearly 3.5 million electric and gas customers. Completion of the merger is subject to various customary conditions, including receipt of required regulatory approvals. NSTAR believes that the merger can be completed in 2011, but it is possible that the closing of the merger may be delayed to early 2012. Acting pursuant to the terms of the Merger Agreement, on October 14, 2011, NU and NSTAR formally extended the date by which either party has the right to terminate the Merger Agreement should all required closing conditions not be satisfied, including receipt of all required regulatory approvals, from October 16, 2011 to April 16, 2012.

Regulatory Approvals on Pending Merger with Northeast Utilities

Federal

On January 4, 2011, NSTAR and NU received approval from the Federal Communications Commission, and on February 10, 2011, the applicable Hart-Scott-Rodino waiting period expired. On July 6, 2011, NSTAR and NU received approval from the Federal Energy Regulatory Commission (FERC). A filing was made with the Nuclear Regulatory Commission (NRC) on December 9, 2010 seeking NRC consent to the transfer of NSTAR’ s indirect control of ownership interest in three decommissioned nuclear plants to NU. The NRC held a public meeting on September 20, 2011 at which time the NRC indicated it would complete its review by the end of November 2011. NRC consent is currently pending.

Massachusetts

On November 24, 2010, NSTAR and NU (the Joint Petitioners) filed a joint petition requesting the DPU’ s approval of their proposed merger. On March 10, 2011, the DPU issued an order that modified the standard of review to be applied in the review of mergers involving Massachusetts utilities from a “no net harm” standard to a “net benefits” standard, meaning that the companies must demonstrate that the pending transaction provides benefits that outweigh the costs. Applicable state law provides that mergers of Massachusetts utilities and their respective holding companies must be “consistent with the public interest.” The order states that the DPU has flexibility in applying the factors applicable to the standard of review. NSTAR and NU filed supplemental testimony with the DPU on April 8, 2011 indicating the merger could provide post-transaction net savings of approximately $784 million in the first ten years following the closing of the merger and provide environmental benefits with respect to Massachusetts emissions reductions, global warming policies, and furthering the goals of Massachusetts’ Green Communities Act.

The DPU held public evidentiary hearings during July 2011. Upon conclusion of the public evidentiary hearings on July 28, 2011, the DPU issued a briefing schedule that arranged for a series of intervenor and Joint Petitioner briefs and reply briefs culminating in the delivery of the final Joint Petitioner reply briefs on September 19, 2011. Subsequently, the Joint Petitioners have agreed to different intervenor motions to extend the briefing schedule, and the DPU consented to these motions. The final Joint Petitioner reply briefs were filed on October 31, 2011.

On July 15, 2011, the Massachusetts Department of Energy Resources (DOER) filed a motion for an indefinite stay in the proceedings. On July 21, 2011, NSTAR and NU filed a response objecting to this motion. The DPU has scheduled Oral Arguments for November 17, 2011 regarding the DOER’ s Motion to Stay the proceeding, at which time the Joint Petitioners and intervenors will be allowed the opportunity for oral argument of their positions regarding the Motion to Stay.

The Joint Petitioners have provided extensive information in the DPU proceeding including testimony, exhibits and submission of detailed written responses to nearly 1,000 information requests from the DPU and intervenors.

Connecticut

On June 1, 2011, the Connecticut Public Utilities Regulatory Authority (PURA), formerly the Connecticut Department of Public Utility Control (DPUC), issued a decision stating that it lacks jurisdiction to consider the NSTAR merger with NU. On June 30, 2011, the Connecticut Office of Consumer Counsel filed a Petition for Administrative Appeal in Connecticut Superior Court requesting that the Superior Court remand the decision back to the DPUC with instructions to reopen the docket and review the merger transaction. NSTAR cannot determine the outcome or timing of this action.

New Hampshire

On April 5, 2011, the New Hampshire Public Utilities Commission (NHPUC) issued an order finding that it does not have statutory authority to approve or reject the merger.

Maine

On May 11, 2011, the Maine Public Utilities Commission issued an order approving the merger contingent upon approval by the FERC. The FERC approval was received on July 6, 2011.

3. Basis of Consolidation and Accounting

The accompanying condensed consolidated financial information presented as of September 30, 2011 and for the three and nine-month periods ended September 30, 2011 and 2010, has been prepared from NSTAR Electric' s books and records without audit by an independent registered public accounting firm. However, NSTAR Electric' s independent registered public accounting firm has performed a review of these interim financial statements in accordance with standards established by the PCAOB. The review report is filed as Exhibit 99.1 to this Form 10-Q. Financial information as of December 31, 2010 was derived from the audited consolidated financial statements of NSTAR Electric, but does not include all disclosures required by GAAP. In the opinion of NSTAR Electric' s management, all adjustments (which are of a normal recurring nature) necessary for a fair statement of the financial information for the periods indicated, have been included. All significant intercompany transactions have been eliminated in consolidation. Certain immaterial reclassifications have been made to prior year amounts to conform to the current year' s presentation. These include the classification of a portion of regulatory assets as of December 31, 2010 from current to non-current on the accompanying Condensed Consolidated Balance Sheets.

NSTAR Electric follows accounting policies prescribed by the FERC and the DPU. In addition, NSTAR Electric and its subsidiaries are subject to the accounting and reporting requirements of the SEC. The accompanying condensed consolidated financial statements are prepared in conformity with GAAP. NSTAR Electric is subject to the application of ASC 980, *Regulated Operations,* which considers the effects of regulation resulting from differences in the timing of recognition of certain revenues and expenses from those of other businesses and industries. The distribution and transmission businesses are subject to rate-regulation that are based on cost recovery and meets the criteria for application of ASC 980.

The preparation of financial statements in conformity with GAAP requires management of NSTAR Electric and its subsidiaries to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The results of operations for the three and nine-month periods ended September 30, 2011 and 2010 are not indicative of the results that may be expected for an entire year. The demand for electricity is affected by weather conditions, economic conditions, and consumer conservation behavior. Electric energy sales and revenues are typically higher in the winter and summer months than in the spring and fall months.

4. Pension and Postretirement Benefits Other than Pensions (PBOP) Plans

NSTAR Electric' s net periodic Pension Plan and PBOP Plan benefit costs for the third quarter are based on the 2011 annual actuarial valuation.

NSTAR Electric' s Pension Plan and PBOP Plan assets are affected by fluctuations in the financial markets. Fluctuations in the fair value of the Pension Plan and PBOP Plan assets impact the funded status, accounting costs, and cash funding requirements of these Plans. The earnings impact of increased Pension and PBOP costs is mitigated by NSTAR Electric' s DPU-approved Pension and PBOP rate adjustment mechanism (PAM). Under the PAM, NSTAR Electric recovers its pension and PBOP expense through a reconciling rate mechanism. The PAM removes the volatility in earnings that could result from fluctuations in market conditions and plan experience.

Pension

NSTAR Electric sponsors a defined benefit retirement plan, the NSTAR Pension Plan (the Plan), that covers substantially all employees. As its sponsor, NSTAR Electric allocates the costs of the Plan to NSTAR Electric & Gas. NSTAR Electric & Gas charges all of its benefit costs to the NSTAR operating companies, including NSTAR Electric, on the proportion of total direct labor charged to its operating companies. During the nine months ended September 30, 2011, NSTAR contributed $68 million to the Plan. In addition, $6 million was contributed in October 2011. NSTAR currently anticipates making additional contributions of approximately $1 million to the Plan during the remainder of 2011. The actual level of funding may differ from this estimate.

Components of net periodic pension benefit cost were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2011 | 2010 | 2011 | 2010 |
| Service cost | $6.5 | $5.9 | $19.5 | $17.7 |
| Interest cost | 15.2 | 15.4 | 45.7 | 46.3 |
| Expected return on Plan assets | (17.8 ) | (15.7 ) | (53.5 ) | (47.1 ) |
| Amortization of prior service cost | (0.2 ) | (0.2 ) | (0.6 ) | (0.6 ) |
| Recognized actuarial loss | 12.2 | 12.7 | 36.5 | 37.9 |
| Net periodic pension benefit cost | $15.9 | $18.1 | $47.6 | $54.2 |

Postretirement Benefits Other than Pensions

NSTAR also provides health care and other benefits to retired employees who meet certain age and years of service eligibility requirements. Under certain circumstances, eligible retirees are required to contribute to the costs of postretirement benefits.

To fund these postretirement benefits, NSTAR, on behalf of NSTAR Electric and other NSTAR subsidiaries, makes contributions to various VEBA trusts that were established pursuant to section 501(c)(9) of the Internal Revenue Code.

NSTAR Electric participates in the Plan trusts with other NSTAR subsidiaries. Plan assets are available to provide benefits for all Plan participants who are former employees of NSTAR Electric and other subsidiaries of NSTAR. During the nine months ended September 30, 2011, NSTAR contributed $22.5 million to this plan. In addition, $2.7 million was contributed in October 2011. NSTAR currently anticipates contributing approximately $4.8 million for the remainder of 2011 toward these benefits. NSTAR Electric will fund approximately $18.2 million, $2.2 million, and $3.9 million of these amounts, respectively.

The net periodic postretirement benefit cost allocated to NSTAR Electric for the three and nine-month periods ended September 30, 2011 was $6.4 million and $19.2 million, as compared to $8.4 million and $25 million in the three and nine-month periods ended September 30, 2010.

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5. Interest Income and Other, net

Major components of interest income and other, net were as follows:

| (in thousands) | Three Months Ended September 30, 2011 | Three Months Ended September 30, 2010 | Nine Months Ended September 30, 2011 | Nine Months Ended September 30, 2010 |
|---|---|---|---|---|
| Interest on regulatory deferrals | $6,896 | $6,963 | $22,927 | $19,244 |
| Income tax items | (83 ) | 372 | (2,022 ) | 7,070 |
| Other interest income (expense) | (456 ) | (922 ) | 1,491 | (2,435 ) |
| Short-term debt | (32 ) | (169 ) | (247 ) | (452 ) |
| AFUDC | 85 | 224 | 237 | 662 |
| Total interest income and other, net | $6,410 | $6,468 | $22,386 | $24,089 |

6. Variable Interest Entities

NSTAR Electric has certain long-term purchase power agreements with energy facilities where it purchases substantially all of the output from a specified facility for a specified period. NSTAR Electric has evaluated these agreements under the variable interest accounting guidance and has determined that these agreements represent variable interests. NSTAR Electric is not considered the primary beneficiary of these entities and does not consolidate the entities because it does not control the activities most relevant to the operating results of these entities and does not hold any equity interests in the entities. NSTAR Electric' s exposure to risks and financial support commitments with respect to these entities is limited to the purchase of the power generated at the prices defined under the contractual agreements. NSTAR Electric' s involvement with these variable interest entities has no material impact on NSTAR Electric' s financial position, financial performance, or cash flows.

7. Subsequent Events

Management has reviewed subsequent events through the date of this filing and concluded that no material subsequent events have occurred that are not accounted for in the accompanying Condensed Consolidated Financial Statements or disclosed in the accompanying Notes to Condensed Consolidated Financial Statements.

**Note B. Derivative Instruments**

Energy Contracts

NSTAR Electric has determined that it is not required to account for the majority of its electricity supply contracts as derivatives because they qualify for, and NSTAR Electric has elected, the normal purchases and sales exception. As a result, these agreements are not reflected on the accompanying Condensed Consolidated Balance Sheets. NSTAR Electric has one long-term renewable energy contract that does not qualify for the normal purchases and sales exception and is valued at an estimated $1.6 million and $2.4 million liability as of September 30, 2011 and December 31, 2010, respectively. NSTAR Electric has measured the difference between the cost of this contract and projected market energy costs over the life of the contract, and recorded a long-term derivative liability and a corresponding long-term regulatory asset for the value of this contract. Changes in the value of the contract have no impact on earnings. The fair value of the long-term renewable energy contract deemed to be a derivative was as follows:

| (in thousands) | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Renewable Energy Contract – Non-hedging instrument | | |
| Condensed Consolidated Balance Sheet Account: | | |
| Deferred credits and other liabilities: Power contract obligations | $ 1,640 | $ 2,400 |
| Total liability for non-hedging derivative instrument | $ 1,640 | $ 2,400 |

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**Note C. Income Taxes**

Effective Tax Rate

NSTAR Electric is part of a consolidated tax group. As such, income tax payments are either due to or from NSTAR (Holding Company).

The following table reconciles the statutory Federal income tax rate to the annual estimated effective income tax rate for 2011 and the actual effective income tax rate for the year ended December 31, 2010:

| | 2011 | 2010 |
|---|---|---|
| Statutory Federal tax rate | 35 % | 35 % |
| State income tax, net of Federal income tax benefit | 4 | 4 |
| Effective tax rate | 39 % | 39 % |

Receipt of Federal Tax Refund for 2001-2007 Tax Years

On April 21, 2011, NSTAR Electric received a $166.8 million refund from the IRS relating to the 2001-2007 tax years. The approved settlement and receipt of the refund resolves all outstanding tax matters for these years.

Open Tax Years

The 2010 Federal income tax return is being reviewed under the IRS Compliance Assurance Process (CAP). CAP accelerates the examination of the return in order to resolve issues before the tax return is filed. The outcome and the timing of any potential audit adjustments are uncertain. All years prior to 2010 have been examined by the IRS.

Uncertain Tax Positions

NSTAR Electric did not have a reserve for uncertain tax positions at September 30, 2011 and December 31, 2010.

Interest on Tax Positions

The total amounts of accrued interest receivable (payable) related to tax matters included in ‘Other current assets" or "Accrued interest" on the accompanying Condensed Consolidated Balance Sheets were as follows:

| (in millions) | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Accrued tax interest (payable) receivable | $ (0.7 ) | $ 32.7 |

**Note D. Fair Value Measurements**

NSTAR Electric follows a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Company to classify assets and liabilities carried at fair value based on the observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

Level 2 – Quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.

Level 3 – Unobservable inputs from objective sources. These inputs may be based on entity-specific inputs. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.

The renewable energy contract was valued based on the difference between the contracted price and the estimated fair value of remaining contracted supply to be purchased. Inputs used to develop the estimate included on-line regional generation and forecasted demand.

The following represents the fair value hierarchy of NSTAR Electric' s financial liability that was recognized at fair value on a recurring basis as of September 30, 2011 and December 31, 2010. The financial liability is classified based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measures:

| | September 30, 2011 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Liability: | | | | |
| Renewable Energy Contract [a] | $ − | $ − | $ 2 | $ 2 |
| Total | $ − | $ − | $ 2 | $ 2 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Liability: | | | | |
| Renewable Energy Contract [a] | $ − | $ − | $ 2 | $ 2 |
| Total | $ − | $ − | $ 2 | $ 2 |

(a) - Included in "Deferred credits and other liabilities: Power contract obligations" on the accompanying Condensed Consolidated Balance Sheets

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, net accounts receivable, other current assets, certain current liabilities, and notes payable as of September 30, 2011 and December 31, 2010, respectively, approximate fair value due to the short-term nature of these securities.

The fair values of long-term indebtedness (excluding notes payable, including current maturities) are based on the quoted market prices of similar issues. Carrying amounts and fair values as of September 30, 2011 and December 31, 2010 were as follows:

| | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| (in thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term indebtedness (including current maturities) | $1,713,091 | $1,958,880 | $1,791,513 | $1,936,680 |

**Note E. Indebtedness**

On August 1, 2011, NSTAR Electric redeemed $15 million of Massachusetts Industrial Finance Agency Bonds, 5.75%, due February 2014, at par.

**Note F. Commitments and Contingencies**

1. Service Quality Indicators

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

NSTAR Electric monitors its service quality continuously, and if it is probable that a liability has been incurred and is estimable, a liability is accrued. Any settlement or rate order that would result in a different liability level from what has been accrued would be adjusted in the period that the DPU issues an order determining the amount of any such liability.

NSTAR Electric' s service quality performance levels for 2010 were not in a penalty situation. The final performance report was filed with the DPU on March 1, 2011.

2. Environmental Matters

NSTAR Electric faces possible liabilities as a result of involvement in several multi-party disposal sites, state-regulated sites or third party claims associated with contamination remediation. NSTAR Electric generally expects to have only a small percentage of the total potential liability for the majority of these sites. As of September 30, 2011 and December 31, 2010, NSTAR Electric had liabilities of $1.4 million and $0.9 million, respectively, for these environmental sites. This estimated liability is based on an evaluation of all currently available facts with respect to these sites.

Estimates related to environmental remediation costs are reviewed and adjusted as further investigation and assignment of responsibility occurs and as either additional sites are identified or NSTAR Electric' s responsibilities for such sites evolve or are resolved. NSTAR Electric' s ultimate liability for future environmental remediation costs may vary from these estimates. Based on NSTAR Electric' s current assessment of its environmental responsibilities, existing legal requirements, and regulatory policies, NSTAR Electric does not believe that these environmental remediation costs will have a material adverse effect on NSTAR Electric' s consolidated results of operations, financial position, or cash flows.

3. Regulatory Proceedings

DPU Safety and Reliability Programs (CPSL)

As part of the Rate Settlement Agreement, NSTAR Electric recovers incremental costs related to the double pole inspection, replacement/restoration and transfer program and the underground electric safety program, which includes stray-voltage remediation and manhole inspections, repairs, and upgrades. Recovery of these Capital Program Scheduling List (CPSL) billed costs is subject to DPU review and approval. From 2006 through 2010, NSTAR Electric incurred and billed cumulative incremental revenue requirements of approximately $67 million. During 2011, approximately $11 million has been incurred through September 30. These amounts include incremental operations and maintenance and revenue requirements on capital investments.

On May 28, 2010, the DPU issued an order on NSTAR Electric' s 2006 CPSL costs recovery filing. The expected recovery amount did not vary materially from the revenue previously recognized. On October 8, 2010, NSTAR Electric submitted a Compliance Filing with the DPU reconciling the recoverable CPSL Program revenue requirement for each year 2006 through 2009 with the revenues already collected to determine the proposed adjustment effective on January 1, 2011. The DPU allowed the proposed rates to go into effect on that date, subject to reconciliation of program costs. NSTAR Electric cannot predict the timing of subsequent DPU orders related to this filing. Should an adverse DPU decision be issued, it could have a material adverse impact on NSTAR Electric' s result of operations, financial position, and cash flows.

Basic Service Bad Debt Adder

On July 1, 2005, in response to a generic DPU order that required electric utilities in Massachusetts to recover the energy-related portion of bad debt costs in their Basic Service rates, NSTAR Electric increased its Basic Service rates and reduced its distribution rates for those bad debt costs. In furtherance of this generic DPU order, NSTAR Electric included a bad debt cost recovery mechanism as a component of its Rate Settlement Agreement. This recovery mechanism (bad debt adder) allows NSTAR Electric to recover its Basic Service bad debt costs on a fully reconciling basis. These rates were implemented, effective January 1, 2006, as part of NSTAR Electric' s Rate Settlement Agreement.

On February 7, 2007, NSTAR Electric filed its 2006 Basic Service reconciliation with the DPU proposing an adjustment related to the increase of its Basic Service bad debt charge-offs. This proposed rate adjustment was anticipated to be implemented effective July 1, 2007. On June 28, 2007, the DPU issued an order approving the implementation of a revised Basic Service rate. However, the DPU instructed NSTAR Electric to reduce distribution rates by the increase in its Basic Service bad debt charge-offs. Such action would result in a further reduction to distribution rates from the adjustment NSTAR Electric made when it implemented the Settlement Agreement. This adjustment to NSTAR Electric' s distribution rates would eliminate the fully reconciling nature of the Basic Service bad debt adder.

NSTAR Electric has not implemented the directives of the June 28, 2007 DPU order. Implementation of this order would require NSTAR Electric to write-off a previously recorded regulatory asset related to its Basic Service bad debt costs. NSTAR Electric filed a Motion for Reconsideration of the DPU' s order on July 18, 2007. On May 28, 2010, the DPU issued an order and reaffirmed that NSTAR Electric should reduce its distribution rates by the increase in its Basic Service bad debt charge-offs. On June 18, 2010, NSTAR Electric filed an appeal of the DPU' s order with the Massachusetts Supreme Judicial Court (SJC). Briefs were filed during the summer of 2011 and oral arguments are anticipated by the end of 2011. A decision by the SJC is expected in the first half of 2012. As of September 30, 2011, the potential pre-tax impact to earnings of eliminating the fully reconciling nature of the bad debt adder would be approximately $22 million. NSTAR Electric cannot predict the exact timing of this appeals process or the ultimate outcome. NSTAR Electric continues to believe that its position is appropriate and that it is probable upon appeal that it will ultimately prevail.

Other

In the fourth quarter of each year, NSTAR Electric files proposed distribution rate adjustments for effect on the following January 1. These rate adjustments include a SIP adjustment factor and several other fully reconciling cost recovery items. Consistent with previous filings, the 2011 filings include a combination of actual and forecasted data for 2011 that NSTAR Electric will update during 2012 with year-end data to allow a final investigation and reconciliation. There are several case years that remain outstanding at the DPU. These cases are pending decisions at the DPU and NSTAR Electric cannot predict the timing or the ultimate outcome of these filings.

4. Yankee Companies Spent Fuel Litigation

NSTAR Electric is part owner of three decommissioned New England nuclear power plants, Connecticut Yankee (CY), Yankee Atomic (YA) and Maine Yankee (MY) (the Yankee Companies). The Yankee Companies have been party to ongoing litigation at the Federal level with respect to the alleged failure of the Department of Energy (DOE) to provide for a permanent facility to store spent nuclear fuel generated in years through 2001 for CY and YA, and through 2002 for MY (DOE Phase I Damages). NSTAR Electric' s portion of the Phase I judgments amounts to $4.8 million, $4.6 million, and $3 million, respectively. The case has been going through the appeal process in the Federal courts, and a final decision on this appeal could be received by March 2012.

In 2009, the Yankee Companies also filed for additional damages related to the alleged failure of the DOE to provide for a permanent facility to store spent nuclear fuel generated in years after 2001 for CY and YA and after 2002 for MY (DOE Phase II Damages). Claim amounts applicable to Phase II for NSTAR Electric are $19 million, $12 million, and $1.7 million, respectively.

NSTAR Electric cannot predict the ultimate outcome of these pending decisions. However, should the Yankee Companies ultimately prevail, NSTAR Electric' s share of the proceeds received would be refunded to its customers.

5. FERC Proceeding Regarding Base ROE of New England Transmission Operators

On September 30, 2011, the Attorney General of Massachusetts, along with various ratepayer advocates representing the six New England states, filed a complaint with the FERC seeking to reduce the 11.14 percent base return on equity (Base ROE) used in calculating formula rates for transmission service under the ISO-NE Open Access Transmission Tariff (OATT). A change in the Base ROE would adversely impact the various investor-owned utilities (New England Transmission Owners, or NETOs), including NSTAR Electric, that provide transmission service to ISO-New England, which serves as the regional transmission organization for New England.

On October 20, 2011, NSTAR Electric along with the other NETOs, filed their response with the FERC. In that response, the NETOs defended the appropriateness of the current FERC-approved Base ROE. The NETOs requested that the FERC summarily dismiss the complaint. Should any unfavorable ruling by FERC result in a reduction of the Base ROE, the exposure would be limited to OATT rates assessed following the complaint date of September 30, 2011. NSTAR Electric cannot predict the timing or outcome of this proceeding.

6. Legal Matters

In the normal course of its business, NSTAR Electric and its subsidiaries are involved in certain legal matters, including civil litigation. Management is unable to fully determine a range of potential court-ordered damages, settlement amounts, and related litigation costs (legal liabilities) that would be in excess of amounts accrued and amounts covered by insurance. Based on the information currently available, NSTAR Electric does not believe that it is probable that any such legal liabilities will have a material impact on its consolidated financial position. However, it is reasonably possible that additional legal liabilities that may result from changes in circumstances could have a material impact on its results of operations, financial condition, and cash flows.

## I tem 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

The accompanying MD&A focuses on factors that had a material effect on the financial condition, results of operations, and cash flows of NSTAR Electric during the periods presented and should be read in conjunction with the accompanying condensed consolidated financial statements and related notes, and with the MD&A in NSTAR Electric' s 2010 Annual Report on Form 10-K.

### Pending Merger with Northeast Utilities

On October 16, 2010, upon unanimous approval from their respective Boards of Trustees, NSTAR and Northeast Utilities (NU) entered into an Agreement and Plan of Merger (the Merger Agreement). The transaction will be a merger of equals in a stock-for-stock transfer. Upon the terms and subject to the conditions set forth in the Merger Agreement, at closing, NSTAR will become a wholly-owned subsidiary of NU. On March 4, 2011, shareholders of each company approved the merger and adopted the merger agreement. Under the terms of the agreement, NSTAR shareholders will receive 1.312 NU common shares for each NSTAR common share that they own. Following completion of the merger, it is anticipated that NU shareholders will own approximately 56 percent of the post-transaction company and former NSTAR shareholders will own approximately 44 percent of the post-transaction company.

The post-transaction company will provide electric and gas energy delivery services through six regulated electric and gas utilities in Connecticut, Massachusetts and New Hampshire serving nearly 3.5 million electric and gas customers. Completion of the merger is subject to various customary conditions, including receipt of required regulatory approvals. NSTAR believes that the merger can be completed in 2011, but it is possible that the closing of the merger may be delayed to early 2012. Acting pursuant to the terms of the Merger Agreement, on October 14, 2011, NU and NSTAR formally extended the date by which either party has the right to terminate the Merger Agreement should all required closing conditions not be satisfied, including receipt of all required regulatory approvals, from October 16, 2011 to April 16, 2012.

Regulatory Approvals on Pending Merger with Northeast Utilities

Federal

On January 4, 2011, NSTAR and NU received approval from the Federal Communications Commission, and on February 10, 2011, the applicable Hart-Scott-Rodino waiting period expired. On July 6, 2011, NSTAR and NU received approval from the Federal Energy Regulatory Commission (FERC). A filing was made with the Nuclear Regulatory Commission (NRC) on December 9, 2010 seeking NRC consent to the transfer of NSTAR’ s indirect control of ownership interest in three decommissioned nuclear plants to NU. The NRC held a public meeting on September 20, 2011 at which time the NRC indicated it would complete its review by the end of November 2011. NRC consent is currently pending.

Massachusetts

On November 24, 2010, NSTAR and NU (the Joint Petitioners) filed a joint petition requesting the DPU’ s approval of their proposed merger. On March 10, 2011, the DPU issued an order that modified the standard of review to be applied in the review of mergers involving Massachusetts utilities from a “no net harm” standard to a “net benefits” standard, meaning that the companies must demonstrate that the pending transaction provides benefits that outweigh the costs. Applicable state law provides that mergers of Massachusetts utilities and their respective holding companies must be “consistent with the public interest.” The order states that the DPU has flexibility in applying the factors applicable to the standard of review. NSTAR and NU filed supplemental testimony with the DPU on April 8, 2011 indicating the merger could provide post-transaction net savings of approximately $784 million in the first ten years following the closing of the merger and provide environmental benefits with respect to Massachusetts emissions reductions, global warming policies, and furthering the goals of Massachusetts’ Green Communities Act.

The DPU held public evidentiary hearings during July 2011. Upon conclusion of the public evidentiary hearings on July 28, 2011, the DPU issued a briefing schedule that arranged for a series of intervenor and Joint Petitioner briefs and reply briefs culminating in the delivery of the final Joint Petitioner reply briefs on September 19, 2011. Subsequently, the Joint Petitioners have agreed to different intervenor motions to extend the briefing schedule, and the DPU consented to these motions. The final Joint Petitioner reply briefs were filed on October 31, 2011.

On July 15, 2011, the Massachusetts Department of Energy Resources (DOER) filed a motion for an indefinite stay in the proceedings. On July 21, 2011, NSTAR and NU filed a response objecting to this motion. The DPU has scheduled Oral Arguments for November 17, 2011 regarding the DOER’ s Motion to Stay the proceeding, at which time the Joint Petitioners and intervenors will be allowed the opportunity for oral argument of their positions regarding the Motion to Stay.

The Joint Petitioners have provided extensive information in the DPU proceeding including testimony, exhibits and submission of detailed written responses to nearly 1,000 information requests from the DPU and intervenors.

Connecticut

On June 1, 2011, the Connecticut Public Utilities Regulatory Authority (PURA), formerly the Connecticut Department of Public Utility Control (DPUC), issued a decision stating that it lacks jurisdiction to consider the NSTAR merger with NU. On June 30, 2011, the Connecticut Office of Consumer Counsel filed a Petition for Administrative Appeal in Connecticut Superior Court requesting that the Superior Court remand the decision back to the DPUC with instructions to reopen the docket and review the merger transaction. NSTAR cannot determine the outcome or timing of this action.

New Hampshire

On April 5, 2011, the New Hampshire Public Utilities Commission (NHPUC) issued an order finding that it does not have statutory authority to approve or reject the merger.

Maine

On May 11, 2011, the Maine Public Utilities Commission issued an order approving the merger contingent upon approval by the FERC. The FERC approval was received on July 6, 2011.

**Recent Major Storm Events and Service Restoration**

In late August 2011, Tropical Storm Irene (Irene) presented a severe weather event of heavy rains and damaging winds to Massachusetts and the Eastern Seaboard. Irene caused considerable damage in NSTAR Electric’ s service territory. Approximately 500,000 customer outages occurred on the NSTAR Electric system in the aftermath of Irene. This represents the most severe damage event on the NSTAR Electric system in nearly 20 years.

NSTAR Electric’ s DPU-approved storm accounting mechanism helps to reduce the volatility of the earnings impact of severe storm restoration events. The Company is permitted to spread the incremental costs of severe storm restoration over several periods. NSTAR Electric currently estimates the incremental cost of Irene to be approximately $30 million.

On September 15, 2011, the DPU, on its own initiative, initiated an investigation into the efforts of NSTAR Electric and one other Massachusetts electric company to restore power to their customers in the aftermath of Irene. NSTAR Electric filed a Final Event Report with the DPU on October 3, 2011.

In late October 2011, an unprecedented early snowstorm brought heavy, wet snow and strong winds to the region, impacting the electric service of approximately 200,000 customers. NSTAR Electric is still in the process of estimating the total cost of restoration for this event.

**Business Overview**

NSTAR Electric Company is a regulated public utility incorporated in 1886 under Massachusetts law and is a wholly-owned subsidiary of NSTAR. NSTAR Electric serves approximately 1.1 million electric distribution customers in the City of Boston and 80 surrounding communities. NSTAR is a holding company engaged through its subsidiaries in the energy delivery business serving approximately 1.4 million customers in Massachusetts, including NSTAR Electric’ s customers and approximately 300,000 natural gas distribution customers of NSTAR Gas in 51 communities. NSTAR has a service company that provides management and support services to substantially all NSTAR subsidiaries−NSTAR Electric & Gas.

Harbor Electric Energy Company (HEEC), a wholly owned-subsidiary of NSTAR Electric, provides distribution service and ongoing support to its only customer, the Massachusetts Water Resources Authority’ s wastewater treatment facility located on Deer Island in Boston, Massachusetts. NSTAR Electric’ s three wholly-owned consolidated special-purpose subsidiaries are BEC Funding LLC (BEC Funding), BEC Funding II, LLC (BEC Funding II) and CEC Funding, LLC (CEC Funding), all established to facilitate the sales of electric rate reduction certificates at a public offering. The certificates of all special-purpose subsidiaries are secured by a portion of the transition charge assessed on NSTAR Electric’ s retail customers as permitted by the 1997 Massachusetts Electric Restructuring Act and

authorized by the DPU. These certificates are non-recourse to NSTAR Electric. NSTAR Electric has no variable interest entities. The activities of BEC Funding LLC were substantially completed as of March 31, 2010 and the Company was dissolved on April 14, 2010.

NSTAR Electric derives its operating revenues primarily from the sale of energy, distribution, transmission, and energy efficiency services to customers. However, NSTAR Electric' s earnings are impacted by fluctuations in unit sales of electric kWh, which have an effect on the level of distribution and transmission revenues recognized. In accordance with the regulatory rate structure in which NSTAR Electric operates, its recovery of energy and certain energy-related costs are fully reconciled with the level of energy revenues currently recorded and, therefore, do not have an impact on earnings. As a result of this rate structure, any variability in the cost of energy supply purchased will have an impact on purchased power and transmission expenses, but will not affect the Company' s net income as the Company recognizes a corresponding change in revenues.

**Earnings**

NSTAR Electric' s earnings are impacted by its customers' requirements for energy in the form of unit sales of electricity, which directly determine the level of retail distribution and transmission revenues recognized. In accordance with the regulatory rate structure in which NSTAR Electric operates, its recovery of energy and energy-related costs are fully reconciled with the level of energy revenues currently recorded and, therefore, do not have an impact on earnings.

Net income for the three and nine-month periods ended September 30, 2011 was $99.8 million and $203.4 million, as compared to $102.3 million and $207.8 million for the same periods in 2010, as further explained below.

**Critical Accounting Policies and Estimates**

For a complete discussion of critical accounting policies, refer to "Critical Accounting Policies and Estimates" in Item 7 of NSTAR Electric' s 2010 Form 10-K. There have been no substantive changes to those policies and estimates.

**Rate and Regulatory Proceedings**

**Rate Structure**

a. Rate Settlement Agreement

NSTAR Electric is operating under a DPU-approved Rate Settlement Agreement (Rate Settlement Agreement) that expires December 31, 2012. From 2007 through 2012, the Rate Settlement Agreement establishes for NSTAR Electric, among other things, annual inflation-adjusted distribution rates including a productivity offset, that are generally offset by an equal and corresponding adjustment to transition rates. The adjustment will be 0.96% effective January 1, 2012. The adjustments as of January 1 were as follows:

| | January 1, | | | |
|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 |
| Annual inflation-adjusted distribution rate – SIP (decrease) increase | (0.19)% | 1.32% | 1.74% | 2.68% |

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b. Regulated Electric Distribution Rates

Retail electric delivery rates are established by the DPU and are comprised of:

**a distribution charge**, which includes a fixed customer charge and a demand and/or energy charge (to collect the costs of building and expanding the infrastructure to deliver power to its destination, as well as ongoing operating costs and certain DPU-approved safety and reliability programs costs), a Pension and PBOP Rate Adjustment Mechanism (PAM) to recover incremental pension and pension benefit costs, a reconciling rate adjustment mechanism to recover costs associated with the residential assistance adjustment clause, a net-metering reconciliation surcharge to collect the lost revenues and credits associated with net-metering facilities installed by customers, and an Energy Efficiency Reconciling Factor (EERF) to recover energy efficiency program costs and lost base revenues in addition to those charges recovered in the energy conservation charge;

**a basic service charge** represents the collection of energy costs, including costs related to charge-offs of uncollected energy costs, through DPU-approved rate mechanisms. Electric distribution companies in Massachusetts are required to obtain and resell power to retail customers through Basic Service for those who choose not to buy energy from a competitive energy supplier. Basic Service rates are reset every six months (every three months for large commercial and industrial customers). The price of Basic Service is intended to reflect the average competitive market price for electric power;

**a transition charge** represents the collection of costs to be collected primarily from previously held investments in generating plants and costs related to existing above-market power contracts, and contract costs related to long-term power contracts buy-outs;

**a transmission charge** represents the collection of annual costs of moving the electricity over high voltage lines from generating plants to substations located within NSTAR Electric' s service area including costs allocated to NSTAR Electric by ISO-NE to maintain the wholesale electric market;

**an energy conservation charge** represents a legislatively-mandated charge to collect costs for energy efficiency programs; and

**a renewable energy charge** represents a legislatively-mandated charge to collect the costs to support the development and promotion of renewable energy projects.

c. Regulatory Matters

DPU Safety and Reliability Programs (CPSL)

As part of the Rate Settlement Agreement, NSTAR Electric recovers incremental costs related to the double pole inspection, replacement/restoration and transfer program and the underground electric safety program, which includes stray-voltage remediation and manhole inspections, repairs, and upgrades. Recovery of these Capital Program Scheduling List (CPSL) billed costs is subject to DPU review and approval. From 2006 through 2010, NSTAR Electric incurred and billed cumulative incremental revenue requirements of approximately $67 million. During 2011, approximately $11 million has been incurred through September 30. These amounts include incremental operations and maintenance and revenue requirements on capital investments.

On May 28, 2010, the DPU issued an order on NSTAR Electric' s 2006 CPSL costs recovery filing. The expected recovery amount did not vary materially from the revenue previously recognized. On October 8, 2010, NSTAR Electric submitted a Compliance Filing with the DPU reconciling the recoverable CPSL Program revenue requirement for each year 2006 through 2009 with the revenues already collected to determine the proposed adjustment effective on January 1, 2011. The DPU allowed the proposed rates to go into effect on that date, subject to reconciliation of program costs. NSTAR Electric cannot predict the timing of subsequent DPU orders related to this filing. Should an adverse DPU decision be issued, it could have a material adverse impact on NSTAR Electric' s result of operations, financial position, and cash flows.

Basic Service Bad Debt Adder

On July 1, 2005, in response to a generic DPU order that required electric utilities in Massachusetts to recover the energy-related portion of bad debt costs in their Basic Service rates, NSTAR Electric increased its Basic Service rates and reduced its distribution rates for those bad debt costs. In furtherance of this generic DPU order, NSTAR Electric included a bad debt cost recovery mechanism as a component of its Rate Settlement Agreement. This recovery mechanism (bad debt adder) allows NSTAR Electric to recover its Basic Service bad debt costs on a fully reconciling basis. These rates were implemented, effective January 1, 2006, as part of NSTAR Electric' s Rate Settlement Agreement.

On February 7, 2007, NSTAR Electric filed its 2006 Basic Service reconciliation with the DPU proposing an adjustment related to the increase of its Basic Service bad debt charge-offs. This proposed rate adjustment was anticipated to be implemented effective July 1, 2007. On June 28, 2007, the DPU issued an order approving the implementation of a revised Basic Service rate. However, the DPU instructed NSTAR Electric to reduce distribution rates by the increase in its Basic Service bad debt charge-offs. Such action would result in a further reduction to distribution rates from the adjustment NSTAR Electric made when it implemented the Settlement Agreement. This adjustment to NSTAR Electric' s distribution rates would eliminate the fully reconciling nature of the Basic Service bad debt adder.

NSTAR Electric has not implemented the directives of the June 28, 2007 DPU order. Implementation of this order would require NSTAR Electric to write-off a previously recorded regulatory asset related to its Basic Service bad debt costs. NSTAR Electric filed a Motion for Reconsideration of the DPU' s order on July 18, 2007. On May 28, 2010, the DPU issued an order and reaffirmed that NSTAR Electric should reduce its distribution rates by the increase in its Basic Service bad debt charge-offs. On June 18, 2010, NSTAR Electric filed an appeal of the DPU' s order with the Massachusetts Supreme Judicial Court (SJC). Briefs were filed during the summer of 2011 and oral arguments are anticipated by the end of 2011. A decision by the SJC is expected in the first half of 2012. As of September 30, 2011, the potential pre-tax impact to earnings of eliminating the fully reconciling nature of the bad debt adder would be approximately $22 million. NSTAR Electric cannot predict the timing of this appeals process or the ultimate outcome. NSTAR Electric continues to believe that its position is appropriate and that it is probable upon appeal that it will ultimately prevail.

Other

In the fourth quarter of each year, NSTAR Electric files proposed distribution rate adjustments for effect on the following January 1. These rate adjustments include a SIP adjustment factor and several other fully reconciling cost recovery items. Consistent with previous filings, the 2011 filings include a combination of actual and forecasted data for 2011 that NSTAR Electric will update during 2012 with year-end data to allow a final investigation and reconciliation. There are several case years that remain outstanding at the DPU. These cases are pending decisions at the DPU and NSTAR Electric cannot predict the timing or the ultimate outcome of these filings.

FERC Transmission ROE

NSTAR Electric earns an 11.14% ROE on local transmission facility investments. The ROE on NSTAR Electric' s regional transmission facilities is 11.64%. Additional incentive adders are available and are decided on a case-by-case basis in accordance with the FERC' s most recent national transmission incentive rules. The FERC may grant a variety of financial incentives, including ROE basis point incentive adders for qualified investments made in new regional transmission facilities. A 100 basis point adder, when combined with the FERC' s approved ROEs described above, results in a 12.64% ROE for qualified regional investments. The incentive is intended to promote and accelerate investment in transmission projects that can significantly reduce congestion costs and enhance reliability in the region.

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FERC Proceeding Regarding Base ROE of New England Transmission Operators

On September 30, 2011, the Attorney General of Massachusetts, along with various ratepayer advocates representing the six New England states, filed a complaint with the FERC seeking to reduce the 11.14 percent base return on equity (Base ROE) used in calculating formula rates for transmission service under the ISO-NE Open Access Transmission Tariff (OATT). A change in the Base ROE would adversely impact the various investor-owned utilities (New England Transmission Owners, or NETOs), including NSTAR Electric, that provide transmission service to ISO-New England, which serves as the regional transmission organization for New England.

On October 20, 2011, NSTAR Electric along with the other NETOs, filed their response with the FERC. In that response, the NETOs vigorously defended the appropriateness of the current FERC-approved Base ROE. The NETOs requested that the FERC summarily dismiss the complaint. Should any unfavorable ruling by FERC result in a reduction of the Base ROE, the exposure would be limited to OATT rates assessed following the complaint date of September 30, 2011. NSTAR Electric cannot predict the timing or outcome of this proceeding.

**Other**

a. Energy Efficiency Plan

NSTAR Electric administers demand-side management energy efficiency programs. The Massachusetts Green Communities Act (GCA) directs electric distribution companies to develop three-year energy efficiency plans. The first three-year plan covering the period 2010 through 2012 was approved by the DPU and represents a significant expansion of energy efficiency activity in Massachusetts. Like the historical programs, the current three-year plan includes financial incentives based on energy efficiency program performance. In addition, the DPU has stated that it will permit distribution companies that do not yet have rate decoupling mechanisms in place to implement Lost Base Revenue (LBR) rate adjustment mechanisms that will partially offset reduced distribution rate revenues as a result of successful energy efficiency programs.

NSTAR Electric incurred recoverable Energy Efficiency program expenses of $59.2 million during the third quarter of 2011. These program expenses for the nine-month period ended September 30, 2011 for NSTAR Electric were $132.2 million inclusive of program administrator incentives. NSTAR Electric anticipates that its 2011 Energy Efficiency Plan will amount to approximately $184.3 million in recoverable expenses, inclusive of program administrator incentives.

b. Transmission Capital Improvement Project – Lower SEMA

The Lower Southeastern Massachusetts (SEMA) Project consists of an expansion and upgrade of existing transmission infrastructure, and construction of a new 31 mile, 345kV transmission line that will cross the Cape Cod Canal. On October 19, 2011, the Reliability Committee of the ISO voted to recommend approval for all costs associated with the project to be recovered from customers throughout the New England region under the ISO-NE regional transmission tariff. A pending application to the Massachusetts Energy Facilities Siting Board (EFSB) is in process. NSTAR Electric must receive approval of the EFSB in order to proceed with construction. Hearings were held in the summer of 2011 and briefs have been filed. NSTAR Electric awaits the decision of the EFSB, which is anticipated by year-end or early January 2012. NSTAR Electric anticipates completing the project in late 2012 at an approximate cost of $110 million.

**Results of Operations**

The following section of MD&A compares the results of operations for each of the three and nine-month periods ended September 30, 2011 and 2010 and should be read in conjunction with the accompanying

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Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included elsewhere in this report.

**Three Months Ended September 30, 2011 compared to Three Months Ended September 30, 2010**

Executive Summary of Quarterly Results

Net income was $99.8 million for the quarter ended September 30, 2011 compared to $102.3 million for the same period in 2010. Major factors on an after-tax basis that contributed to the $2.5 million, or 2.4%, decrease in earnings include:

- Lower electric distribution revenues (2.1% decrease in sales) due to cooler summer weather and the impact of NSTAR Electric' s Energy Efficiency programs ($5.2 million)
- Higher depreciation and property taxes ($1.3 million)
- Higher operations and maintenance expenses ($3.5 million)

These decreases in earnings factors were partially offset by:

- Higher transmission revenues ($4.2 million)
- Higher lost base revenues related to the impact of Energy Efficiency programs ($3.6 million)

Significant cash flow events during the quarter include the following:

- Cash flows from operating activities provided approximately $226.8 million, an increase of $2.8 million as compared to the same period in 2010. The increase primarily reflects the timing of energy supply payments and customer collections related to these energy costs and lower estimated tax payments as a result of accelerated tax depreciation benefits in 2011
- NSTAR Electric invested approximately $80.2 million in capital projects to improve system reliability and capacity
- NSTAR Electric paid $28.3 million in common share dividends to NSTAR and retired approximately $21.7 million in securitized debt and $15.4 million in other long-term debt.

Energy sales

The following is a summary of retail electric energy sales for the periods indicated:

| | Three Months Ended September 30, | | |
|---|---|---|---|
| **Retail Electric Sales - MWh** | 2011 | 2010 | % Change |
| Residential | 1,952,728 | 2,032,255 | (3.9 ) |
| Commercial, Industrial, and Other | 4,103,767 | 4,151,997 | (1.2 ) |
| Total retail sales | 6,056,495 | 6,184,252 | (2.1 ) |

NSTAR Electric' s energy sales in the three months ended September 30, 2011 decreased 2.1% compared to 2010 primarily due to a cooler summer during 2011 as compared to 2010. Cooling degree-days in the Boston area for the three months ended September 30, 2011 were down 2.6% from the same period in 2010.

Weather and, to a lesser extent, fluctuations in fuel costs, conservation measures, and economic conditions affect sales to NSTAR Electric' s residential and small commercial customers. Economic conditions, fluctuations in fuel costs, and conservation measures affect NSTAR Electric' s large commercial and industrial customers. In terms of customer sector characteristics, industrial sales are less sensitive to weather than residential and commercial sales, which are influenced by temperature variations. Refer to the *"Operating Revenues"* section below for a more detailed discussion.

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Weather conditions

NSTAR Electric forecasts its electric sales based on normal weather conditions. Actual results may vary from those projected due to actual weather conditions, energy conservation, and other factors.

The demand for electricity is affected by weather. Weather impacts electric sales primarily during the summer in NSTAR Electric' s service area. Customer heating or cooling usage may not directly correlate with historical levels or with the level of degree-days that occur (as further discussed below), particularly when weather patterns experienced are consistently colder or warmer. Also, NSTAR Electric' s business is sensitive to variations in daily weather, is highly influenced by New England' s seasonal weather variations, and is susceptible to damage from major storms and other natural events and disasters that could adversely affect the Company' s ability to provide energy.

Degree-days measure changes in daily mean temperature levels. A degree-day is a unit measuring how many degrees the outdoor daily mean temperature falls below (in the case of heating) or rises above (in the case of cooling) a base of 65 degrees. The table below shows weather conditions during the three-month period ended September 30, 2011 measured by heating and cooling degree-days, respectively. Cooling degree-days were 2.6% lower for 2011 as compared to 2010, unfavorably impacting revenues from electric sales. Weather conditions were warmer than the 30-year average by 54.2% and 33.1% for heating and cooling degree-days, respectively, during the third quarter of 2011. Refer to the *"Operating Revenues"* section below for a more detailed discussion.

| | |
|---|---|
| Heating Degree-Days (Boston, MA) | |
| Three months ended September 30, 2011 | 44 |
| Three months ended September 30, 2010 | 34 |
| Normal 30-Year Average | 96 |
| Cooling Degree-Days (Boston, MA) | |
| Three months ended September 30, 2011 | 789 |
| Three months ended September 30, 2010 | 810 |
| Normal 30-Year Average | 593 |

Operating revenues

Operating revenues for the third quarter of 2011 increased $0.9 million, or 0.1%, from the same period in 2010 as follows:

| (in millions) | Three Months Ended September 30, | | Increase (Decrease) | |
|---|---|---|---|---|
| **Operating revenues** | 2011 | 2010 | Amount | Percent |
| Retail distribution and transmission | $377.1 | $384.8 | $ (7.7 ) | (2.0 )% |
| Energy, transition, and other | 374.2 | 365.6 | 8.6 | 2.4 % |
| Total operating revenues | $751.3 | $750.4 | $ 0.9 | 0.1 % |

NSTAR Electric' s largest earnings sources are the revenues derived from distribution and transmission rates approved by the DPU and the FERC. Electric retail distribution revenues primarily represent charges to customers for recovery of the Company' s capital investment, including a return component, and operation and maintenance costs related to its electric distribution infrastructure. The transmission revenue component represents charges to customers for the recovery of similar costs to move the electricity over high voltage lines from the generator to the Company' s distribution substations.

The decrease of $7.7 million, or 2%, in retail distribution and transmission revenues is primarily due to lower sales due to cooler weather and energy efficiency programs.

Energy, transition, and other revenues primarily represent charges to customers for the recovery of costs incurred by the Company in order to acquire the energy supply on behalf of its customers and a transition charge for recovery of the Company' s prior investments in generating plants and the costs related to long-term power contracts. The energy revenues relate to customers being provided energy supply under Basic Service. These revenues are fully reconciled to the costs incurred and have no impact on NSTAR Electric' s consolidated net income. Energy, transition, and other revenues also reflect revenues related to the Company' s ability to effectively reduce stranded costs (incentive entitlements), rental revenue from electric property, and annual cost reconciliation true-up adjustments. Uncollected transition costs as a result of the reductions in transition rates are deferred and collected through future rates with a carrying charge. The $8.6 million, or 2.4% increase in energy, transition, and other revenues is primarily attributable to higher energy efficiency revenues due to the expansion of these programs, partly offset by lower sales and lower average Basic Service rates in effect due to lower energy costs. NSTAR Electric recognized $5.9 million during the quarter ended September 30, 2011 of LBR relating to the impacts of the Energy Efficiency Programs implemented under the GCA. LBR is subject to DPU approval and NSTAR Electric is collecting LBR in rates.

Operating expenses

**Purchased power and transmission expense** was $318.5 million in the third quarter of 2011 compared to $341.7 million in the same period of 2010, a decrease of $23.2 million, or 6.8%. The decrease in expense reflects lower Basic Service and other energy costs of $18.3 million and lower transmission costs of $4.9 million due to a decrease in regional network support costs. NSTAR Electric adjusts its rates to collect the costs related to energy supply from customers on a fully reconciling basis. Due to this rate adjustment mechanism, changes in the amount of energy supply expense have no impact on consolidated net income.

**Operations and maintenance expense** was $93.4 million in the third quarter of 2011 compared to $84.8 million in the same period of 2010, an increase of $8.6 million, or 10.1%. One significant component contributing to this increase in expense is higher pension and PBOP related PAM amortization costs ($2.6 million). Fluctuations in PAM amortization do not have an earnings impact as these costs are fully recovered from customers. Also contributing to the higher expense were storm-related expenses ($1.9 million), higher labor and labor-related costs ($1.3 million) and higher transmission costs ($2.4 million).

**Depreciation and amortization expense** was $67.8 million in the third quarter of 2011 compared to $67 million in the same period of 2010, an increase of $0.8 million, or 1.2%. The increase primarily reflects higher depreciable distribution and transmission plant-in-service, offset by lower amortization costs related to the pay-down of securitized debt.

**Energy efficiency programs expense** was $59.2 million in the third quarter of 2011 compared to $42.9 million in the same period of 2010, an increase of $16.3 million, or 38%. These costs are in accordance with the three-year plan program guidelines established by the DPU and are collected from customers on a fully reconciling basis plus a performance incentive. NSTAR Electric anticipates a further increase in Energy Efficiency spending during 2011 and in future years driven by requirements of the GCA.

**Property and other taxes expense** was $28.5 million in the third quarter of 2011 compared to $27.2 million in the same period of 2010, an increase of $1.3 million, or 4.8%, reflecting higher overall property investments and higher tax rates.

Interest charges (income):

**Long-term debt and transition property securitization certificate interest charges** were $24.5 million in the third quarter of 2011 compared to $25.4 million in the same period of 2010, a decrease of $0.9 million, or 3.5%. The decrease in interest charges reflects scheduled principal pay downs of transition property securitization debt and the retirement of NSTAR Electric' s $15 million, 5.75% Massachusetts Industrial Finance Agency Bonds on August 1, 2011.

**Interest income and other, net** were $6.4 million of net interest income in the third quarter of 2011 compared to $6.5 million of net interest income in the same period of 2010, a decrease of $0.1 million, or 1.5%, due to decreased interest income on tax issues of $0.5 million and lower interest income of $0.1 million from regulatory deferrals, offset by lower expense on short-term debt bank fees and other interest costs of $0.6 million.

Other income (deductions):

**Other income** was $0.7 million in the third quarter of 2011 compared to $1.2 million in the same period of 2010, a decrease of $0.5 million. The decrease relates primarily to the absence of increases in cash surrender values of insurance policies in 2011, partly offset by higher equity investment earnings.

**Other deductions** were $1.1 million in the third quarter of 2011 compared to $0.3 million in the same period of 2010, an increase of $0.8 million due to the reduction in cash surrender values of life insurance policies.

Income tax expense:

**Income tax expense** was $65.6 million in the third quarter of 2011 compared to $66.4 million in the same period of 2010, a decrease of $0.8 million, or 1.2%, primarily reflecting lower pre-tax operating income in 2011.

**Nine Months Ended September 30, 2011 compared to Nine Months Ended September 30, 2010**

Executive Summary of Year to Date Results

Net income was $203.4 million for the nine months ended September 30, 2011 compared to $207.8 million for the same period in 2010. Major factors on an after-tax basis that contributed to the $4.4 million, or 2.1%, decrease in earnings include:

- Lower electric distribution revenues (0.3% decrease in sales) due to cooler summer weather and the impact of NSTAR Electric' s Energy Efficiency programs ($3.2 million)
- Higher depreciation and property taxes ($6.2 million)
- Higher operations and maintenance expenses ($10 million)

These decreases in earnings factors were partially offset by:

- Higher lost base revenues due to the impacts of Energy Efficiency programs ($3.6 million)
- Higher transmission revenues ($7.4 million)
- The absence in 2011 of the cumulative impact of a true-up adjustment resulting from a DPU order in May 2010 related to NSTAR Electric' s transition revenues for the years 2006-2009 ($3 million)

Significant cash flow events during the first nine months of 2011 include the following:

- Cash flows from operating activities provided approximately $592 million, an increase of $222.6 million as compared to the same period in 2010. The increase primarily reflects receipt of a tax refund and the associated interest totaling $166.8 million. Other favorable impacts include the timing of energy supply payments and customer collections related to these energy costs and lower income tax payments as a result of accelerated tax depreciation benefits
- NSTAR Electric invested approximately $241.8 million in capital projects to improve system reliability and capacity

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NSTAR Electric paid $143.1 million in common share dividends to NSTAR, retired approximately $62.5 million in securitized debt and $16.2 million in other long-term debt, and paid down short-term debt by $145 million.

Energy sales

The following is a summary of retail electric energy sales for the periods indicated:

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| **Retail Electric Sales - MWh** | 2011 | 2010 | % Change |
| Residential | 5,198,800 | 5,216,176 | (0.3 ) |
| Commercial, Industrial, and Other | 11,240,171 | 11,280,164 | (0.4 ) |
| Total retail sales | 16,438,971 | 16,496,340 | (0.3 ) |

NSTAR Electric’ s energy sales in the nine months ended September 30, 2011 decreased 0.3% compared to 2010 primarily due to a cooler second and third quarter of 2011, but offset by favorable weather conditions in the first quarter of 2011 resulting from a colder winter as compared to 2010. Heating degree-days in the Boston area for the nine months ended September 30, 2011 were up 16.7% from the same period in 2010.

Weather and, to a lesser extent, fluctuations in fuel costs, conservation measures, and economic conditions affect sales to NSTAR Electric’ s residential and small commercial customers. Economic conditions, fluctuations in fuel costs, and conservation measures affect NSTAR Electric’ s large commercial and industrial customers. In terms of customer sector characteristics, industrial sales are less sensitive to weather than residential and commercial sales, which are influenced by temperature variations. Refer to the *“Operating Revenues”* section below for a more detailed discussion.

Weather conditions

The demand for electricity is affected by weather. Weather impacts electric sales primarily during the summer in NSTAR Electric’ s service area. Customer heating or cooling usage may not directly correlate with historical levels or with the level of degree-days that occur (as further discussed below), particularly when weather patterns experienced are consistently colder or warmer. Also, NSTAR Electric’ s business is sensitive to variations in daily weather, is highly influenced by New England’ s seasonal weather variations, and is susceptible to damage from major storms and other natural events and disasters that could adversely affect the Company’ s ability to provide energy.

As shown in the table below, weather conditions during the nine-month period ended September 30, 2011 measured by heating degree-days and cooling degree-days, respectively, were 16.7% higher/colder relating to heating degree-days and 8.1% lower/cooler related to cooling degree-days for 2011 as compared to 2010, unfavorably impacting revenues from electric sales. Weather conditions during the nine-month period ended September 30, 2011 compared to the normal 30-year average for the same period, were 1.6% lower/warmer and 27.7% higher/warmer for heating and cooling degree-days, respectively. Refer to the *“Operating Revenues”* section below for a more detailed discussion.

| | |
|---|---|
| Heating Degree-Days (Boston MA) | |
| Nine months ended September 30, 2011 | 3,690 |
| Nine months ended September 30, 2010 | 3,161 |
| Normal 30-Year Average | 3,750 |
| Cooling Degree-Days (Boston, MA) | |
| Nine months ended September 30, 2011 | 982 |
| Nine months ended September 30, 2010 | 1,069 |
| Normal 30-Year Average | 769 |

Operating revenues

Operating revenues for the nine months ended September 30, 2011 increased $7.6 million, or 0.4%, from the same period in 2010 as follows:

| (in millions) | Nine Months Ended September 30, | | Increase | |
|---|---|---|---|---|
| **Operating revenues** | 2011 | 2010 | Amount | Percent |
| Retail distribution and transmission | $930.0 | $925.5 | $ 4.5 | 0.5 % |
| Energy, transition, and other | 990.2 | 987.1 | 3.1 | 0.3 % |
| Total operating revenues | $1,920.2 | $1,912.6 | $ 7.6 | 0.4 % |

NSTAR Electric' s largest earnings sources are the revenues derived from distribution and transmission rates approved by the DPU and the FERC. Electric retail distribution revenues primarily represent charges to customers for recovery of the Company' s capital investment, including a return component, and operation and maintenance costs related to its electric distribution infrastructure. The transmission revenue component represents charges to customers for the recovery of similar costs to move the electricity over high voltage lines from the generator to the Company' s distribution substations.

The increase of $4.5 million, or 0.5%, in retail distribution and transmission revenues primarily reflects:

Increased transmission revenues primarily due to the recovery of a higher transmission investment base, including higher depreciation and property taxes and recovery of higher regional network service and other costs ($3.2 million)

Increased PAM-related recovery revenues due to increased amortization of previously deferred costs ($6.9 million)

These increases were offset by:

Decreased distribution revenues due to decreased sales of 0.3% due to the impact of weather conditions and a negative annual inflation rate adjustment ($5.3 million)

Energy, transition, and other revenues primarily represent charges to customers for the recovery of costs incurred by the Company in order to acquire the energy supply on behalf of its customers and a transition charge for recovery of the Company' s prior investments in generating plants and the costs related to long-term power contracts. The energy revenues relate to customers being provided energy supply under Basic Service. These revenues are fully reconciled to the costs incurred and have no impact on NSTAR Electric' s consolidated net income. Energy, transition, and other revenues also reflect revenues related to the Company' s ability to effectively reduce stranded costs (incentive entitlements), rental revenue from electric property, and annual cost reconciliation true-up adjustments. Uncollected transition costs as a result of the reductions in transition rates are deferred and collected through future rates with a carrying charge. The $3.1 million, or 0.3% increase in energy, transition, and other revenues is primarily attributable to higher energy efficiency revenues due to the expansion of these programs partly offset by lower Basic Service rates in effect due to lower energy costs. NSTAR Electric has recognized $5.9 million in the nine months ended September 30, 2011 of Lost Base Revenues (LBR) relating to the impacts of the Energy Efficiency Programs implemented under the GCA. LBR is subject to DPU approval and NSTAR Electric is collecting LBR in rates.

Operating expenses

**Purchased power and transmission expense** was $841.8 million in the nine months ended September 30, 2011 compared to $893.9 million in the same period of 2010, a decrease of $52.1 million, or 5.8%.

The decrease in expense reflects lower Basic Service and other energy costs of $47.4 million. These decreases were partially offset by higher transmission costs of $4.7 million due to an increase in regional network support costs. NSTAR Electric adjusts its rates to collect the costs related to energy supply from customers on a fully reconciling basis. Due to this rate adjustment mechanism, changes in the amount of energy supply expense have no impact on consolidated net income.

**Operations and maintenance expense** was $270 million in the nine months ended September 30, 2011 compared to $248 million in the same period of 2010, an increase of $22 million, or 8.9%. One significant component contributing to this increase in expense is higher pension and PBOP related PAM amortization costs ($7.8 million). Fluctuations in PAM amortization do not have an earnings impact as these costs are fully recovered from customers. Also contributing to the higher expense were storm-related expenses ($3.7 million), higher transmission costs ($3 million), higher maintenance costs ($1.6 million), and higher labor and labor-related costs ($2.6 million).

**Depreciation and amortization expense** was $204.9 million in the nine months ended September 30, 2011 compared to $214.7 million in the same period of 2010, a decrease of $9.8 million, or 4.6%. The decrease primarily reflects the lower amortization costs related to the pay-down of securitized debt, offset by higher depreciable distribution and transmission plant-in-service.

**Energy efficiency programs expense** was $132.2 million in the nine months ended September 30, 2011 compared to $82.5 million in the same period of 2010, an increase of $49.7 million, or 60.2%. These costs are in accordance with the three-year plan program guidelines established by the DPU and are collected from customers on a fully reconciling basis plus a performance incentive. NSTAR Electric anticipates a further increase in Energy Efficiency spending during 2011 and in future years driven by requirements of the GCA.

**Property and other taxes expense** was $83.9 million in the nine months ended September 30, 2011 compared to $77.8 million in the same period of 2010, an increase of $6.1 million, or 7.8%, reflecting higher overall property investments and higher tax rates.

Interest charges (income):

**Long-term debt and transition property securitization certificate interest charges** were $74.1 million in the nine months ended September 30, 2011 compared to $77.5 million in the same period of 2010, a decrease of $3.4 million, or 4.4%. The decrease in interest charges reflects scheduled principal pay downs of transition property securitization debt and the retirement of NSTAR Electric' s $125 million, 7.80% Debentures in May 2010 and its 5.75% Massachusetts Industrial Financial Agency Bonds on August 1, 2011. These reductions in interest expense were partially offset by higher expense for NSTAR Electric' s $300 million, 5.50% Debentures issued in March 2010.

**Interest income and other, net** were $22.4 million of net interest income in the nine months ended September 30, 2011 compared to $24.1 million of net interest income in the same period of 2010, a decrease of $1.7 million, or 7.1%, due to decreased interest income on tax issues of $9.1 million, partially offset by higher interest income of $3.7 million from regulatory deferrals and $3.2 million in interest income from legal matters.

Other income (deductions):

**Other income** was approximately $2.8 million in the nine months ended September 30, 2011 compared to $2.4 million in the same period of 2010, an increase of $0.4 million. The increase relates primarily to higher equity investment earnings.

**Other deductions** were $2 million in the nine months ended September 30, 2011 compared to $1.1 million in the same period of 2010. The increase is due in part to a reduction in cash surrender values of life insurance policies.

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Income tax expense:

**Income tax expense** was $133.1 million in the nine months ended September 30, 2011 compared to $135.8 million in the same period of 2010, a decrease of $2.7 million, or 2%, primarily reflecting lower pre-tax operating income in 2011.

**It em 4. Controls and Procedures**

NSTAR Electric' s disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

As of the end of the period covered by this Quarterly Report on Form 10-Q, NSTAR Electric carried out an evaluation, under the supervision and with the participation of NSTAR Electric' s management, including NSTAR Electric' s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of NSTAR Electric' s disclosure controls and procedures pursuant to Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that NSTAR Electric' s disclosure controls and procedures were effective (1) to timely alert them to material information relating to NSTAR Electric' s information required to be disclosed by NSTAR Electric in the reports that it files or submits under the Securities Exchange Act of 1934 and (2) to ensure that appropriate information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission' s rules and forms.

There have been no changes in NSTAR Electric' s internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Securities Exchange Act of 1934) during NSTAR Electric' s most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, NSTAR Electric' s internal control over financial reporting.

**Part II - Other Information**

**Item 1. Legal Proceedings**

In the normal course of its business, NSTAR Electric and its subsidiaries are involved in certain legal matters, including civil litigation. Management is unable to fully determine a range of potential court-ordered damages, settlement amounts, and related litigation costs (legal liabilities) that would be in excess of amounts accrued and amounts covered by insurance. Based on the information currently available, NSTAR Electric does not believe that it is probable that any such legal liability will have a material impact on its consolidated financial position. However, it is reasonably possible that additional legal liabilities that may result from changes in circumstances could have a material impact on its results of operations, financial condition, or cash flows.

**Item 1A. Risk Factors**

Investors or prospective investors should carefully consider the risk factors that were previously disclosed in NSTAR Electric' s Annual Report on Form 10-K for the year ended December 31, 2010.

**Risk Factor**

The following risk factor has been added to this Form 10-Q since the filing of the Form 10-K:

***NSTAR Electric could face negative impact from terrorism, cyber attacks, sabotage, acts of war, or other catastrophic events.***

NSTAR Electric' s infrastructure facilities and the generation and transmission infrastructure facilities of third parties could be direct targets of terrorism, cyber attacks, sabotage, or acts of war. The costs to repair any damage to operating facilities from destructive events could be substantial. Such actions could also result in political, economic and financial market instability, which could have a material adverse impact on the Company' s operations. While it is not possible to predict the impact of a particular event of this type, the impact that any threat of terrorism, cyber attack, act of war or other catastrophic event might have on the energy industry and on NSTAR Electric' s business in particular could be material.

**Item 5. Other Information**

The following is furnished for informational purposes.

Ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred stock dividend requirements:

| | |
|---|---|
| Twelve months ended September 30, 2011: | |
| Ratio of earnings to fixed charges | 6.29 |
| Ratio of earnings to fixed charges and preferred stock dividend requirements | 6.04 |

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**Item 6. Exhibits**

a) Exhibits:

| | | | |
|---|---|---|---|
| Exhibit | 4 | - | Instruments Defining the Rights of Security Holders, Including Indentures |
| | | - | Management agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any agreement or instrument of NSTAR Electric defining the rights of holders of any non-registered debt whose authorization does not exceed 10% of total assets. |

Exhibits filed herewith:

| | | | |
|---|---|---|---|
| Exhibit | 12 | - | Statement re Computation of Ratios |
| | 12.1 | - | Computation of Ratio of Earnings to Fixed Charges for the Twelve Months Ended September 30, 2011 |
| | 12.2 | - | Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements for the Twelve Months Ended September 30, 2011 |
| Exhibit | 15 | - | Letter re Unaudited Interim Financial Information |
| | 15.1 | - | PricewaterhouseCoopers LLP Awareness Letter |
| Exhibit | 31 | - | Rule 13a - 14(a)/15d - 14(a) Certifications |
| | 31.1 | - | Certification Statement of Chief Executive Officer of NSTAR Electric pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| | 31.2 | - | Certification Statement of Chief Financial Officer of NSTAR Electric pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| Exhibit | 32 | - | Section 1350 Certifications |
| | 32.1 | - | Certification Statement of Chief Executive Officer of NSTAR Electric pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| | 32.2 | - | Certification Statement of Chief Financial Officer of NSTAR Electric pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| Exhibit | 99 | - | Additional Exhibits |
| | 99.1 | - | Report of Independent Registered Public Accounting Firm * |
| | | * | Rule 436(c) of the 1933 Act provides that a report on unaudited interim financial information shall not be considered part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Section 7 or 11 of the 1933 Act. Therefore, the accountant is not subject to the liability provisions of Section 11 of the 1933 Act. |
| Exhibit | 101.INS | - | XBRL Instance Document |
| Exhibit | 101.SCH | - | XBRL Taxonomy Extension Schema Document |

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| | | | |
|---|---|---|---|
| Exhibit | 101.CAL | - | XBRL Taxonomy Extension Calculation Linkbase Document |
| Exhibit | 101.LAB | - | XBRL Taxonomy Extension Label Linkbase Document |
| Exhibit | 101.PRE | - | XBRL Taxonomy Extension Presentation Linkbase |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NSTAR Electric Company
(Registrant)

Date: November 7, 2011

By: /s/ R. J. WEAFER, JR.
Robert J. Weafer, Jr.
*Vice President, Controller and Chief Accounting Officer*

**Exhibit 12.1**

NSTAR Electric Company
Computation of Ratio of Earnings to Fixed Charges
Twelve Months Ended September 30, 2011
(in thousands)

| | |
|---|---|
| Net income from continuing operations | $244,182 |
| Less: equity income from investees | 1,105 |
| Plus: distributed income of equity investees | 702 |
| Income taxes | 159,290 |
| Fixed charges (including securitization certificates) | 76,156 |
| Total | $479,225 |
| Interest expense | $69,752 |
| Interest component of rentals (estimated as one-third of rental expense) | 6,404 |
| Total | $76,156 |
| Ratio of earnings to fixed charges | 6.29 |

**Exhibit 12.2**

NSTAR Electric Company
Computation of Ratio of Earnings to Fixed Charges
and Preferred Stock Dividend Requirements
Twelve Months Ended September 30, 2011
(in thousands)

| | |
|---|---|
| Net income from continuing operations (before preferred stock dividend) | $244,182 |
| Less: equity income from investees | 1,105 |
| Plus: distributed income of equity investees | 702 |
| Income taxes | 159,290 |
| Fixed charges (including securitization certificates) | 76,156 |
| Total | $479,225 |
| Interest expense | $69,752 |
| Interest component of rentals (estimated as one-third of rental expense) | 6,404 |
| Subtotal | 76,156 |
| Preferred stock dividend requirements | 3,239 |
| Total | $79,395 |
| Ratio of earnings to fixed charges and preferred stock dividend requirements | 6.04 |

**Exhibit 15.1**

November 7, 2011

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated November 7, 2011 on our review of interim financial information of NSTAR Electric Company for the three-month and nine-month periods ended September 30, 2011 and 2010 and included in the Company' s quarterly report on Form 10-Q for the quarter ended September 30, 2011 is incorporated by reference in its Registration Statement on Form S-3 (No. 333-162401).

Very truly yours,

/s/ PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts

**Exhibit 31.1**

Sarbanes - Oxley Section 302 Certification

I, Thomas J. May, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NSTAR Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 7, 2011

By: /s/ THOMAS J. MAY

Thomas J. May
Chairman, President and Chief Executive Officer

**Exhibit 31.2**

Sarbanes - Oxley Section 302 Certification

I, James J. Judge, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NSTAR Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
    d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: November 7, 2011

By: /s/ JAMES J. JUDGE

James J. Judge
Senior Vice President and Chief Financial Officer

**Exhibit 32.1**

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant To
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NSTAR Electric Company (the "Company") on Form 10-Q for the quarter ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. May, Chairman, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2011

By: /s/ THOMAS J. MAY
Thomas J. May
Chairman, President and Chief Executive Officer

**Exhibit 32.2**

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant To
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NSTAR Electric Company (the "Company") on Form 10-Q for the quarter ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. Judge, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2011

By: /s/ JAMES J. JUDGE
James J. Judge
Senior Vice President and Chief Financial Officer

**Exhibit 99.1**

## Report of Independent Registered Public Accounting Firm

To the Shareholder and Directors of NSTAR Electric Company:

We have reviewed the accompanying condensed consolidated balance sheet of NSTAR Electric Company and its subsidiaries (the "Company") as of September 30, 2011, and the related condensed consolidated statements of income and retained earnings for each of the three-month and nine-month periods ended September 30, 2011 and 2010 and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company' s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of income and retained earnings and of cash flows for the year then ended (not presented herein), and in our report dated February 14, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note A to the condensed consolidated financial statements, NSTAR signed an Agreement and Plan of Merger on October 16, 2010 with Northeast Utilities.

/s/ PRICEWATERHOUSECOOPERS LLP

Boston, Massachusetts

November 7, 2011

| Condensed Consolidated Statements Of Retained Earnings (USD $) In Thousands | 3 Months Ended | | 9 Months Ended | |
|---|---|---|---|---|
| | Sep. 30, 2011 | Sep. 30, 2010 | Sep. 30, 2011 | Sep. 30, 2010 |
| **Condensed Consolidated Statements Of Retained Earnings [Abstract]** | | | | |
| Balance at the beginning of the period | $ 1,147,768 | $ 1,072,919 | $ 1,158,501 | $ 1,100,086 |
| Net income | 99,820 | 102,347 | 203,367 | 207,760 |
| Subtotal | 1,247,588 | 1,175,266 | 1,361,868 | 1,307,846 |
| **Deduct dividends declared:** | | | | |
| Common stock dividends declared to Holding Company | 28,300 | 28,300 | 141,600 | 159,900 |
| Preferred stock dividends declared | 490 | 490 | 1,470 | 1,470 |
| Subtotal | 28,790 | 28,790 | 143,070 | 161,370 |
| Balance at the end of the period | $ 1,218,798 | $ 1,146,476 | $ 1,218,798 | $ 1,146,476 |

| Condensed Consolidated Balance Sheets (USD $) In Thousands | Sep. 30, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 10,043 | $ 8,964 |
| Restricted cash | | 17,007 |
| Accounts receivable, net of allowance of $27,412 and $29,033, respectively | 277,216 | 227,115 |
| Accrued unbilled revenues | 48,333 | 42,528 |
| Regulatory assets | 274,773 | 331,772 |
| Inventory, at average cost | 22,924 | 18,254 |
| Refundable income taxes | | 128,340 |
| Other | 376 | 33,735 |
| Total current assets | 633,665 | 807,715 |
| **Utility plant:** | | |
| Electric plant in service, at original cost | 5,616,377 | 5,468,560 |
| Less: accumulated depreciation | 1,433,134 | 1,351,537 |
| Net electric plant-in-service | 4,183,243 | 4,117,023 |
| Construction work in progress | 157,982 | 87,678 |
| Net utility plant | 4,341,225 | 4,204,701 |
| **Other investments:** | | |
| Equity and other investments | 4,464 | 4,755 |
| Restricted cash | 3,373 | 3,373 |
| Total other investments | 7,837 | 8,128 |
| **Deferred debits:** | | |
| Regulatory assets | 1,561,912 | 1,676,688 |
| Other deferred debits | 30,503 | 39,706 |
| Total deferred debits | 1,592,415 | 1,716,394 |
| Total assets | 6,575,142 | 6,736,938 |
| **Current liabilities:** | | |
| Long-term debt | 1,100 | 687 |
| Transition property securitization | 68,872 | 46,955 |
| Notes payable | 82,500 | 227,500 |
| Power contract obligations | 32,976 | 72,553 |
| Accounts payable | 169,534 | 205,467 |
| Payable to affiliates, net | 95,424 | 110,304 |
| Income taxes | 131,066 | 63,622 |
| Accrued interest | 26,107 | 18,587 |
| Other | 52,880 | 58,470 |
| Total current liabilities | 660,459 | 804,145 |
| **Deferred credits and other liabilities:** | | |
| Accumulated deferred income taxes | 1,250,576 | 1,219,810 |
| Power contract obligations | 118,523 | 143,224 |
| Pension liability | 265,709 | 254,014 |

| | | |
|---|---|---|
| Regulatory liability - cost of removal | 234,470 | 226,738 |
| Payable to affiliates | 67,683 | 66,702 |
| Other deferred credits | 80,192 | 84,320 |
| Total deferred credits | 2,017,153 | 1,994,808 |
| **Long-term debt:** | | |
| Long-term debt | 1,599,626 | 1,616,011 |
| Transition property securitization | 43,493 | 127,860 |
| Total long-term debt | 1,643,119 | 1,743,871 |
| Cumulative non-mandatory redeemable preferred stock | 43,000 | 43,000 |
| **Common equity:** | | |
| Common stock, par value $1 per share (100 shares issued and outstanding) | | |
| Premium on common stock | 992,613 | 992,613 |
| Retained earnings | 1,218,798 | 1,158,501 |
| Total common equity | 2,211,411 | 2,151,114 |
| Total capitalization | 3,897,530 | 3,937,985 |
| Commitments and contingencies | | |
| Total liabilities and capitalization | $ 6,575,142 | $ 6,736,938 |

| Document And Entity Information | 9 Months Ended Sep. 30, 2011 | Nov. 05, 2011 |
| --- | --- | --- |
| **Document And Entity Information [Abstract]** | | |
| Document Type | 10-Q | |
| Amendment Flag | false | |
| Document Period End Date | Sep. 30, 2011 | |
| Document Fiscal Period Focus | Q3 | |
| Document Fiscal Year Focus | 2011 | |
| Entity Registrant Name | NSTAR ELECTRIC CO | |
| Entity Central Index Key | 0000013372 | |
| Current Fiscal Year End Date | --12-31 | |
| Entity Filer Category | Non-accelerated Filer | |
| Entity Common Stock, Shares Outstanding | | 100 |

| Commitments And Contingencies | 9 Months Ended Sep. 30, 2011 |
|---|---|
| Commitments And Contingencies [Abstract] | |
| Commitments And Contingencies | |

**Note F. Commitments and Contingencies**

1. Service Quality Indicators

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

NSTAR Electric monitors its service quality continuously, and if it is probable that a liability has been incurred and is estimable, a liability is accrued. Any settlement or rate order that would result in a different liability level from what has been accrued would be adjusted in the period that the DPU issues an order determining the amount of any such liability.

NSTAR Electric's service quality performance levels for 2010 were not in a penalty situation. The final performance report was filed with the DPU on March 1, 2011.

2. Environmental Matters

NSTAR Electric faces possible liabilities as a result of involvement in several multi-party disposal sites, state-regulated sites or third party claims associated with contamination remediation. NSTAR Electric generally expects to have only a small percentage of the total potential liability for the majority of these sites. As of September 30, 2011 and December 31, 2010, NSTAR Electric had liabilities of $1.4 million and $0.9 million, respectively, for these environmental sites. This estimated liability is based on an evaluation of all currently available facts with respect to these sites.

Estimates related to environmental remediation costs are reviewed and adjusted as further investigation and assignment of responsibility occurs and as either additional sites are identified or NSTAR Electric's responsibilities for such sites evolve or are resolved. NSTAR Electric's ultimate liability for future environmental remediation costs may vary from these estimates. Based on NSTAR Electric's current assessment of its environmental responsibilities, existing legal requirements, and regulatory policies, NSTAR Electric does not believe that these environmental remediation costs will have a material adverse effect on NSTAR Electric's consolidated results of operations, financial position, or cash flows.

3. Regulatory Proceedings

DPU Safety and Reliability Programs (CPSL)

As part of the Rate Settlement Agreement, NSTAR Electric recovers incremental costs related to the double pole inspection, replacement/restoration and transfer program and the underground electric safety program, which includes stray-voltage remediation and manhole inspections, repairs, and upgrades. Recovery of these Capital Program Scheduling List (CPSL) billed costs is subject to DPU review and approval. From 2006 through 2010, NSTAR Electric incurred and billed cumulative incremental revenue requirements of approximately $67 million. During 2011, approximately $11 million has been incurred through September 30. These amounts include incremental operations and maintenance and revenue requirements on capital investments.

On May 28, 2010, the DPU issued an order on NSTAR Electric's 2006 CPSL costs recovery filing. The expected recovery amount did not vary materially from the revenue previously recognized. On October 8, 2010, NSTAR Electric submitted a Compliance Filing with the DPU reconciling the recoverable CPSL Program revenue requirement for each year 2006 through 2009 with the revenues already collected to determine the proposed adjustment effective on January 1, 2011. The DPU allowed the proposed rates to go into effect on that date, subject to reconciliation of program costs. NSTAR Electric cannot predict the timing of subsequent DPU orders related to this filing. Should an adverse DPU decision be issued, it could have a material adverse impact on NSTAR Electric's result of operations, financial position, and cash flows.

Basic Service Bad Debt Adder

On July 1, 2005, in response to a generic DPU order that required electric utilities in Massachusetts to recover the energy-related portion of bad debt costs in their Basic Service rates, NSTAR Electric increased its Basic Service rates and reduced its distribution rates for those bad debt costs. In furtherance of this generic DPU order, NSTAR Electric included a bad debt cost recovery mechanism as a component of its Rate Settlement Agreement. This recovery mechanism (bad debt adder) allows NSTAR Electric to recover its Basic Service bad debt costs on a fully reconciling basis. These rates were implemented, effective January 1, 2006, as part of NSTAR Electric's Rate Settlement Agreement.

On February 7, 2007, NSTAR Electric filed its 2006 Basic Service reconciliation with the DPU proposing an adjustment related to the increase of its Basic Service bad debt charge-offs. This proposed rate adjustment was anticipated to be implemented effective July 1, 2007. On June 28, 2007, the DPU issued an order approving the implementation of a revised Basic Service rate. However, the DPU instructed NSTAR Electric to reduce distribution rates by the increase in its Basic Service bad debt charge-offs. Such action would result in a further reduction to distribution rates from the adjustment NSTAR Electric made when it implemented the Settlement Agreement. This adjustment to NSTAR Electric's distribution rates would eliminate the fully reconciling nature of the Basic Service bad debt adder.

NSTAR Electric has not implemented the directives of the June 28, 2007 DPU order. Implementation of this order would require NSTAR Electric to write-off a previously recorded regulatory asset related to its Basic Service bad debt costs. NSTAR Electric filed a Motion for Reconsideration of the DPU's order on July 18, 2007. On May 28, 2010, the DPU issued an order and reaffirmed that NSTAR Electric should reduce its distribution rates by the increase in its Basic Service bad debt charge-offs. On June 18, 2010, NSTAR Electric filed an appeal of the DPU's order with the Massachusetts Supreme Judicial Court (SJC). Briefs were filed during the summer of 2011 and oral arguments are anticipated by the end of 2011. A decision by the SJC is expected in the first half of 2012. As of September 30, 2011, the potential pre-tax impact to earnings of eliminating the fully reconciling nature of the bad debt adder would be approximately $22 million. NSTAR Electric cannot predict the exact timing of this appeals process or the ultimate outcome. NSTAR Electric continues to believe that its position is appropriate and that it is probable upon appeal that it will ultimately prevail.

Other

In the fourth quarter of each year, NSTAR Electric files proposed distribution rate adjustments for effect on the following January 1. These rate adjustments include a SIP adjustment factor and several other fully reconciling cost recovery items. Consistent with previous filings, the 2011 filings include a combination of actual and forecasted data for 2011 that NSTAR Electric will update during 2012 with year-end data to allow a final investigation and reconciliation. There are several case years that remain outstanding at the DPU. These cases are pending decisions at the DPU and NSTAR Electric cannot predict the timing or the ultimate outcome of these filings.

4. Yankee Companies Spent Fuel Litigation

NSTAR Electric is part owner of three decommissioned New England nuclear power plants, Connecticut Yankee (CY), Yankee Atomic (YA) and Maine Yankee (MY) (the Yankee Companies). The Yankee Companies have been party to ongoing litigation at the Federal level with respect to the alleged failure of the Department of Energy (DOE) to provide for a permanent facility to store spent nuclear fuel generated in years through 2001 for CY and YA, and through 2002 for MY (DOE Phase I Damages). NSTAR Electric's portion of the Phase I judgments amounts to $4.8 million, $4.6 million, and $3 million, respectively. The case has been going through the appeal process in the Federal courts, and a final decision on this appeal could be received by March 2012.

In 2009, the Yankee Companies also filed for additional damages related to the alleged failure of the DOE to provide for a permanent facility to store spent nuclear fuel generated in years after 2001 for CY and YA and after 2002 for MY (DOE Phase II Damages). Claim amounts applicable to Phase II for NSTAR Electric are $19 million, $12 million, and $1.7 million, respectively.

NSTAR Electric cannot predict the ultimate outcome of these pending decisions. However, should the Yankee Companies ultimately prevail, NSTAR Electric's share of the proceeds received would be refunded to its customers.

5. FERC Proceeding Regarding Base ROE of New England Transmission Operators

On September 30, 2011, the Attorney General of Massachusetts, along with various ratepayer advocates representing the six New England states, filed a complaint with the FERC seeking to reduce the 11.14 percent base return on equity (Base ROE) used in calculating formula rates for transmission service under the ISO-NE Open Access Transmission Tariff (OATT). A change in the Base ROE would adversely impact the various investor-owned utilities (New England Transmission Owners, or NETOs), including NSTAR Electric, that provide transmission service to ISO-New England, which serves as the regional transmission organization for New England.

On October 20, 2011, NSTAR Electric along with the other NETOs, filed their response with the FERC. In that response, the NETOs defended the appropriateness of the current FERC-approved Base ROE. The NETOs requested that the FERC summarily dismiss the complaint. Should any unfavorable ruling by FERC result in a reduction of the Base ROE, the exposure would be limited to OATT rates assessed following the complaint date of September 30, 2011. NSTAR Electric cannot predict the timing or outcome of this proceeding.

6. Legal Matters

In the normal course of its business, NSTAR Electric and its subsidiaries are involved in certain legal matters, including civil litigation. Management is unable to fully determine a range of potential court-ordered damages, settlement amounts, and related litigation costs (legal liabilities) that would be in excess of amounts accrued and amounts covered by insurance. Based on the information currently available, NSTAR Electric does not believe that it is probable that any such legal liabilities will have a material impact on its consolidated financial position. However, it is reasonably possible that additional legal liabilities that may result from changes in circumstances could have a material impact on its results of operations, financial condition, and cash flows.

| Derivative Instruments | 9 Months Ended Sep. 30, 2011 |
|---|---|
| **Derivative Instruments [Abstract]** | |
| Derivative Instruments | |

**Note B. Derivative Instruments**

Energy Contracts

NSTAR Electric has determined that it is not required to account for the majority of its electricity supply contracts as derivatives because they qualify for, and NSTAR Electric has elected, the normal purchases and sales exception. As a result, these agreements are not reflected on the accompanying Condensed Consolidated Balance Sheets. NSTAR Electric has one long-term renewable energy contract that does not qualify for the normal purchases and sales exception and is valued at an estimated $1.6 million and $2.4 million liability as of September 30, 2011 and December 31, 2010, respectively. NSTAR Electric has measured the difference between the cost of this contract and projected market energy costs over the life of the contract, and recorded a long-term derivative liability and a corresponding long-term regulatory asset for the value of this contract. Changes in the value of the contract have no impact on earnings. The fair value of the long-term renewable energy contract deemed to be a derivative was as follows:

| (in thousands) | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Renewable Energy Contract – Non-hedging instrument | | |
| Condensed Consolidated Balance Sheet Account: | | |
| Deferred credits and other liabilities: Power contract obligations | $ 1,640 | $ 2,400 |
| Total liability for non-hedging derivative instrument | $ 1,640 | $ 2,400 |

| Condensed Consolidated Statements Of Cash Flows (USD $) In Thousands | 9 Months Ended | |
|---|---|---|
| | Sep. 30, 2011 | Sep. 30, 2010 |
| **Operating activities:** | | |
| Net income | $ 203,367 | $ 207,760 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | |
| Depreciation and amortization | 204,939 | 214,727 |
| Debt amortization | 3,706 | 3,601 |
| Deferred income taxes | 5,063 | 5,180 |
| **Net changes in:** | | |
| Refundable income taxes | 128,340 | |
| Current assets and liabilities | (467) | (49,537) |
| Regulatory assets | 102,547 | 114,906 |
| Long-term power contract obligations | (63,518) | (96,946) |
| Deferred debits and credits, net | 8,040 | (30,250) |
| Net cash provided by operating activities | 592,017 | 369,441 |
| **Investing activities:** | | |
| Plant expenditures (including AFUDC) | (241,819) | (208,054) |
| Decrease (increase) in restricted cash | 17,007 | (12,400) |
| Proceeds from sale of properties | 188 | |
| Net change in other investment activities | 443 | 3,962 |
| Net cash used in investing activities | (224,181) | (216,492) |
| **Financing activities:** | | |
| Transition property securitization redemptions | (62,450) | (72,289) |
| Long-term debt issuances | | 300,000 |
| Discount on issuance of long-term debt | | (4,806) |
| Debt issuance costs | | (3,022) |
| Long-term debt redemptions | (16,237) | (126,239) |
| Net change in notes payable | (145,000) | (83,500) |
| Dividends paid | (143,070) | (161,370) |
| Net cash used in financing activities | (366,757) | (151,226) |
| Net increase in cash and cash equivalents | 1,079 | 1,723 |
| Cash and cash equivalents at the beginning of the year | 8,964 | 7,457 |
| Cash and cash equivalents at the end of the period | 10,043 | 9,180 |
| **Cash paid (received) during the period for:** | | |
| Interest, net of amounts capitalized | 66,107 | 64,477 |
| Income taxes | (94,088) | 150,871 |
| **Non-cash investing activity:** | | |
| Plant additions included in accounts payable | $ 29,418 | $ 12,160 |

| Income Taxes | 9 Months Ended Sep. 30, 2011 |
|---|---|

**Income Taxes [Abstract]**

Income Taxes

**Note C. Income Taxes**

Effective Tax Rate

NSTAR Electric is part of a consolidated tax group. As such, income tax payments are either due to or from NSTAR (Holding Company).

The following table reconciles the statutory Federal income tax rate to the annual estimated effective income tax rate for 2011 and the actual effective income tax rate for the year ended December 31, 2010:

| | 2011 | 2010 |
|---|---|---|
| Statutory Federal tax rate | 35 % | 35 % |
| State income tax, net of Federal income tax benefit | 4 | 4 |
| Effective tax rate | 39 % | 39 % |

Receipt of Federal Tax Refund for 2001-2007 Tax Years

On April 21, 2011, NSTAR Electric received a $166.8 million refund from the IRS relating to the 2001-2007 tax years. The approved settlement and receipt of the refund resolves all outstanding tax matters for these years.

Open Tax Years

The 2010 Federal income tax return is being reviewed under the IRS Compliance Assurance Process (CAP). CAP accelerates the examination of the return in order to resolve issues before the tax return is filed. The outcome and the timing of any potential audit adjustments are uncertain. All years prior to 2010 have been examined by the IRS.

Uncertain Tax Positions

NSTAR Electric did not have a reserve for uncertain tax positions at September 30, 2011 and December 31, 2010.

Interest on Tax Positions

The total amounts of accrued interest receivable (payable) related to tax matters included in "Other current assets" or "Accrued interest" on the accompanying Condensed Consolidated Balance Sheets were as follows:

| (in millions) | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Accrued tax interest (payable) receivable | $ (0.7 ) | $ 32.7 |

| Fair Value Measurements | 9 Months Ended Sep. 30, 2011 |
|---|---|
| **Fair Value Measurements [Abstract]** | |
| Fair Value Measurements | |

**Note D. Fair Value Measurements**

NSTAR Electric follows a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Company to classify assets and liabilities carried at fair value based on the observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

Level 2 – Quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data.

Level 3 – Unobservable inputs from objective sources. These inputs may be based on entity-specific inputs. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.

The renewable energy contract was valued based on the difference between the contracted price and the estimated fair value of remaining contracted supply to be purchased. Inputs used to develop the estimate included on-line regional generation and forecasted demand.

The following represents the fair value hierarchy of NSTAR Electric's financial liability that was recognized at fair value on a recurring basis as of September 30, 2011 and December 31, 2010. The financial liability is classified based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measures:

| | September 30, 2011 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Liability: | | | | |
| Renewable Energy Contract [a] | $— | $— | $ 2 | $ 2 |
| Total | $— | $— | $ 2 | $ 2 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Liability: | | | | |
| Renewable Energy Contract [a] | $— | $— | $ 2 | $ 2 |
| Total | $— | $— | $ 2 | $ 2 |

(a) - Included in "Deferred credits and other liabilities: Power contract obligations" on the accompanying Condensed Consolidated Balance Sheets

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, net accounts receivable, other current assets, certain current liabilities, and notes payable as of September 30, 2011 and December 31, 2010, respectively, approximate fair value due to the short-term nature of these securities.

The fair values of long-term indebtedness (excluding notes payable, including current maturities) are based on the quoted market prices of similar issues. Carrying amounts and fair values as of September 30, 2011 and December 31, 2010 were as follows:

| | September 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| (in thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term indebtedness (including current maturities) | $1,713,091 | $1,958,880 | $1,791,513 | $1,936,680 |

| Indebtedness | 9 Months Ended Sep. 30, 2011 |
|---|---|
| **Indebtedness [Abstract]** | |
| Indebtedness | **Note E. Indebtedness**<br>On August 1, 2011, NSTAR Electric redeemed $15 million of Massachusetts Industrial Finance Agency Bonds, 5.75%, due February 2014, at par. |

| Condensed Consolidated Balance Sheets (Parenthetical) (USD $) In Thousands, except Share data | Sep. 30, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Condensed Consolidated Balance Sheets [Abstract]** | | |
| Accounts receivable, allowance | $ 27,412 | $ 29,033 |
| Common stock, par value | $ 1 | $ 1 |
| Common stock, shares issued | 100 | 100 |
| Common stock, shares outstanding | 100 | 100 |

| Business Organization And Summary Of Significant Accounting Policies | 9 Months Ended Sep. 30, 2011 |
|---|---|

**Business Organization And Summary Of Significant Accounting Policies [Abstract]**

Business Organization And Summary Of Significant Accounting Policies

**Note A. Business Organization and Summary of Significant Accounting Policies**

1. About NSTAR Electric

NSTAR Electric Company (NSTAR Electric or the Company) is a regulated public utility incorporated in 1886 under Massachusetts law and is a wholly-owned subsidiary of NSTAR. NSTAR Electric serves approximately 1.1 million electric distribution customers in the City of Boston and 80 surrounding communities. NSTAR is a holding company engaged through its subsidiaries in the energy delivery business serving approximately 1.4 million customers in Massachusetts, including NSTAR Electric's customers and approximately 300,000 natural gas distribution customers of NSTAR Gas in 51 communities. NSTAR has a service company that provides management and support services to substantially all NSTAR subsidiaries—NSTAR Electric & Gas.

Harbor Electric Energy Company (HEEC), a wholly-owned subsidiary of NSTAR Electric, provides distribution service and ongoing support to its only customer, the Massachusetts Water Resources Authority's wastewater treatment facility located on Deer Island in Boston, Massachusetts. NSTAR Electric's three wholly-owned consolidated special-purpose subsidiaries are BEC Funding LLC, BEC Funding II LLC, and CEC Funding LLC, all established to facilitate the sales of electric rate reduction certificates at a public offering. The certificates of all special-purpose subsidiaries are secured by a portion of the transition charge assessed on NSTAR Electric's retail customers as permitted by the 1997 Massachusetts Electric Restructuring Act and authorized by the DPU. The activities of BEC Funding LLC were substantially completed as of March 31, 2010 and the Company was dissolved on April 14, 2010.

2. Pending Merger with Northeast Utilities

On October 16, 2010, upon unanimous approval from their respective Boards of Trustees, NSTAR and Northeast Utilities (NU) entered into an Agreement and Plan of Merger (the Merger Agreement). The transaction will be a merger of equals in a stock-for-stock transfer. Upon the terms and subject to the conditions set forth in the Merger Agreement, at closing, NSTAR will become a wholly-owned subsidiary of NU. On March 4, 2011, shareholders of each company approved the merger and adopted the merger agreement. Under the terms of the agreement, NSTAR shareholders will receive 1.312 NU common shares for each NSTAR common share that they own. Following completion of the merger, it is anticipated that NU shareholders will own approximately 56 percent of the post-transaction company and former NSTAR shareholders will own approximately 44 percent of the post-transaction company.

The post-transaction company will provide electric and gas energy delivery services through six regulated electric and gas utilities in Connecticut, Massachusetts and New Hampshire serving nearly 3.5 million electric and gas customers. Completion of the merger is subject to various customary conditions, including receipt of required regulatory approvals. NSTAR believes that the merger can be completed in 2011, but it is possible that the closing of the merger may be delayed to early 2012. Acting pursuant to the terms of the Merger Agreement, on October 14, 2011, NU and NSTAR formally extended the date by which either party has the right to terminate the Merger Agreement should all required closing conditions not be satisfied, including receipt of all required regulatory approvals, from October 16, 2011 to April 16, 2012.

Regulatory Approvals on Pending Merger with Northeast Utilities

Federal

On January 4, 2011, NSTAR and NU received approval from the Federal Communications Commission, and on February 10, 2011, the applicable Hart-Scott-Rodino waiting period expired. On July 6, 2011, NSTAR and NU received approval from the Federal Energy Regulatory Commission (FERC). A filing was made with the Nuclear Regulatory Commission (NRC) on December 9, 2010 seeking NRC consent to the transfer of NSTAR's indirect control of ownership interest in three decommissioned nuclear plants to NU. The NRC held a public meeting on September 20, 2011 at which time the NRC indicated it would complete its review by the end of November 2011. NRC consent is currently pending.

Massachusetts

On November 24, 2010, NSTAR and NU (the Joint Petitioners) filed a joint petition requesting the DPU's approval of their proposed merger. On March 10, 2011, the DPU issued an order that modified the standard of review to be applied in the review of mergers involving Massachusetts utilities from a "no net harm" standard to a "net benefits" standard, meaning that the companies must demonstrate that the pending transaction provides benefits that outweigh the costs. Applicable state law provides that mergers of Massachusetts utilities and their respective holding companies must be "consistent with the public interest." The order states that the DPU has flexibility in applying the factors applicable to the standard of review. NSTAR and NU filed supplemental testimony with the DPU on April 8, 2011 indicating the merger could provide post-transaction net savings of approximately $784 million in the first ten years following the closing of the merger and provide environmental benefits with respect to Massachusetts emissions reductions, global warming policies, and furthering the goals of Massachusetts' Green Communities Act.

The DPU held public evidentiary hearings during July 2011. Upon conclusion of the public evidentiary hearings on July 28, 2011, the DPU issued a briefing schedule that arranged for a series of intervenor and Joint Petitioner briefs and reply briefs culminating in the delivery of the final Joint Petitioner reply briefs on September 19, 2011. Subsequently, the Joint Petitioners have agreed to different intervenor motions to extend the briefing schedule, and the DPU consented to these motions. The final Joint Petitioner reply briefs were filed on October 31, 2011.

On July 15, 2011, the Massachusetts Department of Energy Resources (DOER) filed a motion for an indefinite stay in the proceedings. On July 21, 2011, NSTAR and NU filed a response objecting to this motion. The DPU has scheduled Oral Arguments for November 17, 2011 regarding the DOER's Motion to Stay the proceeding, at which time the Joint Petitioners and intervenors will be allowed the opportunity for oral argument of their positions regarding the Motion to Stay.

The Joint Petitioners have provided extensive information in the DPU proceeding including testimony, exhibits and submission of detailed written responses to nearly 1,000 information requests from the DPU and intervenors.

Connecticut

On June 1, 2011, the Connecticut Public Utilities Regulatory Authority (PURA), formerly the Connecticut Department of Public Utility Control (DPUC), issued a decision stating that it lacks jurisdiction to consider the NSTAR merger with NU. On June 30, 2011, the Connecticut Office of Consumer Counsel filed a Petition for Administrative Appeal in Connecticut Superior Court requesting that the Superior Court remand the decision back to the DPUC with instructions to reopen the docket and review the merger transaction. NSTAR cannot determine the outcome or timing of this action.

New Hampshire

On April 5, 2011, the New Hampshire Public Utilities Commission (NHPUC) issued an order finding that it does not have statutory authority to approve or reject the merger.

Maine

On May 11, 2011, the Maine Public Utilities Commission issued an order approving the merger contingent upon approval by the FERC. The FERC approval was received on July 6, 2011.

3. Basis of Consolidation and Accounting

The accompanying condensed consolidated financial information presented as of September 30, 2011 and for the three and nine-month periods ended September 30, 2011 and 2010, has been prepared from NSTAR Electric's books and records without audit by an independent registered public accounting firm. However, NSTAR Electric's independent registered public accounting firm has performed a review of these interim financial statements in accordance with standards established by the PCAOB. The review report is filed as Exhibit 99.1 to this Form 10-Q. Financial information as of December 31, 2010 was derived from the audited consolidated financial statements of NSTAR Electric, but does not include all disclosures required by GAAP. In the opinion of NSTAR Electric's management, all adjustments (which are of a normal recurring nature) necessary for a fair statement of the financial information for the periods indicated, have been included. All significant intercompany transactions have been eliminated in consolidation. Certain immaterial reclassifications have been made to prior year amounts to conform to the current year's presentation. These include the classification of a portion of regulatory assets as of December 31, 2010 from current to non-current on the accompanying Condensed Consolidated Balance Sheets.

NSTAR Electric follows accounting policies prescribed by the FERC and the DPU. In addition, NSTAR Electric and its subsidiaries are subject to the accounting and reporting requirements of the SEC. The accompanying condensed consolidated financial statements are prepared in conformity with GAAP. NSTAR Electric is subject to the application of ASC 980, *Regulated Operations,* which considers the effects of regulation resulting from differences in the timing of recognition of certain revenues and expenses from those of other businesses and industries. The distribution and transmission businesses are subject to rate-regulation that are based on cost recovery and meets the criteria for application of ASC 980.

The preparation of financial statements in conformity with GAAP requires management of NSTAR Electric and its subsidiaries to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The results of operations for the three and nine-month periods ended September 30, 2011 and 2010 are not indicative of the results that may be expected for an entire year. The demand for electricity is affected by weather conditions, economic conditions, and consumer conservation behavior. Electric energy sales and revenues are typically higher in the winter and summer months than in the spring and fall months.

4. Pension and Postretirement Benefits Other than Pensions (PBOP) Plans

NSTAR Electric's net periodic Pension Plan and PBOP Plan benefit costs for the third quarter are based on the 2011 annual actuarial valuation.

NSTAR Electric's Pension Plan and PBOP Plan assets are affected by fluctuations in the financial markets. Fluctuations in the fair value of the Pension Plan and PBOP Plan assets impact the funded status, accounting costs, and cash funding requirements of these Plans. The earnings impact of increased Pension and PBOP costs is mitigated by NSTAR Electric's DPU-approved Pension and PBOP rate adjustment mechanism (PAM). Under the PAM, NSTAR Electric recovers its pension and PBOP expense through a reconciling rate mechanism. The PAM removes the volatility in earnings that could result from fluctuations in market conditions and plan experience.

Pension

NSTAR Electric sponsors a defined benefit retirement plan, the NSTAR Pension Plan (the Plan), that covers substantially all employees. As its sponsor, NSTAR Electric allocates the costs of the Plan to NSTAR Electric & Gas. NSTAR Electric & Gas charges all of its benefit costs to the NSTAR operating companies, including NSTAR Electric, on the proportion of total direct labor charged to its operating companies. During the nine months ended September 30, 2011, NSTAR contributed $68 million to the Plan. In addition, $6 million was contributed in October 2011. NSTAR currently anticipates making additional contributions of approximately $1 million to the Plan during the remainder of 2011. The actual level of funding may differ from this estimate.

Components of net periodic pension benefit cost were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2011 | 2010 | 2011 | 2010 |
| Service cost | $6.5 | $5.9 | $19.5 | $17.7 |
| Interest cost | 15.2 | 15.4 | 45.7 | 46.3 |
| Expected return on Plan assets | (17.8 ) | (15.7 ) | (53.5 ) | (47.1 ) |
| Amortization of prior service cost | (0.2 ) | (0.2 ) | (0.6 ) | (0.6 ) |
| Recognized actuarial loss | 12.2 | 12.7 | 36.5 | 37.9 |
| Net periodic pension benefit cost | $15.9 | $18.1 | $47.6 | $54.2 |

Postretirement Benefits Other than Pensions

NSTAR also provides health care and other benefits to retired employees who meet certain age and years of service eligibility requirements. Under certain circumstances, eligible retirees are required to contribute to the costs of postretirement benefits.

To fund these postretirement benefits, NSTAR, on behalf of NSTAR Electric and other NSTAR subsidiaries, makes contributions to various VEBA trusts that were established pursuant to section 501(c)(9) of the Internal Revenue Code.

NSTAR Electric participates in the Plan trusts with other NSTAR subsidiaries. Plan assets are available to provide benefits for all Plan participants who are former employees of NSTAR Electric and other subsidiaries of NSTAR. During the nine months ended September 30, 2011, NSTAR contributed $22.5 million to this plan. In addition, $2.7 million was contributed in October 2011. NSTAR currently anticipates contributing approximately $4.8 million for the remainder of 2011 toward these benefits. NSTAR Electric will fund approximately $18.2 million, $2.2 million, and $3.9 million of these amounts, respectively.

The net periodic postretirement benefit cost allocated to NSTAR Electric for the three and nine-month periods ended September 30, 2011 was $6.4 million and $19.2 million, as compared to $8.4 million and $25 million in the three and nine-month periods ended September 30, 2010.

5. Interest Income and Other, net

Major components of interest income and other, net were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in thousands) | 2011 | 2010 | 2011 | 2010 |
| Interest on regulatory deferrals | $6,896 | $6,963 | $22,927 | $19,244 |
| Income tax items | (83 ) | 372 | (2,022 ) | 7,070 |
| Other interest income (expense) | (456 ) | (922 ) | 1,491 | (2,435 ) |
| Short-term debt | (32 ) | (169 ) | (247 ) | (452 ) |
| AFUDC | 85 | 224 | 237 | 662 |
| Total interest income and other, net | $6,410 | $6,468 | $22,386 | $24,089 |

6. Variable Interest Entities

NSTAR Electric has certain long-term purchase power agreements with energy facilities where it purchases substantially all of the output from a specified facility for a specified period. NSTAR Electric has evaluated these agreements under the variable interest accounting guidance and has determined that these agreements represent variable interests. NSTAR Electric is not considered the primary beneficiary of these entities and does not consolidate the entities because it does not control the activities most relevant to the operating results of these entities and does not hold any equity interests in the entities. NSTAR Electric's exposure to risks and financial support commitments with respect to these entities is limited to the purchase of the power generated at the prices defined under the contractual agreements. NSTAR Electric's involvement with these variable interest entities has no material impact on NSTAR Electric's financial position, financial performance, or cash flows.

7. Subsequent Events

Management has reviewed subsequent events through the date of this filing and concluded that no material subsequent events have occurred that are not accounted for in the accompanying

Condensed Consolidated Financial Statements or disclosed in the accompanying Notes to Condensed Consolidated Financial Statements.

| Condensed Consolidated Statements Of Income (USD $) In Thousands | 3 Months Ended | | 9 Months Ended | |
|---|---|---|---|---|
| | Sep. 30, 2011 | Sep. 30, 2010 | Sep. 30, 2011 | Sep. 30, 2010 |
| **Condensed Consolidated Statements Of Income [Abstract]** | | | | |
| Operating revenues | $ 751,319 | $ 750,365 | $ 1,920,157 | $ 1,912,602 |
| **Operating expenses:** | | | | |
| Purchased power and transmission | 318,525 | 341,730 | 841,837 | 893,894 |
| Operations and maintenance | 93,416 | 84,847 | 269,961 | 247,962 |
| Depreciation and amortization | 67,779 | 66,978 | 204,939 | 214,727 |
| Energy efficiency programs | 59,204 | 42,879 | 132,160 | 82,537 |
| Property and other taxes | 28,537 | 27,188 | 83,938 | 77,755 |
| Total operating expenses | 567,461 | 563,622 | 1,532,835 | 1,516,875 |
| Operating income | 183,858 | 186,743 | 387,322 | 395,727 |
| **Interest charges (income):** | | | | |
| Long-term debt | 22,591 | 22,637 | 67,848 | 68,106 |
| Transition property securitization | 1,891 | 2,781 | 6,228 | 9,395 |
| Interest income and other, net | (6,410) | (6,468) | (22,386) | (24,089) |
| Total interest charges | 18,072 | 18,950 | 51,690 | 53,412 |
| **Other income (deductions):** | | | | |
| Other income | 680 | 1,175 | 2,802 | 2,373 |
| Other deductions | (1,077) | (264) | (1,952) | (1,083) |
| Total other income (deductions) | (397) | 911 | 850 | 1,290 |
| Income before income taxes | 165,389 | 168,704 | 336,482 | 343,605 |
| Income taxes | 65,569 | 66,357 | 133,115 | 135,845 |
| Net income | $ 99,820 | $ 102,347 | $ 203,367 | $ 207,760 |