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

# Form 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2010**

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: **001-14768**

# NSTAR

*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Massachusetts** | **04-3466300** |
| *(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.
[ X ] 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).
[ X ] 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 | [ X ] | 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 [ X ] No

The number of shares outstanding of the registrant's class of common stock was 103,586,727 Common Shares, par value $1 per share, as of July 30, 2010.

**NSTAR**
**Form 10-Q**
**Quarterly Period Ended June 30, 2010**

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## Important Shareholder Information

NSTAR files its Forms 10-K, 10-Q, and 8-K reports, proxy statements, and other information with the SEC. You may access materials free of charge. NSTAR has filed with the SEC on NSTAR's website at: *www.nstar.com*: Select "Investor Relations" and "Financial Information" or on the SEC's website at *www.sec.gov*. Copies of NSTAR'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.

In addition, NSTAR's Board of Trustees has several committees, including an Audit, Finance and Risk Management Committee, an Executive Personnel Committee and a Board Governance and Nominating Committee. The Board of Trustees also has a standing Executive Committee. The Board of Trustees has adopted 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, 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 our 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 trustees can be accessed free of charge on NSTAR's website at: *www.nstar.com*: Select "Investor Relations" and "Company Information."

The certifications of NSTAR'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.

## Glossary of Terms

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

| | |
|---|---|
| NSTAR Companies | |
| NSTAR | NSTAR (Holding company), 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 |
| MATEP | Medical Area Total Energy Plant, Inc. |
| AES | Advanced Energy Systems, Inc. (Parent company of MATEP) |
| NSTAR Com | NSTAR Communications, Inc. |
| Hopkinton | Hopkinton LNG Corp. |
| Unregulated operations | Represents non rate-regulated operations of NSTAR Com and Hopkinton |
| Discontinued operations | Represents operations of MATEP |
| Regulatory and Other Authorities | |
| DOE | U. S. Department of Energy |
| DPU | Massachusetts Department of Public Utilities |
| FERC | Federal Energy Regulatory Commission |
| IRS | U. S. Internal Revenue Service |
| ISO-NE | ISO (Independent System Operator) - New England Inc. |
| NYMEX | New York Mercantile Exchange |
| PCAOB | Public Company Accounting Oversight Board (United States) |
| 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 |
| ASR | Accelerated Share Repurchase program |
| BBtu | Billions of British thermal units |
| CGAC | Cost of Gas Adjustment Clause |
| CPSL | Capital Projects Scheduling List |
| CY | Connecticut Yankee Atomic Power Company |
| EERF | Energy Efficiency Reconciling Factor |
| EPS | Earnings Per Common Share |
| GAAP | Generally Accepted Accounting Principles in the United States of America |
| GCA | Massachusetts Green Communities Act |
| HCERA | Health Care and Education Reconciliation Act of 2010 |
| LDAC | Local Distribution Adjustment Clause |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| MGP | Manufactured Gas Plant |
| MWh | Megawatthour (equal to one million watthours) |
| MY | Maine Yankee Atomic Power Company |
| PAM | Pension and PBOP Rate Adjustment Mechanism |
| PBOP | Postretirement Benefits Other than Pensions |
| PPACA | Patient Protection and Affordable Care Act of 2010 |
| ROE | Return on Equity |
| SIP | Simplified Incentive Plan |
| SSCM | Simplified Service Cost Method |
| VWAP | Volume Weighted Average Share Price |
| YA | Yankee Atomic Electric Company |

**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. NSTAR uses 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 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 NSTAR’s 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 and the FERC) with respect to allowed rates of return, rate structure, continued recovery of regulatory assets and energy costs, financings, municipalization, acquisition and disposition of assets, operation and construction of facilities, changes in tax laws and policies, and 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 and natural gas
- 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
- 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
- impact of terrorist acts and cyber-attacks, and
- impact of service quality performance measures

Any forward-looking statement speaks only as of the date of this filing and NSTAR 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 makes in its filings to the SEC. Other factors in addition to those listed here could also adversely affect NSTAR. 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 Consolidated Financial Statements* and NSTAR encourages a review of these items.

**Part I. Financial Information**
**Item 1. Financial Statements**

NSTAR
Consolidated Statements of Income
(Unaudited) (in thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Operating revenues | $ 655,795 | $ 683,593 | $ 1,422,403 | $ 1,592,416 |
| Operating expenses: | | | | |
| Purchased power and transmission | 268,094 | 297,577 | 551,337 | 674,186 |
| Cost of gas sold | 40,050 | 43,004 | 150,669 | 200,082 |
| Operations and maintenance | 101,548 | 93,390 | 211,537 | 197,863 |
| Depreciation and amortization | 73,025 | 91,663 | 166,084 | 190,489 |
| Energy efficiency and renewable energy programs | 24,605 | 19,198 | 44,863 | 38,368 |
| Property and other taxes | 26,698 | 24,267 | 57,888 | 52,963 |
| Total operating expenses | 534,020 | 569,099 | 1,182,378 | 1,353,951 |
| Operating income | 121,775 | 114,494 | 240,025 | 238,465 |
| Interest charges (income): | | | | |
| Long-term debt | 31,082 | 32,817 | 64,538 | 65,044 |
| Transition property securitization | 2,851 | 4,960 | 6,614 | 10,803 |
| Interest income and other, net | (11,177) | (10,317) | (17,060) | (14,484) |
| Total interest charges | 22,756 | 27,460 | 54,092 | 61,363 |
| Other income (deductions): | | | | |
| Other income | 1,206 | 2,397 | 3,036 | 3,831 |
| Other deductions | (689) | (498) | (1,206) | (1,083) |
| Total other income | 517 | 1,899 | 1,830 | 2,748 |
| Income from continuing operations before income taxes | 99,536 | 88,933 | 187,763 | 179,850 |
| Income taxes | 38,955 | 33,032 | 72,260 | 66,830 |
| Net income from continuing operations | 60,581 | 55,901 | 115,503 | 113,020 |
| Gain on sale of discontinued operations, net of tax | 109,398 | - | 109,109 | - |
| Income from discontinued operations, net of tax | 1,535 | 1,523 | 7,110 | 5,930 |
| Net income | 171,514 | 57,424 | 231,722 | 118,950 |
| Preferred stock dividends - noncontrolling interest | 490 | 490 | 980 | 980 |
| Net income attributable to common shareholders | $ 171,024 | $ 56,934 | $ 230,742 | $ 117,970 |
| Weighted average common shares outstanding: | | | | |
| Basic | 105,994 | 106,808 | 106,399 | 106,808 |
| Diluted | 106,169 | 106,961 | 106,599 | 106,989 |
| Earnings per common share – Basic (Note F): | | | | |
| Continuing operations | $ 0.57 | $ 0.52 | $ 1.08 | $ 1.04 |
| Discontinued operations | 1.04 | 0.01 | 1.09 | 0.06 |
| Total earnings | $ 1.61 | $ 0.53 | $ 2.17 | $ 1.10 |
| Earnings per common share – Diluted (Note F): | | | | |
| Continuing operations | $ 0.57 | $ 0.52 | $ 1.07 | $ 1.04 |
| Discontinued operations | 1.04 | 0.01 | 1.09 | 0.06 |
| Total earnings | $ 1.61 | $ 0.53 | $ 2.16 | $ 1.10 |
| Dividends declared per common share | $ 0.40 | $ 0.375 | $ 0.80 | $ 0.75 |

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

NSTAR
Consolidated Statements of Comprehensive Income
(Unaudited)
(in thousands)

| | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|
| Net income attributable to common shareholders | $ 171,024 | $ 56,934 | $ 230,742 | $ 117,970 |
| Other comprehensive income from continuing operations, net: | | | | |
| Pension and postretirement costs benefit | 335 | 391 | 715 | 750 |
| Deferred income tax expense | (138) | (162) | (294) | (309) |
| Total other comprehensive income from continuing operations, net | 197 | 229 | 421 | 441 |
| Comprehensive income from continuing operations | 171,221 | 57,163 | 231,163 | 118,411 |
| Other comprehensive income from discontinued operations, net: | | | | |
| Postretirement costs benefit | 17 | 27 | 43 | 49 |
| Deferred income tax expense | (7) | (11) | (18) | (20) |
| Total other comprehensive income from discontinued operations, net | 10 | 16 | 25 | 29 |
| Comprehensive income | $ 171,231 | $ 57,179 | $ 231,188 | $ 118,440 |

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

NSTAR
Consolidated Statements of Common Shareholders' Equity
(Unaudited)
(in thousands, except share information)

| | Common Shares Issued and Outstanding (200,000,000 shares authorized) | Par Value Issued ($1/Share) | Premium on Common Shares | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2009** | 106,808,376 | $ 106,808 | $ 813,490 | $ 966,636 | $ (14,328) | $ 1,872,606 |
| Equity compensation plans | - | - | 193 | - | - | 193 |
| Net income attributable to common shareholders | - | - | - | 59,718 | - | 59,718 |
| Dividends declared to common shareholders | - | - | - | (42,724) | - | (42,724) |
| Other comprehensive income: | | | | | | |
| Amortization of pension & postretirement costs deferred, net of tax | - | - | - | - | 239 | 239 |
| Balance, March 31, 2010 | 106,808,376 | 106,808 | 813,683 | 983,630 | (14,089) | 1,890,032 |
| Equity compensation plans | - | - | (2,243) | - | - | (2,243) |
| Acquisition and retirement of common shares | (3,221,649) | (3,221) | (37,821) | (84,826) | - | (125,868) |
| Net income attributable to common shareholders | - | - | - | 171,024 | - | 171,024 |
| Dividends declared to common shareholders | - | - | - | (41,434) | - | (41,434) |
| Postretirement plan of MATEP (discontinued operation sold in June 2010) | - | - | - | - | 1,175 | 1,175 |
| Other comprehensive income: | | | | | | |
| Amortization of pension & postretirement costs deferred, net of tax | - | - | - | - | 207 | 207 |
| **Balance, June 30, 2010** | 103,586,727 | $ 103,587 | $ 773,619 | $1,028,394 | $ (12,707) | $ 1,892,893 |

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

NSTAR
Consolidated Balance Sheets
(Unaudited)
(in thousands)

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 11,799 | $ 143,449 |
| Accounts receivable, net of allowance of $36,503 and $32,545, respectively | 255,085 | 248,094 |
| Accrued unbilled revenues | 54,468 | 67,159 |
| Regulatory assets | 352,027 | 337,172 |
| Inventory, at average cost | 48,954 | 59,307 |
| Refundable income taxes | 129,120 | 129,120 |
| Other | 46,470 | 39,069 |
| Assets of discontinued operations held for sale | - | 167,857 |
| Total current assets | 897,923 | 1,191,227 |
| Utility plant: | | |
| Electric and gas, at original cost | 6,121,889 | 6,031,853 |
| Less: accumulated depreciation | 1,588,736 | 1,525,248 |
| Net electric and gas plant-in-service | 4,533,153 | 4,506,605 |
| Construction work in progress | 94,884 | 68,582 |
| Net utility plant | 4,628,037 | 4,575,187 |
| Other property and investments: | | |
| Unregulated property, at original cost, net | 17,370 | 18,571 |
| Electric equity investments | 5,428 | 4,683 |
| Other investments | 74,351 | 75,931 |
| Total other property and investments | 97,149 | 99,185 |
| Deferred debits: | | |
| Regulatory assets | 2,133,325 | 2,228,243 |
| Other deferred debits | 54,405 | 50,944 |
| Total deferred debits and other assets | 2,187,730 | 2,279,187 |
| Total assets | $ 7,810,839 | $ 8,144,786 |

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

NSTAR
Consolidated Balance Sheets
(Unaudited)
(in thousands)

| Liabilities and Capitalization | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Current liabilities: | | |
| Long-term debt | $ 1,513 | $ 625,687 |
| Transition property securitization | 53,545 | 57,553 |
| Notes payable | 390,500 | 341,000 |
| Income taxes | 106,436 | 62,809 |
| Accounts payable | 193,620 | 245,720 |
| Power contract obligations | 113,458 | 132,128 |
| Accrued interest | 23,554 | 32,676 |
| Dividends payable | 41,761 | 43,050 |
| Accrued expenses | 15,040 | 20,337 |
| Other | 62,037 | 78,233 |
| Liabilities of discontinued operations held for sale | - | 89,956 |
| Total current liabilities | 1,001,464 | 1,729,149 |
| Deferred credits and other liabilities: | | |
| Accumulated deferred income taxes | 1,264,311 | 1,230,992 |
| Unamortized investment tax credits | 16,009 | 16,795 |
| Power contract obligations | 173,839 | 214,684 |
| Pension and other postretirement liability | 634,007 | 625,476 |
| Regulatory liability - cost of removal | 277,321 | 269,603 |
| Other | 166,270 | 176,040 |
| Total deferred credits and other liabilities | 2,531,757 | 2,533,590 |
| Capitalization: | | |
| Long-term debt: | | |
| Long-term debt | 2,173,100 | 1,754,236 |
| Transition property securitization | 168,625 | 212,205 |
| Total long-term debt | 2,341,725 | 1,966,441 |
| Noncontrolling interest – preferred stock of subsidiary | 43,000 | 43,000 |
| Common equity: | | |
| Common shares, par value $1 per share, 200,000,000 shares authorized, 103,586,727 in 2010 and 106,808,376 in 2009 issued and outstanding (Note C) | 103,587 | 106,808 |
| Premium on common shares | 773,619 | 813,490 |
| Retained earnings | 1,028,394 | 966,636 |
| Accumulated other comprehensive loss | (12,707) | (14,328) |
| Total common equity | 1,892,893 | 1,872,606 |
| Total capitalization | 4,277,618 | 3,882,047 |
| Commitments and contingencies | | |
| Total liabilities and capitalization | $ 7,810,839 | $ 8,144,786 |

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

NSTAR
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

| | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|
| **Operating activities:** | | |
| Net income | $ 231,722 | $ 118,950 |
| Less: Income from discontinued operations, net of tax | 7,110 | 5,930 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on sale of discontinued operations, net of tax | (109,109) | - |
| Depreciation and amortization | 166,084 | 190,489 |
| Debt amortization | 2,845 | 2,793 |
| Deferred income taxes | 5,518 | 10,243 |
| Noncash stock-based compensation | 4,552 | 4,747 |
| Net changes in: | | |
| Accounts receivable and accrued unbilled revenues | 5,700 | 30,477 |
| Inventory, at average cost | 10,353 | 28,029 |
| Other current assets | (7,401) | (6,187) |
| Accounts payable | (23,728) | (59,479) |
| Other current liabilities | (36,441) | (27,168) |
| Regulatory assets | 44,997 | 105,074 |
| Long-term power contract obligations | (64,064) | (60,668) |
| Net change from other miscellaneous operating activities | (2,152) | 20,226 |
| Cash provided by operating activities of continuing operations | 221,766 | 351,596 |
| Cash (used in) provided by operating activities of discontinued operations | (14,927) | 17,328 |
| Net cash provided by operating activities | 206,839 | 368,924 |
| **Investing activities:** | | |
| Plant expenditures (including AFUDC) | (155,478) | (202,942) |
| Proceeds from disposal of discontinued operations held for sale | 343,724 | - |
| Proceeds from sale of properties | - | 1,995 |
| Net change in other investment activities | 684 | (1,623) |
| Cash provided by (used in) investing activities of continuing operations | 188,930 | (202,570) |
| Cash used in investing activities of discontinued operations | (5,327) | (3,978) |
| Net cash provided by (used in) investing activities | 183,603 | (206,548) |
| **Financing activities:** | | |
| Long-term debt issuances | 425,000 | 100,000 |
| (Discount) premium on issuance of long-term debt | (4,806) | 4,553 |
| Debt issuance costs | (3,429) | (875) |
| Transition property securitization redemptions | (47,588) | (72,580) |
| Long-term debt redemptions | (625,824) | (775) |
| Net change in notes payable | 49,500 | (89,383) |
| Acquisition of common shares under accelerated repurchase program | (125,868) | - |
| Common share dividends paid | (85,447) | (80,106) |
| Preferred stock dividends of subsidiary to the noncontrolling interest | (980) | (980) |
| Change in disbursement accounts | (13,262) | (5,578) |
| Cash received for exercise of equity compensation | 15,108 | 1,046 |
| Cash used to settle equity compensation | (22,382) | (9,010) |
| Windfall tax effect of settlement of equity compensation | 2,168 | 244 |
| Cash used in financing activities of continuing operations | (437,810) | (153,444) |
| Cash used in financing activities of discontinued operations | (86,776) | (2,366) |
| Net cash used in financing activities | (524,586) | (155,810) |
| Net (decrease) increase in cash and cash equivalents | (134,144) | 6,566 |
| Adjustment for discontinued operations, net of dividends | 2,494 | (6,384) |
| Cash and cash equivalents at the beginning of the year | 143,449 | 12,384 |
| Cash and cash equivalents at the end of the period | $ 11,799 | $ 12,566 |

NSTAR
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)
(continued)

| | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|
| **Supplemental disclosures of cash flow information:** | | |
| Continuing operations - Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 80,540 | $ 75,477 |
| Income taxes | $ 96,950 | $ 50,359 |
| Continuing operations - Non-cash investing activity: | | |
| Plant additions included in accounts payable | $ 11,731 | $ 14,009 |
| Discontinued operations - Cash paid during the period for interest | $ 1,525 | $ 3,200 |

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

## Notes to Consolidated Financial Statements
(Unaudited)

The accompanying notes should be read in conjunction with Notes to Consolidated Financial Statements included in NSTAR's 2009 Annual Report on Form 10-K.

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

1. About NSTAR

NSTAR (or the Company) is a holding company engaged through its subsidiaries in the energy delivery business serving approximately 1.4 million customers in Massachusetts, including approximately 1.1 million electric distribution customers in 81 communities and approximately 300,000 natural gas distribution customers in 51 communities. NSTAR's retail electric and natural gas transmission and distribution utility subsidiaries are NSTAR Electric and NSTAR Gas, respectively. Reference in this report to "NSTAR" shall mean the registrant NSTAR or NSTAR and its subsidiaries as the context requires.

2. Basis of Consolidation and Accounting

The accompanying consolidated financial information presented as of June 30, 2010 and for the three-month and six-month periods ended June 30, 2010 and 2009, has been prepared from NSTAR's books and records without audit by an independent registered public accounting firm. However, NSTAR'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, 2009 was derived from the audited consolidated financial statements of NSTAR, but does not include all disclosures required by GAAP. In the opinion of NSTAR's management, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the financial information for the periods indicated, have been included. All significant intercompany transactions have been eliminated in consolidation. Certain reclassifications have been made to the accompanying prior period consolidated financial statements to conform to the current period’s presentation.

NSTAR's utility subsidiaries follow accounting policies prescribed by the FERC and the DPU. In addition, NSTAR and its subsidiaries are subject to the accounting and reporting requirements of the SEC. NSTAR's utility subsidiaries are subject to the application of ASC 980, *Regulated Operations,* that considers the effects of regulation resulting from differences in the timing of their recognition of certain revenues and expenses from those of other businesses and industries. The energy delivery business is subject to rate-regulation that is 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 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-month and six-month periods ended June 30, 2010 and 2009 are not indicative of the results that may be expected for an entire year. The demand for electricity and natural gas 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. Natural gas energy sales and revenues are typically higher in the winter months than during other periods of the year.

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

NSTAR's net periodic Pension Plan and PBOP Plan benefit costs for the second quarter are based on the latest available participant census data. An annual actuarial valuation was completed during the second quarter, and recognized costs were adjusted based on the final actuarial study results.

NSTAR's Pension Plan and PBOP Plan assets, which partially consist of equity investments, are affected by the overall global equity 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 changes in Pension and PBOP costs is substantially mitigated by NSTAR's DPU-approved Pension and PBOP rate adjustment mechanism (PAM).

Pension

NSTAR provides a defined benefit retirement plan, the NSTAR Pension Plan (the Plan), that covers substantially all employees. During the six months ended June 30, 2010, NSTAR contributed $6.3 million to the Plan. NSTAR contributed an additional $6.3 million to the Plan in July 2010 and currently anticipates contributing approximately $12.4 million to the Plan during the remainder of 2010. The actual level of funding may change depending on management's assessment of market conditions.

Components of net periodic pension benefit cost were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2010 | 2009 | 2010 | 2009 |
| Service cost | $ 6.0 | $ 5.4 | $ 12.3 | $ 11.1 |
| Interest cost | 16.0 | 16.1 | 32.2 | 32.2 |
| Expected return on Plan assets | (15.7) | (14.8) | (31.4) | (29.1) |
| Amortization of prior service cost | (0.2) | (0.2) | (0.4) | (0.4) |
| Recognized actuarial loss | 13.0 | 13.6 | 25.7 | 27.1 |
| Net periodic pension benefit cost | $ 19.1 | $ 20.1 | $ 38.4 | $ 40.9 |

The first quarter net periodic pension cost is estimated utilizing projections based on the previous year's liability and asset levels. The net periodic pension costs for the six months ended June 30, 2010 and 2009 have been adjusted in the second quarter to reflect the final actuarial study cost amounts for 2010 and 2009.

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. During the six months ended June 30, 2010, NSTAR contributed $14.4 million to this plan. NSTAR contributed an additional $2.4 million to the Plan in July 2010 and currently anticipates contributing approximately $13.2 million to the plan during the remainder of 2010. The actual level of funding may change depending on management's assessment of market conditions. NSTAR is evaluating the impact of the Patient Protection and Affordable Care Act of 2010 (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERA) on its retiree health care benefits and accumulated PBOP obligation. To date, no adjustment has been made to NSTAR's retiree benefit plan provisions or actuarial assumptions (including health care cost trend rates) as a result of PPACA and HCERA. Postretirement benefit costs related to employees of the discontinued operations of MATEP are not included in the following table. The net periodic postretirement benefit cost related to the discontinued operations amounted to $0.3 million and $0.4 million for the six months ended June 30, 2010 and 2009, respectively.

Components of net periodic postretirement benefit cost were as follows:

| (in millions) | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|
| Service cost | $ 1.3 | $ 1.4 | $ 2.9 | $ 2.9 |
| Interest cost | 9.7 | 8.6 | 18.9 | 17.9 |
| Expected return on Plan assets | (5.4) | (4.6) | (10.5) | (9.0) |
| Amortization of prior service cost | (0.3) | (0.3) | (0.7) | (0.7) |
| Amortization of transition obligation | 0.2 | 0.2 | 0.4 | 0.4 |
| Recognized actuarial loss | 4.7 | 4.5 | 8.6 | 9.6 |
| Net periodic postretirement benefit cost | $ 10.2 | $ 9.8 | $ 19.6 | $ 21.1 |

The first quarter net periodic postretirement benefit cost is estimated utilizing projections based on the previous year's liability and asset levels. The net periodic postretirement benefit costs for the six months ended June 30, 2010 and 2009 have been adjusted in the second quarter to reflect the final actuarial study cost amounts for 2010 and 2009.

4. Noncontrolling Interest – Cumulative Non-Mandatory Redeemable Preferred Stock of Subsidiary

NSTAR Electric has two outstanding series of non-mandatory redeemable preferred stock. Both series are part of a class of NSTAR Electric's Cumulative Preferred Stock. Upon any liquidation of NSTAR Electric, holders of the Cumulative Preferred Stock are entitled to receive the liquidation preference for their shares before any distribution to the holder of the common stock. The liquidation preference for each outstanding series of Cumulative Preferred Stock is equal to the par value plus accrued and unpaid dividends.

The Cumulative Preferred Stock is reflected as noncontrolling interest of a subsidiary in the accompanying Consolidated Balance Sheets. Each of the two preferred stock series contains provisions relating to non-payment of preferred dividends that could potentially result in the preferred shareholders being granted the majority control of the Board of Directors of NSTAR Electric until all preferred dividends are paid. As a result, the preferred stock has not been classified within permanent equity. During the year ended December 31, 2009 and during the six months ended June 30, 2010, there were no changes in the noncontrolling interest of NSTAR Electric.

Non-mandatory redeemable series:

Par value $100 per share, 2,890,000 shares authorized and 430,000 shares issued and outstanding:

(in thousands, except per share amounts)

| Series | Current Shares Outstanding | Redemption Price/Share | June 30, 2010 | December 31, 2009 |
|---|---|---|---|---|
| 4.25% | 180,000 | $103.625 | $ 18,000 | $ 18,000 |
| 4.78% | 250,000 | $102.80 | 25,000 | 25,000 |
| Total non-mandatory redeemable series | | | $ 43,000 | $ 43,000 |

5. Interest Income and Other, net

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in thousands) | 2010 | 2009 | 2010 | 2009 |
| Interest on regulatory deferrals | $ 5,474 | $ 5,973 | $ 12,167 | $ 11,021 |
| Income tax items | 6,522 | 5,489 | 6,894 | 6,287 |
| Other interest expense | (834 ) | (974 ) | (2,020 ) | (2,099 ) |
| Short-term debt | (218 ) | (296 ) | (434 ) | (987 ) |
| AFUDC | 233 | 125 | 453 | 262 |
| Total interest income and other, net | $ 11,177 | $ 10,317 | $ 17,060 | $ 14,484 |

6. Variable Interest Entities

Amended consolidation guidance applicable to variable interest entities became effective for NSTAR on January 1, 2010. This amended guidance did not have an impact on the accompanying Consolidated Financial Statements.

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 has evaluated these arrangements 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'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 Consolidated Financial Statements or disclosed in the accompanying Notes to Consolidated Financial Statements.

**Note B. Discontinued Operations – Sale of MATEP**

On June 1, 2010, NSTAR completed the sale of its stock ownership interest in its district energy operations business, MATEP, for $343.7 million in cash, to a joint venture comprised of Veolia Energy North America, a Boston-based subsidiary of Veolia Environnement and Morgan Stanley Infrastructure Partners.

The sale resulted in a non-recurring, after-tax gain of $109.4 million and $109.1 million, including transaction costs, or $1.03 and $1.02 per share, for the three-month and six-month periods ended June 30, 2010, respectively. The proceeds from the sale were partially utilized to retire the $85.5 million outstanding principal amount of MATEP's long-term Notes, together with a retirement premium of $18 million.

The operating results of MATEP through May 31, 2010 have been separately classified and reported as discontinued operations on the accompanying Consolidated Statements of Income. A summary of discontinued operations was as follows:

| (in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Operating revenues | $ 17,347 | $ 24,290 | $ 52,232 | $ 63,441 |
| Operating expenses | 13,878 | 20,229 | 38,813 | 50,889 |
| Interest charges | 1,109 | 1,729 | 2,754 | 3,461 |
| Other income | 2 | 11 | 274 | 32 |
| Income taxes | 827 | 820 | 3,829 | 3,193 |
| Income from discontinued operations, net of tax | 1,535 | 1,523 | 7,110 | 5,930 |
| Gain on sale of discontinued operations, net of tax | 109,398 | - | 109,109 | - |
| Net income from discontinued operations, net of tax | $ 110,933 | $ 1,523 | $ 116,219 | $ 5,930 |

Effective December 21, 2009, with the execution of a purchase and sale agreement, NSTAR ceased recording depreciation and amortization expense on MATEP in accordance with MATEP's classification as a discontinued operation held for sale. Had NSTAR continued to record depreciation and amortization expense, an additional charge of $1.4 million and $3.5 million would have been recognized in the three months and six months ended June 30, 2010, respectively.

A condensed presentation of the components of MATEP's assets and liabilities held for sale at December 31, 2009 were classified as current assets and current liabilities of discontinued operations held for sale on the accompanying Consolidated Balance Sheets at December 31, 2009 as follows:

| (in thousands) | |
|---|---|
| Cash, including restricted cash | $ 20,000 |
| Accounts receivable | 12,521 |
| Inventory and other current assets | 6,222 |
| Unregulated property, net | 118,762 |
| Deferred debits | 10,352 |
| Assets of discontinued operations held for sale | $ 167,857 |
| | |
| Accounts payable and other current liabilities (a) | $ 13,727 |
| Deferred credits: PBOP liability | 7,180 |
| Deferred credits: Other | 1,788 |
| Deferred tax asset (b) | (16,902) |
| Long-term debt, including current maturities | 84,163 |
| Liabilities of discontinued operations held for sale | $ 89,956 |

(a) Other current liabilities excluded the current portion of long-term debt of $5.1 million.
(b) The deferred tax asset is shown as an offset to the liabilities of MATEP due to the presentation of a net deferred income tax liability on the accompanying Consolidated Balance Sheets at December 31, 2009.

**Note C. Share Repurchase Program**

In connection with the sale of MATEP, NSTAR's Board of Trustees approved a share repurchase program of up to $200 million of NSTAR Common Shares.

On June 3, 2010, NSTAR entered into a $125 million Accelerated Share Repurchase (ASR) program with an investment bank. The ultimate number of Common Shares delivered to NSTAR under the ASR depends on the volume weighted average share price (VWAP) over the term of the ASR. On June 8, 2010, 3,221,649 Common Shares were delivered to and retired by the Company under the ASR, representing approximately 90% of the Common Shares that would be acquired in the ASR at a VWAP of $34.92. At the termination of the ASR by the end of the fourth quarter of 2010, either the investment bank will deliver additional Common Shares to NSTAR or NSTAR will deliver cash or Common Shares to the investment bank.

The remaining 10% of the ASR in the amount of $12,500,000 has been allocated to a forward contract to reacquire additional Common Shares, if any, and is recorded as equity on the accompanying Consolidated Balance Sheet at June 30, 2010. The excess of amounts paid over par value for the 3,221,649 Common Shares delivered on June 8, 2010 was allocated between Retained earnings and Premium on Common Shares. Upon the completion of the ASR, NSTAR will record a final adjustment to common equity for the fair value of the forward contract for any cash or Common Share amounts paid or received upon settlement of the contract with the investment bank.

The remaining Common Shares to be acquired to complete the $200 million share repurchase program may be repurchased from time to time in the open market, or through privately negotiated transactions, block purchases, or another ASR.

**Note D. Derivative Instruments**

Energy Contracts

NSTAR Electric has determined that the majority of its electricity supply contracts qualify for, and NSTAR Electric has elected, the normal purchases and sales exception. As a result, these agreements are not reflected on the accompanying Consolidated Balance Sheets. NSTAR Electric has a long-term renewable energy contract that does not qualify for the normal purchases and sales exception and is valued at an estimated $2.5 million liability as of June 30, 2010. The value represents the difference between the cost of this contract and projected market energy costs over the life of the contract, and NSTAR Electric has 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. NSTAR Gas has only one significant natural gas supply contract. This contract is an all-requirements portfolio asset management contract that expires in October 2010. This contract contains market-based pricing terms and therefore no financial statement adjustments are required. Natural gas supply costs incurred related to this contract were approximately $26 million and $19 million for the three-month periods and approximately $109 million and $113 million for the six-month periods ended June 30, 2010 and 2009, respectively, and have been recorded to Cost of gas sold on the accompanying Consolidated Statements of Income. Refer to the accompanying Part 1, Item 3, *"Quantitative and Qualitative Disclosures About Market Risks,"* for a further discussion.

Gas Hedging Agreements

In accordance with a DPU order, NSTAR Gas purchases financial contracts based upon NYMEX natural gas futures in order to reduce cash flow variability associated with the purchase price for approximately one-third of its natural gas purchases. This practice attempts to minimize the impact of fluctuations in prices to NSTAR's firm gas customers. These financial contracts do not procure natural gas supply, and qualify as derivative financial instruments. The fair value of these instruments is recognized on the

accompanying Consolidated Balance Sheets as an asset or liability representing amounts due from or payable to the counter parties of NSTAR Gas, as if such contracts were settled as of the balance sheet date. All actual costs incurred or benefits realized when these contracts are settled are included in the CGAC of NSTAR Gas. NSTAR Gas records a regulatory asset or liability for the market price changes, in lieu of recording an adjustment to Other Comprehensive Income. These derivative contracts extend through April 2011. These financial contracts were settled and recognized as additional charges of $2 million and $12 million for the three-month periods and $5 million and $43 million for the six-month periods ended June 30, 2010 and 2009, respectively, and have been recorded to Cost of gas sold on the accompanying Consolidated Statements of Income.

As of June 30, 2010, these gas hedging agreements, representing eight individual contracts, hedged 6,240 BBtu. The settlement of these contracts may have a short-term cash flow impact. Over the long-term, any such effects are mitigated by a regulatory recovery mechanism for those costs.

Potential counterparty credit risk is minimized by collateral requirements as specified in credit support agreements to the contracts that are based on the credit rating of the counterparty and the fair value exposure under each contract's term. In the event of a downgrade in the credit rating of either party, these agreements may require that party to immediately collateralize, by either cash payment, letter of credit, or other qualifying security instrument, any exposure that exists for obligations in excess of specified threshold amounts.

NSTAR Gas is also subject to this credit risk-related contingent feature. Based on market conditions at the time of a downgrade, NSTAR Gas could be required to post collateral in an amount that could be equal to or less than the fair value of the liability at the time of the downgrade. As of June 30, 2010, NSTAR Gas has an A+ Standard & Poors Credit Issuer rating. Collateral obligations are required in the event of a downgrade below an A rating by Standard & Poors and/or if the fair value of the contract exceeds established credit thresholds. Based on NSTAR Gas' liability position with its gas hedge contract counterparties as of June 30, 2010, should NSTAR Gas' credit rating be downgraded the collateral obligations described below would result.

| Credit Ratings Downgraded to: (in thousands) | Level Below "A" Rating | Incremental Obligations | Cumulative Obligations |
|---|---|---|---|
| A-/A3 | 1 | $ - | $ - |
| BBB+/Baa1 | 2 | - | - |
| BBB/Baa2 | 3 | - | - |
| BBB-/Baa3, or below investment grade | 4 | 3,721 | 3,721 |

In addition, these agreements contain cross-default provisions that would allow NSTAR Gas and its counterparties to terminate and liquidate a gas hedge contract if either party is in default on other swap agreements with that same counterparty, or another unrelated agreement with that same counterparty in excess of stipulated threshold amounts.

Derivative Instruments and Hedging Activities

The following disclosures summarize the fair value of NSTAR Gas' hedging agreements and NSTAR Electric's renewable energy contracts deemed to be derivatives, the balance sheet positions of these agreements and the related settlements of hedging agreements:

| (in thousands) | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Gas Hedging Agreements | | |
| Consolidated Balance Sheet Account: | | |
| Current liabilities: Power contract obligations | $ 3,721 | $ 1,604 |
| Deferred credits and other liabilities: Power contract obligations | - | 51 |
| Total liability for derivative instruments | $ 3,721 | $ 1,655 |

| (in thousands) | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Renewable Energy Contracts – Non-hedging instruments | | |
| Consolidated Balance Sheet Account: | | |
| Deferred credits and other liabilities: Power contract obligations | $ 2,483 | $ - |
| Total liability for derivative instruments | $ 2,483 | $ - |

| (in thousands) | Amount of Gain or (Loss) Recognized | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| Settlement of Gas Hedging Agreements | 2010 | 2009 | 2010 | 2009 |
| Consolidated Statement of Income Account: | | | | |
| (Increase) decrease to Cost of gas sold | $ (1,841) | $ (11,544) | $ (4,892) | $ (42,960) |
| Increase (decrease) to revenues reflecting recovery of or return of settlements to customers | 1,841 | 11,544 | 4,892 | 42,960 |
| Net earnings impact | $ - | $ - | $ - | $ - |

**Note E. Income Taxes**

Effective Tax Rate

The following table reconciles the statutory federal income tax rate to the annual estimated effective income tax rate for 2010 and the actual effective income tax rate for the year ended December 31, 2009:

| | 2010 | 2009 |
|---|---|---|
| Statutory tax rate | 35% | 35% |
| State income tax, net of federal income tax benefit | 4 | 4 |
| Other | (1) | (1) |
| Effective tax rate | 38% | 38% |

Uncertain Tax Positions

As of June 30, 2010, the 2001 through 2007 Federal and state tax years remain open. NSTAR is negotiating with IRS Appeals in an attempt to settle all issues relating to years 2001 through 2007. To date, NSTAR has reached agreement on all issues other than RCN. Upon final resolution of all issues, NSTAR will receive a written closing agreement from IRS Appeals. Upon the required approval of the settlement by the U.S. Congress Joint Committee on Taxation, NSTAR expects receipt of the $129 million of its refundable income tax receivable, plus interest, in the second half of 2010. Potential settlement discussions related to the RCN matter are continuing. If an agreement is reached, it is reasonably possible that a charge could be recognized, including interest. In the event that NSTAR is unsuccessful

in reaching a reasonable settlement agreement with IRS Appeals, it will continue the current plan to litigate the RCN tax matter. This action would delay resolution of this tax matter beyond 2010.

The 2008 Federal income tax return has been examined under the IRS Compliance Assurance Process (CAP) and NSTAR has received a "no change" letter. The 2009 Federal income tax return is being reviewed under CAP. This program accelerates the examination of the return in an attempt to resolve issues before the tax return is filed. The outcome of any potential audit adjustments and the timing are uncertain.

The following is a reconciliation of the unrecognized tax benefits that have been reflected as uncertain tax position liabilities on the accompanying Consolidated Balance Sheets included in Deferred credits and other liabilities: Other:

| (in millions) | 2010 | 2009 |
|---|---|---|
| Balance at January 1 | $ 15 | $ 15 |
| Changes for prior year tax positions | (15) | - |
| Balance at June 30 | $ - | $ 15 |

During the second quarter of 2010, as a result of progress in ongoing settlement discussions with IRS Appeals, NSTAR reversed reserves for uncertain tax positions of $15 million. As of June 30, 2010 and 2009, there were no unrecognized tax benefits of a permanent tax nature that if recognized would have an impact on the Company's effective tax rate.

Interest on Tax Positions

NSTAR recognizes interest accrued related to uncertain tax positions in: Interest income and other, net on the accompanying Consolidated Statements of Income. Related penalties, if applicable, are reflected in Other deductions on the accompanying Consolidated Statements of Income.

For the six months ended June 30, 2010 and 2009, the amount of interest income recognized on the accompanying Consolidated Statements of Income was $6.9 million and $6.3 million, respectively, and the total amount of accrued interest receivable on the accompanying Consolidated Balance Sheets was $31.5 million and $24.6 million at June 30, 2010 and December 31, 2009, respectively. No penalties were recognized. During the second quarter of 2010, NSTAR reversed approximately $6 million of previously accrued interest expense on various items because NSTAR believes it is now more-likely-than-not that the original deductions will be sustained by IRS Appeals.

Unrecognized Tax Benefits

NSTAR has unrecognized benefits associated with interest on construction-related uncertain tax positions. These unrecognized benefits were $4 million as of June 30, 2010 and December 31, 2009. As a result of the settlement agreement reached with IRS Appeals on SSCM, it is unlikely that these additional benefits will be recognized.

**Note F. Earnings Per Common Share**

Basic EPS is calculated by dividing net income attributable to common shareholders, which includes a deduction for preferred dividends of a subsidiary, by the weighted average common shares outstanding during the respective period. Diluted EPS is similar to the computation of basic EPS except that the weighted average common shares are increased to include the impact of potential (nonvested) shares and stock options granted (stock-based compensation) in accordance with NSTAR's Long Term Incentive Plan. In addition, as a result of the ASR, 3,221,649 shares were repurchased and retired on June 8, 2010. Basic and Diluted EPS reflect this share retirement.

The following table summarizes basic and diluted EPS:

| (in thousands, except per share amounts) | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|
| Net income attributable to common shareholders | $ 171,024 | $ 56,934 | $ 230,742 | $ 117,970 |
| Basic EPS: | | | | |
| Continuing operations | $ 0.57 | $ 0.52 | $ 1.08 | $ 1.04 |
| Income from discontinued operations | 0.01 | 0.01 | 0.07 | 0.06 |
| | 0.58 | 0.53 | 1.15 | 1.10 |
| Gain on sale of discontinued operations | 1.03 | - | 1.02 | - |
| Total earnings | $ 1.61 | $ 0.53 | $ 2.17 | $ 1.10 |
| Diluted EPS: | | | | |
| Continuing operations | $ 0.57 | $ 0.52 | $ 1.07 | $ 1.04 |
| Income from discontinued operations | 0.01 | 0.01 | 0.07 | 0.06 |
| | 0.58 | 0.53 | 1.14 | 1.10 |
| Gain on sale of discontinued operations | 1.03 | - | 1.02 | - |
| Total earnings | $ 1.61 | $ 0.53 | $ 2.16 | $ 1.10 |
| Weighted average common shares outstanding for basic EPS | 105,994 | 106,808 | 106,399 | 106,808 |
| Effect of dilutive shares: | | | | |
| Weighted average dilutive potential common shares | 175 | 153 | 200 | 181 |
| Weighted average common shares outstanding for diluted EPS | 106,169 | 106,961 | 106,599 | 106,989 |

**Note G. Segment and Related Information**

For the purpose of providing segment information, NSTAR's principal operating segments are its traditional core businesses of electric and natural gas retail transmission and distribution utilities that provide energy delivery services in 107 cities and towns in Massachusetts.

In the second quarter of 2010, with the completion of the sale of MATEP, NSTAR changed its reportable segments and has recast prior period information to conform with the current year presentation that eliminates separate presentation of the Company's unregulated operations. Although the telecommunications and liquefied natural gas subsidiaries are separate legal entities, NSTAR has aggregated the results of operations and assets of its telecommunications subsidiary with the electric utility operations, and aggregated the liquefied natural gas service subsidiary with gas utility operations. The telecommunications subsidiary, liquefied natural gas service subsidiary and MATEP were previously aggregated as unregulated operations for purposes of segment reporting. Since the sale of MATEP, it is no longer necessary to present the unregulated segment separately. The new segment presentation reflects the ongoing profile of NSTAR's operations as primarily comprised of electric and gas utility operations.

Amounts related to discontinued operations have been excluded from the data presented. Amounts shown on the following table for the three-month and six-month periods ended June 30, 2010 and 2009 include the allocation of NSTAR's (Holding Company) results of operations and assets to the two business segments, net of inter-company transactions that primarily consist of interest charges and investment assets, respectively. The allocation of Holding Company charges is based on an indirect allocation of the Holding Company's investment relating to the two business segments.

Financial data for the segments of continuing operations were as follows:

| (in thousands) | Electric | Gas | Consolidated Total |
|---|---|---|---|
| Three months ended June 30, | | | |
| 2010 | | | |
| Operating revenues | $ 581,816 | $ 73,979 | $ 655,795 |
| Segment net income (loss) | $ 61,844 | $ (1,263) | $ 60,581 |
| 2009 | | | |
| Operating revenues | $ 608,324 | $ 75,269 | $ 683,593 |
| Segment net income | $ 55,183 | $ 718 | $ 55,901 |
| | | | |
| Six months ended June 30, | | | |
| 2010 | | | |
| Operating revenues | $ 1,165,855 | $ 256,548 | $ 1,422,403 |
| Segment net income | $ 101,405 | $ 14,098 | $ 115,503 |
| 2009 | | | |
| Operating revenues | $ 1,284,821 | $ 307,595 | $ 1,592,416 |
| Segment net income | $ 95,764 | $ 17,256 | $ 113,020 |
| | | | |
| Total assets | | | |
| June 30, 2010 | $ 7,038,715 | $ 772,124 | $ 7,810,839 |
| December 31, 2009 | $ 7,149,505 | $ 827,424 | $ 7,976,929 |

**Note H. Fair Value Measurements**

NSTAR discloses fair value measurement pursuant to a framework for measuring fair value in accordance with GAAP. NSTAR 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's financial assets and liabilities that were recognized at fair value on a recurring basis as of June 30, 2010 and December 31, 2009. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measures:

| | June 30, 2010 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Government Money Market Securities[(a)] | $ 1 | $ - | $ - | $ 1 |
| Deferred Compensation Assets[(b)] | 28 | - | - | 28 |
| Investments[(b)] | 12 | - | - | 12 |
| Total | $ 41 | $ - | $ - | $ 41 |
| Liabilities: | | | | |
| Gas Hedges[(c)] | $ - | $ 4 | $ - | $ 4 |
| Renewable Energy Contract[(d)] | - | - | 2 | 2 |
| Total | $ - | $ 4 | $ 2 | $ 6 |

| | December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Government Money Market Securities[(a)] | $ 147 | $ - | $ - | $ 147 |
| Deferred Compensation Assets[(b)] | 27 | - | - | 27 |
| Investments[(b)] | 12 | - | - | 12 |
| Total | $ 186 | $ - | $ - | $ 186 |
| Liabilities: | | | | |
| Gas Hedges[(c)] | $ - | $ 2 | $ - | $ 2 |
| Total | $ - | $ 2 | $ - | $ 2 |

(a) - Included in "Cash and cash equivalents" on the accompanying Consolidated Balance Sheets
(b) - Included in "Other investments" on the accompanying Consolidated Balance Sheets
(c) - Included in "Current liabilities: Power contract obligations" and "Deferred credits and other liabilities: Power contract obligations" on the accompanying Consolidated Balance Sheets
(d) - Included in "Deferred credits and other liabilities: Power contract obligations" on the accompanying Consolidated Balance Sheets

The following table provides a reconciliation of beginning and ending balances of liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

Rollforward of Level 3 Measurements
Six Months Ended June 30, 2010

| (in millions) | Renewable Energy Contract |
|---|---|
| Balance at December 31, 2009 | $ - |
| Total losses included on balance sheet as a regulatory asset | (2) |
| Balance at June 30, 2010 (Liability) | $ (2) |

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 June 30, 2010 and December 31, 2009, 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 June 30, 2010 and December 31, 2009 were as follows:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term indebtedness of continuing operations (including current maturities) | $ 2,396,783 | $ 2,648,420 | $ 2,649,681 | $ 2,755,110 |
| Indebtedness of discontinued operations | $ - | $ - | $ 84,163 | $ 85,290 |

**Note I. Long-Term Debt Issuances and Retirements**

On January 28, 2010, NSTAR Gas issued $125 million of its 4.46% fixed rate 10-year First Mortgage Bonds, Series N. The proceeds from this sale were used to reduce short-term debt.

In mid-February 2010, NSTAR retired, at maturity, its $500 million, 8% Notes.

On March 15, 2010, NSTAR Electric's subsidiary, BEC Funding LLC, retired its final series of outstanding Transition Property Securitization Certificates. On March 16, 2010, NSTAR Electric issued, at a discount, $300 million of 5.50% Debentures due 2040. The proceeds from this sale were used to retire NSTAR Electric's short-term debt and for other corporate purposes. On May 17, 2010, NSTAR Electric retired its $125 million, 7.8% Debentures as scheduled.

On June 1, 2010, in connection with the sale of MATEP, NSTAR retired MATEP's 23-year 6.924% Senior Notes with a principal balance of $85.5 million, due June 30, 2021, with a portion of the proceeds from the sale. In addition to the principal balance, the redemption included a debt retirement premium of $18 million.

**Note J. 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 and NSTAR Gas are required to report annually to the DPU concerning their performance as to each measure and are 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 monitors its service quality continuously to determine if a liability has been triggered. If it is probable that a liability has been incurred and is estimable, a liability is accrued. Annually, NSTAR Electric and NSTAR Gas each make service quality performance filings with the DPU. 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 and NSTAR Gas service quality performance levels for 2009 were not in a penalty situation and the final performance reports were filed with the DPU on March 1, 2010.

2. Environmental Matters

NSTAR subsidiaries face 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 generally expects to have only a small percentage of the total potential liability for the majority of these sites. As of June 30, 2010 and December 31, 2009, NSTAR had liabilities of $0.9 million and $0.8 million, respectively, for these environmental sites. This estimated recorded liability is based on an evaluation of all currently available facts with respect to these sites.

NSTAR Gas is participating in the assessment or remediation of certain former MGP sites and alleged MGP waste disposal sites to determine if and to what extent such sites have been contaminated and whether NSTAR Gas may be responsible to undertake remedial action. The DPU permits recovery of costs associated with MGP sites over a 7-year period, without carrying costs. As of June 30, 2010 and December 31, 2009, NSTAR had a liability of $16.9 million and $14 million, respectively, as an estimate for site cleanup costs for several MGP sites for which NSTAR Gas was identified as a potentially responsible party. A corresponding regulatory asset was recorded that reflects the future rate recovery for these costs.

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's responsibilities for such sites evolve or are resolved. NSTAR's ultimate liability for future environmental remediation costs may vary from these estimates. Based on NSTAR's current assessment of its environmental responsibilities, existing legal requirements, and regulatory policies, NSTAR does not believe that these environmental remediation costs will have a material adverse effect on NSTAR's consolidated results of operations, financial position, or cash flows.

3. DPU Safety and Reliability Programs (CPSL)

As part of the Rate Settlement Agreement, NSTAR Electric is allowed to recover 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. NSTAR Electric incurred and billed incremental costs of $12 million, $14 million, $15 million and $16 million in 2006, 2007, 2008 and 2009, respectively. During 2010, approximately $9 million has been incurred through June 30. This includes 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. This order addressed the cost recovery of NSTAR Electric's 2006 CPSL program. The expected recovery amount does not vary materially from the revenue previously recognized. During the fourth quarter of 2010, NSTAR Electric expects to make supplemental filings in compliance with the DPU order to address cost recovery through 2009. NSTAR cannot predict the timing of subsequent DPU orders related to these pending filings. Should an adverse DPU decision be issued, it could have a material adverse impact on NSTAR's results of operations, financial position, and cash flows.

4. 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 in 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 December 14, 2007, the Motion for Reconsideration was granted and the DPU reopened the case to hear additional evidence. NSTAR Electric filed additional testimony in April 2008, an evidentiary hearing was held, and briefs were filed in June and early July 2008.

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. NSTAR Electric continues to believe that its position is appropriate and that it is probable upon appeal that it will ultimately prevail. On June 18, 2010, NSTAR Electric filed with the Massachusetts Supreme Judicial Court to appeal the DPU's decisions. On June 25, 2010, NSTAR Electric filed with the Massachusetts Supreme Judicial Court to seek a stay of execution of the distribution rate reduction requirement pending the appeal. As of June 30, 2010, the potential impact to earnings of eliminating the bad debt adder would be approximately $22.3 million, pre-tax. NSTAR cannot predict the timing of this appeals process.

5. Yankee Companies Spent Fuel Litigation

In October 2006, the U.S. Court of Federal Claims issued a judgment in a spent nuclear fuel litigation in the amounts of $34.2 million, $32.9 million, and $75.8 million for Connecticut Yankee Atomic Power Company (CY), Yankee Atomic Electric Company (YA), and Maine Yankee Atomic Power Company (MY), respectively. This judgment in favor of the Yankee Companies relates to the alleged failure of the Department of Energy (DOE) to provide for a permanent facility to store spent nuclear fuel for years prior to 2001 for CY and YA, and prior to 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. On July 1, 2009, the Yankee Companies filed for additional damages related to the alleged failure of the DOE to provide for a permanent facility to store spent nuclear fuel for the years from January 2002 through December 2008 for CY and YA, and from January 2003 through December 2008 for MY (DOE Phase II Damages). This phase of the spent nuclear fuel litigation specifies damages in the amounts of $135.4 million, $86.1 million, and $43 million for CY, YA, and MY, respectively. Claim amounts applicable to NSTAR Electric are $19 million, $12 million, and $1.7 million, respectively.

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

6. Legal Matters

In the normal course of its business, NSTAR and its subsidiaries are involved in certain legal matters, including civil litigation. Management is unable to fully determine a range of reasonably possible 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 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.

## Item 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 during the periods presented and should be read in conjunction with the accompanying Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements, and with the MD&A in NSTAR's 2009 Annual Report on Form 10-K.

### Sale of Discontinued Operations

On June 1, 2010, NSTAR completed the sale of its stock ownership interest in its district energy operations business, MATEP, for $343.7 million in cash, to a joint venture comprised of Veolia Energy North America, a Boston-based subsidiary of Veolia Environnement and Morgan Stanley Infrastructure Partners.

The sale resulted in a non-recurring, after-tax gain of $109.4 million and $109.1 million, including transaction costs, or $1.03 and $1.02 per share, for the three-month and six-month periods ended June 30, 2010, respectively. The proceeds from the sale were partially utilized to retire the $85.5 million outstanding principal amount of MATEP's long-term Notes, together with a retirement premium of $18 million.

### Business Overview

NSTAR (or the Company) is a holding company engaged through its subsidiaries in the energy delivery business serving approximately 1.4 million customers in Massachusetts, including approximately 1.1 million electric distribution customers in 81 communities and approximately 300,000 natural gas distribution customers in 51 communities. NSTAR's core business is a traditional "pipes and wires" company with a continuing focus on shareholder value and a continued commitment for safe and reliable energy delivery to customers. NSTAR also focuses on providing accurate information and other helpful assistance to its customers, thereby providing a superior customer experience. NSTAR's strategy is to invest in transmission and distribution assets that will align with its core competencies.

**Electric operations.** For the six months ended June 30, 2010, NSTAR derived 82% of its operating revenues primarily from the transmission and distribution of electric energy through NSTAR Electric.

**Gas operations.** For the six months ended June 30, 2010, NSTAR derived 18% of its operating revenues from the distribution of natural gas through NSTAR Gas.

**Earnings.** NSTAR's earnings are impacted by its customers' requirements for energy in the form of unit sales of electricity and natural gas, which directly determine the levels of electric retail distribution and transmission revenues and natural gas firm and transportation revenues recognized. In accordance with the regulatory rate structures in which NSTAR 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, including the gain on sale of MATEP, attributable to common shareholders for the three-month and six-month periods ended June 30, 2010, was $171 million and $230.7 million, or $1.61 and $2.16 diluted earnings per share, respectively, as compared to $56.9 million and $118 million, or $0.53 and $1.10 diluted earnings per share for the same periods in 2009, 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's 2009 Form 10-K. There have been no substantive changes to those policies and estimates.

**Rate Structure**

a. Rate Settlement Agreement

NSTAR Electric is currently operating under a DPU-approved seven-year 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 that are generally offset by an equal and corresponding reduction in transition rates. The increase adjustment is 1.32% effective January 1, 2010; and corresponding adjustments were 1.74%, 2.68%, and 2.64% effective January 1, 2009, 2008, and 2007, respectively. Uncollected transition charges as a result of the reductions in transition rates are deferred and collected through future rates with a carrying charge.

b. Electric 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 and a reconciling rate adjustment mechanism to recover costs associated with the residential assistance adjustment clause, and an Energy Efficiency Reconciling Factor (EERF) to recover energy efficiency expenditures 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 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 costs of moving the electricity over high voltage lines from generating plants to substations located within NSTAR'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. Gas Rates

NSTAR Gas generates revenues primarily through the sale and/or transportation of natural gas. Gas sales and transportation services are divided into two categories: firm, whereby NSTAR Gas must supply gas and/or transportation services to customers on demand; and interruptible, whereby NSTAR Gas may, generally during colder months, temporarily discontinue service to high volume commercial and industrial customers. Sales and transportation of gas to interruptible customers have no impact on NSTAR Gas' operating income because a substantial portion of the margin for such service is returned to its firm customers as rate reductions.

Retail natural gas delivery and supply rates are established by the DPU and are comprised of:

- **a distribution charge** consists of a fixed customer charge and a demand and/or energy charge that collects the costs of building and expanding the natural gas infrastructure to deliver natural gas supply to its customers' destination. This also includes collection of ongoing operating costs;
- **a seasonal cost of gas adjustment clause (CGAC)** represents the collection of natural gas supply costs, pipeline and storage capacity, costs related to charge-offs of uncollected energy costs and working capital related costs. The CGAC is reset every six months. In addition, NSTAR Gas is required to file interim changes to its CGAC factor when the actual costs of natural gas supply vary from projections by more than 5%; and
- **a local distribution adjustment clause (LDAC)** primarily represents the collection of energy efficiency program costs, environmental costs, PAM related costs, and costs associated with the residential assistance adjustment clause. The LDAC is reset annually and provides for the recovery of certain costs applicable to both sales and transportation customers.

NSTAR Gas purchases financial contracts based on NYMEX natural gas futures in order to reduce cash flow variability associated with the purchase price for approximately one-third of its natural gas purchases. This practice attempts to minimize the impact of fluctuations in prices to NSTAR's firm gas customers. These financial contracts do not procure natural gas supply. All costs incurred or benefits realized when these contracts are settled are included in the CGAC.

d. Regulatory Matters

DPU Safety and Reliability Programs (CPSL)

As part of the Rate Settlement Agreement, NSTAR Electric is allowed to recover 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. NSTAR Electric incurred and billed incremental costs of $12 million, $14 million, $15 million and $16 million in 2006, 2007, 2008 and 2009, respectively. During 2010, approximately $9 million has been incurred through June 30. This includes 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. This order addressed the cost recovery of NSTAR Electric's 2006 CPSL program. The expected recovery amount does not vary materially from the revenue previously recognized. During the fourth quarter of 2010, NSTAR Electric expects to make supplemental filings in compliance with the DPU order to address cost recovery through 2009. NSTAR cannot predict the timing of subsequent DPU orders related to these pending filings. Should an adverse DPU decision be issued, it could have a material adverse impact on NSTAR's results 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 in 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 December 14, 2007, the Motion for Reconsideration was granted and the DPU reopened the case to hear additional evidence. NSTAR Electric filed additional testimony in April 2008, an evidentiary hearing was held, and briefs were filed in June and early July 2008.

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FERC Transmission ROE

NSTAR earns an 11.14% ROE on local transmission facility investments. The ROE on NSTAR's regional transmission facilities is 11.64%. Additional incentive adders are determined on a case-by-case basis according to FERC's 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 that can bring the ROE for NSTAR up to 13.1% for certain qualified regional investments.

**Other**

a. Energy Efficiency Plans - NSTAR Electric and NSTAR Gas

NSTAR Electric and NSTAR Gas are required to administer energy efficiency programs. The Massachusetts Green Communities Act (GCA) required electric and natural gas distribution companies to develop three-year energy efficiency plans. The first three-year plan effective in 2010 is expected to lead to a significant expansion of energy efficiency activity in Massachusetts. Like the historical programs, the new three-year plan includes financial incentives based on energy efficiency program performance and spending. In addition, the DPU has stated that it will permit distribution companies like NSTAR Electric and NSTAR Gas that do not yet have rate decoupling mechanisms in place to implement lost base revenue rate adjustment mechanisms that will partially offset reduced distribution rate revenues as a result of successful energy efficiency programs.

NSTAR Electric has filed its 2010 Energy Efficiency Plan and anticipates that the program will amount to about $122 million in spending, including incentives. NSTAR Gas has filed its 2010 Energy Efficiency Plan and anticipates that the program will amount to about $14.5 million in spending, including incentives. These 2010 plans were approved by the DPU on January 28, 2010.

b. Proposed Transmission Investments

On May 22, 2009, FERC issued a declaratory judgment that ruled favorably on the proposed structure of a transmission arrangement for a new participant-funded transmission line between New England and Quebec. Under this arrangement, firm transmission service will be provided to Hydro-Quebec by a venture, Northern Pass Transmission LLC, between NSTAR and Northeast Utilities (NU). NSTAR, NU and Hydro-Quebec have agreed to develop this project, and are currently negotiating a long-term transmission service agreement.

ISO-NE has included in its regional system plan a new twenty-two mile 345kV transmission line that will cross the Cape Cod Canal. This project involves the expansion and upgrade of existing transmission infrastructure. NSTAR Electric is pursuing the license approval of this project, as well as preparing cost allocation and reliability applications with ISO-NE. This project is anticipated to cost approximately $120 million and be in-service in 2012.

**Results of Continuing Operations**

The following section of MD&A compares the results of continuing operations for each of the three-month and six-month periods ended June 30, 2010 and 2009 and should be read in conjunction with the accompanying Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included elsewhere in this report.

**Earnings Outlook**

NSTAR updated its 2010 earnings guidance to between $2.45 and $2.60 per share. This range excludes the gain on the MATEP sale.

**Common Share Dividends**

NSTAR's current quarterly cash dividend rate is $0.40 per share or $1.60 per share on an annualized basis. On June 24, 2010, NSTAR's Board of Trustees declared a quarterly cash dividend of $0.40 per share to shareholders of record on July 9, 2010, payable August 2, 2010.

**Three Months Ended June 30, 2010 compared to Three Months Ended June 30, 2009**

Executive Summary of Quarterly Results

Earnings per common share were as follows:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Basic and Diluted – Continuing operations | $ 0.57 | $ 0.52 | 9.6 |
| Basic and Diluted– Income from discontinued operations | 0.01 | 0.01 | - |
| | 0.58 | 0.53 | 9.4 |
| Basic and Diluted– Gain on sale of discontinued operations | 1.03 | - | |
| Basic and Diluted – Total earnings | $ 1.61 | $ 0.53 | 203.8 |

Net income attributable to common shareholders was $171 million for the quarter ended June 30, 2010 compared to $56.9 million for the same period in 2009. Major factors on an after-tax basis that contributed to the $114.1 million, or 200.5%, increase include:

- Higher distribution revenues due to a 5.9% increase in sales and the annual inflation rate adjustment ($10.3 million)
- Higher transmission revenues ($2.1 million)
- Lower costs to achieve amortization ($2.5 million)

- Lower net interest charges ($1.5 million)
- Gain on the sale of MATEP, net of transaction costs ($109.4 million)

These increases in earnings factors were partially offset by:

- Lower firm gas revenues due to a 9.2% decrease in sales ($0.8 million)
- Cumulative impact of a true-up adjustment resulting from a DPU order on May 28, 2010 related to NSTAR Electric's transition mitigation incentive for the years 2006-2009 ($3 million)
- Higher operations and maintenance expense ($1.4 million)
- Higher depreciation and property taxes ($3 million)

Significant cash flow events during the quarter include the following:

- Cash flows from continuing operating activities provided approximately $83 million, a decrease of $38 million as compared to the same period in 2009. The decrease primarily reflects the higher level of income tax payments partially offset by the timing of payments and customer collections related to energy costs
- Cash flows from investing activities included $343.7 million in gross cash proceeds from the sale of MATEP. Outflows include approximately $76 million in capital projects to improve system reliability and capacity
- Cash outflows from financing activities included an accelerated share repurchase program payment of $125 million, repayment of MATEP's long-term debt of $85.5 million, and $42.7 million in common share dividends and retirement of approximately $144 million in long-term and securitized debt

Energy sales

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

| **Retail Electric Sales - MWh** | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Residential | 1,508,700 | 1,390,494 | 8.5 |
| Commercial, Industrial, and Other | 3,610,897 | 3,443,658 | 4.9 |
| Total retail sales | 5,119,597 | 4,834,152 | 5.9 |

| **Firm Gas Sales and Transportation - BBtu** | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Residential | 2,265 | 2,650 | (14.5) |
| Commercial and Industrial | 3,676 | 3,831 | (4.0) |
| Municipal | 359 | 456 | (21.3) |
| Total firm sales | 6,300 | 6,937 | (9.2) |

NSTAR's electric energy sales in the three months ended June 30, 2010 increased 5.9% compared to 2009 primarily due to favorable weather conditions resulting from warmer weather in May and June 2010 as compared to 2009. Cooling degree-days in NSTAR's service area for the three months ended June 30, 2010 were up nearly 228% from the same period in 2009.

The 9.2% decrease in firm gas and transportation sales is due to the warmer early spring weather.

Primarily weather, but also to a lesser extent fluctuations in fuel costs, conservation measures, and economic conditions affect sales to NSTAR's residential and small commercial customers. Economic conditions, fluctuations in fuel costs, and conservation measures affect NSTAR'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 *"Electric Revenues"* and *"Gas Revenues"* sections below for more detailed discussions.

Weather conditions

NSTAR forecasts its electric and natural gas sales based on normal weather conditions. Actual results may vary from those projected due to actual weather conditions, energy conservation, and other factors. Refer to the *"Cautionary Statement Regarding Forward-Looking Information"* section preceding Part 1 *"Financial Information"* of this Form 10-Q.

The demand for electricity and natural gas is affected by weather. Weather impacts electric sales primarily during the summer and, to a greater extent, natural gas sales during the winter season in NSTAR'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's electric and natural gas businesses are sensitive to variations in daily weather, are highly influenced by New England's seasonal weather variations, and are susceptible to severe storm-related incidents 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 comparative information below relates to heating and cooling degree-days for the three-month periods ended June 30, 2010 and 2009 and the number of heating and cooling degree-days in a "normal" second quarter as presented by a 30-year average. NSTAR uses the "normal 30-year average" degree-days data to compare current temperature readings to a baseline or "normal" period, that is recalculated every ten years for the preceding 30 years (currently 1980-2009), as collected at the Worcester, Massachusetts airport and Boston's Logan airport for heating and cooling degree-day data, respectively. As shown in the table below, weather conditions during the three-month period ended June 30, 2010 measured by heating and cooling degree-days, respectively, were 28.6% lower/warmer related to heating degree-days and 227.8% higher/warmer related to cooling degree-days for 2010 as compared to 2009, unfavorably impacting gas revenues, but favorably impacting revenues from electric sales. Refer to the *"Electric Revenues"* and *"Gas Revenues"* sections below for more detailed discussions.

| | |
|---|---|
| Heating Degree-Days (HDD) | |
| Three months ended June 30, 2010 | 670 |
| Three months ended June 30, 2009 | 938 |
| Normal 30-Year Average | 970 |
| | |
| Percentage that 2010 HDD were lower than 2009 | 28.6% |
| Percentage that 2010 HDD were lower than 30-year average | 30.9% |
| | |
| Cooling Degree-Days (CDD) | |
| Three months ended June 30, 2010 | 259 |
| Three months ended June 30, 2009 | 79 |
| Normal 30-Year Average | 175 |
| | |
| Percentage that 2010 CDD were higher than 2009 | 227.8% |
| Percentage that 2010 CDD were higher than 30-year average | 48.0% |

Operating revenues

Operating revenues for the second quarter of 2010 decreased $27.8 million, or 4.1%, from the same period in 2009 as follows:

| (in millions) | Three Months Ended June 30, 2010 | 2009 | Increase/(Decrease) Amount | Percent |
|---|---|---|---|---|
| **Electric revenues** | | | | |
| Retail distribution and transmission | $ 282.7 | $ 245.8 | $ 36.9 | 15.0% |
| Energy, transition and other | 299.1 | 362.5 | (63.4 ) | (17.5)% |
| Total electric revenues | 581.8 | 608.3 | (26.5 ) | (4.4)% |
| **Gas revenues** | | | | |
| Firm and transportation | 24.1 | 24.5 | (0.4 ) | (1.6)% |
| Energy supply and other | 49.9 | 50.8 | (0.9 ) | (1.8)% |
| Total gas revenues | 74.0 | 75.3 | (1.3 ) | (1.7)% |
| Total operating revenues | $ 655.8 | $ 683.6 | $ (27.8 ) | (4.1)% |

Electric revenues

NSTAR'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 $36.9 million, or 15%, in retail distribution and transmission revenues primarily reflects:

- Higher distribution revenues attributable to a 5.9% increase in sales, in addition to an increase resulting from the annual inflation rate adjustment ($16.9 million)
- 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 ($16.3 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'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. The $63.4 million decrease in energy, transition, and other revenues is primarily attributable to lower Basic Service rates in effect due to lower energy costs. Uncollected transition costs as a result of the reductions in transition rates are deferred and collected through future rates with a carrying charge.

Gas revenues

Firm and transportation gas revenues primarily represent charges to customers for the Company’s recovery of costs of its capital investment in gas infrastructure, including a return component, and for the recovery of costs for the ongoing operation and maintenance of that infrastructure. The transportation revenue component represents charges to customers for the recovery of costs to move the natural gas over pipelines from gas suppliers to take stations located within the Company's service area. Firm and transportation revenues decreased $0.4 million primarily attributable to the 9.2% decrease in BBtu sales.

Energy supply and other gas revenues primarily represent charges to customers for the recovery of costs to the Company in order to acquire the natural gas in the marketplace and a charge for recovery of the Company's gas supplier service costs. The energy supply and other revenues decrease of $0.9 million primarily reflects a decrease in the cost of gas supply. These revenues are fully reconciled with the costs currently recognized by the Company and, as a result, do not have an effect on NSTAR's consolidated net income.

Operating expenses

**Purchased power and transmission expense** was $268.1 million in the second quarter of 2010 compared to $297.6 million in the same period of 2009, a decrease of $29.5 million, or 9.9%. The decrease in expense reflects lower Basic Service and other energy costs of $42.4 million. These decreases were partially offset by higher transmission costs of $12.9 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.

**Cost of gas sold**, representing NSTAR Gas' supply expense, was $40.1 million in the second quarter of 2010 compared to $43 million in the same period of 2009, a decrease of $2.9 million, or 6.7%. The decrease in expense primarily reflects lower sales of 9.2% and a decrease in natural gas supply costs. NSTAR Gas maintains a flexible resource portfolio consisting of an all-requirements gas supply contract, transportation contracts on interstate pipelines, market area storage, and peaking services. NSTAR Gas adjusts its rates to collect costs related to gas supply from customers on a fully reconciling basis and therefore changes in the amount of energy supply expense have no impact on consolidated net income.

**Operations and maintenance expense** was $101.5 million in the second quarter of 2010 compared to $93.4 million in the same period of 2009, an increase of $8.1 million, or 8.7%. The increase in expense reflects higher pension and PBOP related PAM amortization costs ($3.5 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 timing of maintenance ($2.6 million), storm-related expenses ($0.6 million), and bad debt expense ($1.8 million).

**Depreciation and amortization expense** was $73 million in the second quarter of 2010 compared to $91.7 million in the same period of 2009, a decrease of $18.7 million or 20.4%. The decrease primarily reflects the completion of the 10-year amortization related to merger integration costs and lower amortization costs related to the pay-down of securitized debt, offset by higher depreciable distribution and transmission plant-in-service.

**Energy efficiency and renewable energy programs expense** was $24.6 million in the second quarter of 2010 compared to $19.2 million in the same period of 2009, an increase of $5.4 million, or 28.1%, which is consistent with the collection of conservation and renewable energy revenues. These costs are in accordance with program guidelines established by the DPU and are collected from customers on a fully reconciling basis plus a performance incentive. NSTAR anticipates a further increase in Energy Efficiency spending during 2010 and in future years driven by requirements of the Green Communities Act (GCA). Those spending increases are expected to be funded partially through proceeds from the Regional Greenhouse Gas Initiative and through NSTAR's participation in the Forward Capacity Market.

**Property and other taxes expense** was $26.7 million in the second quarter of 2010 compared to $24.3 million in the same period of 2009, an increase of $2.4 million, or 9.9%, reflecting higher overall property investments and higher tax rates.

Interest charges (income):

**Long-term debt and transition property securitization certificate interest charges** were $33.9 million in the second quarter of 2010 compared to $37.8 million in the same period of 2009, a decrease of $3.9 million, or 10.3%. The decrease in interest charges reflects scheduled principal pay downs of transition property securitization debt and the retirement of NSTAR's $500 million, 8% Notes in mid-February 2010 and NSTAR Electric's $125 million, 7.8% Debentures in May 2010. These reductions in interest expense were partially offset by recent debt issuances at lower average effective interest rates.

**Interest income and other, net** were $11.2 million of net interest income in the second quarter of 2010 compared to $10.3 million of net interest income in the same period of 2009, an increase of $0.9 million, or 8.7%, due primarily to higher net interest income on income tax matters of $1 million and a lower average level of borrowed funds.

Other income (deductions):

**Other income** was $1.2 million in the second quarter of 2010 compared to $2.4 million in the same period of 2009, a decrease of $1.2 million. The decrease relates primarily to lower cash surrender values of insurance policies.

**Other deductions** were $0.7 million in the second quarter of 2010 compared to $0.5 million in the same period of 2009, an increase of $0.2 million.

Income tax expense:

**Income tax expense** was $39 million in the second quarter of 2010 compared to $33 million in the same period of 2009, an increase of $6 million, or 18.2%, primarily reflecting a higher pre-tax operating income in 2010.

**Six Months Ended June 30, 2010 compared to Six Months Ended June 30, 2009**

Executive Summary of Quarterly Results

Earnings per common share were as follows:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Basic – Continuing operations | $ 1.08 | $ 1.04 | 3.8 |
| Basic – Income from discontinued operations | 0.07 | 0.06 | 16.7 |
| | 1.15 | 1.10 | 4.5 |
| Basic – Gain on sale of discontinued operations | 1.02 | - | |
| Basic – Total earnings | $ 2.17 | $ 1.10 | 97.3 |
| Diluted – Continuing operations | $ 1.07 | $ 1.04 | 2.9 |
| Diluted – Income from discontinued operations | 0.07 | 0.06 | 16.7 |
| | 1.14 | 1.10 | 3.6 |
| Diluted – Gain on sale of discontinued operations | 1.02 | - | |
| Diluted – Total earnings | $ 2.16 | $ 1.10 | 96.4 |

Net income attributable to common shareholders was $230.7 million for the first half of 2010 compared to $118 million for the same period in 2009. Major factors on an after-tax basis that contributed to the $112.7 million, or 95.5%, increase include:

- Higher distribution revenues due to a 1.7% increase in sales and the annual inflation rate adjustment ($9 million)
- Higher transmission revenues ($3.5 million)
- Lower costs to achieve amortization ($5 million)
- Lower net interest charges ($1.8 million)
- Gain on the sale of MATEP, net of transaction costs ($109.1 million)

These increases in earnings factors were partially offset by:

- Lower firm gas revenues due to a 6.3% decrease in sales ($2.6 million)
- Cumulative impact of a true-up adjustment resulting from a DPU order on May 28, 2010 related to NSTAR Electric's transition mitigation incentive for the years 2006-2009 ($3 million)
- Higher operations and maintenance expense ($3.6 million)
- Higher depreciation and property taxes ($5.8 million)

Significant cash flow events during the six months ended June 30, 2010 include the following:

- Cash flows from continuing operating activities provided $221.8 million, a decrease of $129.8 million as compared to the same period in 2009. The decrease primarily reflects the timing of payments and customer collections related to energy costs and higher income tax payments
- Cash flows from investing activities included $343.7 million in gross cash proceeds from the sale of MATEP. Outflows include $155.5 million in capital projects to improve system reliability and capacity
- Cash outflows from financing activities included an accelerated share repurchase program payment of $125 million, retirement of $673.4 million in long-term and securitized debt, repayment of MATEP's long-term debt of $85.5 million, and $85.4 million in common share dividends. Significant inflows included NSTAR Gas issuing $125 million of 4.46% Mortgage Notes and NSTAR Electric issuing $300 million of 5.50% Debentures with an effective rate of 5.61%

Energy sales

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

| **Retail Electric Sales - MWh** | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Residential | 3,183,921 | 3,116,588 | 2.2 |
| Commercial, Industrial, and Other | 7,128,167 | 7,023,471 | 1.5 |
| Total retail sales | 10,312,088 | 10,140,059 | 1.7 |

| **Firm Gas Sales and Transportation - BBtu** | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | % Change |
| Residential | 11,975 | 12,984 | (7.8) |
| Commercial and Industrial | 12,080 | 12,675 | (4.7) |
| Municipal | 1,755 | 1,896 | (7.4) |
| Total firm sales | 25,810 | 27,555 | (6.3) |

NSTAR's electric energy sales in the six months ended June 30, 2010 increased 1.7% compared to 2009 primarily due to favorable weather conditions resulting from a warmer winter and warmer weather in May and June 2010 as compared to 2009. Cooling degree-days in NSTAR's service area for the six months ended June 30, 2010 up nearly 228% from the same period in 2009.

The 6.3% decrease in firm gas and transportation sales is due to the warmer winter and early spring weather.

Primarily weather, but also to a lesser extent fluctuations in fuel costs, conservation measures, and economic conditions affect sales to NSTAR's residential and small commercial customers. Economic conditions, fluctuations in fuel costs, and conservation measures affect NSTAR'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 *"Electric Revenues"* and *"Gas Revenues"* sections below for more detailed discussions.

Weather conditions

Refer to and consider for this six-month period ended June 30, 2010 discussion, NSTAR's disclosure on factors that affect its energy sales, including the effect of variable weather conditions, and a description and use of energy degree-days, as found in the *"Three Months Ended June 30, 2010 compared to the Three Months Ended June 30, 2009 – Weather Conditions"* section of this MD&A.

The following comparative information relates to heating and cooling degree-days for the six months ended June 30, 2010 and 2009 and the number of heating and cooling degree-days in a "normal" six-month period using a 30-year average. As shown in the table below, weather conditions during the six months ended June 30, 2010 measured by heating and cooling degree-days, respectively, were 12.0% lower/warmer related to heating degree-days and 227.8% higher/warmer related to cooling degree-days for 2010 as compared to 2009, unfavorably impacting gas revenues, but favorably impacting revenues from electric sales. Refer to the *"Electric Revenues"* and *"Gas Revenues"* sections below for more detailed discussions.

| | |
|---|---|
| Heating Degree-Days (HDD) | |
| Six months ended June 30, 2010 | 3,777 |
| Six months ended June 30, 2009 | 4,290 |
| Normal 30-Year Average | 4,243 |
| Percentage that 2010 HDD were lower than 2009 | 12.0% |
| Percentage that 2010 HDD were lower than 30-year average | 11.0% |
| Cooling Degree-Days (CDD) | |
| Six months ended June 30, 2010 | 259 |
| Six months ended June 30, 2009 | 79 |
| Normal 30-Year Average | 175 |
| Percentage that 2010 CDD were higher than 2009 | 227.8% |
| Percentage that 2010 CDD were higher than 30-year average | 48.0% |

Operating revenues

Operating revenues for the first half of 2010 decreased $170 million, or 10.7%, from the same period in 2009 as follows:

| (in millions) | Six Months Ended June 30, 2010 | 2009 | Increase/(Decrease) Amount | Percent |
|---|---|---|---|---|
| **Electric revenues** | | | | |
| Retail distribution and transmission | $ 535.4 | $ 482.3 | $ 53.1 | 11.0% |
| Energy, transition and other | 630.5 | 802.5 | (172.0 ) | (21.4)% |
| Total electric revenues | 1,165.9 | 1,284.8 | (118.9 ) | (9.3)% |
| **Gas revenues** | | | | |
| Firm and transportation | 84.4 | 86.6 | (2.2 ) | (2.5)% |
| Energy supply and other | 172.1 | 221.0 | (48.9 ) | (22.1)% |
| Total gas revenues | 256.5 | 307.6 | (51.1 ) | (16.6)% |
| Total operating revenues | $ 1,422.4 | $ 1,592.4 | $ (170.0 ) | (10.7)% |

Electric revenues

NSTAR'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 $53.1 million, or 11%, 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 ($30.1 million)
- Increased sales of 1.7% due to the impact of weather conditions, in addition to the annual inflation rate adjustment ($14.8 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'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. The $172 million decrease in energy, transition, and other revenues is primarily attributable to lower Basic Service rates in effect due to lower energy costs. Uncollected transition costs as a result of the reductions in transition rates are deferred and collected through future rates with a carrying charge.

Gas revenues

Firm and transportation gas revenues primarily represent charges to customers for the Company’s recovery of costs of its capital investment in gas infrastructure, including a return component, and for the recovery of costs for the ongoing operation and maintenance of that infrastructure. The transportation revenue component represents charges to customers for the recovery of costs to move the natural gas over pipelines from gas suppliers to take stations located within the Company's service area. Firm and

transportation revenues decreased $2.2 million primarily due to customers reducing usage as a result of milder winter weather, which resulted in a decrease in gas sales volumes of 6.3%.

Energy supply and other gas revenues primarily represent charges to customers for the recovery of costs to the Company in order to acquire the natural gas in the marketplace and a charge for recovery of the Company's gas supplier service costs. The energy supply and other revenues decrease of $48.9 million primarily reflects a decrease in the cost of gas supply. These revenues are fully reconciled with the costs currently recognized by the Company and, as a result, do not have an effect on NSTAR's consolidated net income.

Operating expenses

**Purchased power and transmission expense** was $551.3 million in the first half of 2010 compared to $674.2 million in the same period of 2009, a decrease of $122.9 million, or 18.2%. The decrease in expense reflects lower Basic Service and other energy costs of $146.6 million. These decreases were partially offset by higher transmission costs of $23.7 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.

**Cost of gas sold**, representing NSTAR Gas' supply expense, was $150.7 million in the first half of 2010 compared to $200.1 million in the same period of 2009, a decrease of $49.4 million, or 24.7%. The decrease in expense primarily reflects lower sales of 6.3% and a decrease in natural gas supply costs. NSTAR Gas maintains a flexible resource portfolio consisting of an all-requirements gas supply contract, transportation contracts on interstate pipelines, market area storage, and peaking services. NSTAR Gas adjusts its rates to collect costs related to gas supply from customers on a fully reconciling basis and therefore changes in the amount of energy supply expense have no impact on consolidated net income.

**Operations and maintenance expense** was $211.5 million in the first half of 2010 compared to $197.9 million in the same period of 2009, an increase of $13.6 million, or 6.9%. The increase in expense reflects higher pension and PBOP related PAM amortization costs ($7.1 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 ($2.1 million), assessed regulatory fees ($0.7 million), and timing of maintenance ($3 million).

**Depreciation and amortization expense** was $166.1 million in the first half of 2010 compared to $190.5 million in the same period of 2009, a decrease of $24.4 million or 12.8%. The decrease primarily reflects the completion of the 10-year amortization related to merger integration costs and lower amortization costs related to the pay-down of securitized debt, offset by higher depreciable distribution and transmission plant-in-service.

**Energy efficiency and renewable energy programs expense** was $44.9 million in the first half of 2010 compared to $38.4 million in the same period of 2009, an increase of $6.5 million, or 16.9%, which is consistent with the collection of conservation and renewable energy revenues. These costs are in accordance with program guidelines established by the DPU and are collected from customers on a fully reconciling basis plus a performance incentive. NSTAR anticipates a further increase in Energy Efficiency spending during 2010 and in future years driven by requirements of the GCA. Those spending increases are expected to be funded partially through proceeds from the Regional Greenhouse Gas Initiative and through NSTAR's participation in the Forward Capacity Market.

**Property and other taxes expense** was $57.9 million in the first half of 2010 compared to $53 million in the same period of 2009, an increase of $4.9 million, or 9.2%, reflecting higher overall property investments and higher tax rates.

Interest charges (income):

**Long-term debt and transition property securitization certificate interest charges** were $71.2 million in the first half of 2010 compared to $75.8 million in the same period of 2009, a decrease of $4.6 million, or 6.1%. The decrease in interest charges reflects scheduled principal pay downs of transition property securitization debt and the retirement of NSTAR's $500 million, 8% Notes in mid-February 2010 and NSTAR Electric's $125 million, 7.8% Debentures in May 2010. These reductions in interest expense were partially offset by recent debt issuances at lower average effective interest rates.

**Interest income and other, net** were $17.1 million of net interest income in the first half of 2010 compared to $14.5 million of net interest income in the same period of 2009, an increase of $2.6 million, or 17.9%, due to increased interest income of $1.1 million related to higher regulatory deferrals, higher interest income on income tax matters of $0.6 million, and a lower average level of borrowed funds.

Other income (deductions):

**Other income** was $3 million in the first half of 2010 compared to $3.8 million in the same period of 2009, a decrease of $0.8 million, or 21%. The decrease relates primarily to lower cash surrender values of insurance policies.

**Other deductions** were $1.2 million in the first half of 2010 compared to $1.1 million in the same period of 2009, an increase of $0.1 million, or 9.1%.

Income tax expense:

**Income tax expense** was $72.3 million in the first half of 2010 compared to $66.8 million in the same period of 2009, an increase of $5.5 million, or 8.2%, primarily reflecting a higher pre-tax operating income in 2010.

**Liquidity and Capital Resources**

Financial Market Impact

Ongoing volatility and uncertainty in the financial markets may adversely impact the availability of credit and the cost of credit to NSTAR and its subsidiary companies. However, throughout this period of market uncertainty, NSTAR has been able to successfully access capital markets to issue long-term debt and also to facilitate short-term financing for working capital needs. NSTAR and its subsidiaries utilize the commercial paper market to meet their short-term cash requirements. NSTAR and NSTAR Electric currently have Revolving Credit Agreements in place through December 2012. These Credit Agreements serve as a liquidity backup to the commercial paper program. Short-term commercial paper debt obligations are commonly refinanced to long-term obligations with fixed-rate bonds or notes as needed or when interest rates are considered favorable. Refer to Item 1A, "*Risk Factors*," in NSTAR's Annual Report on Form 10-K for the year ended December 31, 2009, for a further discussion.

As a result of volatility in the financial markets and its impact on NSTAR's Pension and PBOP Plan investments, NSTAR continues to evaluate the extent to which it may make additional cash contributions. Should NSTAR elect to increase its level of funding to these plans, NSTAR believes it has adequate access to capital resources to support its contributions.

Working Capital

NSTAR Electric retired a $125 million, 7.8% Debenture due, at maturity, in May 2010. Cash equivalents held by NSTAR at December 31, 2009 were used to pay, in part, the redemption price of the NSTAR $500 million, 8% Notes in February 2010. During the quarter ended June 30, 2010, short-term debt increased from $325 million to $390.5 million primarily attributable to the $125 million debt payment.

NSTAR believes that it has adequate access to short-term credit markets to facilitate its working capital needs at favorable terms.

Current Cash Flow Activity

NSTAR's primary uses of cash in the first half of 2010 included capital expenditures, dividend payments, long-term and securitized debt redemptions, and share repurchases. NSTAR's primary sources of cash in the first half of 2010 included cash from electric and gas operations, proceeds from the sale of MATEP, and long-term debt issuances.

Operating Activities

The net cash provided by continuing operating activities was $221.8 million in 2010, as compared to $351.6 million in 2009, a decrease of $129.8 million primarily due to the timing of energy supply payments and their related recovery from customers and higher income tax payments.

Investing Activities

The net cash provided by investing activities of continuing operations in 2010 was $188.9 million, compared to cash used of $202.6 million in 2009. This relates to the $343.7 million received from the sale of MATEP. The majority of the plant expenditures were for system reliability improvements and capacity improvements in the NSTAR service territory. The decrease in plant expenditures was primarily due to a lower level of major transmission projects.

Financing Activities

Net cash used in financing activities of continuing operations in 2010 was $437.8 million compared to $153.4 million in 2009. On June 8, 2010, $125 million was used to acquire treasury stock pursuant to an accelerated share repurchase program. Uses of cash primarily reflect long-term and securitized debt redemptions of $673.4 million in 2010 compared to $73.4 million in 2009. In addition, NSTAR's short-term debt increased by $49.5 million. Sources of cash during 2010 included proceeds from NSTAR Electric's issuance of $300 million in long-term debt and NSTAR Gas' issuance of $125 million in long-term debt.

Income Tax Payments

During the six months ended June 30, 2010 and 2009, NSTAR made income tax payments of $96.9 million and $50.4 million, respectively. Payment of the tax due from the gain on the sale of MATEP will be made mostly in September 2010.

Refundable Income Tax

The refundable income tax of $129.1 million related to the SSCM will be fully refunded to NSTAR including interest. Subject to timely completion of IRS appeals discussions, this amount is expected to be received in the second half of 2010.

**Sources of Additional Capital and Financial Covenant Requirements**

With the exception of bond indemnity agreements and gas hedging agreements, NSTAR has no financial guarantees, commitments, debt or lease agreements that would require a change in terms and conditions, such as acceleration of payment obligations, as a result of a change in its credit rating. However, in addition to the bond indemnity and gas hedging agreements, NSTAR's subsidiaries could be required to provide additional security for energy supply contract performance obligations, such as a letter of credit for their pro-rata share of the remaining value of such contracts.

NSTAR and NSTAR Electric have no financial covenant requirements under their respective long-term debt arrangements. Pursuant to a revolving credit agreement, NSTAR Electric must maintain a total debt to capitalization ratio no greater than 65% at all times, excluding Transition Property Securitization Certificates and excluding accumulated other comprehensive income (loss) from common equity. NSTAR Gas must also maintain a total debt to capitalization ratio no greater than 65% at all times pursuant to its revolving credit agreement. NSTAR Gas was in compliance with its financial covenant requirements including a minimum equity requirement, under its long-term debt arrangements at June 30, 2010 and December 31, 2009. Under the minimum equity requirement, the outstanding long-term debt of NSTAR Gas must not exceed equity. NSTAR's long-term debt other than its secured debt issued by NSTAR Gas is unsecured.

NSTAR currently has a $175 million revolving credit agreement that expires December 31, 2012. At June 30, 2010 and December 31, 2009, there were no amounts outstanding under the revolving credit agreement. This credit facility serves as a backup to NSTAR's $175 million commercial paper program that, at June 30, 2010 and December 31, 2009, had $47.5 million and zero amounts outstanding, respectively. Under the terms of the credit agreement, NSTAR is required to maintain a maximum total consolidated debt to total capitalization ratio of not greater than 65% at all times, excluding Transition Property Securitization Certificates, and excluding accumulated other comprehensive income (loss) from common equity. Commitment fees must be paid on the total agreement amount. At June 30, 2010 and December 31, 2009, NSTAR was in full compliance with the aforementioned covenant as the ratios were 57.5% and 59.8%, respectively.

On April 6, 2009, the DPU approved NSTAR Electric’s new two-year financing plan to issue an additional $500 million in long-term debt securities. On October 9, 2009, in connection with this filing, NSTAR and NSTAR Electric filed a registration statement on Form S-3 with the SEC to issue debt securities from time to time in one or more series. On November 17, 2009, NSTAR issued, at a discount, $350 million of fixed rate (4.5%) Debentures due November 15, 2019. In mid-February 2010, NSTAR retired its $500 million, 8% Notes as scheduled. On March 16, 2010, NSTAR Electric sold $300 million of 5.50% Debentures due March 15, 2040. NSTAR and NSTAR Electric used the proceeds from the prospective issuance of these securities for the redemption or repayment of outstanding long-term debt and short-term debt balances and/or general working capital purposes.

NSTAR Electric has approval from the FERC to issue short-term debt securities from time to time on or before October 22, 2012, with maturity dates no later than October 21, 2013, in amounts such that the aggregate principal does not exceed $655 million at any one time. NSTAR Electric has a five-year, $450 million revolving credit agreement that expires December 31, 2012. However, unless NSTAR Electric receives necessary approvals from the DPU, the credit agreement will expire 364 days from the date of the first draw under the agreement. At June 30, 2010 and December 31, 2009, there were no amounts outstanding under the revolving credit agreement. This credit facility serves as backup to NSTAR Electric's $450 million commercial paper program that had $343 million and $341 million outstanding balances at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010 and December 31, 2009, NSTAR Electric was in full compliance with its covenants in connection with its short-term credit facilities, as the total debt to capitalization ratios were 49.0% and 46.5%, respectively.

NSTAR Gas has a $100 million revolving credit facility. This facility is due to expire on December 10, 2010. NSTAR Gas anticipates that this facility will be renewed. As of June 30, 2010 and December 31, 2009, NSTAR Gas had no amounts outstanding. At June 30, 2010, NSTAR Gas was in full compliance with its covenant in connection with its facility, as the total debt to capitalization ratio was 48.8%.

Historically, NSTAR and its subsidiaries have had a variety of external sources of financing available, as previously indicated, at favorable rates and terms to finance its external cash requirements. However, the availability of such financing at favorable rates and terms depends heavily upon prevailing market conditions and NSTAR's or its subsidiaries' financial condition and credit ratings.

NSTAR's goal is to maintain a capital structure that preserves an appropriate balance between debt and equity. As of June 30, 2010, NSTAR’s subsidiaries could declare and pay dividends of up to

approximately $1.1 billion of their total common equity (approximately $2.3 billion) to NSTAR and remain in compliance with debt covenants. Based on NSTAR's key cash resources available as previously discussed, management believes its liquidity and capital resources are sufficient to meet its current and projected cash requirements.

**Commitments and Contingencies**

NSTAR is exposed to certain matters as discussed in this section under the caption *"Critical Accounting Policies and Estimates."*

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

**Risk Management**

NSTAR's Energy Procurement Policy governs all energy-related procurement transactions of NSTAR Electric and NSTAR Gas. This Policy is reviewed annually and is administered by NSTAR's Risk Committee. The Committee is chaired by NSTAR's chief executive officer and includes other senior officers. Items covered by this Policy and approved by the Committee are all new energy supply transactions, authorization limits, energy related derivative and hedging transactions, and counter-party credit profiles.

**Commodity and Credit Risk**

Although NSTAR has material energy commodity purchase contracts, any potential market risk, including counter-party credit risk, should not have an adverse impact on NSTAR's results of operations, cash flows, or financial position. NSTAR Electric and NSTAR Gas have rate-making mechanisms that allow for the recovery of energy supply costs from those customers who make commodity purchases from NSTAR's electric and natural gas subsidiaries rather than from the competitive market supplier. All energy supply costs incurred by NSTAR Electric and NSTAR Gas in providing energy to their retail customers are recovered on a fully reconciling basis.

In addition, NSTAR has minimal cash flow risk due to the short-term nature of these contracts and the rate-making mechanics that permit recovery of these costs in a timely manner. The majority of NSTAR's electric and natural gas commodity purchase contracts range in term from three to twelve months. NSTAR Electric has the ability to seek cost recovery and adjust its rates as frequently as every three months for its large commercial and industrial customers and every six months for its residential customers. NSTAR Gas has the ability to seek cost recovery as required if costs exceed 5% of the current projected cost recovery level. Both NSTAR Electric and NSTAR Gas earn a carrying charge on under-collected commodity balances that would mitigate any incremental short-term borrowing costs. NSTAR believes it is unlikely that it would be exposed to a liquidity risk resulting from significant market price increases based on the recovery mechanisms currently in place.

To mitigate the cash flow and cost variability related to the commodity price risk on approximately one-third of its natural gas purchases, NSTAR Gas purchases financial futures contracts on behalf of its customers. NSTAR Gas has a rate-making mechanism that provides for recovery of the actual settlement value of these contracts on a fully reconciling basis. Refer to the accompanying Notes to Consolidated Financial Statements, Note D*, "Derivative Instruments, Gas Hedging Agreements"* for a further discussion.

Certain renewable energy requirements of the GCA may require NSTAR to enter into renewable energy supply contracts extending longer than twelve months, in order to satisfy renewable supply requirements.

**Interest Rate Risk**

NSTAR believes its interest risk primarily relates to short-term debt obligations and anticipated future long-term debt financing requirements to fund its capital programs. These short-term debt obligations are typically refinanced with fixed-rate long-term notes as needed and when market interest rates are

favorable. The Company is exposed to changes in interest rates primarily based on levels of short-term commercial paper outstanding. The weighted average interest rates, including fees for short-term indebtedness, were 0.38% and 0.49% for the six months ended June 30, 2010 and 2009, respectively. On a long-term basis, NSTAR mitigates its interest rate risk through the issuance of mostly fixed rate debt of various maturities.

**Item 4. Controls and Procedures**

NSTAR'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 carried out an evaluation, under the supervision and with the participation of NSTAR's management, including NSTAR's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of NSTAR'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's disclosure controls and procedures were effective (1) to timely alert them to material information relating to NSTAR's information required to be disclosed by NSTAR 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'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's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, NSTAR's internal control over financial reporting.

**Part II. Other Information**

**Item 1. Legal Proceedings**

In the normal course of its business, NSTAR and its subsidiaries are involved in certain legal matters, including civil litigation. Management is unable to fully determine a range of reasonably possible 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 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 estimates could have a material impact on its results of operations, financial condition, or cash flows.

**Item 1A. Risk Factors**

Shareholders or prospective investors should carefully consider the risk factors that were previously disclosed in NSTAR's Annual Report on Form 10-K for the year ended December 31, 2009.

**Item 2(c). Unregistered Sales of Equity Securities and Use of Proceeds**

**Share Repurchase Program**

In connection with the sale of MATEP, NSTAR's Board of Trustees approved a share repurchase program of up to $200 million of NSTAR Common Shares.

On June 3, 2010, NSTAR entered into a $125 million Accelerated Share Repurchase (ASR) program with an investment bank. The ultimate number of Common Shares delivered to NSTAR under the ASR depends on the volume weighted average share price (VWAP) over the term of the ASR. On June 8, 2010, 3,221,649 Common Shares were delivered to and retired by the Company under the ASR, representing approximately 90% of the Common Shares that would be acquired in the ASR at a VWAP of $34.92. At the termination of the ASR by the end of the fourth quarter of 2010, either the investment bank will deliver additional Common Shares to NSTAR or NSTAR will deliver cash or Common Shares to the investment bank.

The remaining 10% of the ASR in the amount of $12,500,000 has been allocated to a forward contract to reacquire additional Common Shares, if any, and is recorded as equity on the accompanying Consolidated Balance Sheet at June 30, 2010. The excess of amounts paid over par value for the 3,221,649 Common Shares delivered on June 8, 2010 was allocated between retained earnings and premium on Common Shares. Upon the completion of the ASR, NSTAR will record a final adjustment to common equity for the fair value of the forward contract for any cash or Common Share amounts paid or received upon settlement of the contract with the investment bank.

The remaining Common Shares to be acquired to complete the $200 million share repurchase program may be repurchased from time to time in the open market, or through privately negotiated transactions, block purchases, or another ASR.

**Other Share Purchases**

Common Shares of NSTAR issued under the NSTAR Dividend Reinvestment and Direct Common Shares Purchase Plan, the NSTAR Long Term Incentive Plan and invested in by participants of the NSTAR Savings Plan may consist of newly issued shares from the Company or shares purchased on the open market by the Company or an independent agent. During the three-month period ended June 30, 2010, except as otherwise noted, shares listed below were acquired in the open market for such purposes.

| | Total Number of Common Shares Purchased | | Average Price Paid Per Share | Total Number of Common Shares Purchased as Part of an Announced Plan or Program | Maximum Number (or Approximate Dollar Value) of Common Shares That May Yet Be Purchased Under the Plans or Programs | |
|---|---|---|---|---|---|---|
| April | 272,899 | | $37.12 | | | |
| May | 264,192 | | $36.91 | | | |
| June | 3,246,270 | (1) | $34.92 | 3,221,649 | $87,500,000 | (2) |
| Total second quarter | 3,783,361 | | $35.22 | 3,221,649 | $87,500,000 | |

(1) 3,221,649 of these shares were purchased pursuant to the ASR agreement that NSTAR entered June 3, 2010, which is described above. The retired shares reflect completion to date of approximately 56% of the approved share repurchase program. These shares were retired June 8, 2010.

(2) Includes an additional $12.5 million covered by the ASR.

**Item 6. 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 and its subsidiaries defining the rights of holders of any non-registered debt whose authorization does not exceed 10% of total assets. |

Exhibits filed herewith:

| | | | |
|---|---|---|---|
| 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 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| | 31.2 | | Certification Statement of Chief Financial Officer of NSTAR 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 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| | 32.2 | | Certification Statement of Chief Financial Officer of NSTAR 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 |
| Exhibit | 101.CAL | - | XBRL Taxonomy Extension Calculation Linkbase Document |
| Exhibit | 101.DEF | - | XBRL Taxonomy Extension Definition Linkbase Document |
| Exhibit | 101.LAB | - | XBRL Taxonomy Extension Label Linkbase Document |
| Exhibit | 101.PRE | - | XBRL Taxonomy Extension Presentation Linkbase Document |

**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
(Registrant)

Date: August 3, 2010

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