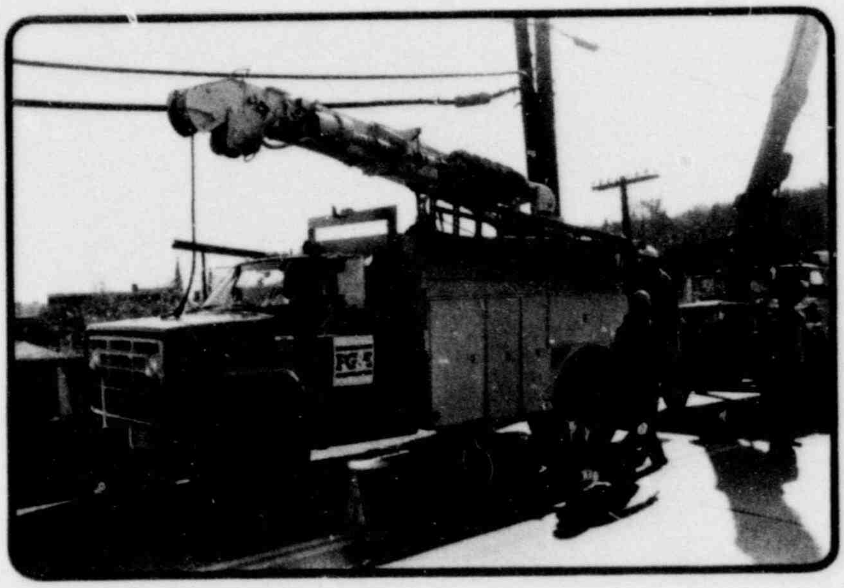


Fitchburg Gas and Electric Light Company
Annual Report
1979

POOR ORIGINAL

8005010556 -

Fitchburg Gas and Electric Light Company
Financial Highlights of 1979

	1979	1978
Net Income	**$ 2,260,706**	$ 1,959,850
Earnings Per Common Share	**$4.34**	$3.67
Dividends Paid Per Common Share	**$1.90**	$1.50
Present Quarterly Dividend is Equivalent to an Annual Rate of $2.[illegible]		
Electric Operating Revenues	**$24,475,296**	$21,157,542
Gas Operating Revenues	**$ 9,786,185**	$ 7,919,991
Total Operating Revenues	**$34,261,481**	$29,077,533
Kilowatt Hours of Electricity Sold	**392,691,432**	398,543,732
Average Annual Kilowatt Hour Sales Per Residential Customer	**5,033**	5,073
Number of Electric Customers	**21,744**	21,508
Thousands of Cubic Feet of Gas Sold	**2,343,116**	2,062,391
Average Annual Cubic Feet Sales Per Residential Customer	**86,431**	92,076
Number of Gas Customers	**13,693**	13,069
Net Utility Plant	**$37,294,322**	$35,267,214
Number of Employees	**161**	185
Number of Shareholders	**2,252**	2,236

Cover
FG&E's service team works with a constantly improving range of equipment, including this recently acquired digger derrick truck with the new Company logo.

Charles H. Tenney II
Chairman of the Board

Howard W. Evirs, Jr., President

To Our Shareholders:

For Fitchburg Gas and Electric, the year 1979 was an excellent one, a period of continued growth and progress. While consistently pursuing the corporate goals of controlling costs and increasing operating efficiencies, the Company achieved record earnings. Net income for the year was $2,260,706, up 15% from the 1978 level of $1,959,850. 1979 earnings per common share were $4.34 compared to $3.67 in 1978.

A number of factors played a significant role in enabling the Company to maintain the forward momentum reported last year:

- Gas mcf sales rose by 13.6% as a result of improved availability of gas supplies. Due to spiraling fuel oil costs, and the resulting increased demand for gas as an alternative fuel, the Company has embarked on an extensive marketing campaign, and anticipates continued growth in this area throughout the coming year.
- The Company obtained a favorable property tax settlement on all its properties in the City of Fitchburg. Though no longer in use, the retired Sawyer Passway steam generating facility had been appraised as an operating plant. This settlement reduces the level of these property taxes by approximately 34%. Management's Discussion and Analysis of the Summary of Operations contains details of these abatements.
- Continuing management commitment to strengthening the Company both internally and externally has led to improved efficiencies at all levels of operation. Though firm kilowatt sales show a decline of 1.5%, this may be attributed to a lengthy strike at one of our major industrial customers, plus the energy conservation efforts of our customers. Company employment as well as the area's economy, has remained stable.

With the August 15 payment, the quarterly common dividend was increased from $.45 per share to $.50 per share, an effective annual rate of $2.00 per share compared to the amount of $1.50 paid last year. No part of the dividends paid during 1979 constitutes a tax-free return of capital.

Reflecting the Company's continued improved performance, the dividend was again increased with the February 15, 1980 payment to $.65 per common share, an effective annual rate of $2.60. Such continued support of the shareholders' need for a higher return is an essential step in the ongoing process of attracting new shareholder investment.

Capital expenditures for 1979 amounted to $3,504,444, including costs associated with the continued investment in jointly owned generating facilities, the relocation of three miles of overhead distribution system in Ashby in connection with highway reconstruction and the completion of the Ashby-Townsend loop tie and a high pressure gas main which ties the distribution systems of each town together to provide more reliable service. An additional expenditure was made for conversion burners and gas water heaters which will be rented to customers on a monthly basis.

Looking to the year 1980, major capital expenditures, estimated at $14,348,500, are expected to include increased investment in jointly owned nuclear plants, a continuation of the gas conversion program, and further investment in our exploration and development subsidiary, Fitchburg Energy Development Company.

There was no long term financing in 1979. The year 1980 will require that both debt and equity financing be undertaken. The size and timing of both will depend on developments in the security market and the Company's attempt to acquire additional capacity in the Seabrook nuclear units.

As highlighted in the following pages of this report, the Company continues to seek new and improved ways to fulfill its responsibilities to its customers and its investors. Over the next ten years, Fitchburg Gas and Electric will work to shift the ratio of power generation sources from high-cost imported oil to more efficient and economical energy. A new FG&E Customer Service Center is being planned to increase operating and distribution efficiencies. A series of internal and external communications programs are being implemented.

The year 1979 marked the 100th anniversary of Thomas Alva Edison's invention of the electric lightbulb and with it the birth of the electric utility industry. For Fitchburg Gas and Electric, the occasion serves as a time of rededication, a time to move forward with renewed vigor in our ongoing quest to provide our region with a reliable and affordable energy supply.

We look forward to 1980 as a year of continued growth and progress in the fulfillment of our responsibilities to our customers, our shareholders and our employees.

Charles H. Tenney II
Chairman of the Board of Directors

Howard W. Evirs, Jr.
President

Prompt, accurate meter installation and setting are central to FG&E service

Providing A Reliable Energy Supply

Fitchburg Gas and Electric Light Company is totally interdependent with the area it serves. As the provider of energy to an area encompassing approximately 170 square miles in North Central Massachusetts, we have the ability to make significant contributions to the quality of life in our region. Our own financial performance in turn reflects the economic health and vitality of our customers and their communities.

Fitchburg Gas and Electric remains committed to its goal of providing its customers with an adequate and reliable energy supply at an affordable price. During the past months many steps have been taken to improve our operations and facilities in a variety of constructive ways, thereby providing better services to the more than 23,000 commercial, industrial and residential customers who rely on us for their energy needs.

Today the Company continues to be accountable for the energy requirements of its customers and to assess electrical generation options in terms of economical alternatives and acceptable risks. Within that context, Fitchburg Gas and Electric remains committed to nuclear technology and to public safety.

The impact of the increasingly high cost of foreign oil and the government mandate to reduce our dependence on this politically volatile resource by 50% by 1990 underscores the urgency of replacing oil-fired generation with an increasingly greater share of nuclear power. Even with its heavier capital requirements, nuclear energy has a 20 percent cost advantage over coal and an unquestionable advantage over the ever-increasing and uncontrollable costs of oil.

On August 2, 1979, the Massachusetts Department of Public Utilities reconvened hearings on the Company's proposed purchase of an additional 10 megawatts of New Hampshire's Seabrook nuclear units from The Connecticut Light and Power Company. Final decision on this acquisition was still pending at this printing.

Extensive word processing capabilities streamline Company performance

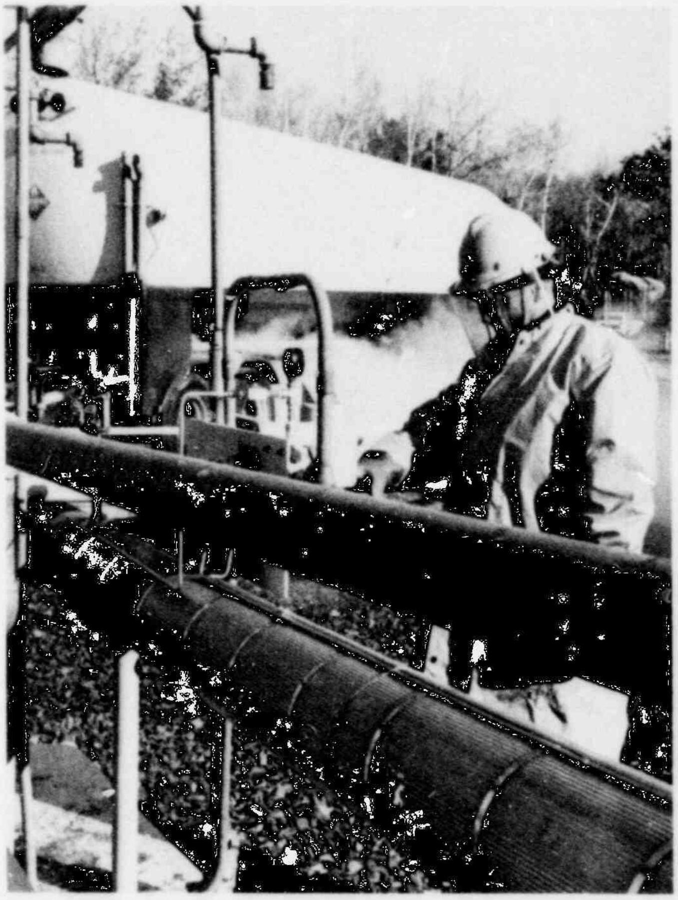
President Howard W. Evirs, Jr., addresses civic groups throughout the community

On October 25th, the Company's Board of Directors authorized the purchase from Public Service Company of New Hampshire of an additional three megawatts in each of the two Seabrook nuclear units, increasing the Company's proposed total ownership to approximately 20 megawatts. The purchase is subject to approval by the common shareholders and receipt of approval acceptable to the Company from the Massachusetts Department of Public Utilities (DPU).

This proposed purchase was precipitated by the October 9 announcement by New England Electric System to defer indefinitely the in-service dates of the New England Power (NEP) Charlestown nuclear units #1 and #2. Previously, in-service dates had been set at 1987 and 1989. NEP has since announced termination of this project. Fitchburg Gas and Electric has requested and received DPU approval to amortize over a three year period its investment to date in the NEP units. The amount proposed to be amortized, net of taxes, is approximately $391,000. FG&E had a 26-megawatt interest in the units which, along with other joint interests, had been counted on to establish a nuclear base capacity of 50% for the Company. This capacity was also required to help the Company obtain a 50% reduction in the use of oil by 1990.

Operational and financial testimony continues to be supplied to the DPU in support of the proposed Seabrook purchases and we are hopeful that satisfactory approval will be received by mid-1980.

POOR ORIGINAL



Reliable supplies of liquified natural gas enhance gas marketing program

Energy usage and sources are carefully monitored to ensure continuous service

Utilizing All Possible Resources

In 1979 we began to see the first fruits of deregulation of gas. For the first time in many years, delivery of pipeline natural gas significantly increased as compared to prior years. In addition, supplies of liquid propane (LP) and liquefied natural gas (LNG) from our suppliers continued on an uninterrupted basis.

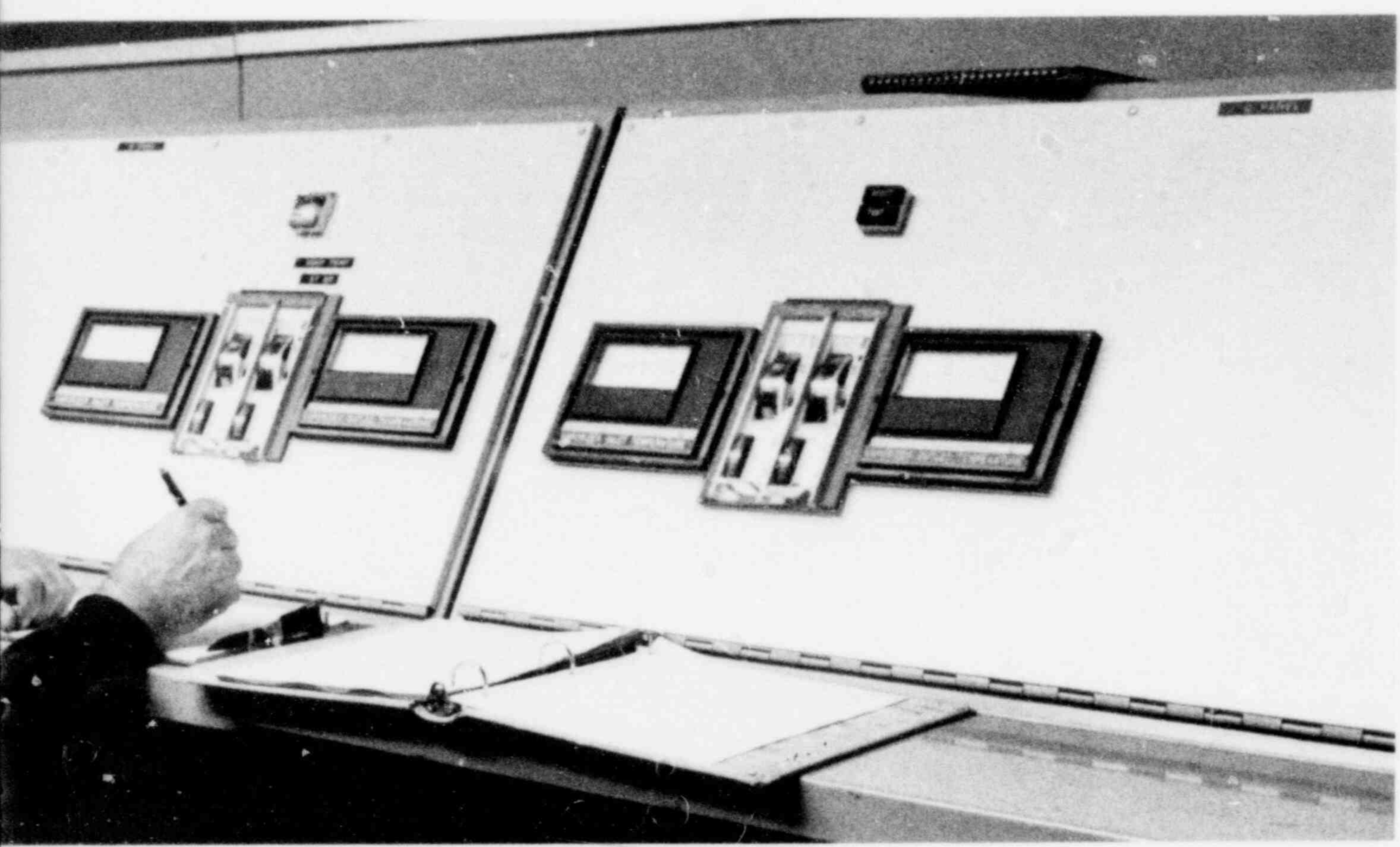
To insure that the Company will be able to fully utilize these gas supplies, Fitchburg Gas and Electric entered into two long-term underground storage arrangements with Consolidated Gas Supply Corporation and National Fuel Gas Corporation.

As gas supplies have increased and home heating oil prices have risen, Fitchburg Gas and Electric has conducted an aggressive marketing and advertising campaign to promote gas for both home heating and water heating.

At year end, the Company had achieved its 1979 corporate goal of 2,000 residential installations, primarily with existing customers. With the demand for residential conversions from oil to gas heat continuing at a record pace through the year, the Company augmented existing gas marketing and service staffs with reassigned personnel to help respond to inquiries and to follow up on sales and installations.

Initially some delays in installation were experienced due to tight supply of conversion burners from manufacturers and the limited number of installers available. By year end the situation had eased and installations of gas heat within the Company's marketing area were proceeding at an unprecedented pace.

As long as gas supplies remain plentiful, at a price consistently less expensive than oil, the demand for gas heating conversions is expected to continue. Gas prices are expected to rise about 15% during 1980 over 1979 levels due to phased deregulation of natural gas. At the same time, however, oil prices continue to increase at a more rapid rate, making the market potential for conversions even greater.



However, the customer using gas during the 1979-80 winter will still achieve savings of 30% or more as compared to the oil customer who will be paying as much as $1.00 a gallon to heat a home during this period. Gas customers will be paying prices similar to 1978 oil costs of 57¢ per gallon, a significant point considering the rise in the price of oil.

Fitchburg Gas and Electric continues to pursue the development of domestic oil and gas supplies through its exploration and development subsidiary, Fitchburg Energy Development Company (FEDCO), which is a partner in the Minuteman Exploration Company. A joint venture program through Minuteman has involved the drilling of 17 wells in Morgan County, Ohio, since exploration was started in July 1978.

The Company looks forward to continuing its expansion in the oil and gas field during 1980. Sixteen of these wells are currently producing oil and gas. Negotiations are underway to transport some of this gas back to Fitchburg customers. Minuteman has committed in principle to drill an additional six wells in Morgan County by June of 1980 and is evaluating opportunities in such areas as Louisiana, Texas and Oklahoma.

Fitchburg Gas and Electric anticipates petitioning the Massachusetts Department of Public Utilities for the right to invest further funds in FEDCO. A DPU order currently limits the Company's investment to $1 million. Hearings, if required, should be held by the middle part of 1980.

Using Our Energies To Serve Our Customers Best

One of the Company's major responsibilities to its customers is to assure an adequate and reliable source of energy around-the-clock; in short, to provide excellence of service. As a demonstration of its commitment to Fitchburg and the communities we serve, Fitchburg Gas and Electric has announced plans for construction of a new building in Fitchburg.

Gas heating conversions reach new homes along gas mains

FG&E Consumer Aides effectively answer questions and solve customer problems

In line with the Company's obligation to control expenses, the new building is being planned so as not to add to the present cost of service. Construction expenditures are expected to amount to $2 million, to be offset in part by the sale of the buildings being vacated as well as by energy cost reductions and other operating efficiencies.

The new facility, a one-story functional structure geared to improving customer service without investing in elaborate surroundings, is expected to be leased. It will consolidate all Company departments, except energy production facilities, under one roof. Presently the Company operates from seven separate buildings.

Design plans call for a 55,000 sq. ft. facility with heating to consist of an energy efficient heat pump system supplemented by a gas-fired boiler.

Consumer Communications

In today's inflationary climate, compounded by rising energy needs, nuclear licensing delays and complexities of the regulatory process, it is essential that we maintain open lines of communication with our customers. Only through understanding can we expect the utility industry to receive the support required to provide an affordable and adequate supply of energy to this area and this region.

As a means of accomplishing this goal, the Company reinstituted its Operation Outreach program in early spring. Presented as a series of neighborhood meetings at which Company officials explain the whys and wherefores of Company operations, the program has played an important role in generating a more positive attitude towards the Company within the community. Issues addressed include the need for increased nuclear power within the Company's generation mix, the basis upon which fuel adjustments are charged, why electric rates are at their current level and the availability of gas supply. Additional exposure is gained through an

Company school programs include educational trips to Seabrook, N.H., nuclear facility

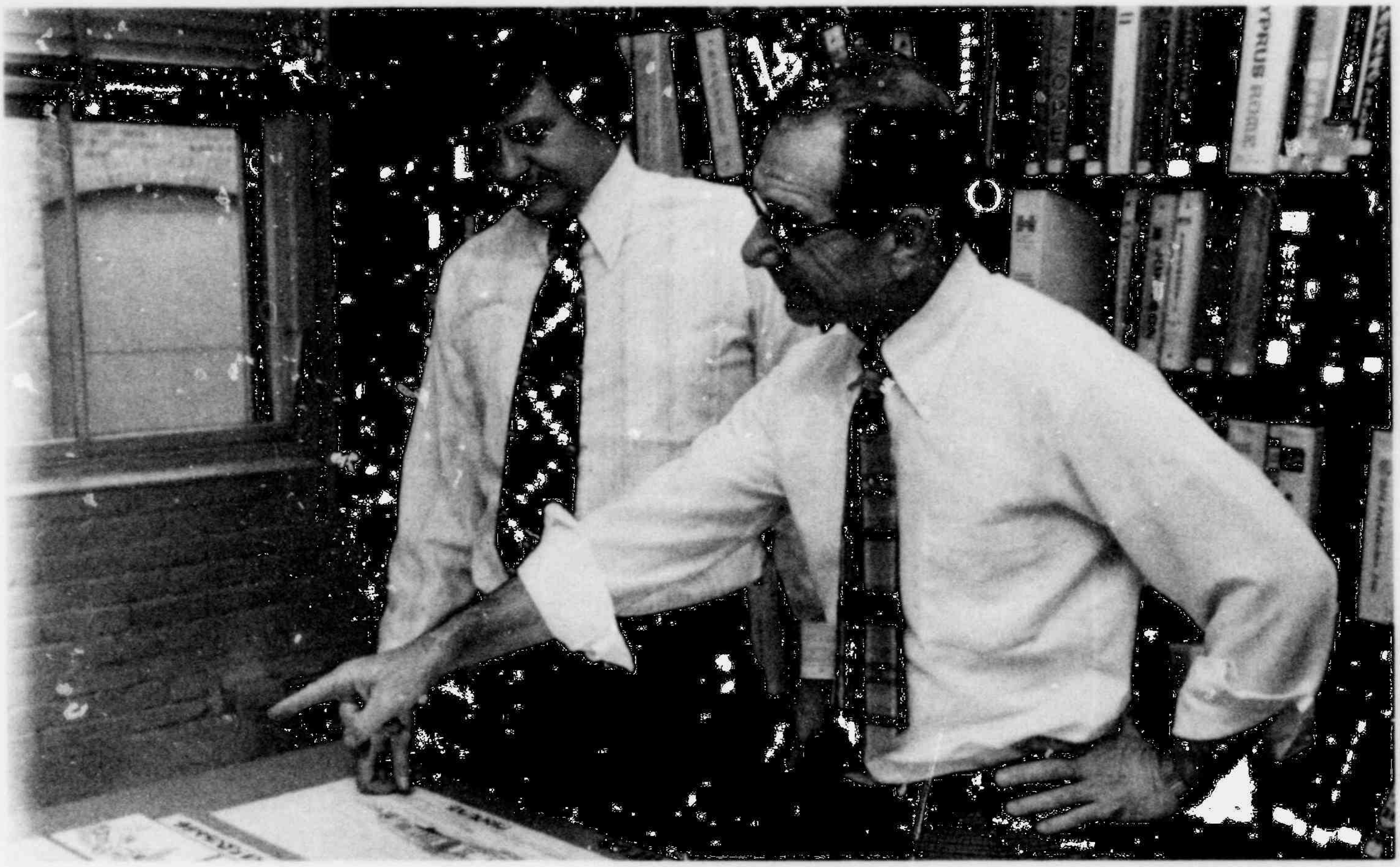
active film and speaking program before community clubs and organizations, as well as through the sponsorship of various school activities, including bus trips to the Seabrook nuclear plant site.

Key to the increased focus on the Company's image within the community which it serves is the creation and implementation of a new contemporary logotype. Using strong cohesive Company graphics and the theme, "Using our energies to serve you best," the program stresses the importance of fast, efficient, quality customer service, and extends into all areas of Company operations.

As a means of providing person-to-person communications between the Company and its customers, a new Consumer Aides program has been developed. Four specially trained Consumer Aides handle all calls having to do with any aspect of customer service. Customers are individually assigned so that they will be handled by the same Aide for all problems, thereby enabling the establishment of better communications between the Company and its customers.

Conservation and Energy Management

In response to the National Energy Conservation Policy Act, the Company places special emphasis on the encouragement of energy conservation and energy management. In addition to implementing optional residential Time-of-Day rates, which recognize the lower cost of producing electricity during off-peak hours, the Company maintains an ongoing conservation education program through its bill enclosures and other forms of customer communications.



FG&E engineering team reviews plans for new service facility

Management Changes

Due to the increasing responsibilities as officers of another utility, Joseph A. Raffaele and George A. Carlson resigned as Assistant Treasurers of the Company and its subsidiary, effective July 1 and October 1, respectively, and Roger A. Young resigned as Assistant Clerk of the Company and as Assistant Secretary of the Company's subsidiary, both effective July 1. Management wishes to thank the former officers for their years of devoted service to the Company.

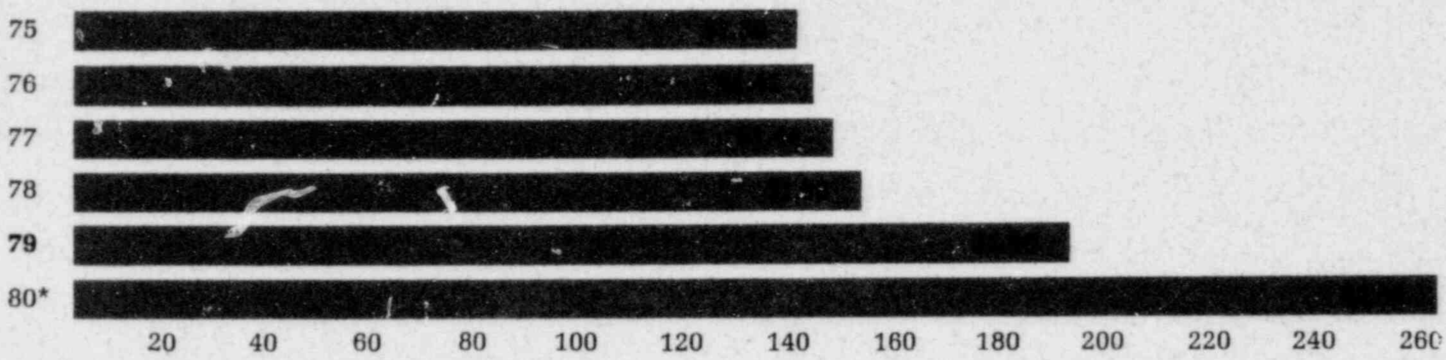
At the July 12th meeting of the Board of Directors, Frank L. Childs was elected Vice President and Assistant Treasurer, and William D. MacGillivray was appointed Assistant Clerk, all effective July 1. Mr. Childs and Mr. MacGillivray were also elected Assistant Treasurer and Assistant Secretary, respectively, of the Company's subsidiary.

Edward D. McKenzie was elected Assistant Treasurer of the Company, effective October 1.

Thomas W. Sherman has announced his intention not to stand for re-election as an officer when his term expires as Treasurer at the 1980 annual meeting and as Vice President at the first Directors' meeting thereafter. Mr. Childs is being nominated for election as Treasurer at the annual meeting. Mr. Sherman will remain as a Director of the Company and its subsidiary.

Fitchburg Gas and Electric Light Company
Financial and Statistical Information
Annual Report 1979

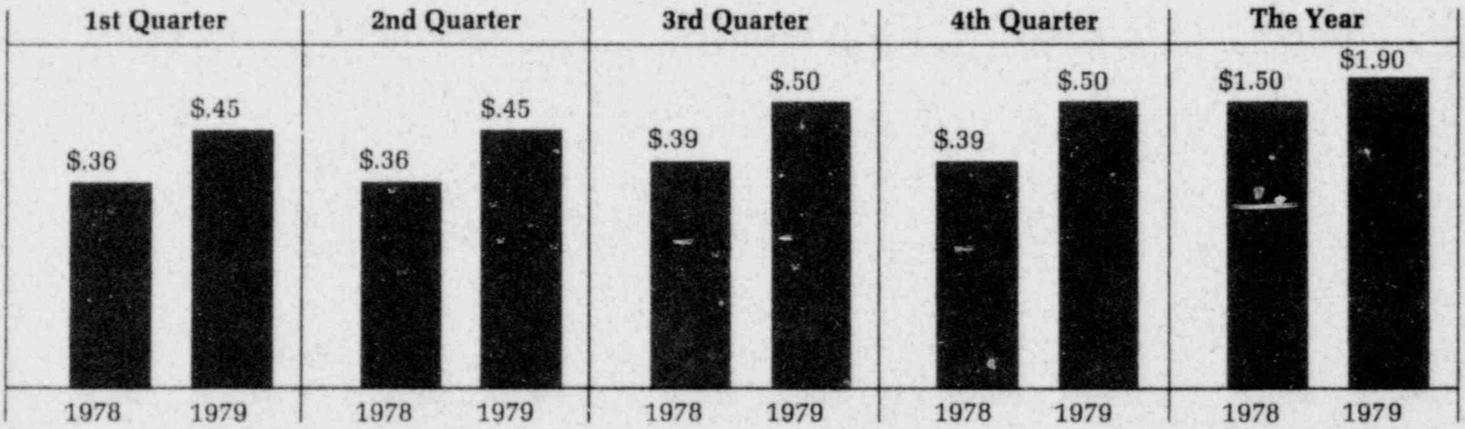
Common Dividends Paid Per Share



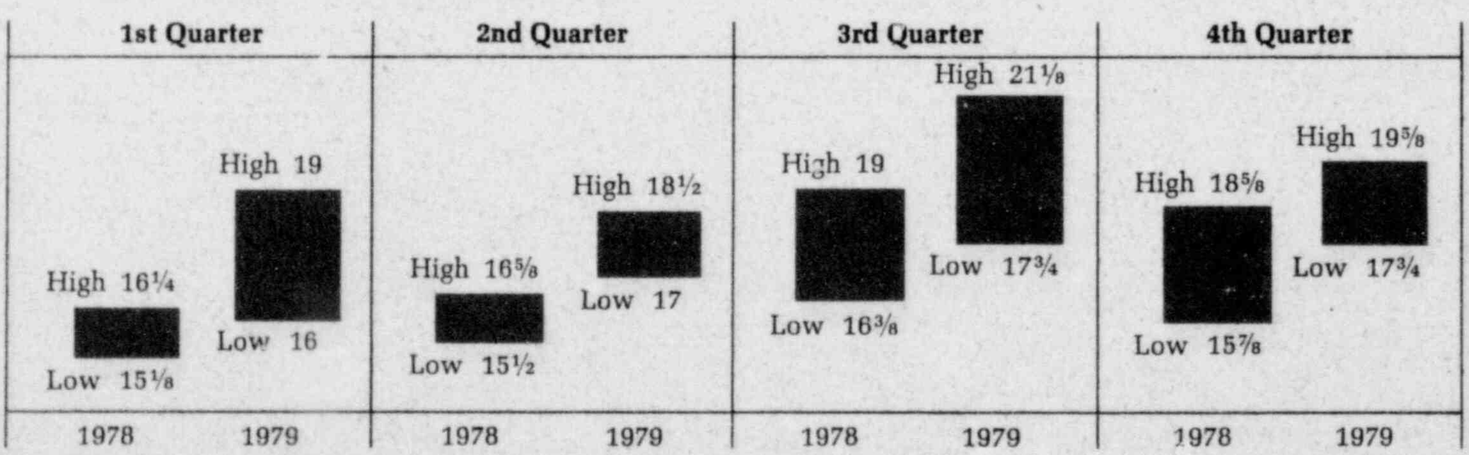
* Assumes latest quarterly dividend annualized.

127 Years of Continuous Operation — Dividends Paid Each Year Since 1859

Dividends Paid Per Share on the Common Stock of the Company



Price Range of Common Stock



The Common Stock of the Company is listed on the American Stock Exchange (Symbol: FGE) and the Boston Stock Exchange.

Consolidated Balance Sheet

ASSETS

	December 31, 1979	December 31, 1978
Utility Plant (at cost):		
Electric	**$29,788,954**	$29,150,076
Gas	**10,763,237**	9,701,448
Common	**1,395,550**	1,430,568
Construction work in progress (Note 9)	**5,196,391**	4,179,203
Gross Utility Plant	**47,144,132**	44,461,295
Less: Accumulated depreciation (Note 1)	**9,849,810**	9,194,081
Net Utility Plant	**37,294,322**	35,267,214
Miscellaneous Physical Property (at cost)	**26,005**	26,005
Investments (Note 1)	**348,006**	270,748
Current Assets		
Cash	**1,727,899**	459,751
Accounts receivable (including installment sales) — less allowance for doubtful accounts of $177,580 and $220,480	**5,082,572**	3,885,345
Refundable income taxes	**264,990**	—
Materials and supplies (at average cost)	**877,721**	676,030
Prepayments	**829,875**	201,322
Property tax abatements	**462,821**	—
Total Current Assets	**9,245,878**	5,222,448
Deferred Debits		
Unamortized debt expense (amortized over term of securities)	**275,932**	296,402
Unamortized cost of abandoned properties (Note 2)	**2,976,821**	2,981,332
Other (Note 2)	**646,331**	160,878
Total Deferred Debits	**3,899,084**	3,438,612
TOTAL	**$50,813,295**	$44,225,027

POOR ORIGINAL

(The accompanying notes are an integral part of this statement)

LIABILITIES

	December 31, 1979	1978
Capitalization		
Common Stock Equity		
Common Stock, $10 par value		
Authorized — 1,000,000 shares		
Outstanding — 455,475 shares	**$ 4,554,750**	$ 4,554,750
Premium on common stock	**1,754,358**	1,754,358
Capital stock expense	**(181,737)**	(183,744)
Retained earnings (Note 3)	**6,417,530**	5,304,422
Total Common Stock Equity	**12,544,901**	11,429,786
Redeemable preferred stock (Note 4)		
Cumulative preferred stock, $100 par value		
5⅛% Series		
Authorized — 16,880 and 17,300 shares		
Outstanding — 16,460 and 16,880 shares	**1,646,000**	1,688,000
8% Series		
Authorized — 25,000 shares		
Outstanding — 24,250 and 25,000 shares	**2,425,000**	2,500,000
Total Redeemable Preferred Stock	**4,071,000**	4,188,000
Long-term Debt (Note 5)	**16,780,000**	16,978,000
Total Capitalization	**33,395,901**	32,595,786
Current Liabilities		
Long-term debt due within one year	**123,000**	123,000
Notes payable (Note 6)	**5,420,000**	970,000
Accounts payable	**4,995,568**	3,835,149
Customer deposits and refunds	**258,675**	623,558
Taxes accrued	**167,860**	571,105
Deferred income taxes (Notes 1 and 7)	**131,266**	196,956
Interest accrued	**495,950**	452,997
Total Current Liabilities	**11,592,319**	6,772,765
Deferred Credits		
Unamortized investment tax credit (Note 1)	**1,583,601**	1,361,332
Other	**70,219**	73,746
Total Deferred Credits	**1,653,820**	1,435,078
Deferred Income Taxes (Notes 1 and 7)	**4,122,357**	3,362,276
Reserves — Other	**48,898**	59,122
TOTAL	**$50,813,295**	$44,225,027

(The accompanying notes are an integral part of this statement)

Consolidated Statement of Income

	For Years Ended December 31, 1979	1978
Operating Revenues		
Electric	**$24,475,296**	$21,157,542
Gas	**9,786,185**	7,919,991
Total Operating Revenues	**34,261,481**	29,077,533
Operating Expenses		
Operating expenses, other	**5,132,726**	4,833,281
Electricity purchased for resale	**10,470,503**	8,538,045
Fuel used in electric generation	**3,401,852**	2,158,983
Gas purchased for resale	**5,850,610**	4,334,696
Maintenance	**933,360**	734,113
Depreciation (Note 1)	**1,236,692**	1,181,787
Amortization of cost of abandoned properties (Note 2)	**657,048**	595,937
Provisions for taxes (Notes 1 and 7)		
Federal income tax on net operating income	**957,846**	1,216,342
Deferred Federal income	**715,030**	339,151
Amortization of investment tax credit	**(89,049)**	(61,766)
State franchise	**112,348**	81,403
Deferred state franchise	**66,293**	32,587
Local property — current	**1,362,511**	1,693,904
— abatement of prior year	**(244,076)**	–
Other	**193,669**	166,859
Total Operating Expenses	**30,757,363**	25,845,322
Operating Income	**3,504,118**	3,232,211
Non-operating Income		
Allowance for other funds used during construction	**116,319**	118,573
Other (net of income taxes) (Note 7)	**(27,605)**	83,418
Total Non-operating Income	**88,714**	201,991
Gross Income	**3,592,832**	3,434,202
Income Deductions		
Interest on long-term debt	**1,498,655**	1,515,476
Other interest charges	**325,596**	233,859
Amortization of debt expense	**20,470**	16,324
Discount on long-term debt purchased for sinking fund (credit)	**(3,030)**	(2,167)
Other	**2,816**	8,992
Gross Income Deductions	**1,844,507**	1,772,484
Allowance for borrowed funds used during construction	**(512,381)**	(298,132)
Net Income Deductions	**1,332,126**	1,474,352
Net Income	**2,260,706**	1,959,850
Dividend Requirements on Preferred Stock	**281,754**	287,407
Net Income Applicable to Common Stock	**$ 1,978,952**	$ 1,672,443
Number of Common Shares Outstanding	**455,475**	455,475
Earnings per Common Share Outstanding	**$4.34**	$3.67

(The accompanying notes are an integral part of this statement)

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1979	1978
Funds Provided By:		
Funds from Operations		
Net Income	**$2,260,706**	$ 1,959,850
Principal Non-Cash Charges (Credits) to Income (Notes 1 and 7)		
Depreciation	**1,236,692**	1,181,787
Deferred Federal income tax	**687,646**	344,666
Deferred state franchise tax	**72,435**	30,504
Amortization of investment tax credit	**(89,049)**	(61,766)
Allowance for other and borrowed funds used during construction	**(628,700)**	(416,705)
Property tax abatements	**(270,813)**	–
Amortization of deferred debits	**722,385**	648,490
Funds Provided by Operations	**3,991,302**	3,686,826
Other Sources — Net	**179,616**	224,299
Increase (Decrease) in Short-term Debt	**4,450,000**	(1,530,000)
Total Funds Provided	**$8,620,918**	$ 2,381,125
Funds Applied To:		
Additions to Plant	**$3,270,600**	$ 3,098,508
Investments in Non-utility Operations (Note 1)	**233,844**	271,222
Common Stock Dividends	**865,164**	683,017
Preferred Stock Dividends	**282,434**	287,586
Funds Used for Retirement of Securities:		
Long-term debt	**198,000**	191,000
Preferred stock	**117,000**	42,000
Increase (Decrease) in Working Capital, Excluding Short-term Debt	**3,653,876**	(2,192,208)
Total Funds Applied	**$8,620,918**	$ 2,381,125
Increase (Decrease) in Components of Working Capital, Excluding Short-term Debt:		
Cash	**$1,268,148**	$ (312,002)
Accounts receivable	**1,197,227**	71,440
Refundable income taxes	**264,990**	–
Materials and supplies	**201,691**	(20,487)
Prepayments	**628,553**	(29,591)
Property tax abatement	**462,821**	–
Accounts payable	**(1,160,419)**	(1,090,918)
Customers' deposits and refunds	**364,883**	(256,117)
Taxes accrued	**403,245**	(508,104)
Deferred income taxes	**65,690**	(63,885)
Interest accrued	**(42,953)**	17,456
Increase (Decrease) in Working Capital	**$3,653,876**	$(2,192,208)

(The accompanying notes are an integral part of this statement)

POOR ORIGINAL

Consolidated Statement of Retained Earnings

	Year Ended December 31,	
	1979	1978
Retained Earnings, Beginning of Year	**$5,304,422**	$4,315,175
Net Income	**2,260,706**	1,959,850
Total	**7,565,128**	6,275,025
Deduct:		
Cash dividends declared:		
Cumulative preferred stock:		
5⅛% Series at an annual rate of $5.125 per share	**85,434**	87,586
8% Series at an annual rate of $8.00 per share	**197,000**	200,000
Common stock at an annual rate of $1.90 and $1.50 per share	**865,164**	683,017
Total Deductions	**1,147,598**	970,603
Retained Earnings, End of Year (Note 3)	**$6,417,530**	$5,304,422

(The accompanying notes are an integral part of this statement)

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies — The Company is subject to regulation by the Massachusetts Department of Public Utilities (DPU) with respect to its rates and accounting. The Company's accounting policies conform with generally accepted accounting principles, as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the DPU. A description of the Company's significant accounting policies follows.

Principles of Consolidation — On February 24, 1978, Fitchburg invested $20,000 in the Common Stock of a new wholly-owned subsidiary, Fitchburg Energy Development Company (FEDCO). FEDCO has invested in oil and gas drilling facilities, which investment has been recorded on the equity method. All inter-company items have been eliminated in consolidation.

Revenue Recognition — The Company records unbilled fuel adjustment revenue currently to properly match revenues with related costs. Such unbilled revenue aggregated $756,082 and $389,156 at December 31, 1979 and 1978 respectively.

Depreciation — Annual provisions are determined on a group straight line basis. Provisions for depreciation were equivalent to the following composite rates based on the average depreciable property balances at the beginning and end of each year: 1979 — 3.11% and 1978 — 3.01%.

Accounting for Income Taxes — For income tax purposes the Company excludes a portion of unbilled fuel adjustment revenue and accordingly provides deferred income taxes payable in the succeeding year on such revenue which is carried as a current asset.

POOR ORIGINAL

The Company has used an accelerated method of depreciation which presently results in the annual tax depreciation being in excess of book depreciation, and has deducted currently certain elements of construction overheads that are capitalized for book purposes. For each of these differences the Company provides for deferred income tax as approved for rate making purposes In addition, the Company has recorded deferred income taxes related to certain abandoned properties which are recognized as tax losses at differing times.

In addition to the above, the Company, in 1979, capitalized certain maintenance costs for a generating unit, yet continued to deduct these costs currently for tax purposes. Deferred income taxes have been provided for this timing difference.

The annual investment tax credits permitted by additions to the Company's utility property are being amortized into income rateably over the estimated productive lives of the related assets as allowed by the DPU. Such deferrals for the year 1979 and 1978 amount to $308,687 and $292,457, respectively.

The Company has elected to account for investment tax credits on non-utility property additions, primarily related to FEDCO, by the "flow-through" method. Under this method credits are recognized as a reduction of Federal income tax expense in the year utilized. In 1979 and 1978 these credits amount to $7,607 and $10,380, respectively.

The additional investment tax credit permitted under the Company's Tax Reduction Act Employee Stock Ownership Plan (TRAESOP) reduced Federal Income Taxes payable by 1½% of the Company's qualified property additions. The resulting amounts are payable to the TRAESOP.

Allowance for Funds Used During Construction — An allowance for funds used during construction (AFUDC), a non-cash item, is included in construction work in progress and based upon a composite rate applied to construction work in progress, which assumes that funds used for construction were provided by borrowings, preferred stock and common equity. The allowance for funds used during construction amounted to 31.8% and 24.9% of the net income applicable to common stock for the years 1979 and 1978, respectively. The annual rates of approximately 14% and 11% were used for the years 1979 and 1978, respectively.

Note 2: Deferred Debits — Unamortized Cost of Abandoned Properties — The unamortized cost of abandoned properties is being amortized at various rates as ordered by the Massachusetts Department of Public Utilities (DPU). During 1978 and 1979 the following events occurred:

On October 18, 1978, the Company filed with the DPU its proposed accounting treatment relative to the book abandonment of a generating unit ordered by the DPU, which treatment was approved by the DPU on November 7, 1978. As a result, the Company commenced amortization of this property in September, 1978, retroactive to January 21, 1978.

On November 1, 1979, the Company began amortizing the costs of its investment in the Charlestown Units 1 and 2 proposed nuclear generating plants. This abandonment was precipitated by the announcement on October 9, 1979 by the lead participant, New England Electric System, to defer indefinitely the in-service date and the subsequent announced termination of this project. On November 27, 1979 the DPU approved the Company's request to amortize approximately $653,000 over a 36 month period. The Company will request from the DPU permission to apply similar treatment to any additional costs associated with these units.

The amounts to be amortized for all properties over the next five years are as follows: 1980, $838,309; 1981, $723,467; 1982, $629,867; 1983, $58,523; 1984, $58,523.

Other Deferred Debits — Other deferred debits are composed of the following:

	December 31, 1979	December 31, 1978
Property tax abatements (Due 1981)	$270,813	$ —
Preliminary survey and engineering costs	101,688	52,189
Deferred maintenance costs (amortized based upon generation)	195,192	—
Miscellaneous	78,638	108,689
Total other deferred debits	$646,331	$160,878

Note 3: Restrictions on Retained Earnings — Under the most restrictive provisions of the Indentures relating to the Company's long-term debt, $4,324,106 and $3,120,077 of retained earnings were available for the payment of cash dividends on Common Stock at December 31, 1979 and 1978, respectively.

POOR ORIGINAL

Note 4: Redeemable Cumulative Preferred Stock — The Cumulative Preferred Stock, 5⅛% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation, and in involuntary liquidation at $100 per share, both plus accrued dividends. Shares of the 5⅛% Series are redeemable at the Company's option at $102.56 per share on or before May 31, 1981 and at $101.28 thereafter. The Company is required to purchase on June 1 of each year not less than 420 shares, unless a lesser amount of shares are tendered, at $100 per share plus accrued dividends.

The Cumulative Preferred Stock, 8% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation and in involuntary liquidation at $100 per share, both plus accrued dividends. Shares of the 8% Series are redeemable at the Company's option at $108.00 per share on or before August 31, 1983 and at diminishing premium rates thereafter. The Company is required to purchase on June 1, of each year, not less than 750 shares, unless a lesser amount of shares are tendered, at $100 per share plus accrued dividends.

Purchases of redeemable Preferred Stock during the years 1979 and 1978 consisted of the following:

Dividend Series	1979	1978
5⅛%	$42,000	$42,000
8%	$75,000	—

The aggregate amount of sinking fund requirements in each of the five years following 1979 is $117,000.

Note 5: Long-term Debt — Details of Long-term Debt at December 31, 1979 and 1978 are shown below:

	December 31, 1979	December 31, 1978
Twenty-five year notes, 4⅞%, due February 1, 1984	$ 3,183,000	$ 3,226,000
Twenty-five year notes, 9⅜%, due March 1, 1995	6,900,000	6,975,000
Twenty year notes, 10%, due September 1, 1996	3,000,000	3,000,000
Twenty-five year notes, 10¼%, due May 1, 1999	3,820,000	3,900,000
Total	16,903,000	17,101,000
Less: Installments due within one year	123,000	123,000
Total Long-term Debt	$16,780,000	$16,978,000

The aggregate amount of sinking fund requirements for each of the five years following 1979 are: 1980, $123,000; 1981, $198,000; 1982 and 1983, $398,000 and 1984, $3,366,000. The Company has satisfied the 1980 sinking fund requirement for the 9⅜% Notes in the amount of $75,000.

Note 6: Notes Payable — The Company has agreed to maintain certain average amounts on deposit or pay certain fees in lieu of compensating balances. Certain of the lines require that compensating balances be increased in relation to usage. Compensating balances at December 31, 1979, were approximately $985,000.

	Short-term Bank Loans Year Ended December 31, 1979	1978
As of end of year:		
Weighted average interest rate	15.33%	11.52%
Unused line of credit	$4,230,000	$5,630,000
For year ended:		
Weighted daily average interest rate	13.01%	8.61%
Average borrowings	$2,441,400	$1,491,700
Maximum borrowings at month end	$5,420,000	$1,945,000
Month such maximum occurred	December	March

Note 7: Federal Income Tax — Federal income tax expense is comprised of the following components:

	Year Ended December 31, 1979	1978
Current expense charged (credited):		
Operating expenses	$ 957,846	$1,216,342
Non-operating income	(123,736)	(78,949)
Amortization of investment tax credit	(89,049)	(61,766)
	745,061	1,075,627
Deferred tax expense charged (credited):		
Deferred unbilled revenue	74,905	61,180
Accelerated tax depreciation	283,315	284,733
Abandoned properties	34,085	(156,853)
Overheads and other	217,473	92,910
Deferred maintenance costs	85,303	—
Percentage repair allowance	19,949	57,181
	715,030	339,151
Non-operating expense	44,692	67,317
	759,722	406,468
Total expense	$1,504,783	$1,482,095

POOR ORIGINAL

The Federal income tax amounts included in the Statement of Income differ from the amounts which result from applying the statutory Federal income tax rate to Net Income before income tax. The reasons, with related percentage effects, are as shown below:

	Year Ended December 31,	
	1979	1978
Statutory Federal income tax rate	46%	48%
Income tax effects of timing differences:		
Allowance for funds used during construction (see Note 1)	(5)	(4)
Miscellaneous	(1)	(1)
Effective Federal income tax rate	40%	43%

Note 8: Regulatory Matters:

Revenue Adjustments — The Company's method of billing and accounting for revenue under its fuel adjustment clause in effect through September 26, 1974 has been challenged before the Massachusetts Department of Public Utilities (DPU) by the Attorney General of the Commonwealth of Massachusetts. The required monthly fuel adjustment schedule heretofore filed with the DPU had not been disputed by the regulatory authority. The portion of such fuel adjustment clause revenues recorded by the Company and now challenged by the Attorney General aggregate approximately $724,000 and is equivalent to $.83 per average Common Share outstanding on 1974 earnings, after giving tax effect thereto. The Company has vigorously defended its procedures in proceedings before the DPU, the outcome of which is uncertain.

The Company's billing and accounting for revenues under fuel adjustments based on costs incurred after September 26, 1974 are being made under a new fuel adjustment clause which took effect on September 27, 1974 and are not being challenged.

Conclusion of Rate Appeal — The Company on October 5, 1978 was authorized by the Massachusetts Department of Public Utilities (DPU) to increase its electric rates by $269,240. With this action by the DPU, the Company was granted a total of $2,357,914 of the amount it originally requested when it filed for rates designed to increase electric and gas revenues by $3,633,000.

The DPU, in orders dated August 31 and September 15, 1977, allowed the Company to file rates designed to produce an additional $1,615,843 in electric and gas revenues.

The Company appealed the decision to the Supreme Judicial Court (SJC) of Massachusetts, and on October 21, 1977, the Court granted a stay allowing the Company to collect annually an additional $472,831 in electric revenues, subject to refund.

On June 30, 1978, the Court issued its order upholding the DPU's decision to remove a generating unit from the Company's rate base, but instructed the DPU to reconsider how much in revenues the Company would still be allowed.

The DPU's October, 1978 decision reflected its final ruling allowing the Company to retain the $472,831 annual amount collected under the Court stay, as well as granting the additional $269,240.

Note 9: Commitments:

Lease Obligations — In accordance with the guidelines of Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board, the Company is disclosing pertinent information regarding its capital leases. The Securities and Exchange Commission requires, for rate-regulated enterprises, disclosure of the effect on the balance sheet and on expenses if such leases had been capitalized, pending the results of its review of the Statement's applicability to rate-regulated enterprises.

The Company has a significant twenty-five year lease which began April 1, 1973 for a combustion turbine and a liquefied natural gas storage facility. The lease is subject to a ten year renewal period at the option of the Company at an annual rental of 14½% of the aggregate fair market value as at the end of the initial lease term. Under certain conditions the Company has the right to purchase the units at an independently appraised market value. Under the lease, the Company has the obligation to maintain the equipment in good operating condition and pay all taxes and insurance on said equipment. Had the Company capitalized its capital leases, Depreciation and Other Interest Charges would have increased $171,721 and $181,920 respectively, and Operating Expenses, Other would have decreased $307,493 for the year ended December 31, 1979. At December 31, 1979 the asset and related liability which would have been recorded on the balance sheet for the Company's capital leases were $2,202,922 and $2,538,358, respectively. For the year ended December 31, 1978, Depreciation and Other Interest Charges would have increased $162,733, and $179,180, respectively, and Operating Expenses, Other would have decreased $287,507. At December 31, 1978, the asset and related liability which would have been recorded on the balance sheet were $2,374,643 and $2,665,328, respectively.

The minimum commitments under all non-cancellable long-term leases in effect at December 31, 1979 are as follows: 1980 — $309,884; 1981 — $286,325; 1982 — $262,930; 1983 — $255,073; 1984 — $249,495; 1985-1989 — $1,141,148; aggregate for the period; 1990-1994 — $1,126,043 aggregate for the period; and 1995 and thereafter — $788,230 aggregate for the period.

Total rental expenses for the years ended December 31, 1979 and 1978 amounted to $430,309 and $428,289, respectively.

The Company has executed a commitment letter to purchase computer system hardware and peripheral equipment, with an acquisition cost of approximately $211,000 to be in operation by the end of 1980. The Company intends to finance this acquisition by means of a third-party sale and leaseback arrangement.

Pension Plans — The Company has in effect two funded Pension Plans and related Trust Agreements to provide retirement annuities for participating employees at age 65. The entire amount of the annual contribution under the actuarial requirements of the Plans is borne by the Company.

The Company's contribution to the Plans during the years ended December 31, 1979 and 1978 amounted to $519,323 and $497,077, respectively, which includes amortization of prior service costs over a period of thirty years.

The Company's policy is to fund the pension cost accrued. The actuarially computed value of vested benefits as of January 1, 1979, the date of the latest actuarial valuation, exceeded the total of the pension fund by $3,969,379. The aggregate amount of unfunded prior service costs as of the same date was $5,105,390.

Joint Ownership Units and Construction — The Company is participating on a tenancy-in-common basis with other New England utilities in the construction and ownership of eight generating units. New Haven Harbor and Wyman Unit #4, both oil-fired stations, have been in commercial operation since August 1975 and December 1978, respectively. The remaining six nuclear units are planned or under construction.

Details relating to the various units are as follows:

		Proportionate Share of Total Ownership		Company's Share in Thousands of Dollars			
Joint Ownership Units	State	%	mw	Amount of Utility Plant in Service	Accumulated Depreciation	Amount Expended through 12/31/79	Total Estimated Cost of Construction
Seabrook Units #1 & 2	New Hampshire	.1710	3.9	—	—	1,962	5,851
Millstone Unit #3	Connecticut	.217	2.5	—	—	1,762	7,037
Pilgrim Unit #2	Massachusetts	.19	2.2	—	—	527	5,565
Montague Units #1 & 2	Massachusetts	.35	8.1	—	—	250	12,293
Wyman Unit #4	Maine	.1822	1.1	396	19		
New Haven Harbor	Connecticut	4.5	20.1	6,930	828		

POOR ORIGINAL

Operating expenses included in the Consolidated Statement of Income and proportionate amounts charged to specific operating expenses are as follows:

	Thousands of Dollars		% to
	Wyman Unit 4	New Haven Harbor	Total Electric
Operating expense, other	32	250	8
Fuel used in electric generation	19	3,228	95
Maintenance	2	96	14
Local property tax	4	187	18
Other taxes	—	6	5
Total operating expenses	57	3,767	

The Company estimates construction requirements relative to these units of approximately $10,160,000 during the next five year period ending December 31, 1984.

On January 25, 1979, the common shareholders approved the acquisition of an additional .43332% ownership interest in each of the Seabrook units from the Connecticut Light & Power Company. The Company has made an agreement to purchase up to an additional .26087% ownership in each of the Seabrook units from Public Service Company of New Hampshire, subject to the approval of the common shareholders. The purchase of both additional interests, representing approximately an additional 16 mw, has been excluded from the information presented herein, pending final approval of the purchases by the Massachusetts Department of Public Utilities.

The Company expects to finance the cost of its participation in the units initially through the use of short-term borrowings. At the appropriate times, short-term borrowings will be converted into permanent financing.

Note 10: Segment Information — In accordance with Financial Accounting Standard No. 14, the following information is presented relative to the gas and electric operations of the Company:

	Electric Operations		Gas Operations		Total Company	
	1979	1978	1979	1978	1979	1978
Operating revenues	$24,475,296	$21,157,542	$ 9,786,185	$ 7,919,991	$34,261,481	$29,077,533
Operating income before income taxes	$ 3,910,716	$ 3,654,896	$ 1,355,870	$ 1,185,032	$ 5,266,586	$ 4,839,928
Income taxes					(1,762,468)	(1,607,717)
Non-operating income					88,714	201,991
Net income deductions					(1,332,126)	(1,474,352)
Net income					$ 2,260,706	$ 1,959,850
Identifiable assets as of December 31	$32,460 207	$30,724,323	$11,097,002	$ 8,987,224	$43,557,209	$39,711,547
Unallocated assets, primarily working capital					$ 7,256,086	$ 4,513,480
Total assets as of December 31					$50,813,295	$44,225,027
Depreciation	$ 955,004	$ 932,260	$ 281,688	$ 249,527	$ 1,236,692	$ 1,181,787
Construction expenditures	$ 1,841,551	$ 2,339,849	$ 1,429,049	$ 758,659	$ 3,270,600	$ 3,098,508

Expenses used to determine operating income before taxes are charged directly to either segment or are allocated in accordance with factors contained in cost of service studies which were included in rate applications approved by the Massachusetts Department of Public Utilities. Assets allocated to each segment are based upon specific identification of such assets provided by Company records. Assets not so identified represent primarily working capital items.

POOR ORIGINAL

Note 11: Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1979 and 1978 is as follows:

	Three Months Ended							
	March 31		June 30		Sept. 30		Dec. 31	
	1979	1978	1979	1978	1979	1978	1979	1978
Total operating revenues	$9,262,880	$8,913,[illegible]40	$7,903,958	$6,585,503	$7,790,297	$5,988,814	$9,304,346	$7,589,776
Operating income	$ 942,964	$1,032,845	$ 689,517	$ 692,098	$ 667,486	$ 677,117	$1,204,131	$ 830,151
Net income	$ 654,713	$ 689,468	$ 424,545	$ 391,099	$ 319,478	$ 365,942	$ 861,970	$ 513,341
Earnings per share	$1.28	$1.36	$.78	$.70	$.55	$.65	$1.73	$.96

Net income for the quarter ended December 31, 1979 has been increased by $376,478 or $.83 of earnings per common share, resulting from abatements of real estate taxes.

Auditors' Report

To the Shareholders of
FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY:

We have examined the consolidated balance sheets of Fitchburg Gas and Electric Light Company and Subsidiaries as of December 31, 1979 and 1978 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 8 to the financial statements, the Company's method of billing and accounting for revenues under its fuel adjustment clause in effect from January 1 through September 26, 1974, has been challenged by the Attorney General of the Commonwealth of Massachusetts. The Company believes its methods are correct and has vigorously defended its procedures, but the ultimate outcome is uncertain and no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matter discussed above been known, the financial statements referred to above present fairly the financial position of Fitchburg Gas and Electric Light Company and Subsidiaries at December 31, 1979 and 1978 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

Boston, Massachusetts
February 7, 1980

POOR ORIGINAL

Management's Discussion and Analysis of the Summary of Operations

THE ELECTRIC OPERATING REVENUES increase of 16% in 1979 was attributable to the net effect of three major factors: the increase in fuel costs for generation and energy costs of purchased power; the full year effect of the rate increase approved October 5, 1978; and a strike that halted production by one of our major industrial customers. The 11% increase in 1978 is due primarily to four factors: the full year's effect of additional rate relief granted effective September 1977; the additional rate relief permitted in October 1977 and subsequently granted as a result of the Company's appeal of the above mentioned rate decision, the sale of 76,747,276 kilowatt hours to the six new industrial customers acquired as of June 1, 1977 in connection with the purchase of electric facilities from New England Power Company, and the lower per unit energy cost components of power generated and purchased with a resulting decrease in total cost recoverable through the Company's fuel expense adjustment clause.

GAS OPERATING REVENUES increased 24% in 1979 primarily due to three factors: increase of 391,300 MCF's in interruptible sales ($1,279,400 increase); the increased cost of purchased gas which is passed on to customers through the operation of a cost of gas adjustment clause; and a decrease in off-system sales of $410,431. The 15% increase in 1978 gas operating revenues is primarily related to three factors: the increased cost of purchased gas which is passed on to customers through the cost of gas adjustment clause; the first full year impact of the permanent rate relief of $553,734 granted effective in September 1977; and an increase in off-system sales of 36,892 MCF.

ELECTRICITY PURCHASED FOR RESALE increased $1,932,458 in 1979 over 1978 and $297,758 in 1978 over 1977. The 1979 increase reflects the higher per unit energy cost. The 1978 expenses increased primarily due to a greater reliance on electricity from other utilities.

FUEL USED IN ELECTRIC GENERATION increased in 1979 due to the escalation in the costs of fuel used to generate a level of kilowatt hours slightly higher than that of 1978. The 1978 costs increased over 1977 due to a higher level of kilowatt hours generated.

GAS PURCHASED FOR RESALE increased due to the large increase by our pipeline supplier, the increasing unit cost of our supplemental gases and a higher level of total MCF sales.

OPERATION, OTHER AND MAINTENANCE increases are associated with lease obligations, higher wage rates, increased pension and insurance costs and other cost increases that reflect the continuing effect of inflation.

DEPRECIATION expense has risen due to the additional plant put in service and due to the increased rates that became effective September 1, 1977.

AMORTIZATION OF COST OF ABANDONED PROPERTIES increased in 1979 due to the first full year's effect of the amortization of unit No. 6 and two months amortization of Charlestown No. 1 and No. 2. The increase in 1978 is due to the amortization of unit No. 6.

LOCAL PROPERTY TAXES in 1979 decreased from 1978, principally due to a property tax settlement agreed to by the City of Fitchburg in October, 1979. The Company in 1979 received abatements with a value of $733,634, of which $244,076 pertains to the 1978 period. In 1979, these abatements have increased net income by $376,478 or $.83 of earnings per common share. The Company anticipates that the future levels of property tax expense will continue to reflect the lower assessed valuation resulting from this settlement. The 1978 increase over 1977 is due to the acquisition of the new electric facilities purchased on June 1, 1977.

THE ALLOWANCE FOR OTHER AND BORROWED FUNDS USED DURING CONSTRUCTION has generally increased since 1976 due to the Company's continued investment in electric generating facilities under construction. In addition, the increase in interest rates has had a significant impact on these amounts.

OTHER NON-OPERATING INCOME has decreased by $109,015 due to the loss sustained by the Company's subsidiary (Fitchburg Energy Development Company) and to the reduced interest income on commercial and industrial accounts receivable outstanding.

GROSS INCOME DEDUCTIONS increased due to the Company's issuing $3,000,000 of 10% Notes in September, 1976. The increase also reflects the interest expenses related to short-term borrowings required to finance the Company's construction program and in 1979 and 1978, the expense includes interest related to pipeline refunds due customers which the Company used in lieu of short-term borrowings.

Summary of Consolidated Operations

Statement of Income (000's)	1979	1978	1977	1976	1975
Operating Revenues:					
Electric	**$24,475**	$21,158	$19,061	$16,601	$16,107
Gas	**9,786**	7,920	6,861	5,698	4,408
Total Operating Revenues	**34,261**	29,078	25,922	22,299	20,515
Operating Expenses:					
Operation, other and maintenance	**6,066**	5,568	5,326	4,861	4,516
Electricity purchased for resale	**10,470**	8,538	8,240	6,390	7,163
Fuel used in electric generation	**3,402**	2,159	2,083	969	1,536
Gas purchased for resale	**5,851**	4,335	3,709	2,[illegible]86	2,173
Depreciation	**1,237**	1,182	1,094	953	873
Amortization of cost of abandoned properties	**657**	596	173	176	71
Federal income tax	**958**	1,216	562	762	311
Deferred income taxes	**781**	371	470	258	230
Amortization of investment tax credit	**(89)**	(62)	(52)	(49)	(34)
State franchise tax	**112**	81	84	106	54
Local property tax —current	**1,362**	1,694	1,529	1,384	1,254
— abatement of prior year	**(244)**	—	—	—	—
Other taxes	**194**	167	160	145	135
Total Operating Expenses	**30,757**	25,845	23,378	19,841	18,282
Operating Income	**3,504**	3,233	2,544	2,458	2,233
Non-operating Income:					
Allowance for funds used during construction	—	—	—	135	452
Allowance for other funds used during construction	**116**	118	36	—	—
Other (net of income taxes)	**(27)**	83	76	63	93
Total Non-operating Income	**89**	201	112	198	545
Gross Income	**3,593**	3,434	2,656	2,656	2,778
Income Deductions (Net)	**1,332**	1,474	1,456	1,573	1,600
Net Income	**2,261**	1,960	1,200	1,083	1,178
Preferred Stock Dividend Requirements	**282**	288	290	291	294
Net Income Available for Common Stock	**$ 1,979**	$ 1,672	$ 910	$ 792	$ 884

Common Stock Data					
Shares of Common Stock:					
Year end (000's)	**455**	455	455	455	455
Earnings per Common Share Outstanding	**$ 4.34**	$ 3.67	$ 2.00	$ 1.74	$ 1.94
Dividends paid per Common Share	**$ 1.90**	$ 1.50	$ 1.44	$ 1.41	$ 1.38

Balance Sheet Data (000's)	**1979**	1978	1977	1976	1975
Utility Plant (at cost)	**$47,144**	$44,461	$44,100	$39,829	$37,957
Accumulated Depreciation	**$ 9,850**	$ 9,194	$ 9,020	$ 7,125	$ 6,365
Total Assets	**$50,813**	$44,225	$42,435	$39,271	$38,777
Capitalization and Short-term Notes:					
Common stock equity	**$12,545**	$11,430	$10,440	$10,185	$ 9,805
Redeemable preferred stock equity	**$ 4,071**	$ 4,188	$ 4,230	$ 4,272	$ 4,314
Long-term debt	**$16,780**	$16,978	$17,176	$17,294	$14,414
Short-term notes payable	**$ 5,420**	$ 970	$ 2,500	$ 300	$ 4,400
Electric Statistics					
Sales — Thousands of KWH	**392,691**	398,544	349,549	309,257	289,320
Electric Customers — Year End	**21,744**	21,508	21,272	21,023	20,957
Avg. Annual KWH Sales per Residential Customer	**5,033**	5,073	5,049	5,140	4,992
Avg. Revenue per Hundred KWH — Residential	**$ 7.78**	$ 6.91	$ 6.60	$ 6.45	$ 6.65
Gas Statistics					
Sales — Thousands of MCF	**2,343**	2,062	2,044	1,970	1,805
Gas Customers — Year End	**13,693**	13,069	12,927	12,832	12,937
Average Annual Cubic Feet Sales per Residential Customer	**86,431**	92,076	87,253	91,253	84,139
Average Revenue per MCF — Residential	**$ 4.62**	$ 4.03	$ 3.56	$ 3.08	$ 2.60

POOR ORIGINAL

Board of Directors

†***Philip H. Bradley,** Resident Manager, Northeast, of IBM Corporation, Waltham, Mass.

Richard L. Brickley, Lawyer; partner in the law firm of Brickley, Sears & Cole, Boston, Mass.; Director of subsidiary.

Howard W. Evirs, Jr., President of the Company; Director and President of subsidiary.

***John Grado, Jr.,** Vice President of Litton Industries, Inc., Fitchburg, Mass. (a diversified industry), and Chief Executive of its Paper, Printing and Forms Group.

Thomas W. Sherman, Vice President and Treasurer of the Company; Director, Vice President and Treasurer of subsidiary; Director, Executive Vice President and Treasurer of Bay State Gas Company, Canton, Mass.; Director, Vice President and Treasurer of Concord Electric Company, Concord, N.H., and Exeter & Hampton Electric Company, Exeter, N.H.

†**Robert V. Shupe,** President of R. L. Gourley Co., Inc., Wellesley, Mass. (distributors of heating, air conditioning and water heating equipment).

***Charles H. Tenney II,** Chairman of the Board of Directors and Chief Executive Officer of the Company; Director, Chairman of the Board of Directors and Chief Executive Officer of subsidiary; Director, Chairman of the Board of Directors, President and Chief Executive Officer of Bay State Gas Company, Canton, Mass.; Director, Chairman of the Board of Directors and Chief Executive Officer of Concord Electric Company, Concord, N.H., and Exeter & Hampton Electric Company, Exeter, N.H.

†**Robert L. Ware,** Lawyer; partner in the law firm of Ware & Ware, Fitchburg, Mass.

† Member of Audit Committee.
* Member of Compensation Committee.

Officers

Charles H. Tenney II, Chairman of the Board of Directors and Chief Executive Officer of the Company.**

Howard W. Evirs, Jr., President of the Company.**

Thomas W. Sherman, Vice President and Treasurer of the Company.**

Frank L. Childs, Vice President and Assistant Treasurer of the Company; Assistant Treasurer of subsidiary; Assistant Treasurer of Concord Electric Company, Concord, N.H., and Exeter & Hampton Electric Company, Exeter, N.H.

Charles T. Ellis, Vice President of the Company; Director and Vice President of subsidiary; Vice President of Bay State Gas Company, Canton, Mass.

Edward D. McKenzie, Assistant Treasurer of the Company; Assistant Treasurer of subsidiary; Assistant Treasurer of Concord Electric Company, Concord, N.H., and Exeter & Hampton Electric Company, Exeter, N.H.

Angela P. Carlson, Clerk of the Company; Secretary of subsidiary; Clerk of Bay State Gas Company, Canton, Mass.; Secretary of the Board of Directors of Concord Electric Company, Concord, N.H., and Exeter & Hampton Electric Company, Exeter, N.H.

William D. MacGillivray, Assistant Clerk of the Company; Assistant Secretary of subsidiary; Assistant Clerk of Bay State Gas Company, Canton, Mass.

** See Director listing for other principal occupations.
Subsidiary: Fitchburg Energy Development Company.

POOR ORIGINAL

ANNUAL MEETING: The annual meeting of common shareholders is scheduled to be held at The First National Bank of Boston, 100 Federal Street, Boston, Massachusetts, in the Directors Room on the Second Floor, on Tuesday, March 25, 1980, at 10:30 A.M.

TRANSFER OF STOCK: The Company's Transfer Agent is The First National Bank of Boston, 100 Federal Street, Boston, Massachusetts 02110.

TRUSTEE: The First National Bank of Boston, P.O. Box 1897, Boston, Massachusetts 02105, is Trustee under indentures covering the Company's Notes due March 1, 1995 and May 1, 1999, respectively

This report, including the financial statements contained herein, is submitted for the general information of the shareholders of the Company as such, and is not intended to induce, or for use in connection with, any sale or purchase of any securities.

FG&E Service Area

Fitchburg Gas and Electric Light Company serves a population of approximately 80,000 people in an area of approximately 170 square miles in North Central Massachusetts. The Company provides both gas and electric services to the area communities of Fitchburg, Ashby, Lunenburg, and Townsend. In addition, we provide gas service in the neighboring areas of Gardner and Westminster.

The City of Fitchburg is the primary business and commercial center for surrounding communities, drawing on an estimated 225,000 people, both within and outside our service area. The entire area benefits from a skilled labor force, diverse transportation facilities, and proximity to important commercial markets. The continued vitality and stability of the Fitchburg business community is a key factor in the stable employment and healthy economy which characterize the area.

FITCHBURG GAS AND ELECTRIC LIGHT CO.
Using our energies to serve you best

General Office: 655 Main Street • Fitchburg • Massachusetts 01420 • Telephone (617) 343-6931

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended December 31, 1979 Commission File Number 1-7536

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
(Exact name of registrant as specified in its charter)

Massachusetts	04-1328660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
120 Royall Street, Canton, Massachusetts	02021
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 617-828-8660

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $10 Par Value	American Stock Exchange
	Boston Stock Exchange

Securities registered pursuant to Secton 12(g) of the Act:

Not Applicable
(Title of Class)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at December 31, 1979
Common Stock, $10 Par Value	455,475 Shares

Item 1. Business

History and Business

Fitchburg Gas and Electric Light Company (the "Company"), a Massachusetts corporation organized in 1852, is an operating public utility providing electric and natural gas service to the communities of Fitchburg, Ashby, Lunenburg and Townsend and natural gas service only to the communities of Gardner and Westminster. The service area encompasses approximately 170 square miles in northcentral Massachusetts. The Company's main office is located at 655 Main Street, Fitchburg, Massachusetts 01420 and its principal executive office is at 120 Royall Street, Canton, Massachusetts 02021 (Telephone Number (617) 828-8660).

As of December 31, 1979, the Company furnished electric service to 21,744 customers and gas service to 13,693 customers of which approximately 12,300 customers used both electricity and gas. Electric sales in 1979 totaled 392,691,432 kilowatt hours, a decrease of approximately 1% from 1978. The decrease was primarily due to a strike that halted production by one of our major industrial customers. In 1979, gas sales totaled 2,343,116 MCF, an increase of approximately 14% over 1978. The increase was primarily due to the additional interruptible sales.

During the years 1975 and 1976, the approximate percentages of operating revenues and operating income, before income taxes, attributable to the sale of electricity and gas and for the years 1977 through 1979 the operating revenues and operating income, before income taxes, attributable to the sale of electricity and gas were as follows:

	Operating Revenues		Operating Income (before Income Taxes)	
	Electric	Gas	Electric	Gas
1975	79%	21%	85%	15%
1976	74%	26%	81%	19%
1977	$19,061,399	$6,860,860	$2,691,154	$916,881
1978)				
1979)	See Note 9 to the accompanying Consolidated Financial Statements.			

Providing the Company's service area with a broad economic base are firms which manufacture paper, saws, industrial knives, builders' hardware, turbines, textile and yarns, furniture, iron castings, special machinery, machine tools and parts, time recorders, electronic components, industrial air conditioners, firearms, toys, molded plastics, chemicals, screen plates, wood turnings, shoes and other diversified products.

Electric Operations and Energy Supply

The Company has a 4.5% interest (20,115 kw) in an oil-fired generating plant in New Haven, Connecticut, which is operated by The United Illuminating as the majority owner. The Company also has a .1822% interest (1,120 kw) in an oil-fired generating plant in Yarmouth, Maine, which is operated by Central Maine Power Company as the majority owner. In addition, the Company operates under lease a combustion turbine electric peaking generator with a current capability of 27,910 kw. A total of 35.11% of the capability of this turbine is sold to Reading Municipal Light Department under a contract expiring October 31, 1980. This contract requires the purchaser to pay *monthly demand and transmission charges regardless of whether or not it purchases any energy, and energy charges are based on the actual cost of fuel used for the combustion turbine.*

In addition, the Company has three contracts to purchase power from nearby utilities. The first contract is with Boston Edison Company ("Boston Edison"), expiring in 1981, for the purchase of 40,000 kw. The supply of power under this contract is based on the availability of the following four Boston Edison Units at 10,000 kw each: Pilgrim Unit No. 1, New-Boston Unit No. 1, New-Boston Unit No. 2, and Mystic Unit No. 7; the first being a nuclear unit, the latter three being oil-fired units. The second contract is with the Maine Electric Power Company, Inc., and provides for the purchase of 3,080 kw through October, 1985 and then for the purchase of only 1,540 kw through October, 1986. The third contract, which terminates on October 31, 1980, provides for 17,500 kw (expandable to 21,000 kw and contractable to 15,000 kw under certain conditions) to be supplied by New England Power Company, 50% of which is provided from Brayton Point Unit No. 3, and 25% from both Brayton Point Unit No. 4 and Salem Harbor Unit No. 4. All three purchase power contracts require the Company to pay monthly demand and transmission charges regardless of whether or not it purchases any energy and to pay an energy charge for each kwh of electricity it does purchase.

The three oil-fired plants, together with the three purchase power contracts (minus the Reading sale contract) currently provide the Company with a net capability of 99,925 kw. The maximum one-hour demand for the Company, exclusive of sales to other utilities occurred on August 16, 1978 and was 75,330 kw.

New England Power Pool

A New England Power Pool ("NEPOOL") agreement to which the major investor-owned utilities in New England, including the Company, and certain municipal and cooperative utilities are parties, has been in effect since 1971. This Agreement provides for joint planning and operation of generating and transmission facilities and also incorporates generating capacity reserve obligations and provisions regarding the use of major transmission lines and payment for such use.

Substantially all planning, operation and dispatching of electric generating capacity for New England is done on a regional basis under NEPOOL. At the time of the 1979-1980 NEPOOL winter peak, the New England utilities had about 21,976 MW of installed capacity to meet the New England peak load of about 15,311 MW.

The Company's capability responsibility under NEPOOL involves carrying an allocated share of a New England capacity requirement which is determined for each period based on certain regional reliability criteria.

Joint Projects and Other Plans

The Company has entered into agreements for the partial ownership of six nuclear facilities which are expected to commence commercial operation at various times from 1983 through 1992 (see "Construction Program"). The Company's combined share of the output of the six nuclear units is expected to be approximately 16.7 MW. This excludes the output related to the acquisition of an additional ownership interest in each of the Seabrook units described below.

The Company had entered into two additional contracts with respect to the partial ownership of the Charlestown Units 1 and 2 proposed nuclear generating plants. On October 9, 1979 the lead participant, New England Electric System, announced the indefinite deferral of the in-service date of these two units and subsequently announced termination of the project. On November 27, 1979 the DPU approved the Company's reque-t to amortize approximately $653,000 over a 36 month period. While the Company is unable to estimate with certainty the amount of additional charges which may result from the cancellation of these two units, it will request from the DPU permission to apply similar treatment to any additional costs associated with these units.

The Company is in the process of acquiring additional ownership interest in Seabrook from two sources (Connecticut Light & Power and from Pubic Service Company of New Hampshire). On January 25, 1979, the common shareholders approved the acquisition of an additional .43332% ownership interest in each of the Seabrook units from the Connecticut Light & Power Company. The Company has made an agreement to purchase up to an additional .26087% ownership in each of the Seabrook units from Public Service Company of New Hampshire, the Common Shareholders gave their approval to this purchase on March 25, 1980. Both agreements are subject to the approval of the DPU.

Gas Operations and Supply

Gas is distributed to the area served by the Company through approximately 274 miles of steel and cast iron mains. The maximum sendout occurred on February 2, 1979, when a new record of 15,678 MCF was achieved.

The Company purchases natural gas from the Tennessee Gas Pipeline Company ("Tennessee") under a firm contract which provides that the Company may take up to 7,506 MCF of gas daily. This contract expires on November 1, 1988, but will continue beyond this expiration date until terminated by either party on twelve months' written notice.

Beginning in January, 1974, Tennessee began to curtail deliveries of gas due to increased overall demand in excess of pipeline capacity. All of Tennessee's curtailments are currently being made pursuant to a curtailment plan filed with the Federal Energy Regulatory Commission ("FERC"), formerly the Federal Power Commission ("FPC") on September 28, 1973, and approved by the FERC on March 14, 1977, subject to possible modifications with respect to the filing of an Environmental Impact Statement by the FERC's staff.

Curtailment of gas deliveries for the period November, 1979 through March, 1980, are expected to be o.5% below this volumetric purchase limitation and 0% below this volumetric purchase limitation during the summer season, April, 1980 through October, 1980. The Company has limited the impact of this curtailment by maintaining a low level of interruptible sales. The Company intends to limit the impact of future curtailments on firm customers by reducing or eliminating remaining interruptible sales and by obtaining additional supplemental gas supplies.

The Company has an underground storage contract with Tennessee which provides for storage of approximately 50,000 MCF of gas, which is injected into storage during the summer months and withdrawn during the winter season. The storage contract expires on July 31, 1980.

The Company has executed a Precedent Agreement with Consolidated Gas Supply Corporation ("Consolidated") by which Consolidated will provide approximately 50,000 MCF of underground storage to the Company for a twenty-year period starting April 1, 1980. The necessary applications to provide this service have been filed with the FERC, and it is anticipated that approval of this service will be forthcoming within the next few months.

The Company has also executed a Precedent Agreement with National Gas Storage Corporation ("National") by which National will provide approximately 50,000 MCF of underground storage to the Company. This contract is to expire on March 31, 1995. The necessary applications to provide this service have been filed with the FERC, and it is anticipated that approval of this service will be forthcoming within the next few months.

The Company has a propane air gas plant with a daily capacity of 7,200 MCF and a storage capacity of 31,000 MCF. The Company also has a leased liquefied natural gas ("LNG") plant with a daily capacity of 7,200 MCF and a storage capacity of 4,167 MCF. These plants are used principally during peakload periods to augment the supply of natural gas.

The Company has a contract to purchase liquid propane from C.M. Dining, Incorporated, which expires on March 31, 1980, but will continue beyond this expiration date until terminated by either party on twelve months written notice. This contract will provide 133,028 MCF during the 1979-1980 wnter season.

In addition to this quantity of liquid propane, the Company is entitled, under current Federal Energy Administration Mandatory Allocation Regulations, to use an additional volume of liquid propane, if available, equivalent to 50,459 MCF each winter season so long as such Regulations, as presently in effect, remain applicable to the Company.

The Company also has a contract to purchase LNG from Bay State Gas Company which expires on March 31, 1980, but will continue beyond this expiration date until terminated by either party on twelve months' written notice. This contract provides for an annual quantity of up to 165,000 MCF.

If Tennessee does not curtail pipeline deliveries of natural gas significantly below presently indicated levels, and LNG and liquid propane continue to be available, the capacities of the Company's LNG and propane facilities, together with the natural gas available under the contract with Tennessee, are expected to provide adequate gas supplies to fulfill the requirements of all existing firm customers served by the Company. There can be no assurance, however, that limitations on interruptible service will not continue to increase or that future restrictions will not be imposed on firm customers.

Regulations and Rates

The Company is subject to regulation by the Massachusetts Department of Public Utilities (DPU) with respect to retail rates, adequacy of service, issuance of securities, accounting and other matters. The Company is also subject to regulation by the FERC with respect to certain matters, including NEPOOL interchanges, accounts, records and reports.

The Company's electric and gas sales are made pursuant to rate schedules and contracts on file with the DPU at rates which call for lower unit prices as monthly usage increases.

Until 1972 there had been no general rate increases in 52 years and during that period several voluntary rate reductions were made. During recent years the Company has sought rate relief designed to cover the impact of increased costs. The amounts of rate relief requested and the amounts granted by the DPU are set forth below:

Effective Date	Department	Type of Increase	Amount Requested	Amount Granted
July 20, 1972	Gas	Permanent	$ 270,000	$ 228,500
August 15, 1972	Electric	Permanent	480,000	357,000
March 28, 1973	Gas	Permanent(1)	27,400	27,400
April 21, 1974	Electric	Interim	1,000,000	767,500
October 15, 1974	Electric	Permanent(2)	2,300,000	2,096,000
Applied for December 16, 1974	Gas	Interim	536,000	--
January 12, 1976	Gas	Permanent	663,000	349,451
January 12, 1976	Electric	Permanent	793,000	793,000
September 15, 1977	Gas	Permanent	838,000	553,734(3)
September 19, 1977	Electric	Permanent	2,795,000	1,804,180(3)

(1) Granted to Gardner Gas, Fuel and Light Company, a former subsidiary of the Company which served the communities of Gardner and Westminister and which was merged into the Company in May, 1973.

(2) Includes the $1,000,000 requested and the $767,500 interim electric rate relief granted effective April 21, 1974.

(3) $1,062,109 was granted effective September 19, 1977; see Note 7 to Financial Statements.

The electric rates schedules of the Company for all retail sales are subject to a cost of fuel adjustment by which rates are modified to reflect changes in the cost of fuel used for generation and the cost of purchased energy. With the approval of the DPU, the current cost of fuel adjustment schedule has been in effect since September 27, 1974. The Company's total fuel costs are determined on an estimated quarterly *basis, subject to review and approval by the DPU. Toward the end of each quarter the Company compares actual fuel expenses incurred with the actual fuel adjustment revenues collected and adds or subtracts that amount from the estimated fuel costs for the next quarter.*

The gas rate schedules of the Company for all retail sales are subject to a cost of gas adjustment by which the rates are modified to reflect changes in the cost of purchased pipeline natural gas and supplemental gas. The current cost of gas adjustment schedule, which was approved by the DPU, has been in effect since January 1, 1974. Changes in the cost of pipeline natural gas are reflected immediately in customer billings; however, there is a two-month delay before customer billings reflect changes in the cost of supplemental gas.

Time-of-day rates, a pricing system that reflects the varying costs of providing electric energy at different times of the day and/or during different seasons of the year, were filed with the DPU in early 1979. The intent of time-of-day rates is to shift demand and energy use from on-peak to off-peak periods thereby reducing the amount of new generating capacity required to serve peak loads. The rates recently filed by the Company are applicable to residential and commercial customers on an optional basis.

Competition

While franchise rights of the Company are non-exclusive, statutes restrict competition from other companies without approval of the DPU. Under the laws of Massachusetts, a municipality by appropriate vote may enter the gas or electric business and purchase the facilities of the utility serving such municipality. If the utility is not willing to sell, the municipality may construct a plant or acquire one from another source. The Company knows of no such movement in any municipality served by the Company.

Environmental Matters

The Company is subject to regulations with regard to air and water quality and other environmental considerations by governmental authorities, federal, state and local. The Company cannot, however, forecast the effect of the existing or future environmental requirements upon its generating and transmission facilities, or upon those facilities in which it has an ownership share.

The Company believes that it is in compliance with environmental regulations applicable to its combustion turbine and that no significant expenditures will be required to maintain such compliance. The Company may, however, incur increased construction or operating expenditures as a result of the environmental requirements for those units in which it has an ownership share.

Employee Relations

As of December 31, 1979 the Company has 161 employees of which 85 are represented by the Brotherhood of Utility Workers of New England, Incorporated. The current two-year contract terminates on April 30, 1981.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED SUMMARY OF OPERATIONS (Note 1)

	1979	1978	1977	1976	1975
	Year Ended December 31, (000's Omitted)				
Operating Revenues					
Electric	$24,475	$21,158	$19,061	$16,601	$16,107
Gas	9,786	7,920	6,861	5,698	4,408
Total Operating Revenues	34,261	29,078	25,922	22,299	20,515
Operating Expenses:					
Operation, other a ' maintenance	6,066	5,568	5,326	4,861	4,516
Electricity purchased for resale	10,470	8,538	8,240	6,390	7,163
Fuel used in electric generation	3,402	2,159	2,083	1,869	1,536
Gas purchased for resale	5,851	4,335	3,709	2,986	2,173
Depreciation	1,237	1,182	1,094	953	873
Amortization of cost of abandoned properties	657	596	173	176	71
Provisions for taxes:					
Income taxes	1,070	1,298	646	868	365
Deferred income taxes	781	371	470	258	230
Amortization of investment tax credit	(89)	(62)	(52)	(49)	(34)
Other	1,312	1,860	1,689	1,529	1,389
Total Operating Expenses	30,757	25,845	23,378	19,841	18,282
Operating Income	3,504	3,233	2,544	2,458	2,233
Non-operating Income:					
Allow. for funds used during construction	--	--	--	135	452
Allow. for other funds used during construction	116	118	36	--	--
Other (net of income taxes of ($78); ($10); ($1); $23; and $38)	(27)	83	76	63	93
Total Non-operating Income	89	201	112	198	545
Gross Income	3,593	3,434	2,656	2,656	2,778
Income Deductions:					
Interest on long-term debt	1,499	1,515	1,527	1,316	1,250
Amortization of debt expense	20	16	17	16	20
Other interest charges	325	234	123	226	343
Discount on long-term debt purchased for sinking fund	(3)	(2)	--	(3)	(14)
Other	3	9	1	18	1
Gross Income Deductions	1,844	1,772	1,668	1,573	1,600
Allow. for borrowed funds used during construction	(512)	(298)	(212)	--	--
Net Income Deductions	1,332	1,474	1,456	1,573	1,600
Net Income	2,261	1,960	1,200	1,083	1,178
Dividend Requirement on Preferred Stock	282	288	290	291	294
Net Income Applicable to Common Stock	$1,979	$ 1,672	$ 910	$ 792	$ 884
Average Number of Common Shares Outstanding	455,475	455,475	455,475	455,475	455,475
Earnings per Average Common Share Outstanding (Exhibit 1)	$4.34	$3.67	$2.00	$1.74	$1.94
Dividends Declared	$1.90	$1.50	$1.44	$1.065	$1.38
Ratio of Earnings to Fixed Charges (Exhibit 2)	2.93	2.82	2.22	2.25	1.98

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE SUMMARY OF OPERATIONS

THE ELECTRIC OPERATING REVENUES increase of 16% in 1979 was attributable to the net effect of three major factors: the increase in fuel costs for generation and energy costs of purchased power; the full year effect of the rate increased approved October 5, 1978; and a strike that halted production by one of our major industrial customers. The 11% increase in 1978 is due primarily to four factors: the full year's effect of additional rate relief granted effective September 1977; the additional rate relief permitted in October 1977 and subsequently granted as a result of the Company's appeal of the above mentioned rate decision, the sale of 76,747,276 kilowatt hours to the six new industrial customers acquired as of June 1, 1977 in connection with the purchase of electric facilities from New England Power Company, and the lower per unit energy cost components of power generated and purchased with a resulting decrease in total cost recoverable through the Company's fuel expense adjustment clause.

GAS OPERATING REVENUES increased 24% in 1979 primarily due to three factors: increase of 391,300 MCF's in interruptible sales ($1,279,400 increase); the increased cost of purchased gas which is passed on to customers through the operation of a cost of gas adjustment clause; and a decrease in off-system sales of $410,431. The 15% increase in 1978 gas operating revenues is primarily related to three factors: the increased cost of purchased gas which is passed on to customers through the cost of gas adjustment clause; the first full year impact of the permanent rate relief of $553,734 granted effetive in September 1977; and an increase in off-systems sales of 36,892 MCF.

ELECTRICITY PURCHASED FOR RESALE increased $1,932,458 in 1979 over 1978 and $297,758 in 1978 over 1977. The 1979 increase reflects the higher per unit energy cost. The 1978 expenses increased primarily due to a greater reliance on electricity from other utilities.

FUEL USED IN ELECTRIC GENERATION increased in 1979 due to the escalation in the costs of fuel used to generate a level of kilowatt hours slightly higher than that of 1978. The 1978 costs increased over 1977 due to a higher level of kilowatt hours generated.

GAS PURCHASED FOR RESALE increased due to the large increase by our pipeline supplier, the increasing unit cost of our supplemental gases and a higher level of total MCF sales.

OPERATION, OTHER AND MAINTENANCE increases are associated with lease obligations, higher wage rates, increased pension and insurance costs and other cost increases that reflect the continuing effect of inflation.

DEPRECIATION expense has risen due to the additional plant put in service and due to the increased rates that became effective September 1, 1977.

AMORTIZATION OF COST OF ABANDONED PROPERTIES increased in 1979 due to the first full year's effect of the amortization of unit No. 6 and two months amortization of Charlestown No. 1 and No. 2. The increase in 1978 is due to the amortization of unit No. 6.

LOCAL PROPERTY TAXES in 1979 decreased from 1978, principally due to a property tax settlement agreed to by the City of Fitchburg in October, 1979. The Company in 1979 received abatements with a value of $733,634, of which $244,076 pertains to the 1978 period. In 1979, these abatements have increased net income by $376,478 or $.83 of earnings per common share. The Company anticipates that the future levels of property tax expense will continue to reflect the lower assessed valuation resulting from this settlement. The 1978 increase over 1977 is due to the acquisition of the new electric facilities purchased on June 1, 1977.

THE ALLOWANCE FOR OTHER AND BORROWED FUNDS USED DURING CONSTRUCTION has generally increased since 1976 due to the Company's continued investment in electric generating facilities under construction. In addition, the increase in interest rates has had a significant impact on these amounts.

OTHER NON-OPERATING INCOME has decreased by $109,015 due to the loss sustained by the Company's subsidiary (Fitchburg Energy Development Company) and to the reduced interest income on commercial and industrial accounts receivable outstanding.

GROSS INCOME DEDUCTIONS increased due to the Company's issuing $3,000,000 of 10% Notes in September, 1976. The increase also reflects the interest expenses related to short-term borrowings required to finance the Company's construction program and in 1979 and 1978, the expense includes interest related to pipeline refunds due customers which the Company used in lieu of short-term borrowings.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

COMPUTATION IN SUPPORT OF EARNINGS PER SHARE

	Year Ended December 31,				
	1979	1978	1977	1976	1975
				(000's Omitted)	
Net Income	$2,261	$1,960	$1,200	$1,083	$1,178
Less: Dividend Requirement on Preferred Stock	282	288	290	291	294
Income Applicable to Common Stock	$1,979	$1,672	$ 910	$ 792	$ 884
Average Number of Common Shares Outstanding	455,475	455,475	455,475	455,475	455,475
Earnings per Average Common Share Outstanding	$ 4.34	$3.67	$2.00	$1.74	$1.94

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

COMPUTATION IN SUPPORT OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,				
	1979	1978	1977	1976	1975
				(000's omitted)	
Earnings:					
Net Income, per Statement of Income	$2,261	$1,960	$1,200	$1,083	$1,178
Income Taxes	948	1,220	645	891	403
Deferred Income Taxes	826	439	470	258	230
Amortization of Investment Tax Credit	(89)	(62)	(52)	(49)	(34)
Interest on Long-term Debt	1,499	1,515	1,527	1,316	1,250
Amortization of Debt Discount and Expense	20	16	17	16	20
Rents (annual interest component)	200	192	187	193	193
Other Interest	326	234	123	226	343
Total	$5,991	$5,514	$4,117	$3,934	$3,583
Fixed Charges:					
Interest on Long-Term Debt	$1,499	$1,515	$1,527	$1,316	$1,250
Amortization of Debt Discount and Expense	20	16	17	16	20
Rents (annual interest component)	200	192	187	193	193
Other Interest	326	234	123	226	343
Total	$2,045	$1,957	$1,854	$1,751	$1,806
Ratio of earnings to fixed charges	2.93	2.82	2.22	2.25	1.98

Item 3. Property

The Company owns a propane gas plant and leases an LNG plant, all of which are located on land owned by it in fee. The Company has entered into agreements for joint ownership in six nuclear and two fossil fuel facilities. At December 31, 1979 the electric properties of the Company consisted principally of 67 miles of transmission lines, 21 transmission and distribution substations with a capacity of 293,300 KVA and 393 miles of distribution lines. Electric transmission facilities (including substations) and steel and cast iron gas mains owned by the Company are, with minor exceptions, located on land owned by the Company in fee or occupied pursuant to perpetual easements. The Company also owns its office building and various other property and leases a combustion turbine electric peaking generator. See "Electric Operations and Energy Supply; and Gas Operations and Supply" above for additional information regarding the Company's plants, facilities and gas mains.

Item 4. Parents and Subsidiaries.

Parents of Fitchburg Gas and Electric Light Company - None.

Subsidiary of Registrant - Fitchburg Energy Development Company.

Fitchburg Energy Development Company, a wholly-owned subsidiary of the Registrant is incorporated in the State of Delaware.

Item 5. Legal Proceeding.

(a) There are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which the Company or its subsidiaries is the subject, except as noted in Note 7 to the accompanying Consolidated Financial Statements. There are no material legal proceedings to which any director, officer or affiliate of the Company or any associate of any such person, is a party, or has a material interest, adverse to the Company. There are no material proceedings arising under environmental quality and civil rights statutes pending or known to be contemplated by government agencies to which the Company or its subsidiary are a party.

(b) Not Applicable.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness.

(a) Changes in outstanding equity securities in 1979 were as follows:

	Redeemable Cumulative Preferred Stock, $100 Par Value	
	5-1/8% Series (A)	8% Series (B)
Shares outstanding -- December 31, 1978	16,880	25,000
Purchase of Preferred Stock	(420)	(750)
Shares outstanding -- December 31, 1979	16,460	24,250

A. 5-1/8% Series
The Company has agreed to purchase on June 1 of each year not less than 420 shares as shall have been tendered to the Company.

B. 8% Series
The Company has agreed to purchase on June 1, 1979 and on each June 1 thereafter, not less than 750 shares as shall have been tendered to the Company.

(b) Not applicable.

(c) Not applicable.

Item 7. Changes in Securities and Changes in Security for Registered Securities

Not applicable.

Item 8. Defaults upon Senior Securities.

Not applicable.

Item 9. Approximate Number of Equity Security Holders.

The approximate number of holders of record of each class of the Company's equity securities at December 31, 1979 were as follows:

Title of Class	Number of Record Holders
Cumulative Preferred Stock, $100 Par Value:	
5-1/8% Series	5
8% Series	3
Common Stock, $10 Par Value	2,244

Item 10. Submission of Matters to a Vote of Security Holders.

Not applicable.

Executive Officers of the Registrant.

The names, ages and positions of all of the executive officers of the Company as of March 27, 1980 are listed below along with their business experience during the past five years. All officers are elected or appointed annually by the Board of Directors at the first Directors' meeting following the annual meeting. There are no family relationships among these officers, nor is there any arrangement or understanding between any officers and any other person pursuant to which the officer was selected.

Name, Age and Position	*Business Experience During Past 5 Years*
Charles H. Tenney II, 61 *Chairman of the Board of Directors and Chief Executive Officer*	*Director and Chairman of the Board of Directors of the Company; Director and Chairman of the Board of Directors of the Company's subsidiary; Director, Chairman of the Board of Directors and since 1976 President of Bay State Gas Company; and Director and Chairman of the Board of Directors of Concord Electric Company and Exeter & Hampton Electric Company. Mr. Tenney was also Director and Chairman of the Board of Directors of Orange and Rockland Utilities, Inc. until 1976.*
Howard W. Evirs, Jr., 54 *President*	*Director and President of the Company; Director and President of the Company's subsidary.*
Frank L. Childs, 35 *Vice President and Treasurer*	*Vice President since 7/1/79 and Treasurer since 3/25/80 of the Company (Assistant Treasurer 7/1/79 - 3/25/80; in Financial Department prior thereto); Vice President and Treasurer of the Company's subsidiary; and Vice President and Treasurer of Concord Electric Company since 3/12/80 and Exeter & Hampton Electric Company since 3/14/80 (formerly Assistant Treasurer of each 7/1/79 until 3/80; in Financial Department of each and of Bay State Gas Company prior thereto).*
Charles T. Ellis, 43 *Vice President*	*Vice President of the Company since 1975; Director and Vice President of the Company's subsidiary; and Vice President of Bay State Gas Company (formerly Assistant Vice President 3/25/75-12/18/75; in Energy Supply Department prior thereto).*
David K. Foote, 32 *Vice President*	*Vice President since 3/25/80 of the Company (Assistant Vice President 5/1/78-3/25/80; manager Energy Production prior thereto).*
Edward D. McKenzie, 55 *Assistant Treasurer*	*Assistant Treasurer since 10/1/79 of the Company; Assistant Treasurer of the Company's subsidiary; Assistant Treasurer since 10/1/79 of Concord Electric Company and Exeter & Hampton Electric Company (Assistant Treasurer 1978-1979 of Bay State Gas Company; Controller thereof prior thereto).*

Angela P. Carlson, 42 *Clerk*	*Clerk since 1975 (Assistant Clerk prior thereto) of the Company; Secretary of the Company's subsidiary; Clerk (Assistant Clerk prior thereto) of Bay State Gas Company; and Secret..y of the Board of Directors since 1975 (Executive Assistant prior thereto) of ..ncord Electric and Exeter & Hampton Electric Company.*
William D. MacGillivray, 36 *Assistant Clerk*	*Assistant Clerk since 7/1/79 of the Company; Assistant Secretary of the Company's subsidiary; Assistant Clerk since 7/1/79 of Bay State Gas Company (Also Manager, Tax Services since 1977; with Alexander Grant & Company prior thereto).*

Item 11. Idemnification of Directors and Officers.

At the Annual Meeting of Common Shareholders held March 25, 1980, the Company's By-Laws were amended, pursuant to the provision of Massachusetts law, by, inter alia, the addition of the following indemnification provision.

The Corporation shall indemnify and hold harmless each person who is or shall have been an officer or Director of the Corporation from and against any and all claims, liabilities and expenses to which he may be or become subject by reason of his being or having been an officer or a Director of the Corporation or by reason of his alleged acts or omissions as an officer or Director of the Corporation, and shall indemnify and reimburse each such officer and Director against and for any and all legal and other expenses reasonably incurred by him in connection with any such claims and liabilities, actual or threatened, whether or not at or prior to the time when so indemnified, held harmless and reimbursed he has ceased to be an officer or a Director of the Corporation.

The Corporation shall similarly indemnify and hold harmless persons who serve and shall have served at its request as directors or officers of another organization in which the Corporation directly or indirectly owns shares or of which it is a creditor.

Such indemnification may include payment by the Corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated to be most entitled to indemnification under this Article.

No indemnification shall be provided for any person with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith to the reasonable belief that his action was in the best interest of the Corporation; nor shall indemnification be provided where the Corporation is required or has undertaken to submit to a court of appropriate jurisdiction the question of whether or not indemnification by it is against public policy and it has been finally adjudicated that such indemnification is against public policy; provided, however, that prior to such final adjudication, the Corporatin may comproise and settle any such claims and liabilities and pay such expenses, if such settlement or payment, or both, appears, in the judgment of a majority of those members of the Board of Directors who are not directly inolved in such matters, to be for the best interest of the Corporation as evidenced by a vote to that effect adopted after receipt by the Corporation of a written opinion of counsel for the Corporation that, based on the facts available to such counsel, such person has not acted in a manner that would prohibit indemnification.

The foregoing right of indemnification shall not be exclusive of any other rights to which any such person is entitled under any agreement, vote of stockholders, statue, or as a matter of law or otherwise. The provisions of this Article are separable, and, if any provision or portion hereof shall for any reason be held inapplicable, illegal or ineffective, this shall not affect any other right of indemnification existing under this Article. As used herein, the terms "Director" and "officer" include persons elected or appointed as officers by the Board of Directors, persons elected as Directors by the stockholders or by the Board of Directors, and persons who serve by vote or at the request of the Corporation as Directors, officers or trustees of another organization in which the Corporation has any direct or indirect interest as a shareholder, creditor or otherwise.

All Directors and officers are insured under a Directors' and Officers' Liability and Corporation Reimbursement Policy.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Directors, officers and controlling persons of the Registrant pursuant to the provisions referred to above or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification may contravene public policy as expressed in the Act and may therefore be unenforceable. In the event that a claim for such indemnification (except insofar as such claim seeks reimbursement from the Registrant of expenses incurred or paid by a Director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by a Director, officer, or controlling person for liabilties arising under the Act with respect to securities offered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it, or reimbursement for such claim, is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 12. Financial Statements and Exhibits Filed and Reports on Form 8-K

See Note 10 of Consolidated Notes to Financial Statements

Schedules I, II, III, IV, VII, VIII, X, XI, XIV, XV, XVII, XVIII, and XIX have been omitted as the information is either not applicable or not required.

2. Exhibits:

1. Computation in Support of Earnings per Share
2. Computation in Support of Ratio of Earnings to Fixed Charges

Item 12. Financial Statements and Exhibits Filed and Reports on Form 8-K (Continued)

2. *Exhibits: (Continued)*

3. *By-Laws of the Company*

4. *Certificate of Reduction of Capital pursuant to Chapter 164, Section 8B of the Massachusetts General Law.*

5. *Amendment No. 2 to Pension Plan dated January 16, 1979 (pertaining to union employees).*

6. *Amendment No. 2 to Pension Plan dated January 16, 1979 (pertaining to non-union employees).*

7. *Amendment No. 1 to Employee Stock Ownership Plan and related amendment to the Employee Stock Ownership Trust Agreement, dated December 19, 1979.*

8. *Labor Agreement, effective May 1, 1979 between the Company and the Brotherhood of Utility Workers of New England, Inc., Local No. 340.*

9. *Release from the lease of certain jointly occupied office space located in Canton, Massachusetts between the Company and others and Bay State Gas Company.*

10. *Lease of certain jointly occupied office space in Bedford, New Hampshire between the Company and others and Berkshire Builders.*

11. *Agreement dated December 11, 1979, relating to the purchase of B1855 Data Processing System between the Company and Burroughs Corporation.*

12. *Letter agreement dated May 30, 1979, amending the Boston Edison Company Contact.*

13. *Amendments No. 6 through 11 of Agreement for Joint Ownership, Construction and Operations between the Company and Public Service Company of New Hampshire and other participants.*

14. *Amendments to Escrow Agreement dated April 30, 1979, relating to the New Hampshire Nuclear Units between the Company and Central Maine Power Company and other participants.*

15. *Extension Agreements between the Company and The Connecticut Light and Power Company to transfer ownership share in each of the Seabrook nuclear Unit Nos. 1 and 2.*

Item 12. Financial Statements and Exhibits Filed and Reports on Form 8-K (Continued)

16. Amendment No. 3, dated December 31, 1979 of Joint Ownership Construction and Operation of Wyman Unit No. 4 between the Company and Central Maine Power Company.

17. Precedent Agreement, dated August 31, 1979, between the Company and National Gas Storage Corporation.

18. Precedent Agreements, dated November 5, 1979, between the Company and Tennessee Gas Pipeline Company.

19. Exchange and Storage Services Contract dated June 28, 1979, between the Company and the Brooklyn Union Gas Company.

20. Sales contract dated November 15, 1979 between the Company and Cape Cod Gas Company and Lowell Gas Company.

21. Contract dated February 18, 1980, between the Company and Consolidated Gas Supply Corporation.

22. Precedent Agreement, date February 25, 1980, between the Company and National Fuel Gas Supply Corporation.

Individual financial statements of the Company are omitted because its total assets, exclusive of investments in and advances to its consolidated subsidiary, at the date of its latest balance sheet, constitute 75% or more of the total assets as shown by the consolidated balance sheet at that date and its total sales and revenues, exclusive of interest and dividends received from or its equity in the income of the consolidated subsidiary, as shown by its latest income statement, constitute 75% or more of the total sales and revenues shown by most recent annual consolidated income statement.

Notes: A copy of the annual report to stockholders is submitted herewith. Also submitted is proxy material sent to all stockholders.

(b) No reports on Form 8-K were filed for the three months ended December 31, 1979.

PART II

Registrant has, since the close of the year, filed with the Commission definitive proxy statemetn pursuant to Regulation 14A which involved the election of directors.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
(Registrant)

DATED: March 27, 1980

Frank L. Childs
FRANK L. CHILDS, Vice President and Treasurer

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

YEAR ENDED DECEMBER 31, 1979

WITH AUDITORS' REPORT

Prepared for filing as part of
Annual Report (Form 10-K)
To the Securities and Exchange Commission

FITCHBURG GAS AND ELETRIC LIGHT COMPANY AND SUBSIDIARY

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

AUDITORS' REPORT

*TO THE SHAREHOLDERS OF
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY*

We have examined the consolidated balance sheets of Fitchburg Gas and Electric Light Company and Subsidiary as of December 31, 1979 and 1978 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 7 to the financial statements, the Company's method of billing and accounting for revenues under its fuel adjustment clause in effect from January 1 through September 26, 1974, has been challenged by the Attorney General of the Commonwealth of Massachusetts. The Company believes its methods are correct and has vigorously defended its procedures, but the ultimate outcome is uncertain and no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matter discussed above been known, the financial statements referred to above present fairly the consolidated financial position of Fitchburg Gas and Electric Light Company and Subsidiary at December 31, 1979 and 1978 and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In connection with our examinations of the consolidated financial statements as of December 31, 1979 and 1978 and for the years then ended, we have also examined the schedules listed in the attached index. In our opinion, such schedules present fairly the information required to be set forth therein.

Boston, Massachusetts — *Alexander Grant & Company*
February 7, 1980

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

	For Years Ended December 31,	
	1979	1978
Operating Revenues		
Electric	$24,475,296	$21,157,542
Gas	9,786,185	7,919,991
Total Operating Revenues	34,261,481	29,077,533
Operating Expenses		
Operating expenses, other	5,132,726	4,833,281
Electricity purchased for resale	10,470,503	8,538,045
Fuel used in electric generation	3,401,852	2,158,983
Gas purchased for resale	5,850,610	4,334,696
Maintenance	933,360	734,113
Depreciation (Note 1)	1,236,692	1,181,787
Amortization of cost of abandoned properties (Note 2)	657,048	595,937
Provisions for taxes (Note 1)		
Federal income tax on net operating income	957,846	1,216,342
Deferred Federal income	715,030	339,151
Amortization of investment tax credit	(89,049)	(61,766)
State franchise	112,348	81,403
Deferred state franchise	66,293	32,587
Local property - current	1,362,511	1,693,904
- abatement of prior year	(244,076)	-
Other	193,669	166,859
Total Operating Expenses	30,757,363	25,845,322
Operating Income	3,504,118	3,232,211
Non-operating Income		
Allowance for other funds used during construction	116,319	118,573
Other (net of income taxes) (Note 1)	(27,605)	83,418
Total Non-operating Income	88,714	201,991
Gross Income	3,592,832	3,434,202
Income Deductions		
Interest on long-term debt	1,498,655	1,515,476
Other interest charges	325,596	233,859
Amortization of debt expense	20,470	16,324
Discount on long-term debt purchased for sinking fund(credit)	(3,030)	(2,167)
Other	2,816	8,992
Gross Income Deductions	1,844,507	1,772,484
Allowance for borrowed funds used during construction	(512,381)	(298,132)
Net Income Deductions	1,332,126	1,474,352
Net Income	2,260,706	1,959,850
Dividend Requirements on Preferred Stock	281,754	287,407
Net Income Applicable to Common Stock	$ 1,978,952	$ 1,672,443
Number of Common Shares Outstanding	455,475	455,475
Earnings per Common Share Outstanding	$4.34	$3.67

(The accompanying notes are an integral part of this statement)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

	For Years Ended December 31, 1979	1978
Utility Plant (at cost):		
Electric	$29,788,954	$29,150,076
Gas	10,763,237	9,701,448
Common	1,395,550	1,430,568
Construction work in progress (Note 8)	5,196,391	4,179,203
Gross Utility Plant	47,144,132	44,461,295
Less: Accumulated depreciation (Note 1)	9,849,810	9,194,081
Net Utility Plant	37,294,322	35,267,214
Miscellaneous Physical Property (at cost)	26,005	26,005
Investments (Note 1)	348,006	270,748
Current Assets		
Cash	1,727,899	459,751
Accounts receivable (including installment sales)-less allowance for doubtful accounts of $177,580 and $220,480	5,082,572	3,885,345
Refundable income taxes	264,990	---
Materials and supplies (at average cost)	877,721	676,030
Prepayments	829,875	201,322
Property tax abatements	462,821	---
Total Current Assets	9,245,878	5,222,448
Deferred Debits		
Unamortized debt expense (amortized over term of securities)	275,932	296,402
Unamortized cost of abandoned properties (Note 2)	2,976,821	2,981,332
Other (Note 2)	646,331	160,878
Total Deferred Debits	3,899,084	3,438,612
TOTAL	$50,813,295	$44,225,027

(The accompanying notes are an integral part of this statement)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

LIABILITIES

	For Years Ended December 31, 1979	1978
Capitalization		
Common Stock Equity		
Common Stock, $10 par value		
Authorized - 1,000,000 shares		
Outstanding - 455,475 shares	$ 4,554,750	$ 4,554,750
Premium on common stock	1,754,358	1,754,358
Capital stock expense	(181,737)	(183,744)
Retained earnings (Note 3)	6,417,530	5,304,422
Total Common Stock Equity	12,544,901	11,429,786
Redeemable preferred stock (Note 4)		
Cumulative preferred stock, $100 par value		
5 1/8% Series		
Authorized - 16,880 and 17,300 shares		
Outstanding -16,460 and 16,880 shares	1,646,000	1,688,000
8% Series		
Authorized - 25,000 shares		
Outstanding- 24,250 and 25,000 shares	2,425,000	2,500,000
Total Redeemable Preferred Stock	4,071,000	4,188,000
Long-term Debt (Note 5)	16,780,000	16,978,000
Total Capitalization	33,395,901	32,595,786
Current Liabilities		
Long-term debt due within one year	123,000	123,000
Notes payable (Note 6)	5,420,000	970,000
Accounts payable	4,995,568	3,835,149
Customer deposits and refunds	258,675	623,558
Taxes accrued	167,860	571,105
Deferred income taxes (Note 1)	131,266	196,956
Interest accrued	495,950	452,997
Total Current Liabilities	11,592,319	6,772,765
Deferred Credits		
Unamortized investment tax credit (Note 1)	1,583,601	1,361,332
Other	70,219	73,746
Total Deferred Credits	1,653,820	1,435,078
Deferred Income Taxes (Note 1)	4,122,357	3,362,276
Reserves - Other	48,898	59,122
TOTAL	$50,813,295	$44,225,027

(The accompanying notes are an integral part of this statement)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For Years Ended December 31, 1979	1978
Retained Earnings, Beginning of Year	$5,304,422	$4,315,175
Net Income	2,260,706	1,959,850
Total	7,565,128	6,275,025
Deduct:		
Cash dividends declared:		
Cumulative preferred stock:		
5 1/8% Series at an annual rate of $5.125 per share	85,434	87,586
8% Series at an annual rate of $8.00 per share	197,000	200,000
Common stock at an annual rate of $1.90 and $1.50 per share	865,164	683,017
Total Deductions	1,147,598	970,603
Retained Earnings, End of Year (Note 3)	$6,417,530	$5,304,422

(The accompanying notes are an integral part of this statement)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSTION

	For Years Ended December 31, 1979	1978
Funds Provided By:		
Funds from Operations		
Net Income	$2,260,706	$1,959,850
Principal Non-Cash Charges (Credits)to Income(Note 1)		
Depreciation	1,236,692	1,181,787
Deferred Federal income tax	687,646	344,666
Deferred state franchise tax	72,435	30,504
Amortization of investment tax credit	(89,049)	(61,766)
Allowance for other and borrowed funds used during construction	(628,700)	(416,705)
Property tax abatements	(270,813)	---
Amortization of deferred debits	722,385	648,490
Funds Provided by Operations	3,991,302	$3,686,826
Other Sources - Net	179,616	224,299
Increase (Decrease) in Short-term Debt	4,450,000	(1,530,000)
Total Funds Provided	$8,620,918	$2,381,125
Funds Applied To:		
Additions to Plant	$3,270,600	$3,098,508
Investments in Non-utility Operations (Note 1)	233,844	271,222
Common Stock Dividends	865,164	683,017
Preferred Stock Dividends	282,434	287,586
Funds Used for Retirement of Securities:		
Long-term debt	198,000	191,000
Preferred stock	117,000	42,000
Increase (Decrease) in Working Capital, Excluding Short-term debt	3,653,876	(2,192,208)
Total Funds Applied	$8,620,918	$2,381,125
Increase (Decrease) in Components of Working Capital, Excluding Short-term Debt:		
Cash	$1,268,148	$ (312,002)
Accounts receivable	1,197,227	71,440
Refundable income taxes	264,990	----
Materials and supplies	201,691	(20,487)
Prepayments	628,553	(29,591)
Property tax abatement	462,821	----
Accounts payable	(1,160,419)	(1,090,918)
Customers' deposits and refunds	364,883	(256,117)
Taxes accrued	403,245	(508,104)
Deferred income taxes	65,690	(63,885)
Interest accrued	(42,953)	17,456
Increase (Decrease) in Working Capital	$3,653,876	($2,192,208)

(The accompanying notes are an integral part of this statement)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

The Company is subject to regulation by the Massachusetts Department of Public Utilities (DPU) with respect to its rates and accounting. The Company's accounting policies conform with generally accepted accounting principles, as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the Massachusetts Department of Public Utilities. A description of the Company's significant accounting policies follows:

Principles of Consolidation -- On February 24, 1978, Fitchburg invested $20,000 in the Common Stock of a new wholly-owned subsidiary, Fitchburg Energy Development Company (FEDCO). FEDCO has invested in oil and gas drilling facilities, which investment has been recorded on the equity method. All inter-company items have been eliminated in consolidation.

Revenue Recognition -- The Company records unbilled fuel adjustment revenue currently to properly match revenues with related costs. Such unbilled revenue aggregated $756,082 and $389,156 at December 31, 1979 and 1978, respectively.

Depreciation -- Annual provisions are determined on a group straight line basis. Provisions for depreciation were equivalent to the following composite rates based on the average depreciable property balances at the beginning and end of each year: 1979-3.11% and 1978-3.01%.

It is the accounting policy of the Company, in general, to treat maintenance, repairs and renewals as expenses in cases involving so-called items of non-units of property; if so-called units of property are involved (such as poles, gas mains, etc.), the costs incidental to replacements are capitalized and the units replaced are retired by crediting the original cost (estimated if not known) to the respective property accounts and concurrently charging depreciation reserves. All expenses covering the cost of removal are charged and any salvage realized is credited to the retirement reserves.

Accounting for Income Taxes -- For income tax purposes the Company excludes a portion of unbilled fuel adjustment revenue and accordingly provides deferred income taxes payable in the succeeding year on such revenue which is carried as a current asset.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies: (continued)

The Company has used an accelerated method of depreciation which presently results in the annual tax depreciation being in excess of book depreciation, and has deducted currently certain elements of construction overheads that are capitalized for book purposes. For each of these differences the Company provides for deferred income tax as approved for rate making purposes. In addition, the Company has recorded deferred income taxes related to certain abandoned properties which are recognized as tax losses at differing times.

In addition to the above, the Company, in 1979, capitalized certain maintenance costs for a generating unit, yet continued to deduct these costs currently for tax purposes. Deferred income taxes have been provided for this timing difference.

The annual investment tax credits permitted by additions to the Company's utility property are being amortized into income rateably over the estimated productive lives of the related assets as allowed by the DPU. Such deferrals for the year 1979 and 1978 amount to $308,687 and $292,457, respectively.

The Company has elected to account for investment tax credits on non-utility property additions, primarily related to FEDCO, by the "flow-through" method. Under this method credits are recognized as a reduction of Federal income tax expense in the year utilized. In 1979 and 1978 these credits amount to $7,607 and $10,380, respectively.

The additional investment tax credit permitted under the Company's Tax Reduction Act Employee Stock Ownership Plan (TRAESOP) reduced Federal Income Taxes payable by 1 1/2% of the Company's qualified property additions. The resulting amounts are payable to the TRAESOP.

Federal income tax expense is comprised of the following components:

	Year Ended December 31, 1979	Year Ended December 31, 1978
Current expense charged (credited):		
Operating expenses	$ 957,846	$1,216,342
Non-operating income	(123,736)	(78,949)
Amortization of investment tax credit	(89,049)	(61,766)
	745,061	1,075,627
Deferred tax expense charged (credited):		
Deferred unbilled revenue	74,905	61,180
Accelerated tax depreciation	278,315	284,733
Abandoned properties	39,085	(156,853)
Overheads and other	217,473	92,910
Deferred maintenance costs	85,303	--
Percentage repair allowance	19,949	57,181
	715,030	339,151
Non-operating expense	44,692	67,317
	759,722	406,468
Total expense	$1,504,783	$1,482,095

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies: (continued)

The Federal income tax amounts included in the Statement of Income differ from the amounts which result from applying the statutory Federal income tax rate to Net Income before income tax. The reasons, with related percentage effects, are as shown below:

	Year Ended December 31, 1979	Year Ended December 31, 1978
Statutory Fedeal income tax rate	46%	48%
Income tax effects of timing differences:		
Allowance for funds used during construction (see Note 1)	(5)	(4)
Miscellaneous	(1)	(1)
Effective Federal income tax rate	40%	43%

Allowance for Funds Used During Construction -- An allowance for funds used during construction (AFUDC), a non-cash item, is included in construction work in progress and based upon a composite rate applied to construction work in progress, which assumes that funds used for construction were provided by borrowings, preferred stock and common equity. The allowance for funds used during construction amounted to 31.8% and 24.9% of the net income applicable to common stock for the years 1979 and 1978, respectively. The annual rates of approximately 14% and 11% were used for the years 1979 and 1978, respectively.

Note 2. Deferred Debits

Unamortized Cost of Abandoned Properties-- The unamortized cost of abandoned properties is being amortized at various rates as ordered by the Massachusetts Department of Public Utilities (DPU). During 1978 and 1979 the following events occured:

On October 18, 1978, the Company filed with the DPU its proposed accounting treatmet relative to the book abandonment of a generating unit ordered by the DPU, which treatment was approved by the DPU on November 7, 1978. As a result, the Company commenced amortization of this property in September 1978, retroactive to January 21, 1978.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Deferred Debits (continued)

On November 1, 1979, the Company began amortizing the costs of its investment in the Charlestown Units 1 and 2 proposed nuclear generating plants. This abandonment was precipitated by the announcement on October 9, 1979 by the lead participant, New England Electric System, to defer indefinintely the in-service date and the subsequent announced termination of this project. On November 27, 1979 the DPU approved the Company's request to amortize approximately $653,000 over a 36 month period. The Company will request from the DPU permission to apply similar treatment to any additional cost associated with these units.

The amounts to be amortized for all properties over the next five years are as follows: 1980, $838,309; 1981, $723,467; 1982, $629,867; 1983, $58,523; 1984, $58,523.

Other Deferred Debits - Other deferred debits are composed of the following:

	December 31,	
	1979	1978
Property tax abatements (Due 1981)	$270,813	--
Preliminary survey and engineering costs	101,688	52,189
Deferred maintenance costs (amortized based upon generation)	195,192	--
Miscellaneous	78,638	108,689
Total other deferred debits	$646,331	$160,878

Note 3. Restrictions on Retained Earnings

Under the most restrictive provisions of the Indentures relating to the Company's long-term debt, $4,324,106 and $3,120,077 of retained earnings were available for the payment of cash dividends on Common Stock at December 31, 1979 and 1978, respectively.

Note 4. Redeemable Cumulative Preferred Stock

The Cumulative Preferred Stock, 5-1/8% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation, and in involuntary liquidation at $100 per share, both plus accrued dividends. Shares of the 5-1/8% Series are redeemable at the Company's option at $102.56 per share on or before May 31, 1981 and at $101.28 thereafter. The Company is required to purchase on June 1 of each year not less than 420 shares, unless a lesser amount of shares are tendered, at $100 per share plus accrued dividends.

The Cumulative Preferred Stock, 8% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation and in involuntary liquidation at $100 per share, both plus accrued dividends. Shares of the 8% Series are redeemable at the Company's option at $108.00 per share on or before August 31, 1983 and at diminishing premium rates thereafter. The Company is required to purchase on June 1 of each year not less than 750 shares, unless a lesser amount of shares are tendered, at $100 per share plus accrued dividends.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Redeemable Cumulative Preferred Stock (continued)

Purchases of redeemable Preferred Stock during the year 1979 and 1978 consisted of the following

Dividend Series	1979	1978
5 1/8%	$42,000	$42,000
8%	$75,000	---

The aggregate amount of sinking fund requirements in each of the five years following 1979 is $117,000.

Note 5. Long-Term Debt

Details of Long-Term Debt at December 31, 1979 and 1978 are shown below:

	December 31, 1979	December 31, 1978
Twenty-five year notes, 4-7/8%, due February 1, 1984	$ 3,183,000	$ 3,226,000
Twenty-five year notes, 9-3/8%, due March 1, 1995	6,900,000	6,975,000
Twenty year notes, 10%, due September 1, 1996	3,000,000	3,000,000
Twenty-five year notes, 10-1/4%, due May 1, 1999	3,820,000	3,900,000
Total	16,903,000	17,101,000
Less: Installments due within one year	123,000	123,000
Total Long-Term Debt	$16,780,000	$16,978,000

The aggregate amount of sinking fund requirements for each of the five years following 1979 are: 1980, $123,000; 1981, $198,000; 1982 and 1983, $398,000 and 1984, $3,366,000. The Company has satisfied the 1980 sinking fund requirement for the 9 3/8% Notes in the amount of $75,000.

The Company is required to redeem at par plus accrued interest to the redemption date $43,000 principal amount of the 4-7/8% Twenty-five Year Notes on February 1 in each of the years 1980 to 1983, inclusive, and the balance on February 1, 1984; $75,000 principal amount of the 9-3/8% Twenty-five Year Notes on March 1 in each of the years 1980 to 1994, inclusive, and the balance on March 1, 1995; $200,000 principal amount of the 10% Twenty Year Notes on September 1 in each of the years 1982 to 1995, inclusive, and the balance on September 1, 1996; and $80,000 principal amount of the 10-1/4% Twenty-five Year Notes on May 1 in each of the years 1980 to 1998, inclusive, and the balance on May 1, 1999.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMETNS (Continued)

Note 6. Notes Payable

The Company has agreed to maintain certain average amounts on deposit or pay certain fees in lieu of compensating balances. Certain of the lines require that compensating balances be increased in relation to usage. Compensating balances at December 31, 1979, were approximately $985,000

	Short-term Bank Loans Year Ended December 31, 1979	1978
As of end of year:		
Weighted average interest rate	15.33%	11.52%
Unused line of credit	$4,230,000	$5,630 000
For year ended:		
Weighted daily average interest rate	13.01%	8.61%
Average borrowings	$2,441,400	$1,491,700
Maximum borrowings at month end	$5,420,000	$1,945,000
Month such maximum occurred	December	March

Note 7. Regulatory Matters:

Revenue Adjustments-The Company's method of billing and accounting for revenue under its fuel adjustment clause in effect through September 26, 1974 has been challenged before the Massachusetts Department of Public Utilities (DPU) by the Attorney General of the Commonwealth of Massachusetts. The required monthly fuel adjustment schedule heretofore filed with the DPU had not been disputed by the regulatory authority. The portion of such fuel adjustment clause revenues recorded by the Company and now challenged by the Attorney General aggregate approximately $724,000 and is equivalent to $.83 per average Common Share outstanding on 1974 earnings, after giving tax effect thereto. The Company has vigorously defended its procedures in proceedings before the DPU, the outcome of which is uncertain.

The Company's billing and accounting for revenues under fuel adjustments based on costs incurred after September 26, 1974 are being made under a new fuel adjustment clause which took effect on September 27, 1974 and are not being challenged.

Conclusion of Rate Appeal-The Company on October 5, 1978 was authorized by the Massachusetts Department of Public Utilities (DPU) to increase its electric rates by $269,240. With this action by the DPU, the Company was granted a total of $2,357,914 of the amount it originally requested when it filed for rates designed to increase electric and gas revenues by $3,633,000.

The DPU, in orders dated August 31 and September 15, 1977, allowed the Company to file rates designed to produce an additional $1,615,843 in electric and gas revenues.

The Company appealed the decision to the Supreme Judicial Court (SJC) of Massachusetts, and on October 21, 1977, the Court granted a stay allowing the Company to collect annually an additional $472,831 in electric revenues, subject to refund.

Note 7. Regulatory Matters: (continued)

On June 30, 1978, the Court issued its order upholding the DPU's decision to remove a generating unit from the Company's rate base, but instructed the DPU to reconsider how much in revenues the Company would still be allowed.

The DPU's October 1978 decision reflected its final ruling allowing the Company to retain the $472,831 annual amount collected under the Court stay, as well as granting the additional $269,240.

Note 8: Commitments:

Lease Obligations--In accordance with the guidelines of Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board, the Company is disclosing pertinent information regarding its capital leases. The Securities and Exchange Commission requires, for rate-regulated enterprises, disclosure of the effect on the balance sheet and on expenses if such leases had been capitalized, pending the results of its review of the Statements's applicability to rate-regulated enterprises.

The Company has a significant twenty-five year lease which began April 1, 1973 for a combustion turbine and a liquefied natural gas storage facility. The lease is subject to a ten year renewal period at the option of the Company at an annual rental of 14-1/2% of the aggregate fair market value as at the end of the initial lease term. Under certain conditions the Company has the right to purchase the units at an independently appraised market value. Under the lease, the Company has the obligation to maintain the equipment in good operating condition and pay all taxes and insurance on said equipment. Had the Company capitalized its capital leases, Depreciation and Other Interest Charges would have increased $171,721 and $181,920 respectively, and Operating Expenses, Other would have decreased $307,493 for the year ended December 31, 1979. At December 31, 1979 the asset and related liability which would have been recorded on the balance sheet for the Company's capital leases were $2,202,922 and $2 538,358, respectively. For the year ended December 31, 1978, Depreciation and Other Interest Charges would have increased $162,733 and $179,180, respectively, and Operating Expenses, Other would have decreased $287,507. At December 31, 1978, the asset and related liability which would have been recorded on the balance sheet werwe $2,374,643 and $2,665,328, respectively.

The minimum commitments under all non-cancellable long-term leases in effect at December 31, 1979 are as follows: 1980-$309,884; 1981-$288,325; 1982-$262,930; 1983-$255,073; 1984-$249,495; 1985-1989-$1,141,148; aggregate for the period; 1990-1994-$1,126,043 aggregate for the period; and 1995 and thereafter-$788,230 aggregate for the period.

Total rental expenses for the years ended December 31, 1979 and 1978 amounted to $430,309 and $428,289, respectively.

The Company has executed a commitment letter to purchase computer system hardware and peripheral equipment, with an acquisition cost of approximately $211,000 to be in operation by the end of 1980. The Company will finance this acquisition by means of a third-part sale and leaseback arrangement.

Note 8. Commitments: (continued)

Pension Plans---The Company has in effect two funded Pension Plans and related Trust Agreements to provide retirement annuities for participating employees at age 65. The entire amount of the annual contribution under the actuarial requirements of the Plans is borne by the Company.

The Company's contribution to the Plans during the years ended December 31, 1979 and 1978 amounted to $519,323 and $497,077, respectively, which includes amortization of prior service costs over a period of thirty years.

The Company's policy is to fund the pension cost accrued. The actuarially computed value of vested benefits as of January 1, 1979, the date of the latest actuarial valuation, exceeded the total of the pension fund by $3,969,379. The aggregate amount of unfunded prior service costs as of the same date was $5,105,390.

Joint Ownership Units and Construction--The Company is participating on a tenancy-in-common basis with other New England utilities in the construction and ownership of eight generating units. New Haven Harbor and Wyman Unit #4, both oil-fired stations, have been in commercial operation since August 1975 and December 1978, respectively. The remaining six nuclear units are planned or under construciton.

Details relating to the various units are as follows:

Joint Ownership Units	State	Proportionate Share of Total Ownership %	mw	Company's Share in Thousands of Dollars: Amount of Utility Plant in Service	Accumulated Depreciation	Amount Expended through 12/31/79	Total Estimated Cost of Construction
Seabrook Units #1 & 2	New Hampshire	.1710	3.9	----	----	1,962	5,851
Millstone Unit #3	Connecticut	.217	2.5	----	----	1,762	7,037
Pilgrim Unit #2	Massachusetts	.19	2.2	----	----	827	5,565
Montague Units #1 & 2	Massachusetts	.35	8.1	----	----	250	12,293
Wyman Unit #4	Maine	.1822	1.1	396	19		
New Haven Harbor	Connecticut	4.5	20.1	6,930	828		

POOR ORIGINAL

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Commitments: (continued)

Operating expenses included in the Consolidated Statement of Income and proportionate amounts charged to specific operating expenses are as follows:

	Thousands of Dollars		
	Wyman Unit #4	New Haven Harbor	% to Total Electric
Operating expenses, other	32	250	8
Fuel used in electric generation	19	3,228	95
Maintenance	2	96	14
Local property tax	4	187	18
Other taxes	--	6	5
Total operating expenses	57	3,767	

The Company estimates construction requirements relative to these units of approximately $10,160,000 during the next five year period ending December 31, 1984.

On January 25, 1979, the common shareholders approved the acquisition of an additional .43332% ownership interest in each of the Seabrook units from Connecticut Light & Power Company. The Company has made an agreement to purchase up to an additional .26087% ownership in each of the Seabrook units from Public Service Company of New Hampshire, subject to the approval of the common shareholders. The purchase of both additional interests, representing approximately an additional 16 mw, has been excluded from the information presented herein, pending final approval of the purchases by the Massachusetts Department of Public Utilities.

The Company expects to finance the cost of its participation in the units initially through the use of short-term borrowings. At the appropriate times, short-term borrowings will be converted into permanent financing.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Segment Information

In accordance with Financial Accounting Standard No. 14. the follwoing information is presented relative to the gas and electric operation of the Company.

	Electric Operations		Gas Operations		Total Company	
	1979	1978	1979	1978	1979	1978
Operating Revenues	$24,475,296	$21,157,542	$ 9,786,185	$ 7,919,991	$34,261,481	$29,077,533
Operating income before income taxes	3,910,716	3,654,896	1,355,870	1,185,032	5,266,586	4,839,928
Income taxes					(1,762,468)	(1,607,717)
Non-operating income					88,714	201,991
Net income deductions					(1,332,126)	(1,474,352)
Net income					$ 2,260,706	$ 1,959,850
Identifiable assets as of December 31	$32,460,207	$30,724,323	$11,097,002	$ 8,987,224	$43,557,209	$39,711,547
Unallocated assets, primarily working capital					$ 7,256,086	$ 4,513,480
Total Assets as of December 31					$50,813,295	$44,225,027
Depreciation	$ 955,004	$ 932,260	$ 281,688	$ 249,527	$ 1,236,692	$ 1,181,787
Construction Expenditures	$ 1,841,551	$ 2,339,849	$ 1,429,049	$ 758,659	$ 3,270,600	$ 3,098,508

Expenses used to determine operating income before taxes are charged directly to either segment or are allocated in accordance with factors contained in cost of service studies which were included in rate applications approved by the Massachusetts Department of Public Utilities. Assets allocated to each segment are based upon specific identification of such assets provided by Company records. Assets not so identified represent primarily working capital items.

POOR ORIGINAL

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Supplementary Income Statement Income:

Amounts recorded for maintenance and repairs and depreciation are set forth separately in the Statement of Income. There were no fees or royalties.

Information as to taxes other than Federal taxes on income is as follows:

	Year Ended December 31, 1979	1978
Taxes Other Than Federal Income Taxes:		
Charged directly to operating expenses:		
Other Taxes		
Miscellaneous Federal taxes	$ 147,890	$ 120,210
Miscellaneous state taxes	45,779	46,649
	193,669	166,859
State gross earnings (franchise) tax	178,641	113,990
Municipal property taxes	1,118,435	1,693,904
	$ 1,490,745	$1,974,753
Charged to other accounts:		
Taxes capitalized to plant	33,046	31,705
State gross earnings (franchise) tax charged to non-operating income and jobbing	1,530	1,086
Miscellaneous taxes charged to other accounts	2,638	3,083
	37,214	35,874
	$1,527,959	$2,010,627
Rents Charged to Operations	$ 430,309	$ 428,289

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Quarterly Financial Data: (Unaudited)

Summarized quarterly financial data for 1979 and 1978 is as follows:

	Three Months Ended			
	March 31		June 30	
	1979	1978	1979	1978
Total operating revenues	$9,262,880	$8,913,440	$7,903,958	$6,585,503
Operating income	$ 942,984	$1,032,845	$ 689,517	$ 692,098
Net income	$ 654,713	$ 689,468	$ 424,545	$ 391,099
Earnings per share	$1.28	$1.36	$.78	$.70

	Three Months Ended			
	Sept. 30		Dec.31	
	1979	1978	1979	1978
Total operating revenues	$7,790,297	$5,988,814	$9,304,346	$7,589,776
Operating income	$ 667,486	$ 677,117	$1,204,131	$ 830,151
Net income	$ 319,478	$ 365,942	$ 861,970	$ 513,341
Earnings per share	$.55	$.65	$1.73	$.96

Net income for the quarter ended December 31, 1979 has been increased by $376,478 or $.83 of earnings per common share, resulting from abatements of real estate taxes.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBISDIARY

PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1979

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes Debit and/or (Credit)	Balance at End Period
ELECTRTIC					
Production Plant	$ 7,454,740	$ 111,704	$ 1,341	$	$ 7,565,103
Transmission Plant	7,324,571	223,604	1,475	--	7,546,700
Distribution Plant	13,873,619	403,971	159,901		14,117,689
General Plant	494,481	106,282	41,300		559,463
Unfinished Construction	4,046,581	1,609,078	--	(652,537)(A)	5,003,122
GAS:					
Intangible Plant	36,387	--	--	--	36,387
Production and Storage Plants	1,032,516	140	202,939	(15,553)	814,164
Distribution Plant	8,486,877	1,322,640	90,476	--	9,719,041
General Plant	163,887	42,756	12,999	--	193,644
Unfinished Construction	107,612	58,852	--	15,553	182,017
COMM					
Production Plant	9,225	--	--	--	9,225
General Plant	1,421,343	18,476	53,494	--	1,386,325
Unfinished Construction	9,456	1,796	--	--	11,252
Total	$44,461,295	$3,899,299	$ 563,925	$ (652,537)	$47,144,132
OTHER PHYSICAL PROPERTY:	$ 26,005				$ 26,005

(A) Abandonment of Charlestown Units 1 and 2 (Note 2).

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBISDIARY

PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1978

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Other Changes Debit and/or (Credit)	Balance at End Period
ELECTRTIC:					
Production Plant	$11,159,403	$ 374,798	$2,910,002	$(1,169,459)(A)	$7,454,740
Transmission Plant	6,483,861	844,429	3,719	--	7,324,571
Distribution Plant	12,420,373	703,485	123,466	873,227 (A)	13,873,619
General Plant	491,811	7,940	5,270	--	494,481
Unfinished Construction	3,240,144	806,437	--	--	4,046,581
GAS:					
Intangible Plant	36,387	--	--	--	36,387
Production and Storage Plants	1,037,340	1,026	5,850	--	1,032,516
Distribution Plant	7,724,411	807,358	44,892	--	8,486,877
General Plant	147,521	20,551	4,185	--	163,887
Unfinished Construction	181,540	(73,928)	--	--	107,612
COMMON:					
Production Plant	9,225	--	--	--	9,225
General Plant	1,154,183	27,650	56,722	296,232 (A)	1,421,343
Unfinished Construction	13,989	(4,533)	--	--	9,456
Total	$44,100,188	$3,515,213	$3,154,106	$ -0-	$44,461,295
OTHER PHYSICAL PROPERTY:	$ 26,005				$ 26,005

(A) Transfer of assets previously used in conjunction with abandoned Unit #6 now used for other purposes.

SCHEDULE V

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1979

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes - Add (Deduct) - Describe	Balance at End of Period
Gas Plant	$1,855,987	$ 264,677	$292,129	$ (41,829)(A)	$1,786,706
Electric Plant	6,909,244	916,865	204,017	(12,253)(B)	7,609,839
Common Plant	414,676	45,226	53,494	23,057 (C)	429,465
Amortization of Leasehold Improvements	8,716	8,716	--	--	17,432
Amortization of Organizational Expenses	5,458	910			6,368
Total	$9,194,081	$1,236,394	$549,640	$ (31,025)	$9,849,810

(A) Capitalized depreciation of $9,065 on heavy duty equipment used in plant construction and net cost of removal ($50,894).

(B) Capitlaized depreciation of $9,863 on heavy duty equipment used in plant construction and net cost of removal($22,116).

(C) Insurance Proceeds Received.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1978

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes - Add (Deduct) - Describe	Balance at End of Period
Gas Plant	$1,689,967	$ 230,370	$ 73,815	$ 9,465(C)	$1,855,987
Electric Plant	7,065,813	898,102	3,037,384	1,982,713(A)(B)(C)	6,909,244
Common Plant	259,273	43,689	49,662	161,376(A)(B)	414,676
Acquisition Cost	--	8,716(D)	--	--	8,716
Organization Expenses	4,548	910	--	--	5,458
Total	$9,019,601	$1,181,787	$3,160,861	$2,153,554	$9,194,081

(A) Depreciation transfer of $160,640 between primary accounts.

(B) Depreciation reserve adjustments on abandoned property of $2,137,318.

(C) Capitalized depreciation of $16,236 on heavy duty equipment used in plant construction.

(D) Additional costs incurred in connection with NEPCO facilities purchase.

SCHEDULE VI

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

BONDS, MORTGAGES AND SIMILAR DEBT

DECEMBER 31, 1979

COLUMN A	COLUMN B	COLUMN C	COLUMN D Amount Included In Column C Which is		COLUMN E	COLUMN F	COLUMN G	COLUMN H Amount Held by Affiliates for Which Statements are Filed Herewith	
Title of Each Issue	Amount Authorized by Indenture (a)	Amount Issued and Not Retired or Cancelled	(1) Held by or for Account of Issuer Thereof	(2) Not Held by or for Account of Issuer Thereof	Amount Included in Sum Extended Under Caption "Bonds, Mortgages and Similar Debt" in Related Balance Sheet	Amount in Sinking and Other Special Funds of Issuer Thereof	Amount Pledged by Issuer Thereof	(1) Persons Included in Consolidated Statements	(2) Other
Long-term Debt:									
Twenty-five year notes, 4-7/8%, due February 1, 1984		$ 3,183,000	None	$ 3,183,000	$ 3,183,000	None	None	None	None
Twenty-five year notes, 9-3/8%, due March 1, 1995		6,900,000	None	6,900,000	6,900,000	None	None	None	None
Twenty year notes, 10%, due September 1, 1996		3,000,000	None	3,000,000	3,000,000	None	None	None	None
Twenty-five year notes, 10-1/4%, due May 1, 1999		3,820,000	None	3,820,000	3,820,000	None	None	None	None
Total		$16,903,000		$16,903,000	$16,903,000				
Less: Installments due within one year		123,000		123,000	123,000				
Total Long-term Debt		$16,780,000		$16,780,000	$16,780,000				

(a) Unlimited subject to Restrictions and Indentures

Note: For information regarding Long-term Debt relating to Sinking Fund requirements see Note 5 of Notes to Financial Statements.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1979

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Reserves Deducted from Accounts Receivable					
Electric	$145,244	$277,912	$27,409(A)	$321,485(B)	$129,080
Gas	51,031	98,681	23,077(A)	124,964(B)	47,825
Other	24,205	20,432	3,544(A)	47,506(B)	675
	$220,480	$397,025	$54,030	$493,955	$177,580

(A) Collections on Account

(B) Bad Debts charged off.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1978

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Reserves Deducted from Accounts Receivable					
Electric	$ 81,268	$276,599	$21,216(A)	$233,839(B)	$145,244
Gas	23,954	79,661	18,949(A)	71,533(B)	51,031
Other	4,092	37,315	7,067(A)	24,269(B)	24,205
	$109,314	$393,575	$47,232	$329,641	$220,480

(A) Collections on Accounts previously charged off.

(B) Bad Debts charged off.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CAPITAL SHARES

DECEMBER 31, 1979

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E		COLUMN F		COLUMN G	
			Number of Shares Included in Column C Which are		Shares Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Shares"		Number of Shares Held for Affiliates for Which Statements are Filed Herewith		Number of Shares Reserved for Options Warrants, Conversions, and Other Rights	
			(1)	(2)	(1)	(2)	(1)	(2)		
Title of Issue	Number of Shares Authorized by Charter	Number of Shares Issued and Not Retired or Cancelled	Held by or for Account of Issuer Thereof	Not Held by and for Account of Issuer Thereof	Number	Amount at Which Carried	Persons Included in Consolidated Statements	Other	Directors, Officers and Employees	Others
Cumulative Preferred Stock:										
$100 Par Value										
5-1/8% Series	16,880	16,460	None	16,460	16,460	$1,646,000	None	None	None	None
8% Series	25,000	24,250	None	24,250	24,250	2,425,000	None	None	None	None
Common Stock, $10 Par Value	1,000,000	455,475	None	455,475	455,475	$4,554,750	None	None	None	None

SCHEDULE XIII

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PRELIMINARY PROSPECTUS DATED APRIL 11, 1980

PROSPECTUS

100,000 Shares

Fitchburg Gas and Electric Light Company

Common Stock

(Par Value $10 Per Share)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount(1)	Proceeds to Company(2)
Per Share			
Total			

(1) The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

(2) Before deduction of expenses payable by the Company estimated at $.

The Common Stock is offered subject to prior sale, when, as and if issued by the Company and accepted by the Underwriters, and subject to approval of certain legal matters by their counsel, and by counsel for the Company. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Common Stock will be made in Boston, Massachusetts on or about June 4, 1980.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

The date of this Prospectus is May , 1980

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE, THE BOSTON STOCK EXHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

Fitchburg Gas and Electric Light Company (the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain information, as of particular dates, concerning its directors and officers, their remuneration and certain other benefits, its principal holders of securities and any material interest of such persons in transactions with the Company is disclosed in proxy statements distributed to common shareholders of the Company and filed with the Commission. Such proxy statements, reports and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 6101, 1100 L Street, N.W., Washington, D.C.; at Room 1204, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; at Room 1100, Federal Building, 26 Federal Plaza, New York, New York; and at Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, California, and copies of such material can be obtained from the Public Reference Section of the Commission at 500 North Capitol Street, Washington, D.C. 20549 at prescribed rates.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer made by this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, in any jurisdiction in which such offer or solicitation may not be lawfully made.

TABLE OF CONTENTS

THE ISSUE IN BRIEF

The following material is qualified in its entirety by the detailed information and the financial statements and notes appearing elsewhere in this Prospectus.

The Offering

Company	Fitchburg Gas and Electric Light Company
Common Stock Offered	100,000 shares
Number of Common Shares to be Outstanding after the Offering	555,475
Use of Proceeds	To reduce short-term debt (incurred in construction program)
Common Stock Listed	American and Boston Stock Exchanges (symbol FGE)
1979-1980 Price Range (through April 10, 1980)	23½ — 16
Closing Price as of April 10, 1980	20⅝

The Company

Business	Generation, transmission, purchase, distribution and sale of electric energy; purchase, distribution and sale of gas
Service Area (See Map of Service Area)	Approximately 170 square miles in North Central Massachusetts
Service Area Population	Approximately 80,000
Customers (December 31, 1979)	Approximately 21,740 (electric); 13,700 (gas)
Operating Revenue Distribution (12 months ended December 31, 1979)	Electric — 71%; Gas — 29%

Summary Financial Information

	Year Ended December 31,	
	1979	1978
Income Statement Data:		
Operating Revenues	$34,261,481	$29,077,533
Net Income	$ 2,260,706	$ 1,959,850
Earnings Applicable to Common Stock	$ 1,978,952	$ 1,672,443
Shares of Common Stock Outstanding	455,475	455,475
Per Share of Common Stock		
Earnings	$4.34	$3.67
Dividends	$1.90	$1.50
(Current Annualized Dividend Rate — $2.60)		

	As of December 31, 1979		
	Actual	As Adjusted*	Percent of Adjusted Capitalization*
Capitalization:			
Long-term Debt (including current maturities)	$16,903,000	$16,903,000	47.6%
Redeemable Cumulative Preferred Stock	4,071,000	4,071,000	11.5%
Common Stock Equity	12,544,901	14,544,901	40.9%
Total Capitalization	$33,518,901	$35,518,901	100%

* As adjusted for estimated net proceeds from the sale of additional Common Stock being offered hereby.

THE COMPANY

The Company, a Massachusetts corporation incorporated in 1852, is an operating public utility providing electric and gas service to the communities of Fitchburg, Ashby, Lunenburg and Townsend and gas service only to the communities of Gardner and Westminster. The service area encompasses approximately 170 square miles in North Central Massachusetts. The Company's main office is located at 655 Main Street, Fitchburg, Massachusetts 01420, and its principal executive office is at 120 Royall Street, Canton, Massachusetts 02021.

Problems of the Utility Industry and the Company

The Company, as well as the electric and gas utility industries in general, continues to experience significant problems in a number of areas including (a) attracting capital on reasonable terms (see "Financing Requirements"), (b) an uncertain rate of growth of energy sales due to changing economic conditions, energy conservation measures by customers and proposed governmental energy conservation programs (see "Business — Electric Operations and Energy Supply"), (c) current and prospective limitations on gas supply (see "Business — Gas Operations and Supply"), (d) increased fuel costs and diminished availability of certain fuels (see "Business — Fuel Supply"), (e) licensing, regulatory and other delays affecting the construction of new facilities, including controversies related to the use of nuclear power (see "Construction Program" and "Business — Nuclear Licensing") and (f) the necessity for large scale construction during an inflationary period (see "Construction Program" and "Business — Joint Projects and Other Plans").

The Company has an arrangement to purchase electricity produced by a nuclear generating plant. The Company also has participating interests in other nuclear generating plants which are either under construction or planned in New England (see "Business — Joint Projects and Other Plans"). The Company cannot predict what effect the events at the Three Mile Island nuclear generating facility in Pennsylvania ("TMI") may ultimately have upon the completion schedules or cost of completion of the planned nuclear units or those under construction, or upon the continued operation of existing nuclear generating plants in New England. The events at TMI have prompted a rigorous reexamination of safety related equipment and operating procedures in all nuclear facilities and have generated a multiplicity of legislative proposals in Congress and various state legislatures. While the ultimate effect of these reexaminations and proposals cannot be predicted, cancellation of any of the nuclear generating plants in which the Company has an interest could result in substantial cancellation charges against the Company and might, in the absence of adequate rate treatment, have a material adverse impact on the Company's future earnings

USE OF PROCEEDS

The net proceeds to the Company from the sale of the additional Common Stock being offered hereby (the "Additional Common Stock"), estimated at $2,000,000, will be applied to the reduction of short-term bank borrowings incurred in connection with the Company's construction program (see "Financing Requirements"). Short-term borrowings at March 31, 1980 were $4,050,000 and such borrowings are anticipated to approximate $4,650,000 immediately prior to the delivery of the Additional Common Stock.

CONSTRUCTION PROGRAM

During the period from January 1, 1975 through December 31, 1979, the Company made gross additions to and retirements from plant, including an allowance for funds used during construction ("AFUDC") (see note 1 of "Notes to Consolidated Financial Statements") of approximately $17,062,500 and $6,933,500, respectively. The Company estimates that its construction program will require expenditures of approximately $51,980,000 (including AFUDC of approximately $17,160,000) during the five years from 1980 through 1984, of which $11,086,000 is expected to be incurred in 1980, $10,457,000 in 1981, $9,614,000 in 1982, $10,261,000 in 1983 and $10,562,000 in 1984. These estimates include (i) the cost of facilities being constructed by the Company, (ii) construction costs related to the six nuclear joint projects in which the Company has an ownership interest, (iii) expenditures for at least an initial nuclear core for each such project, and (iv) the Company's cost of acquiring additional ownership interests in the two nuclear Units currently under construction in Seabrook, New Hampshire (the "Seabrook Units"). Assuming consummation of these acquisitions, the Company's share of the Seabrook construction expenditures will be approximately $33,018,000 (including AFUDC of approximately $12,986,000) during the five years from 1980 through 1984, as to which $7,290,000 is expected to be incurred in 1980, $7,157,000 in 1981, $5,877,000 in 1982, $6,338,000 in 1983 and $6,356,000 in 1984.

The following table sets forth information with respect to the six nuclear generating facilities now planned or under construction in which the Company has joint ownership interests:

Joint Ownership Units	Location	Estimated In-Service Date(2)	Proportionate Share of Total Ownership %	Proportionate Share of Total Ownership KW	Company's Share(1) Amount Expended through 12/31/79 (000)	Company's Share(1) Estimated Expenditures for the next 5 years(3) (000)	Company's Share(1) Total Estimated Cost of Construction(3) (000)	Company's Share(1) Estimated Construction Cost per KW(3)
Seabrook Units #1 & 2	New Hampshire	#1: 4/83; #2: 2/85	0.171	3,900	$1,962	5,807	9,665	2,480
Millstone Unit #3	Connecticut	5/86	0.217	2,500	1,762	4,139	7,451	2,980
Pilgrim Unit #2	Massachusetts	12/85	0.19	2,200	827	2,652	6,509	2,960
Montague Units #1 & 2	Massachusetts	#1: 11/91; #2: 11/93	0.35	8,100	250	460	16,009	1,976
					$4,801	$13,058	$39,634	

The above chart does not include the output and expenditures related to the proposed acquisitions of additional ownership interests in each of the Seabrook Units (see "Business — Joint Projects and Other Plans"). Acquisition of these additional interests will require the Company to make payments which will, over time, equal the amount the Company would have expended on such Units had the Company owned the interests now being acquired since the inception of the Seabrook project. An estimated lump-sum payment of $4,800,000, representing a portion of such amount, must be paid upon consummation of one of these acquisitions. After giving effect to such acquisitions, the Company's proportionate share of construction and related expenditures with respect to the Seabrook Units would be as follows:

Proportionate Share of Total Ownership %	Proportionate Share of Total Ownership KW	Amount Expended through 12/31/79 (000)	Estimated Expenditures for the next 5 years(3) (000)	Total Estimated Cost of Construction(3) (000)
0.865	19,900	$1,962	$33,018	$43,863

(1) A substantial portion of these expenditures consists of AFUDC. These expenditures also include at least an initial nuclear core for each Unit.

(2) These estimates are based in each case upon the most recent official estimate of the utility supervising construction of the particular Unit. Certain of these Units have not yet been granted all approvals, permits and licenses necessary for construction by the relevant state and federal authorities. There is no assurance that these approvals, permits and licenses will be obtained, or that if obtained, they will not be modified or revoked. In addition, the completion of certain of these Units has been intermittently deferred and additional deferrals may occur in the future due to licensing delays, economic conditions and other factors.

(3) Estimates of construction expenditures relating to the projects shown above are based upon the most recent information furnished by the utility supervising the construction of the Unit. The Company has been advised by the supervising participant for each project that construction budgets are continually updated in light of increased costs due to deferrals, delays and other factors. These estimated construction expenditures, as so updated, may be predicated upon different in-service dates than those specified above.

The complexity of present-day electric utility technology, the time required for the construction of generating facilities and the completion of licensing and other regulatory proceedings relating thereto, have compelled the Company, as well as other electric utilities, to make substantial investments in nuclear facilities prior to the completion of licensing and regulatory proceedings. Cancellation of any of the six nuclear generating projects for any reason, including the inability to obtain necessary permits or sufficient financing, could result in substantial and possibly unrecoverable charges against the Company's income. These charges could include the amounts incurred by the Company prior to cancellation, cancellation penalties and other charges. The scheduling of each of these Units, and the right to cancel the Unit, are the responsibility of the particular New England utility which is supervising construction of the Unit; the determination to cancel a Unit can be made without the consent of the other participating utilities, including the Company.

In particular, the lead participant of Montague Units No. 1 and No. 2 has reduced all expenditures to a minimum level, at which no progress is being made toward licensing or construction, and the project schedules and related projected capital expenditures are uncertain at this time. In addition, The Department of Public Utilities of the Commonwealth of Massachusetts (the "DPU") has deferred action relating to approvals necessary before the construction of the Pilgrim Unit can be commenced. In the event that the Montague, Pilgrim, or any other Units identified in the chart above are ultimately cancelled, the Company would request DPU permission to amortize its gross expenditures relating to the cancelled Unit(s) over a suitable period, and thereby achieve, in the opinion of the management of the Company, adequate rate treatment. A similar request relating to the Company's participation in the now cancelled Charlestown Units No. 1 and No. 2 was granted by the DPU (see "Business — Joint Projects and Other Plans"). In the event any of these Units is ultimately cancelled, the magnitude of the Company's final costs, and the extent to which rate relief would permit recovery of these costs, can not be determined at this time.

Assuming consummation of the Seabrook acquisitions and completion of construction and the on-going operation of all the nuclear generating Units described above, approximately 25% of the Company's New England Power Pool requirement (see "Business — New England Power Pool") at the date of completion of the last Unit sometime in the 1990's would be provided by nuclear power.

FINANCING REQUIREMENTS

Subsequent to the issuance of the Additional Common Stock, the Company's financing plans for the remainder of 1980 include the issuance of $5,000,000 of unsecured long-term Notes (the "Notes"), the private placement of which is currently being negotiated, to reduce short-term indebtedness incurred for the Company's construction program. The sale of the Notes, presently scheduled for the third quarter of 1980, is contingent upon the approval of the DPU. The balance of the Company's cash requirements for its 1980 construction program will be provided through internally generated funds and short-term borrowings. The Company presently contemplates a financing program during the years 1981 through 1984 that will include the sale of additional securities, the amounts and types of which have not been determined. Following are summaries of certain provisions of the Company's note agreements, indentures and By-Laws which may affect the Company's ability to issue additional securities (all of which are qualified in their entirety by reference thereto).

Under the agreements and indentures pursuant to which the Company's long-term notes are outstanding, additional Funded Debt (as defined in such agreements and indentures) may not be issued if (i) the Funded Debt of the Company outstanding immediately thereafter shall exceed 55% of the Company's Capital Account (as defined) computed immediately thereafter and (ii) Earnings Available for Interest (as defined) shall not have been equal, for at least twelve consecutive calendar months out of the fifteen months next preceding the creation of such Funded Debt, to at least 200% of all amounts of interest for which the Company will annually thereafter be obligated on account of all Debt (as defined) to be outstanding immediately thereafter. Earnings Available for Interest (as defined in such agreements and indentures) includes AFUDC. Pro Forma Earnings Available for Interest amounted to 375% of such interest for the twelve months ended December 31, 1979, and Funded Debt represented 47% of the Company's Capital Account at December 31, 1979, after giving effect to the issuance of the Additional Common Stock and the reduction of the Company's short-term debt (by giving additional effect to the cash made available through the release of compensating balances) from the proceeds thereof. Accordingly, approximately $6,149,000 of long-term debt could have been issued at such date under the more restrictive test specified in (i) above, assuming an interest rate of 15%.

The Company has no authorized but unissued Cumulative Preferred Stock and, accordingly, the issuance of additional Cumulative Preferred Stock would be subject to the approval by the common shareholders of an increase in the number of authorized shares of Cumulative Preferred Stock. In addition, under the terms of the Company's By-Laws, the approval of a majority of the holders of all outstanding series of Cumulative Preferred Stock would be required for the issuance of such Stock unless the following "coverage" requirements were satisfied: (i) net income of the Company for any period of twelve months within the next preceding fifteen months shall have been at least equal to two times the sum of the annual dividend requirements on the Cumulative Preferred Stock and on all shares of stock ranking prior to, or on a parity with the Cumulative Preferred Stock as to dividends or distribution of assets then to be outstanding; (ii) net income of the Company for a similar period (after adding back interest charges on funded debt of the Company deducted in the computation) shall have been at least equal to one and one-half times the sum of the annual interest charges on funded debt of the Company to be outstanding at the date of such issue plus the annual dividend requirements on the Cumulative Preferred Stock as to dividends or distribution of assets then to be outstanding; and (iii) the aggregate amount of capital represented by the Common Stock and any other stock ranking junior to the Cumulative Preferred Stock (in respect of the capital surplus, earned surplus and premium on capital stock (see note 3 to "Capitalization") of all classes of the Company) would be at least equal to the aggregate amount payable upon involuntary liquidation, dissolution or winding up of the affairs of the Company on all shares of stock ranking prior to or on a parity with the Cumulative Preferred Stock then to be outstanding. At December 31, 1979, the Company could have issued, without approval of a majority of the holders of Cumulative Preferred Stock, approximately $6,048,000 of additional Cumulative Preferred Stock, assuming a dividend rate of 12%.

COMMON STOCK DIVIDENDS

The Company has paid regular quarterly dividends on its Common Stock since 1859. The Company's annual dividend increased from $1.38 to $1.41 in 1976, to $1.44 in 1977, to $1.50 in 1978, and to $1.90 in 1979. A quarterly dividend of $.65 per share ($2.60 annual rate) was declared by the Board of Directors at its March 25, 1980 meeting payable May 15, 1980 to holders of record of Common Stock on May 1, 1980. Purchasers of the Additional Common Stock will not be entitled to receipt of this dividend.

It is the intention of the Board of Directors to continue to pay cash dividends on its Common Stock on a quarterly basis. However, future dividends will necessarily be dependent upon the Company's earnings, its financial condition and other factors. See "Description of Common Stock" regarding certain restrictions upon the payment of dividends.

PRICE RANGE OF COMMON STOCK

The Common Stock of the Company is listed on the American and Boston Stock Exchanges. The high and low per share sales prices of the Common Stock, reported by The Wall Street Journal as American Stock Exchange transactions through January 23, 1976, and as composite transactions thereafter, were as follows:

	High	Low		High	Low
1975	14⅜	8¼	1979		
1976	16⅞	13½	1st Quarter	19	16
1977	17¾	15⅛	2nd Quarter	18½	17
1978			3rd Quarter	21⅛	17¾
1st Quarter	16¼	15⅛	4th Quarter	19⅝	17¾
2nd Quarter	16⅝	15½	1980		
3rd Quarter	19	16⅜	1st Quarter	23½	18⅝
4th Quarter	18⅝	15⅞	2nd Quarter (through April 10, 1980)	20⅝	19⅝

The last reported sale price of the Common Stock on April 10, 1980 on the American Stock Exchange was 20⅝ per share.

The Additional Common Stock to be offered hereby is to be sold at a price per share to the Company which is less than the book value per share of its Common Stock at December 31, 1979 which was $27.54. Such book value, as adjusted to give effect as of that date to the issuance of the Additional Common Stock (assuming net proceeds to the Company of $20.00 per share), would be $26.18 per share. Any future sales of Common Stock at a price which is less than the book value per share will result in further dilution of such book value.

CAPITALIZATION

The capitalization of the Company as of December 31, 1979, and as adjusted for the issuance of 100,000 shares of the Additional Common Stock, is as follows:

	December 31, 1979	Adjusted(1)	
	Amount	Amount	Percent
Long-term Debt(2) (including current maturities)	$16,903,000	$16,903,000	47.6%
Redeemable Cumulative Preferred Stock, $100 Par Value			
5⅛% Series:			
Authorized, 16,880 Shares Outstanding, 16,460 Shares	1,646,000	1,646,000	
8% Series:			
Authorized, 25,000 shares Outstanding, 24,250 shares	2,425,000	2,425,000	
Total Redeemable Cumulative Preferred Stock	4,071,000	4,071,000	11.5%
Common Equity			
Common Stock, $10 par value Authorized, 1,000,000 shares Outstanding, 455,475 shares; adjusted 555,475 shares	4,554,750	5,554,750	
Premium on Common Stock(3)	1,754,358	2,754,358	
Retained Earnings	6,417,530	6,417,530	
Capital Stock Expense	(181,737)	(181,737)	
Total Common Equity	12,544,901	14,544,901	40.9%
Total Capitalization	$33,518,901	$35,518,901	100%

(1) Assumes net proceeds of approximately $2,000,000 from the sale of the Additional Common Stock.

(2) Excludes the effects of the Company's proposed issuance of long-term Notes (see "Financing Requirements").

(3) "Premium on Common Stock" is sometimes referred to as "Additional Paid-in Capital."

On March 31, 1980, outstanding short-term indebtedness totaled $4,050,000, approximately $2,000,000 of which is to be repaid from proceeds of the sale of the Additional Common Stock.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

CONSOLIDATED STATEMENT OF INCOME

The following consolidated statement of income for the five years ended December 31, 1979 has been examined by Alexander Grant & Company, independent certified public accountants, whose report thereon, which contains a qualification of opinion as is stated therein, appears elsewhere in this Prospectus. This statement should be read in conjunction with the other financial statements and related notes appearing elsewhere in this Prospectus.

	For Year Ended December 31,				
	1979	1978	1977	1976	1975
Operating Revenues (Note 2)					
Electric	$24,475,296	$21,157,542	$19,061,399	$16,601,277	$16,107,067
Gas	9,786,185	7,919,991	6,860,860	5,697,278	4,407,953
Total Operating Revenues	34,261,481	29,077,533	25,922,259	22,298,555	20,515,020
Operating Expenses					
Operating expenses, other	5,132,726	4,833,281	4,627,510	4,338,395	3,994,460
Electricity purchased for resale	10,470,503	8,538,045	8,240,287	6,389,596	7,163,434
Fuel used in electric generation	3,401,852	2,158,983	2,083,546	1,869,056	1,535,680
Gas purchased for resale	5,850,610	4,334,696	3,709,113	2,985,628	2,172,692
Maintenance	933,360	734,113	698,187	522,598	521,928
Depreciation (Note 1)	1,236,692	1,181,787	1,093,790	952,984	873,476
Amortization of cost of abandoned properties (Notes C and 3)	657,048	595,937	173,365	176,158	71,358
Provisions for taxes (Notes 1 and 8)					
Federal income tax on net operating income	957,846	1,216,342	561,677	762,160	310,790
Deferred Federal income	715,030	339,151	410,918	229,972	196,246
Amortization of investment tax credit	(89,049)	(61,766)	(52,348)	(48,699)	(34,504)
State franchise	112,348	81,403	84,334	106,334	54,362
Deferred state franchise	66,293	32,587	59,492	27,588	33,262
Local property — current	1,362,511	1,693,904	1,528,762	1,384,481	1,253,906
— abatement of prior year	(244,076)	—	—	—	—
Other	193,669	166,859	159,664	143,883	134,870
Total Operating Expenses	30,757,363	25,845,322	23,378,297	19,840,134	18,281,960
Operating Income	3,504,118	3,232,211	2,543,962	2,458,421	2,233,060
Non-operating Income					
Allowance for funds used during construction (Notes A and 1)					
Other funds	116,319	118,573	36,304	—	—
All funds	—	—	—	135,086	451,593
Other (net of income taxes) (Note 8)	(27,605)	83,418	75,598	62,660	93,330
Total Non-operating Income	88,714	201,991	111,902	197,746	544,923
Gross Income	3,592,832	3,434,202	2,655,864	2,656,167	2,777,983
Income Deductions					
Interest on long-term debt	1,498,655	1,515,476	1,527,259	1,315,753	1,250,618
Other interest charges	325,596	233,859	122,745	226,230	343,619
Amortization of debt expense	20,470	16,324	16,781	16,045	19,813
Discount on long-term debt purchased for sinking fund	(3,030)	(2,167)	(60)	(2,964)	(14,140)
Other	2,816	8,992	1,230	17,652	519
Gross Income Deductions	1,844,507	1,772,484	1,667,955	1,572,716	1,600,429
Allowance for borrowed funds used during construction (Notes A and 1)	(512,381)	(298,132)	(211,903)	—	—
Net Income Deductions	1,332,126	1,474,352	1,456,052	1,572,716	1,600,429
Net Income	2,260,706	1,959,850	1,199,812	1,083,451	1,177,554
Dividend Requirements on Preferred Stock	281,754	287,407	289,559	291,712	293,864
Net Income Applicable to Common Stock	$ 1,978,952	$ 1,672,443	$ 910,253	$ 791,739	$ 883,690
Number of Common Shares Outstanding	455,475	455,475	455,475	455,475	455,475
Earnings per Common Share Outstanding	$4.34	$3.67	$2.00	$1.74	$1.94
Dividends paid per Common Share	$1.90	$1.50	$1.44	$1.41	$1.38

Numbered notes refer to Notes to Consolidated Financial Statements. All such notes and the notes on the following pages are an integral part of the Consolidated Statement of Income.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

NOTES TO CONSOLIDATED STATEMENT OF INCOME

(A) Allowance for Funds Used During Construction

AFUDC, a non-cash item, is included in construction work in progress. The objective of AFUDC is to present the earnings that would result in the absence of construction programs and the related financing requirements during the period of construction. Accordingly, AFUDC capitalizes the cost of debt and equity components employed in meeting these financing requirements, based upon a composite rate applied to construction work in progress which assumes that funds used for construction were provided by borrowings, preferred stock and common equity. Prior to 1977, AFUDC was reported on the basis of an overall rate applicable to all funds.

The Company has not reclassified AFUDC into its debt and equity components for periods prior to January 1, 1977 because it believes such reclassification would be inappropriate since the allocation between the debt and equity components for periods prior to January 1, 1977 could not be comparable to the allocation between such components determined after December 31, 1976 utilizing the revised procedures of the Federal Energy Regulatory Commission (the "FERC"), formerly the Federal Power Commission.

AFUDC amounted to 31.8%, 24.9%, 27.3%, 17.1% and 51.1% of the net income applicable to common stock for the years 1979, 1978, 1977, 1976 and 1975, respectively.

For additional information, see Note 1 of Notes to Consolidated Financial Statements.

(B) Regulatory Matters

The Company's method of billing and accounting for revenue under its fuel adjustment clause in effect through September 26, 1974 has been challenged before the DPU by the Attorney General of The Commonwealth of Massachusetts. The required monthly fuel adjustment schedule theretofore filed with the DPU had not been disputed by the regulatory authority. The aggregate portion of such fuel adjustment clause revenues recorded by the Company and challenged by the Attorney General is approximately $724,000 and is equivalent to $.83 per average common share outstanding on 1974 earnings, after giving tax effect thereto. The Company has vigorously defended its procedures before the DPU, the outcome of which is uncertain. No provision for any liability that may result from such challenge has been made in the consolidated financial statements.

The Company's billing and accounting for revenues under the fuel adjustments based on costs incurred after September 26, 1974 are being made under a new fuel adjustment clause which took effect on September 27, 1974 and are not being challenged.

(C) Unamortized Cost of Abandoned Properties

The unamortized cost of abandoned properties is being amortized at various rates as ordered by the DPU. The amounts to be amortized for all properties over the next five years are as follows: 1980, $838,309; 1981, $723,467; 1982, $629,867; 1983, $58,523; 1984, $58,523.

For additional information, see Note 3 of Notes to Consolidated Financial Statements.

(D) Pro Forma Earnings Per Share

On a pro forma basis, assuming the Additional Common Stock offered hereby was outstanding for the entire twelve months ended December 31, 1979, and assuming the net proceeds thereof, estimated at $2,000,000 (see "Use of Proceeds"), were applied to the retirement of short term debt, consolidated earnings per average common share would have been $3.80.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

The following discussion should be read in conjunction with the Consolidated Statement of Income and the information set forth under "Business".

Electric Operating Revenues increased 16% in 1979. This increase was primarily attributable to the net effect of three major factors: the increase in fuel costs for generation and energy costs of purchased power; the full year effect of the rate increase approved October 5, 1978; and a strike that halted the production of one of the Company's major industrial customers. The 11% increase in 1978 was due primarily to the net effect of four factors: the full year's effect of additional rate relief granted effective September 1977; the additional rate relief permitted in October 1977 and subsequently granted as a result of the Company's appeal of the above mentioned rate decision; the sale of 76,747,276 Kilowatt Hours ("KWH") to six new industrial customers acquired as of June 1, 1977 in connection with the purchase of electric facilities from New England Power Company; and the lower per unit energy cost components of power generated and purchased, resulting from the temporary decrease in oil prices during 1978 with a consequent decrease in total cost recoverable through the Company's fuel expense adjustment clause.

Gas Operating Revenues increased 24% in 1979 primarily due to the net effect of three factors: an increase of 391,289 Thousand Cubic Feet ("MCF") in interruptible sales ($1,279,397 increase); the increased cost of purchased gas which is passed on to customers through the operation of a cost of gas adjustment clause; and a decrease in off-system sales of $410,431. The 15% increase in 1978 gas operating revenues was primarily related to three factors: the increased cost of purchased gas (passed on to customers through the cost of gas adjustment clause); the first full year impact of the permanent rate relief of $553,734 granted effective in September 1977; and an increase in off-system sales of 36,892 MCF.

Electricity Purchased for Resale increased $1,932,458 in 1979 over 1978 and $297,758 in 1978 over 1977. The 1979 increase reflects the higher per unit energy cost. The 1978 expenses increased primarily due to a greater reliance on electricity purchased from other utilities.

Fuel Used in Electric Generation increased in 1979 due to the escalation in the costs of fuel used to generate a level of KWH slightly higher than that of 1978. The 1978 costs increased over 1977 due to a higher level of KWH generated.

Gas Purchased for Resale increased in both 1979 and 1978 due to higher prices charged by the Company's pipeline supplier, the increasing unit cost of the Company's supplemental gases, and a higher level of total MCF sales.

Operating Expenses, Other and *Maintenance* increased in both 1979 and 1978 as a result of lease obligations, higher wage rates, increased pension and insurance costs and other cost increases that reflect the continuing effect of inflation.

Depreciation expense rose in 1978 as a result of an oil-fired generating plant in Yarmouth, Maine, in which the Company has an ownership interest becoming operational. Effective September 1, 1977, the Company increased its depreciation rates on all of its plant based upon a depreciation study approved pursuant to an order of the DPU.

Amortization of Cost of Abandoned Properties increased in 1979 due to the first full year's effect of the amortization of one of the Company's generating units, Generating Unit No. 6, and two months' amortization of Charlestown Units No. 1 and No. 2 (see "Business — Joint Projects and Other Plans"). The increase in 1978 was due to the amortization of Unit No. 6.

Local Property Taxes in 1979 decreased from 1978, principally due to a property tax settlement agreed to by the City of Fitchburg in October, 1979. The Company in 1979 received abatements with a value of $733,634, of which $244,076 pertained to the 1978 period. These abatements increased 1979 net income by $376,478 or $.83 of earnings per common share. The Company anticipates that the future levels of property tax expense will continue to reflect the lower assessed valuation resulting from this settlement. The 1978 increase over 1977 was due to the acquisition of the electric facilities purchased on June 1, 1977.

Allowance for Funds Used During Construction increased in 1978 due to the Company's investment in joint nuclear electric generating facilities under construction (see "Business—Joint Projects and Other Plans").

Non-Operating Income, Other decreased by $109,015 in 1979 from 1978 due to a loss sustained by the Company's subsidiary (see "Business — Fitchburg Energy Development Company") and to the reduced interest income on commercial and industrial accounts receivable outstanding.

Other Interest Charges increased in both 1979 and 1978 due to the interest expenses related to short-term borrowings required to finance the Company's construction program.

Unaudited results for the twelve-month periods ending February 28, 1979 and February 29, 1980 are shown in the table below. In the opinion of the Company, all adjustments necessary for a fair presentation of results of operations for such periods are included.

	12 Months Ended February 28, 1979	12 Months Ended February 29, 1980
Electric operating revenues	$21,416,117	$26,365,694
Gas operating revenues	$ 8,178,141	$11,028,538
Net income	$ 1,976,520	$ 2,344,438
Earnings per share	$3.71	$4.52
Number of shares used to compute earnings per share	455,475	455,475
Cash dividends per share	$1.59	$2.10

Changes for the twelve month period ended February 29, 1980, compared to the period ended February 28, 1979, primarily reflect the factors discussed in "Management's Discussion and Analysis of the Consolidated Statement of Income" as relating to changes for the twelve-month period ending December 31, 1979 over the twelve-month period ended December 31, 1978; recognizing that the specific factors discussed in "Management's Discussion of the Consolidated Statement of Income — *Local Property Taxes*" relating to the October, 1979 tax settlement had no impact on the twelve-month period ending February 28, 1979.

BUSINESS

General

The Company is an operating public utility company engaged in supplying electricity and/or gas in various communities in North Central Massachusetts. The estimated population of the Company's service area is 80,000. Electric and gas business accounted for the following percentages of the Company's total operating revenues and operating income before deducting income taxes in the years 1975 through 1979.

	Year Ended December 31				
	1979	1978	1977	1976	1975
Total Operating Revenues					
Electric	71%	73%	74%	74%	79%
Gas	29%	27%	26%	26%	21%
Total Operating Income (before deducting income taxes)					
Electric	74%	76%	75%	81%	85%
Gas	26%	24%	25%	19%	15%

Territory Served

Electric service is supplied by the Company to approximately 21,740 customers in the communities of Fitchburg, Ashby, Townsend and Lunenburg. For the twelve months ended December 31, 1979, 53.3% of the electric operating revenues was derived from industrial sales, 31.2% from residential, 11.5% from commercial, 2.7% from public authorities and 1.3% from other sources. The Company's sales to its largest industrial customer represented approximately 8% of electric operating revenues for 1979, while sales to the Company's ten largest industrial customers represented, in the aggregate, approximately 32% of such revenues.

For the twelve months ended December 31, 1979, average revenues per KWH sold to industrial, residential, and commercial customers were 5.17 cents, 7.78 cents and 8.47 cents, respectively.

Gas service is supplied by the Company to approximately 13,700 customers in the communities of Fitchburg, Lunenburg, Townsend, Ashby, Gardner and Westminster. For the twelve months ended December 31, 1979, 52.0% of the gas operating revenues was derived from residential sales, 16.7% from industrial sales, 15.4% from commercial sales, 13.4% from interruptible sales (which are sales to customers with alternative energy sources who use gas on a seasonal basis, when available), and 2.5% from other sources.

For the twelve months ended December 31, 1979, average revenues per MCF sold to residential, industrial, commercial and interruptible customers were 461.64 cents, 368.62 cents, 417.68 cents and 323.94 cents, respectively.

New England Power Pool

A New England Power Pool Agreement ("NEPOOL"), to which the major investor-owned electric utilities in New England, including the Company, and certain municipal and cooperative utilities are parties, has been in effect since 1971. The objectives of NEPOOL are: (a) to assure that the bulk power supply of New England and any adjoining areas served conforms to proper standards of reliability, (b) to attain maximum practicable economy consistent with such proper standards of reliability and (c) to provide for equitable sharing of the resulting benefits and costs. These objectives are achieved through joint planning, central dispatching, cooperation in environmental matters, coordinated construction, operation and maintenance of electric generation and transmission facilities and coordination with other power pools and utilities situated in the United States and Canada. Substantially all planning, operation and dispatching of electric generating capacity for New England is done on a regional basis under NEPOOL. At the time of the 1979-1980 NEPOOL winter peak, the NEPOOL members had approximately 21,976 megawatts ("MW") of installed capacity to meet the New England peak load of about 15,311 MW.

The NEPOOL Agreement imposes generating capacity reserve obligations and provides for the use of major transmission and distribution facilities and payments associated therewith. The Company's capability responsibility under NEPOOL involves carrying an allocated share of a New England capacity requirement which is determined for each six-month period based on certain regional reliability criteria.

Electric Operations and Energy Supply

The Company has a 4.5% interest (20,115 KW) in an oil-fired generating plant in New Haven, Connecticut, which is operated by The United Illuminating Company as the majority owner. The Company also has a 0.1822% interest (1,120 KW) in an oil-fired generating plant in Yarmouth, Maine, which is operated by Central Maine Power Company as the majority owner. In addition, the Company operates under a long-term financing lease an oil-fired combustion turbine electric peaking generator with a current capability of 27,910 KW. A total of 35.11% of the capability of this turbine is sold to Reading Municipal Light Department ("Reading") under a contract expiring October 31, 1980. This contract requires the purchaser to pay monthly demand charges regardless of whether or not it purchases any energy, and to make its own arrangements for transmission beyond the Company's Flagg Pond electric substation; energy charges are based on the actual cost of fuel for the combustion turbine. The Company does not expect to renew this contract.

In addition, the Company has three contracts to purchase power from nearby utilities. The first contract is with Boston Edison Company ("Boston Edison"), expiring in 1986, for the purchase of 40,000 KW. The supply of energy under this contract is dependent on the operating capability of the following four Boston Edison Units at 10,000 KW each: Pilgrim Unit No. 1, New Boston Unit No. 1, New Boston Unit No. 2, and Mystic Unit No. 7; the first being a nuclear unit, the latter three being oil-fired units. The second contract, which expires on October 31, 1980, provides for 17,500 KW (expandable to 21,000 KW and contractable to 14,000 KW under certain conditions) to be supplied by New England Power Company ("New England Power"), 50% of which is dependent on the operating capability of Brayton Point Unit No. 3, 25% of which is dependent on the operating capability of Brayton Point Unit No. 4 and 25% of which is dependent on the operating capability of Salem Harbor Unit No. 4. The effect of the expiration of this contract will be partially offset by the effect of the simultaneous expiration of the Reading sale contract discussed above. The Boston Edison and the New England Power contracts provide that, in the event of a reduction in power supplied, the Company will be entitled to a ratable share of the supplier's NEPOOL entitlement associated with the supplying unit. The third contract is with the Maine Electric Power Company, Inc. ("MEPCO") and provides for the purchase of 3,080 KW through October, 1985 and then for the purchase of 1,540 KW through October, 1986. MEPCO purchases its power, under a long-term contract, from the New Brunswick Electric Power Commission (a Canadian governmental entity). As part of the Company's arrangement to purchase power from MEPCO, the Company is a participant in the MEPCO joint operation and is obligated to make certain support and other payments in accordance with the MEPCO joint operating agreement. All three purchase power contracts require the Company to pay monthly demand and transmission charges regardless of whether or not it purchases any energy and to pay an energy charge for each KWH of electricity it does purchase.

The three oil-fired plants, together with the two purchase power contracts remaining after October 31, 1980, provide the Company with a net capability of 92,225 KW. The maximum one-hour demand for the Company, exclusive of sales to other utilities, occurred on August 16, 1978 and was 75,330 KW. The Company's current operational capability is in excess of its customers' present requirements. Current expectations are that load requirements will grow at approximately two and one-half percent per year, and the Company will be able to provide, using currently deactivated fossil-fueled stand-by capability if necessary, a margin over its projected capability responsibility to NEPOOL through October 31, 1986. Future load growth could, however, be affected by many factors, including the state of the economy, and could vary from this projected level. In order to insure the continuation of such capability upon the termination of certain purchase power contracts on such date, to avoid the necessity of reactivating the Company's stand-by capability so as to minimize the Company's dependence on fossil fuels and to provide long-term base load capability at the lowest possible cost, the Company has entered into agreements for the partial ownership of six nuclear facilities (see "Business — Joint Projects and Other Plans"). The Company is also actively examining the possibility of obtaining power from renewable resources, including biomass and hydro-electric generation sources.

Joint Projects and Other Plans

The Company has entered into agreements for the partial ownership of six nuclear facilities which are expected to commence commercial operation at various times from 1983 through 1993 (see "Construction Program"). As an associate participant in each project, the Company is a tenant in common and is severally obligated for all liabilities of the project in proportion to its ownership share. The Company has also agreed to abide by the decisions of the lead participant on all significant matters. The Company's combined share of the output of the six nuclear Units is expected to be approximately 16,700 KW; this excludes the output related to the acquisition of additional ownership interests in each of the Seabrook Units described below, equal to approximately 16,700 KW. Thus, if the acquisitions of the additional interests in the Seabrook Units are consummated, and all six nuclear facilities are completed, the Company's combined share of the output of the six Units will equal approximately 32,700 KW.

The Company had also entered into two additional contracts with respect to the partial ownership of the Charlestown Units No. 1 and 2 proposed nuclear generating facilities. On October 9, 1979 the lead participant, New England Electric System, through its subsidiary New England Power, announced the indefinite deferral of the in-service dates of these two Units, and subsequently exercised its right under the Charlestown ownership agreement to terminate the project. On November 27, 1979 the DPU approved the Company's request to amortize approximately $653,000, representing the Company's gross expenditures in the Charlestown Units prior to termination of the project, over a 36 month period. In the opinion of the management of the Company, this form of rate treatment is adequate to insulate the Company's earnings from any significant effects of these expenditures. The Company is unable to estimate with certainty the amount of additional charges, or possible cost recovery from investments in nuclear fuel, which may result from the cancellation of these two Units. The Company will, however, request DPU permission to apply similar treatment to any additional costs resulting from its association with these Units.

The Company is in the process of acquiring additional ownership interests in each of the two Seabrook Units from two sources: The Connecticut Light and Power Company ("CL&P") and Public Service Company of New Hampshire ("PSNH"). On January 26, 1979, the common shareholders approved the acquisition of an additional 0.43332% ownership interest in each of the Seabrook Units from CL&P. On March 25, 1980, the common shareholders approved the purchase of up to an additional 0.26087% ownership interest in each of the Seabrook Units from PSNH. An application for approval of these acquisitions is now pending before the DPU. In deciding whether to grant such approval, the DPU is considering, among other factors, the financial viability of the Seabrook project. The Company is unable to predict whether or when such approval will be granted, or the terms or conditions which may accompany such approval.

The Seabrook Units will each have an expected net capability of approximately 1,150 MW. With the acquisition of the additional ownership interests, the Company will be entitled to 0.86519% of each Unit's output, which entitlements are estimated to be a total of 19,900 KW. It is anticipated that the additional interests in the Seabrook Units will partially replace capacity covered by existing purchase power contracts which will be expiring in the mid 1980's (see "Business — Electric Operations and Energy Supply").

The most recent estimate received from PSNH, the lead participant, in March, 1980, indicates that the Seabrook Units will be constructed at a total cost, including at least an initial nuclear core, of approximately $2,500,000,000 (excluding AFUDC). All approvals and permits from state and federal regulatory bodies required for construction of the Units have been obtained and such construction is in progress. The obtaining of these approvals and permits has been opposed by a number of intervening groups and demonstrators at the Seabrook site and has been time consuming, resulting in significantly increased costs for the project. Several court appeals from the federal regulatory approvals are pending. In addition, PSNH announced on March 20, 1980 that, as a result of instability in the capital markets and delays in obtaining regulatory approvals necessary to consummate sales of a portion of PSNH's share of the Seabrook project, PSNH was reducing its on-site personnel by approximately one-half. Although PSNH estimates that this personnel reduction will not affect the completion dates of the Seabrook Units unless the reduction continues for more than a few months, PSNH has indicated its expectation that the reduction will continue until such time as the difficulties giving rise thereto are no longer present.

Fuel Supply

Oil. Substantially all the Company's electric power is purchased from other utilities in the New England area (see "Business—Electric Operations and Energy Supply"). These New England electric utilities make greater use of fuel oil for generation of power than those in other regions of the country. Most fuel oil supplies of the New England utilities are derived from foreign sources and are subject to interference by foreign governments and price increases.

The combustion turbine leased by the Company currently operates exclusively on oil. The Company has no long term contracts for oil supply. Should it be necessary for the Company to reactivate currently deactivated fossil-fueled capacity (See "Business — Electric Operations and Energy Supply"), the Company would attempt to insure a supply of oil by entering, to the extent possible, into long-term contracts and bulk fuel purchases, for which the Company has adequate storage facilities.

While the Company intends to make substantial replacements of power derived from oil with power derived from nuclear and renewable sources, the Company cannot predict with certainty whether or when such replacements will be effected. (See "Construction Program" and "Business — Joint Projects and Other Plans".)

Nuclear. The Company has been advised by the companies planning or constructing the nuclear generating Units in which the Company has an interest that such Units have contracted for certain segments of the nuclear fuel production cycle (see "Business — Joint Projects and Other Plans") through various dates. This cycle includes, among other things, mining, enrichment and disposal or reprocessing of used fuel. The Company belives that each nuclear project in which it has an interest has contracted for at least an initial core of enriched radioactive material necessary for fuel assembly. Contracts for various segments of the fuel cycle will be required in the future, and their availability, prices and terms cannot now be predicted.

The Company is not aware of any contractual arrangements for reprocessing of spent fuel and there are no reprocessing facilities currently operating in the United States. President Carter has stated the position of his Administration to be that the United States should indefinitely defer commercial reprocessing and recycling of spent nuclear fuel. If such services are not available when required for the Units in which the Company has an interest, the spent fuel can be stored pending reprocessing or disposal. The cost of long-term storage of nuclear wastes is not known at the present time. The Company cannot predict at this time what difficulties will be encountered regarding disposal of nuclear waste. The federal Nuclear Regulatory Commission ("NRC") along with other federal agencies, is in the process of developing regulations and guidelines in this area. The Company expects that the Units in which it has an interest will develop plans for the disposal of nuclear wastes after promulgation of these regulations and guidelines; such plans will be subject to regulatory approvals.

Gas Operations and Supply

Gas is distributed to the area served by the Company through approximately 274 miles of steel and cast iron mains. The maximum sendout occurred on February 13, 1979 when a new record of 15,678 MCF was achieved.

The Company purchases natural gas from the Tennessee Gas Pipeline Company ("Tennessee") under a firm contract which provides that the Company may take up to 7,506 MCF of gas daily. This contract expires on November 1, 1988, but will continue beyond this expiration date until terminated by either party on twelve months' written notice.

Beginning in January, 1974, Tennessee began to curtail deliveries of gas due to increased overall demand in excess of pipeline capacity. All of Tennessee's curtailments are currently being made pursuant to a curtailment plan filed with the FERC on September 28, 1973, approved by the FERC on March 14, 1977, and modified from time to time thereafter with FERC approval. The maximum annual quantity which the Company can purchase under this plan (the "volumetric purchase limitation") is 2,734,215 MCF.

Curtailments of gas deliveries to the Company for the period November, 1979 through March, 1980, were 1.16% below this volumetric purchase limitation; no curtailments below this volumetric purchase limitation are anticipated during the summer season, April, 1980 through October, 1980. The possibility and extent of any future curtailments, however, cannot be predicted at this time; under governing FERC opinions Tennessee has the right to increase curtailments of certain gas supplies to the extent such gas is being used for interruptible sales. (Interruptible sales are sales made to customers on a periodic or seasonal basis under tariffs or agreements which permit the Company to interrupt the supply of gas. Interruptible sales are accorded a low priority, while sales to firm customers are accorded a high priority, by prevailing FERC policies.) Accordingly, the Company has limited the impact of the Tennessee curtailment by reducing its sales to interruptible customers from time to time, to the extent necessary. The Company has also attempted to increase its sales to high priority firm customers so as to reduce its long-term exposure to future curtailments. The Company intends to continue these policies in the future and seek to obtain additional gas supplies in order to minimize the effects of future curtailments. Although the Company can continue to provide an adequate supply of gas to its firm customers, reducing interruptible sales when necessary, such reductions have an adverse impact on the Company's earnings.

The Company has a transportation and underground storage contract with Tennessee which provides for storage of 50,000 MCF of gas, which is injected into storage during the summer months and withdrawn during the winter season. This contract expires on July 31, 1980.

The Company has executed a Precedent Agreement with Consolidated Gas Supply Corporation ("Consolidated") by which Consolidated will provide approximately 50,000 MCF of underground storage to the Company for a twenty-year period beginning August 1, 1980. This contract is intended to replace the storage provided by the Tennessee contract described above. The Company has also executed a Precedent Agreement with National Fuel Gas Storage Corporation ("National") by which

National will provide approximately 50,000 MCF of underground storage to the Company. This contract, if approved by the FERC, is intended to double the Company's existing underground storage and will expire on April 1, 2000. The Company has also executed a Precedent Agreement with Tennessee to transport all the gas which is intended to be stored by Consolidated and National. The necessary applications to provide each of these services have been filed with and noticed by the FERC, and it is anticipated that the requisite approvals will be forthcoming.

As a condition precedent to the enforceability of the Consolidated and National storage agreements, the FERC must approve the arrangements by early 1981. As a condition precedent to the enforceability of the Consolidated and National storage agreements and the Tennessee transportation agreement, the FERC must approve the Tennessee transportation agreement prior to April 1, 1980. The Tennessee transportation agreement was not approved prior to such date, but in the opinion of the management of the Company there is no substantial likelihood that any of the parties to these agreements will exercise their withdrawal rights. It is expected that all necessary FERC approvals will be forthcoming prior to August 1, 1980, when the existing Tennessee transportation and storage agreement expires. In the absence of such timely approvals the Company intends to petition the FERC for interim relief.

As a supplement to natural gas, the Company has a propane air gas plant with a daily capacity of 7,200 MCF and a storage capacity of 29,725 MCF. The Company also has a leased liquefied natural gas ("LNG") storage and vaporization facility with a daily capacity of 7,200 MCF and a storage capacity of 4,167 MCF. These plants are used principally during peakload periods to augment the supply of natural gas.

The Company had a contract to purchase liquid propane from C.M. Dining, Incorporated, which was terminated by the Company and expired on March 31, 1980. This contract permitted the Company to purchase up to 133,028 MCF during the 1979-1980 winter season. The Company is currently taking steps to insure the long-term continuation of the supply of this quantity of liquid propane.

In addition to this quantity of liquid propane, the Company is entitled, under current Federal Energy Administration Mandatory Allocation Regulations, to use an additional quantity of liquid propane, if available from market sources, equivalent to 50,459 MCF each winter season so long as such Regulations, as presently in effect, remain applicable to the Company. The Company intends to enter into contracts to acquire a long-term supply of this additional quantity of liquid propane, prior to the 1980-81 heating season.

The Company also has a contract to purchase gas from Bay State Gas Company which expires on March 31, 1988, but will continue beyond this expiration date until terminated by either party on twelve months written notice. This contract permits the Company to purchase an annual quantity of up to 165,000 MCF.

If the FERC does not approve additional curtailments by Tennessee of pipeline deliveries of natural gas significantly below presently indicated levels, if the FERC gives timely approval to the proposed Tennessee transportation and Consolidated and National storage agreements or provides adequate interim relief, and if LNG and liquid propane continue to be available from market sources, the capacities of the Company's LNG and propane facilities, together with the natural gas available under the contract with Tennessee, are expected to provide adequate gas supplies to fulfill the requirements of all existing firm customers served by the Company. There can be no assurance, however, that limitations on interruptible service will not continue to increase or that future restrictions will not be imposed on firm customers.

Regulation and Rates

The Company is subject to regulation by the DPU with respect to retail rates, adequacy of service, issuance of securities, accounting and other matters. The Company is also subject to regulation by the

FERC with respect to certain matters, including NEPOOL interchanges and other wholesale sales of electricity. As part of such regulation, representatives of the FERC conduct regular audits of the Company relating to the Company's overall compliance with the accounting and reporting requirements of the FERC.

The Company's retail electric and gas sales are made pursuant to rate schedules on file with the DPU at rates which call for lower unit prices as monthly usage increases. See "Operating Statistics" for average annual sales, average annual bills per residential customer and average annual revenues per KWH and per MCF for various classes of service.

Until 1972 the Company had not requested a general rate increase in 52 years and during that period had made several voluntary rate reductions. During recent years the Company has sought rate relief designed to cover the impact of increased costs. The amounts of rate relief granted by the DPU are set forth below:

Effective Date	Department	Type of Increase	Amount Requested	Amount Granted
July 20, 1972	Gas	Permanent	$ 270,000	$ 228,500
August 15, 1972	Electric	Permanent	480,000	357,000
March 28, 1973	Gas	Permanent	27,400	27,400(1)
April 21, 1974	Electric	Interim	1,000,000	767,500
October 15, 1974	Electric	Permanent	2,300,000	2,096,000(2)
January 12, 1976	Gas	Permanent	663,000	349,451
January 12, 1976	Electric	Permanent	793,000	793,000
September 15, 1977	Gas	Permanent	838,000	553,734
October 5, 1978	Electric	Permanent	2,795,000	1,804,180(3)

(1) Granted to Gardner Gas, Fuel and Light Company, a former affiliate of the Company which supplied gas to the communities of Gardner and Westminster and which was merged into the Company in May, 1973.

(2) Includes the $1,000,000 requested and the $767,500 interim electric rate relief granted effective April 21, 1974.

(3) $1,062,109 was granted effective September 19, 1977; see Note 2 of Notes to Consolidated Financial Statements.

The electric rate schedules of the Company for all retail sales are subject to a cost of fuel adjustment by which rates are modified to reflect changes in the cost of fuel used for generation and the cost of purchased energy. With the approval of the DPU, the current cost of fuel adjustment schedule has been in effect since September 27, 1974. The Company's total fuel costs are determined on an estimated quarterly basis, subject to review and approved by the DPU. Toward the end of each quarter the Company compares actual fuel expenses incurred with the actual fuel adjustment revenues collected and adds or subtracts that amount from the estimated fuel costs for the next quarter.

The gas rate schedules of the Company for all retail sales are subject to a cost of gas adjustment by which the rates are modified to reflect changes in the cost of purchased pipeline natural gas and supplemental gas. The current cost of gas adjustment schedule, which was approved by the DPU, has been in effect since January 1, 1974. Changes in the cost of pipeline natural gas are reflected immediately in customer billing; however, there is a two-month delay before customer billings reflect changes in the cost of supplemental gas.

Time-of-day rates, a pricing system that reflects the varying costs of providing electric energy at different times of the day and/or during different seasons of the year, were filed with the DPU in early 1979. The intent of time-of-day rates is to shift demand energy use from on-peak to off-peak periods thereby reducing the amount of new generating capacity required to serve peak loads. The rates filed by the Company are applicable to residential and commercial customers on an optional basis. In addition, the Company recently filed proposed senior citizen rates which would provide optional reduced rates to certain of the Company's residential customers. The Company does not anticipate that any of these optional rates will have a significant impact on the Company's financial condition.

Competition

While franchise rights of the Company are non-exclusive, statutes restrict competition from other companies without approval of the DPU. Under the laws of Massachusetts, a municipality by appropriate vote may enter the gas or electric business and purchase the facilities of the utility serving such municipality. No municipality has taken any such action in Massachusetts in recent years and the Company is not aware of any municipality which presently intends to seek approval for such action.

Environmental Matters

The combustion turbine operated by the Company, the fossil-fueled and nuclear joint projects in which the Company has an ownership interest (see "Business — Electric Operations and Energy Supply" and "Business — Joint Projects and Other Plans") and the electric generating units from which the Company purchases power (see "Business — Electric Operations and Energy Supply") under long term contracts are all subject to regulation with regard to air and water quality and other environmental factors by governmental authorities, federal, state and local.

The Company believes that it is in material compliance with all applicable environmental regulations. The Company further believes that no significant expenditures will be required to maintain such compliance in the case of the combustion turbine operated by the Company. The Company may, however, incur increased construction or operating expenditures as a result of environmental requirements applicable to those Units over which it does not have supervisory control, but in which it has an ownership share.

In complying with existing environmental regulations and further developments in these and other areas of regulation, the Company as a joint participant in the Units in which it has an ownership interest has incurred, and expects to continue to incur, substantial capital expenditures for equipment modifications and additions, monitoring equipment, recording devices and general operating expenses. The total amount of these expenditures is not now determinable. The requirements in these areas may also cause substantial delays in the completion of new facilities, including the six nuclear generating Units in which the Company has an ownership interest (see "Construction Program").

Nuclear Licensing

Nuclear plants require various construction and operating permits from state regulatory authorities, including the DPU and the NRC. These regulatory authorities extensively investigate all proposed nuclear plants in relation to safety, financial viability, and other factors.

In addition to the individual safety reviews of each nuclear generating Unit which are conducted by the NRC in connection with construction permit and operating license applications, the NRC may require modifications in Units which already have a construction permit or operating license, or in the fuel for such Units, to take account of new standards or technological developments. Where such modifications are required, it may be necessary to reduce or cease operations of a particular Unit, either on a permanent basis or until the modifications can be effected.

The expanding development of nuclear power plants in the United States continues to be a subject of public controversy. Various groups have published articles and reports, filed lawsuits and participated in administrative proceedings such as those described above, claiming that the proliferation of nuclear power plants under the present state of nuclear technology presents unacceptable risks to public health and safety and to the environment. In addition, certain of these groups have proposed restrictive legislation in Massachusetts, Connecticut and New Hampshire, and others have participated in demonstrations, including demonstrations at the Seabrook Units, and raised questions in public hearings regarding the ultimate cost of energy produced by nuclear plants as opposed to other fuels. Since the events at TMI, these efforts have substantially intensified (see "The Company — Problems of the Utility Industry and the Company" and "Business — Joint Projects and Other Plans"). It is possible that some of the claims made by such groups, if they should prevail, or the existence of the controversy itself, will cause delays in, or prevention of, the construction of nuclear plants presently planned or under construction, or substantial modifications to or extended shutdowns of plants presently in operation, any of which could have an adverse impact on the results of operations of the Company.

Employee Relations

As of December 31, 1979, the Company had 161 employees, of which 85 were represented by the Brotherhood of Utility Workers of New England, Incorporated. The current two-year collective bargaining agreement terminates on April 30, 1981.

Fitchburg Energy Development Company

The Company continues to pursue the development of domestic oil and gas supplies in an attempt to insure an adequate long-term supply of fossil fuels through its exploration and development subsidiary, Fitchburg Energy Development Company ("FEDCO"), which is a partner in Minuteman Exploration Company ("Minuteman"). FEDCO is not expected to realize income in the near-term, and the Company cannot predict whether or when FEDCO's operations will become profitable. The Company's investments in FEDCO, which are not included in its construction expenditures (see "Construction Program"), are made from the general funds of the Company and are being borne by the Company's common shareholders. A joint venture program through Minuteman has involved the drilling of a number of wells in Morgan County, Ohio, since exploration was started in July, 1978. While most of these wells are currently producing oil and gas, the Company is unable to predict at this time what amounts, if any, will be transported back to its customers. As of December 31, 1979, the Company had an investment of $20,000 in FEDCO, representing 100% of FEDCO's outstanding common stock. In addition, as of December 31, 1979, FEDCO had received capital contributions from the Company amounting to $299,820, but a DPU order currently limits the Company's capital contributions to FEDCO to $1,000,000. The Company anticipates petitioning the DPU for the right to invest further funds in FEDCO. Hearings, if required, are expected to be held in the latter part of 1980.

ELECTRIC OPERATING STATISTICS

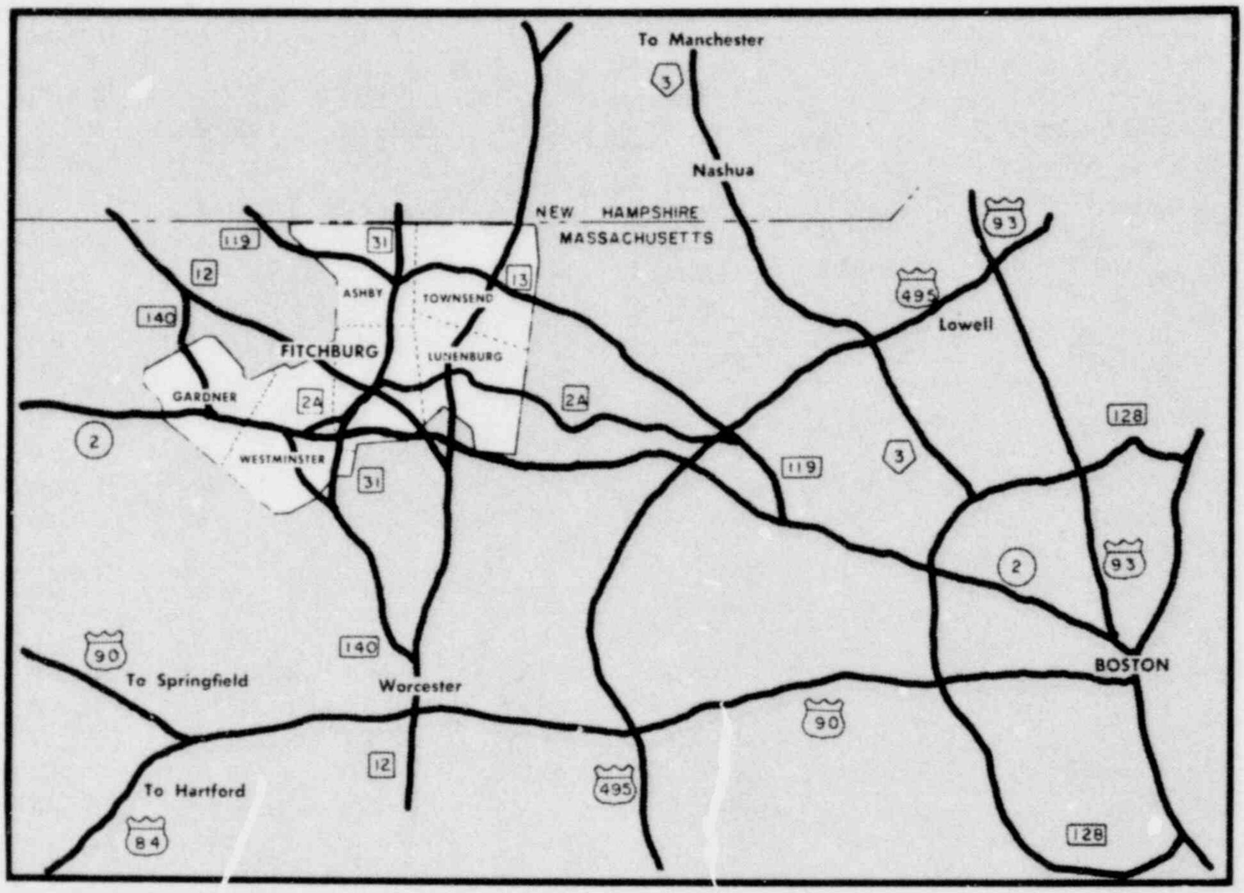
	Year Ended December 31,				
	1979	1978	1977	1976	1975
ELECTRIC ENERGY: GENERATED & PURCHASED (thousands of kilowatt hours):					
Generated Net Station Output	104,038	100,343	91,688	94,805	68,970
Purchased & Interchanged (net received)	320,272	332,279	289,351	243,188	248,901
Total Generated and Purchased	424,310	432,622	381,039	337,993	317,871
Company Use, Loss & Unaccounted for	31,619	34,078	31,490	28,736	28,551
Electric Energy Sold	392,691	398,544	349,549	309,257	289,320
ELECTRIC SALES BILLED (thousands of KWH hours):					
Residential	98,342	97,945	96,271	96,895	93,903
Commercial	33,258	31,848	29,039	28,229	27,208
Industrial	252,106	259,527	203,804	164,506	152,920
Other Utilities	1,614	1,667	2,367	1,135	1,126
Other	7,371	7,557	18,068	18,492	14,163
Total Electric Sales	392,691	398,544	349,549	309,257	289,320
NUMBER OF CUSTOMERS (end of period):					
Residential	19,538	19,309	19,066	18,852	18,809
Commercial	2,026	2,018	1,872	1,845	1,814
Industrial	172	172	164	154	162
Other Utilities	1	2	1	1	—0—
Other	7	7	169	171	172
Total Customers	21,744	21,508	21,272	21,023	20,957
ELECTRIC OPERATING REVENUE:					
Residential	$ 7,647,461	$ 6,767,414	$ 6,353,088	$ 6,245,227	$ 6,249,091
Commercial	2,818,385	2,445,734	2,142,727	2,029,076	1,935,522
Industrial	13,035,779	11,061,019	8,916,736	6,922,376	6,788,516
Other Utilities	282,988	251,122	473,669	313,856	146,619
Other	653,014	601,191	1,140,428	1,048,343	949,094
Total Revenue from Energy Sales	24,437,627	21,126,480	19,026,648	16,558,878	16,068,842
Miscellaneous Revenue	37,669	31,062	34,751	42,399	38,225
Total Electric Operating Revenue	$24,475,296	$21,157,542	$19,061,399	$16,601,277	$16,107,067
AVERAGE ANNUAL KWH SALES PER RESIDENTIAL CUSTOMER	5,074	5,116	5,097	5,150	5,004
AVERAGE ANNUAL BILL PER RESIDENTIAL CUSTOMER	$394.47	$352.26	$335.73	$338.54	$276.64
AVERAGE REVENUE PER KWH BILLED:					
Residential	7.78¢	6.91¢	6.60¢	6.45¢	6.65¢
Commercial	8.47¢	7.68¢	7.38¢	7.19¢	7.11¢
Industrial	5.17¢	4.26¢	4.38¢	4.21¢	4.44¢
Other Utilities	17.53¢	15.06¢	20.01¢	27.65¢	13.02¢
Other	8.86¢	7.96¢	6.31¢	5.67¢	6.70¢

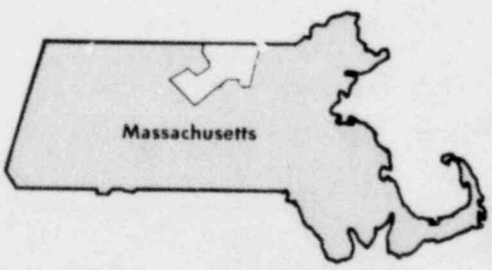
GAS OPERATING STATISTICS

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Total Gas Purchased for Resale (MCF):	2,127,852	1,832,100	1,861,171	1,896,988	1,873,534
Underground Storage Gas Used	37,846	69,094	72,146	55,600	4,900
Gas Made — LNG & Propane	302,842	246,393	210,651	240,175	149,175
Total Gas Made and Purchased	2,468,540	2,147,587	2,143,968	2,192,763	2,027,609
Less Gas used by Company, Loss & Unaccounted for	125,424	85,196	100,430	222,697	222,901
Gas Sold (MCF)	2,343,116	2,062,391	2,043,538	1,970,066	1,804,708
Gas Billed (MCF):					
Residential	1,102,340	1,120,938	1,049,300	1,084,813	1,007,903
Commercial	361,912	364,710	374,870	418,768	388,722
Industrial	442,243	389,136	390,992	440,183	354,940
Interruptible	403,621	12,332	89,993	26,302	53,143
Other	33,000	175,275	138,383	—0—	—0—
Total Gas Sales	2,343,116	2,062,391	2,043,538	1,970,066	1,804,708
Number of Customers (end of period):					
Residential	12,754	12,174	12,026	11,888	11,979
Commercial	839	801	811	861	869
Industrial	98	93	88	81	88
Interruptible	2	1	2	2	1
Total Customers	13,693	13,069	12,927	12,832	12,937
Gas Operating Revenue:					
Residential	5,088,887	4,514,922	3,734,013	3,339,433	2,622,701
Commercial	1,511,649	1,343,019	1,248,916	1,174,961	918,832
Industrial	1,630,192	1,359,849	1,193,870	1,051,612	688,016
Interruptible	1,307,485	28,088	194,940	47,607	99,377
Other	247,972	644,113	489,121	83,665	79,027
Total Gas Operating Revenue	9,786,185	7,919,991	6,860,860	5,697,278	4,407,953
Average Annual MCF Sales per Residential Customer	89.5	93.0	88.7	91.3	84.5
Average Annual Bill per Residential Customer	\$370.93	\$356.29	\$327.79	\$274.62	\$211.27
Average Revenue per MCF Billed:					
Residential	461.6¢	402.8¢	355.9¢	307.8¢	260.2¢
Commercial	417.7¢	368.2¢	333.2¢	280.6¢	236.4¢
Industrial	368.6¢	357.2¢	305.3¢	238.9¢	193.8¢
Interruptible	323.9¢	227.8¢	216.6¢	181.0¢	187.0¢

SERVICE AREA

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY





POOR ORIGINAL

MANAGEMENT

Principal Officers

Name	Office Held	Held Office Since
Charles H. Tenney II	Chairman of the Board of Directors	1959
Howard W. Evirs, Jr.	President	1970
Frank L. Childs	Vice President; Treasurer	1979 1980
Charles T. Ellis	Vice President	1975
David K. Foote	Vice President	1980
Edward D. McKenzie	Assistant Treasurer	1979
Angela P. Carlson	Clerk	1975
William D. MacGillivray	Assistant Clerk	1979

Directors

Name	Principal Occupation	Director Since
Philip H. Bradley	Resident Manager, Northeast, IBM Corporation	1975
Richard L. Brickley	Partner in the law firm of Brickley, Sears & Cole	1954
Howard W. Evirs, Jr.	President	1969
John Grado, Jr.	Vice President, Litton Industries, Inc. (and chief executive of its Paper, Printing and Forms Group)	1976
Thomas W. Sherman	Executive Vice President and Treasurer, Bay State Gas Company	1975
Robert V. Shupe	President, R. L. Gourley Co., Inc. (distributors of heating air conditioning and water heating equipment)	1972
Charles H. Tenney II	Chairman of the Board of Directors and chief executive officer, Chairman of the Board of Directors, President and chief executive officer, Bay State Gas Company; Chairman of the Board of Directors and chief executive officer, Concord Electric Company and Exeter & Hampton Electric Company	1946
Robert L. Ware	Partner in the law firm of Ware & Ware	1967

Information, as of particular dates, concerning Directors and officers, their remuneration, and any material interest of such persons in transactions with the Company, is disclosed in proxy statements distributed to common shareholders of the Company and filed with the Securities and Exchange Commission. Copies of these proxy statements are available for examination and copying at the Commission's offices as indicated under "Additional Information" at page 2.

DESCRIPTION OF COMMON STOCK

Dividend Rights and Restrictions

Subject to the restrictions set forth below and to the preferential rights of the holders of Cumulative Preferred Stock to receive full cumulative dividends, holders of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors from funds legally available.

Under the Indenture relating to the Company's 10% Notes due September 1, 1996, which contains the most restrictive provisions in any of the Company's note agreements or indentures, the Company may not declare or pay any dividend (except in Common Stock) on its Common Stock or make any other distribution on Common Stock (including the purchase or retirement of Common Stock other than amounts equal to the net proceeds from the sale of Common Stock) if such dividend or distribution together with all other such dividends or distributions (including dividends on, and purchases of, Preferred Stock of the Company) after December 31, 1975 exceeds Net Income (as defined) after December 31, 1975 plus $1,500,000. As of December 31, 1979 retained earnings available for dividends amounted to $4,324,106.

Pre-Emptive Rights

The holders of the Common Stock have no pre-emptive rights to purchase additional shares of Common Stock.

Liquidation Rights

Upon any liquidation of the Company any net assets remaining after paying to the holders of Cumulative Preferred Stock the full amounts they are entitled to receive are distributable to the holders of Common Stock.

Voting Rights

The holders of Common Stock are entitled to one vote per share. If six quarterly dividends on the Cumulative Preferred Stock are in arrears, and until such dividend arrearages shall have been paid, the holders of Cumulative Preferred Stock will be entitled to elect a majority of the Directors. Otherwise the holders of the Cumulative Preferred Stock are not entitled to vote except with respect to certain matters affecting the rights and preferences of such Stock where the vote of the holders of two-thirds or a specified lesser percentage of such Stock is required.

Other Provisions

The outstanding shares of Common Stock are, and the shares of the Additional Common Stock will be, fully paid and non-assessable.

Registrar and Transfer Agent

The registrar for the Common Stock is New England Merchants National Bank and the transfer agent is The First National Bank of Boston.

Reports to Shareholders

The Company distributes to its shareholders current reports three times a year containing unaudited interim financial statements and an annual report containing audited financial statements.

Listing

The Company's outstanding Common Stock is listed, and the Additional Common Stock will be listed, upon notice of issuance, on the American and Boston Stock Exchanges.

LEGAL OPINIONS

The legality of the Additional Common Stock will be passed upon for the Company by Messrs. Brickley, Sears & Cole, 75 Federal Street, Boston, Massachusetts 02110, and by Messrs. LeBoeuf, Lamb, Leiby & MacRae, 140 Broadway, New York, New York 10005, and for the Underwriters by Messrs. Brown, Wood, Ivey, Mitchell & Petty, One Liberty Plaza, New York, New York 10006. Messrs. LeBoeuf, Lamb, Leiby & MacRae and Messrs. Brown, Wood, Ivey, Mitchell & Petty will rely as to matters of Massachusetts law upon the opinion of Messrs. Brickley, Sears & Cole. Messrs. LeBoeuf, Lamb, Leiby & MacRae have reviewed the statements under the heading "Description of Common Stock" as to matters of law and legal conclusions. Richard L. Brickley, Esq., a partner in the firm of Messrs. Brickley, Sears & Cole, is a Director of the Company and owns 25 shares of the Company's Common Stock.

EXPERTS

To the extent set forth in their report appearing elsewhere in this Prospectus, Alexander Grant & Company, independent certified public accountants, have examined the financial statements included herein. All such statements are included herein in reliance upon the report of such firm and upon the authority of such firm as experts in auditing and accounting.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Fitchburg Gas and Electric Light Company

We have examined the consolidated balance sheet of Fitchburg Gas and Electric Light Company and Subsidiary as of December 31, 1979 and the related consolidated statements of income, retained earnings and changes in financial position for each of the five years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in note 2 to the financial statements, the Company's method of billing and accounting for revenues under its fuel adjustment clause in effect from January 1 through September 26, 1974, has been challenged by the Attorney General of the Commonwealth of Massachusetts. The Company believes its methods are correct and has vigorously defended its procedures, but the ultimate outcome is uncertain and no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effect of such adjustments, if any, as might have been required had the outcome of the matter discussed above been known, the financial statements referred to above present fairly the consolidated financial position of Fitchburg Gas and Electric Light Company and Subsidiary at December 31, 1979 and the consolidated results of their operations and changes in their financial position for each of the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ALEXANDER GRANT & COMPANY

Boston, Massachusetts
February 7, 1980

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1979
Utility Plant (at cost):	
Electric	$29,788,954
Gas	10,763,237
Common	1,395,550
Construction work in progress (Note 9)	5,196,391
Gross Utility Plant	47,144,132
Less: Accumulated Depreciation (Note 1)	9,849,810
Net Utility Plant	37,294,322
Miscellaneous Physical Property (at cost)	26,005
Investments (Note 1)	348,006
Current Assets:	
Cash (Note 7)	1,727,899
Accounts receivable (including installment sales) — less allowance for doubtful accounts of $177,580	5,082,572
Refundable income taxes	264,990
Materials and supplies (at average cost)	877,721
Prepayments	829,875
Property tax abatements	462,821
Total Current Assets	9,245,878
Deferred Debits:	
Unamortized debt expense (amortized over term of securities)	275,932
Unamortized cost of abandoned properties (Note 3)	2,976,821
Other (Note 3)	646,331
Total Deferred Debits	3,899,084
TOTAL	$50,813,295

LIABILITIES AND CAPITALIZATION

Capitalization:	
Common Stock Equity:	
Common Stock, $10 par value:	
Authorized — 1,000,000 shares	
Outstanding — 455,475 shares	$ 4,554,750
Premium on Common Stock	1,754,358
Capital stock expense	(181,737)
Retained earnings (Note 5)	6,417,530
Total Common Stock Equity	12,544,901
Redeemable cumulative preferred stock (Note 4):	
Cumulative preferred stock, $100 par value:	
5⅛% Series:	
Authorized — 16,880 shares	
Outstanding — 16,460 shares	1,646,000
8% Series:	
Authorized — 25,000 shares	
Outstanding — 24,250 shares	2,425,000
Total Redeemable Preferred Stock	4,071,000
Long-term Debt (Note 6)	16,780,000
Total Capitalization	33,395,901
Current Liabilities:	
Long-term debt due within one year	123,000
Notes payable (Note 7)	5,420,000
Accounts payable	4,995,568
Customer deposits and refunds	258,675
Taxes accrued	167,860
Deferred income taxes (Notes 1 and 8)	131,266
Interest accrued	495,950
Total Current Liabilities	11,592,319
Deferred Credits:	
Unamortized investment tax credit (Note 1)	1,583,601
Other	70,219
Total Deferred Credits	1,653,820
Deferred Income Taxes (Notes 1 and 8)	4,122,357
Reserves — Other	48,898
TOTAL	$50,813,295

See notes to consolidated financial statements

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Retained Earnings, Beginning of Year	$5,304,422	$4,315,175	$4,060,789	$3,680,921	$3,425,241
Net Income	2,260,706	1,959,850	1,199,812	1,083,451	1,177,554
Total	7,565,128	6,275,025	5,260,601	4,764,372	4,602,795
Deduct					
Cash dividends declared:					
Cumulative preferred stock:					
5⅛% Series at an annual rate of $5.125 for the years 1975 and 1977 through 1979 and $3.844 in 1976	85,434	87,586	89,739	68,649	93,506
8% Series at an annual rate of $8.00 for the years 1975 and 1977 through 1979 and $6.00 in 1976	197,000	200,000	200,000	150,000	200,000
Common stock at an annual rate of $1.90, $1.50, $1.44, $1.065 and $1.38 per share	865,164	683,017	655,687	484,934	628,368
Total Deductions	1,147,598	970,603	945,426	703,583	921,874
Retained Earnings, End of Year	$6,417,530	$5,304,422	$4,315,175	$4,060,789	$3,680,921

See notes to consolidated financial statements.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Funds Provided By:					
Funds from Operations					
Net Income	$2,260,706	$ 1,959,850	$1,199,812	$ 1,083,451	$ 1,177,554
Principal Non-Cash Charges (Credits) to Income					
Depreciation	1,236,692	1,181,787	1,093,790	952,984	873,476
Deferred Federal income tax	687,646	344,666	430,278	456,260	366,273
Deferred state franchise tax	72,435	30,504	62,295	66,006	52,242
Amortization of investment tax credit	(89,049)	(61,766)	(52,348)	(48,699)	(34,504)
Allowance for other and borrowed funds used during construction	(628,700)	(416,705)	(248,207)	(135,086)	(451,593)
Property tax abatements	(270,813)	—	—	—	—
Amortization of deferred debits	722,385	648,490	238,309	252,232	190,558
Funds Provided by Operations	3,991,302	3,686,826	2,723,929	2,627,148	2,174,006
Other Sources — Net	179,616	224,299	893,960	492,679	1,043,017
Increase (Decrease) in Short-term Debt	4,450,000	(1,530,000)	2,200,000	(4,100,000)	400,000
Proceeds from Sale of Long-term Debt	—	—	—	3,000,000	—
Total Funds Provided	$8,620,918	$ 2,381,125	$5,817,889	$ 2,019,827	$ 3,617,023
Funds Applied To:					
Additions to Plant	$3,270,600	$ 3,098,508	$4,319,684	$ 2,193,438	$ 2,886,615
Investments in Non-utility Operations	233,844	271,222	—	—	—
Common Stock Dividends	865,164	683,017	655,687	484,934	628,368
Preferred Stock Dividends	282,434	287,586	289,739	218,649	293,506
Funds Used for Retirement of Securities:					
Long-term debt	198,000	191,000	47,000	288,750	186,250
Preferred stock	117,000	42,000	42,000	42,000	42,000
Increase (Decrease) in Working Capital, Excluding Short-Term Debt	3,653,876	(2,192,208)	463,779	(1,207,944)	(419,716)
Total Funds Applied	$8,620,918	$ 2,381,125	$5,817,889	$ 2,019,827	$ 3,617,023
Increase (Decrease) in Components of Working Capital, Excluding Short-term Debt:					
Cash	$1,268,148	$ (312,002)	$ 172,462	$ (463,362)	$ 624,371
Accounts receivable	1,197,227	71,440	525,979	36,702	(646,814)
Refundable income taxes	264,990	—	—	—	(293,706)
Materials and supplies	201,691	(20,487)	(59,737)	(95,453)	27,594
Prepayments	628,553	(29,591)	13,845	23,621	71,953
Property tax abatement	462,821	—	—	—	(336,657)
Accounts payable	(1,160,419)	(1,090,918)	(257,859)	(818,529)	(90,350)
Customer deposits and refunds	364,883	(256,117)	(328,744)	(2,528)	153
Taxes accrued	403,245	(508,104)	412,034	(318,350)	19,636
Deferred income taxes	65,690	(63,885)	22,164	264,705	189,008
Interest accrued	(42,953)	17,456	(36,365)	(65,085)	14,569
Dividends declared	—	—	—	230,335	536
Increase (Decrease) in Working Capital	$3,653,876	$(2,192,208)	$ 463,779	$(1,207,944)	$ (419,716)

See notes to consolidated financial statements.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Company is subject to regulation by The Department of Public Utilities of the Commonwealth of Massachusetts (the "DPU") with respect to its rates and accounting. The Company's accounting policies conform with generally accepted accounting principles, as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the DPU. A description of the Company's significant accounting policies follows:

Principles of Consolidation

On February 24, 1978, the Company invested $20,000 in the Common Stock of a wholly-owned subsidiary, Fitchburg Energy Development Company ("FEDCO"). FEDCO has invested in oil and gas drilling projects, which investment has been recorded employing the equity method. All intercompany items have been eliminated in consolidation.

Revenue Recognition

The Company records unbilled fuel adjustment revenue currently to properly match revenues with related costs. Such unbilled revenue for the five years ended December 31, 1979 was as follows: 1979 — $756,082, 1978 — $389,156, 1977 — $258,994, 1976 — $302,131 and 1975 — $811,981.

Depreciation

Annual provisions for depreciation are determined on a group straight line basis. Such provisions were equivalent to the following composite rates based on the average depreciable property balances at the beginning and end of each year: 1979 — 3.11%, 1978 — 3.01%, 1977 — 2.88%, 1976 — 2.64% and 1975 — 2.65%.

It is the accounting policy of the Company, in general, to treat maintenance, repairs and renewals as expenses in cases involving so-called items of non-units of property; if so-called units of property are involved (such as poles, gas mains, etc.), the costs incidental to replacements are capitalized and the units replaced are retired by crediting the original cost (estimated if not known) to the respective property accounts and concurrently charging depreciation reserves. All expenses covering the cost of removal are charged and any salvage realized is credited to the retirement reserves.

Accounting for Income Taxes

For income tax purposes the Company excludes a portion of unbilled fuel adjustment revenue and accordingly provides deferred income taxes payable in the succeeding year on such revenue which is carried as a current asset.

The Company has used an accelerated method of depreciation which presently results in the annual tax depreciation being in excess of book depreciation, and has deducted currently certain elements of construction overheads that are capitalized for book purposes. For each of these differences the Company provides for deferred income tax as approved for rate making purposes. In addition, the Company has recorded deferred income taxes related to certain abandoned properties which are recognized as tax losses at differing times.

In addition to the above, the Company, in 1979, capitalized certain maintenance costs for a generating unit, yet continued to deduct these costs currently for tax purposes. Deferred income taxes have been provided for this timing difference.

Note 1. Summary of Significant Accounting Policies — (Continued)

The annual investment tax credits permitted by additions to the Company's utility property are being amortized into income rateably over the estimated productive lives of the related assets as allowed by the DPU. Such deferrals for the five years ended December 31, 1979 were as follows: 1979 — \$308,687, 1978 — \$292,457, 1977 — \$166,175, 1976 — \$387,183 and 1975 — \$494,130.

The Company has elected to account for investment tax credits on non-utility property additions, primarily related to FEDCO, by the "flow-through" method. Under this method credits are recognized as a reduction of Federal income tax expense in the year utilized. In 1979 and 1978 these credits amounted to \$7,607 and \$10,380, respectively.

In accordance with provisions of the Tax Reduction Act of 1975, as amended, an additional 1% (1½% in 1979 and 1978) investment tax credit resulting from the Company's election to adopt a federal Tax Reduction Act Employee Stock Ownership Plan ("TRAESOP") has been utilized in reducing federal income taxes payable since the year ended December 31, 1976. In accordance with provisions of the Act the resulting tax benefits are not used to reduce current federal income tax expense. The additional credit is accounted for as a payment to the TRAESOP in lieu of an income tax payment to the United States Government.

Allowance for Funds Used During Construction

An allowance for funds used during construction ("AFUDC"), a non-cash item, is included in construction work in progress. The objective of AFUDC is to present the earnings that would result in the absence of construction programs and the related financing requirements during the period of construction. Accordingly, AFUDC capitalizes the cost of debt and equity employed in meeting these financing requirements, based upon a composite rate applied to construction work in progress, which assumes that funds used for construction were provided by borrowings, preferred stock and common equity. Prior to 1977, AFUDC was reported on the basis of an overall rate applicable to all funds.

The combined rates used in calculating AFUDC were approximately 14%, 11% and 10% for the years 1979, 1978 and 1977, respectively. The rate used in calculating AFUDC was 10% for the years 1976 and 1975. For the years prior to 1977, the caption "All funds" reflects total AFUDC. For the year 1977 and subsequent years, the total of "Allowance for funds used during construction — other funds" and "Allowance for borrowed funds used during construction" is comparable to total AFUDC reported in prior years.

AFUDC amounted to 31.8%, 24.9%, 27.3%, 17.1% and 51.1% of the net income applicable to Common Stock for the years 1979, 1978, 1977, 1976 and 1975, respectively.

The Company has not reclassified AFUDC into its debt and equity components for periods prior to January 1, 1977 because it believes such reclassification would be inappropriate since the allocation between the debt and equity components for periods prior to January 1, 1977 could not be comparable to the allocation between such components determined after December 31, 1976 utilizing the revised procedures of FERC.

Assuming that funds used to finance construction during the years 1976 and 1975 were obtained from various sources of capital in the same proportion as the capitalization ratios for those years, the common equity component of the allowance for funds used during construction as related to net income applicable to Common Stock, after giving tax effect to the interest component relating to long-term debt, is estimated at approximately 11.1% in 1976 and 34.4% in 1975.

Note 2. Regulatory Matters

Revenue Adjustments

The Company's method of billing and accounting for revenue under its fuel adjustment clause in effect through September 26, 1974 has been challenged before the DPU by the Attorney General of The Commonwealth of Massachusetts. The required monthly fuel adjustment schedule theretofore filed with the DPU had not been disputed by the regulatory authority. The aggregate portion of such fuel adjustment clause revenues recorded by the Company and challenged by the Attorney General is approximately equal to $724,000 and is equivalent to $.83 per average common share outstanding on 1974 earnings, after giving tax effect thereto. The Company has vigorously defended its procedures in proceedings before the DPU, the outcome of which is uncertain. No provision for any liability that may result has been made in the Consolidated Financial Statements.

The Company's billing and accounting for revenues under the fuel adjustments based on costs incurred after September 26, 1974 are being made under a new fuel adjustment clause which took effect on September 27, 1974 and are not being challenged.

Conclusion of Rate Appeal

On February 14, 1977, the Company filed with the DPU revised rates designed to increase electric revenues by $2,795,000 and gas revenues by $838,000, which proposed rates were suspended. In accordance with the Order of the DPU dated August 31, 1977 in DPU 19084 and the Supplemental Order thereto dated September 15, 1977, the Company was allowed to file new rates designed to produce annually an additional $1,062,109 in electric revenues and $553,734 in gas revenues.

On September 15, 1977, the Company appealed this rate decision to the Supreme Judicial Court of Massachusetts ("SJC"), and on October 21, 1977, the SJC granted the Company's request for a stay. This stay allowed the Company to collect an additional $472,831 in annual electric revenues, subject to refund if the Company did not prevail in its appeal.

On June 30, 1978, the SJC issued its order instructing the DPU to reconsider how much in revenues the Company should be allowed.

On October 5, 1978, the DPU issued its final ruling allowing the Company to retain the $472,831 annual amount collected under the stay and, authorized an additional $269,240 in electric rates.

The October 5, 1978 DPU order concluded the rate action initiated by the Company in February, 1977. Of the $3,633,000 originally requested, the total amount granted was $2,357,914.

Note 3. Deferred Debits

Unamortized Cost of Abandoned Properties

The unamortized cost of abandoned properties is being amortized at various rates as ordered by by the DPU.

On November 1, 1979, the Company began amortizing the costs of its investment in the Charlestown Units 1 and 2 proposed nuclear generating plants. This abandonment was precipitated by the announcement on October 9, 1979 by the lead participant, New England Electric System, to defer indefinitely the in-service date and the subsequent announced termination of this project. On November 27, 1979 the DPU approved the Company's request to amortize approximately $653,000 over a 36 month period. The Company will request from the DPU permission to apply similar treatment to any additional costs associated with these Units.

Note 3. Deferred Debits — (Continued)

The amounts to be amortized for all properties over the next five years are as follows: 1980, \$838,309; 1981, \$723,467; 1982, \$629,867; 1983, \$58,523; 1984, \$58,523.

Other Deferred Debits — At December 31, 1979, other deferred debits are composed of the following:

Property tax abatements (Due 1981)	\$270,813
Preliminary survey and engineering costs	101,688
Deferred maintenance costs (amortized based upon generation)	195,192
Miscellaneous	78,638
Total other deferred debits	\$646,331

Note 4. Redeemable Cumulative Preferred Stock

The Cumulative Preferred Stock, 5⅛% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation, and in involuntary liquidation at \$100 per share, both plus accrued dividends. Shares of the 5⅛% Series are redeemable at the Company's option at \$102.56 per share on or before May 31, 1981 and at \$101.28 thereafter. The Company is required to purchase on June 1 of each year not less than 420 shares, unless a lesser amount of shares is tendered, at \$100 per share plus accrued dividends.

The Cumulative Preferred Stock, 8% Series, is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation and in involuntary liquidation at \$100 per share, both plus accrued dividends. Shares of the 8% Series are redeemable at the Company's option at \$108.00 per share on or before August 31, 1983 and at diminishing premium rates thereafter. The Company is required to purchase on June 1 of each year beginning in 1979 not less than 750 shares, unless a lesser amount of shares is tendered, at \$100 per share plus accrued dividends.

Purchases of redeemable Cumulative Preferred Stock during the five years ending December 31, 1979 consisted of the following:

Dividend Series	1979	1978	1977	1976	1975
5⅛%	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
8%	\$75,000	—	—	—	—

The aggregate amount of sinking fund requirements in each of the five years following 1979 is \$117,000.

Note 5. Restrictions on Retained Earnings

Under the most restrictive provisions of the Indentures relating to the Company's long-term debt \$4,324,106 of retained earnings were available for the payment of cash dividends on Common Stock at December 31, 1979.

Note 6. Long-term Debt

Details of Long-term Debt at December 31, 1979 are shown below:

Twenty-five year notes, 4⅞%, due February 1, 1984	$ 3,183,000
Twenty-five year notes, 9⅜%, due March 1, 1995	6,900,000
Twenty year notes, 10%, due September 1, 1996	3,000,000
Twenty-five year notes, 10¼%, due May 1, 1999	3,820,000
Total	16,903,000
Less: Installments due within one year	123,000
Total Long-term Debt	$16,780,000

The aggregate amount of sinking fund requirements for each of the five years following 1979 are: 1980, $123,000; 1981, $198,000; 1982 and 1983, $398,000 and 1984, $3,366,000. The Company has satisfied the 1980 sinking fund requirement for the 9⅜% Notes in the amount of $75,000.

Note 7. Notes Payable

The Company has agreed to maintain certain average amounts on deposit or pay certain fees in lieu of compensating balances. Certain of the lines of credit require that compensating balances be increased in relation to usage. Compensating balances at December 31, 1979, were approximately $985,000. Information with regard to short-term bank loans at December 31, 1979, and for the year then ended follows:

As of end of year:	
Weighted average interest rate	15.33%
Unused line of credit	$4,230,000
For year ended:	
Weighted daily average interest rate	13.01%
Average borrowings	$2,441,400
Maximum borrowings at month end	$5,420,000
Month such maximum occurred	December

Note 8. Federal Income Tax

Federal income tax expense comprises the following components:

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Current expense charged (credited):					
Operating expenses	$ 957,846	$1,216,342	$561,677	$762,160	$310,790
Non-operating income	(123,736)	(78,949)	(1,235)	19,224	32,419
Amortization of investment tax credit	(89,049)	(61,766)	(52,348)	(48,699)	(34,504)
	745,061	1,075,627	508,094	732,685	308,705
Deferred tax expense charged (credited):					
Deferred unbilled revenue	74,905	61,180	(19,360)	(226,288)	(170,027)
Accelerated tax depreciation	278,315	284,733	308,288	363,066	279,588
Abandoned properties	39,085	(156,853)	—	—	—
Overheads and other	217,473	92,910	100,782	40,700	86,685
Deferred maintenance costs	85,303	—	—	—	—
Percentage repair allowance	19,949	57,181	21,208	52,494	—
	715,030	339,151	410,918	229,972	196,246
Non-operating expense	44,692	67,317	—	—	—
	759,722	406,468	410,918	229,972	196,246
Total expense	$1,504,783	$1,482,095	$919,012	$962,657	$504,951

Note 8. Federal Income Tax — (Continued)

The Federal income tax amounts included in the Consolidated Statement of Income differ from the amounts which result from applying the statutory Federal income tax rate to Net Income before income tax. The reasons, with related percentage effects, are as shown below:

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Statutory Federal income tax rate	46%	48%	48%	48%	48%
Income tax effects of timing differences:					
Allowance for funds used during construction	(5)	(4)	(4)	(3)	(14)
Miscellaneous	(1)	(1)	(1)	2	(4)
Effective Federal income tax rate	40%	43%	43%	47%	30%

Note 9. Commitments

Lease obligations

In accordance with the guidelines of Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board, the Company is disclosing pertinent information regarding its capital leases. The Securities and Exchange Commission requires, for rate-regulated enterprises, disclosure of the effect on the balance sheet and on expenses if such leases had been capitalized, pending the results of its review of the Statement's applicability to rate-regulated enterprises.

The Company has a significant twenty-five year lease which began April 1, 1973 for a combustion turbine and a liquefied natural gas storage facility. The lease is subject to a ten year renewal period at the option of the Company at an annual rental of 14½% of the aggregate fair market value as at the end of the initial lease term. Under certain conditions the Company has the right to purchase the units at an independently appraised market value. Under the lease, the Company has the obligation to maintain the equipment in good operating condition and pay all taxes and insurance on said equipment.

Had the Company capitalized its capital leases at December 31, 1979 the asset and related liability which would have been recorded on the balance sheet for the Company's capital leases were $2,202,922 and $2,538,358, respectively. Had the Company capitalized its capital leases, Depreciation and Other Interest Charges would have increased and Operating Expenses, Other would have decreased as follows:

	Year ended December 31,				
	1979	1978	1977	1976	1975
Depreciation	$ 171,721	$ 162,733	$ 143,010	$ 116,720	$ 116,720
Other Interest Charges	$ 181,920	$ 179,180	$ 180,854	$ 176,728	$ 180,887
Operating Expenses, Other	$(307,493)	$(287,507)	$(274,476)	$(236,954)	$(236,954)

The minimum commitments under all non-cancellable long-term leases in effect at December 31, 1979 are as follows: 1980 — $309,884; 1981 — $286,325; 1982 — $262,930; 1983 — $255,073; 1984 — $249,495; 1985-1989 — $1,141,148 aggregate for the period; 1990-1994 — $1,126,043 aggregate for the period; and 1995 and thereafter — $788,230 aggregate.

Total rental expenses for the five years ended December 31, 1979, 1978, 1977, 1976 and 1975 amounted to $430,309, $428,289, $445,630, $467,163 and $367,641, respectively.

As of December 31, 1979 the Company had executed a commitment letter to purchase computer system hardware and peripheral equipment, with an acquisition cost of approximately $211,000 to be in operation by the end of 1980. The Company intends to finance this acquisition by means of a third-party sale and leaseback arrangement.

Note 9. Commitments — (Continued)

Pension Plans

The Company has in effect two funded Pension Plans and related Trust Agreements to provide retirement annuities for participating employees at age 65. The entire amount of the annual contribution under the actuarial requirements of the Plans is borne by the Company.

The Company's contribution to the Plans during the five years ended December 31, 1979, 1978, 1977, 1976 and 1975 amounted to $519,323, $497,077, $459,880, $439,419 and $425,037, respectively, which includes amortization of prior service costs over a period of thirty years.

The Company's policy is to fund the pension cost accrued. The actuarially computed value of vested benefits as of January 1, 1979, the date of the latest actuarial valuation, exceeded the total of the pension fund by $3,969,379. The aggregate amount of unfunded prior service costs as of the same date was $5,105,390.

Joint Ownership Units and Construction

The Company is participating on a tenancy-in-common basis with other New England utilities in the construction and ownership of eight generating units. New Haven Harbor and Wyman Unit #4, both oil-fired stations, have been in commercial operation since August 1975 and December 1978, respectively. The remaining six nuclear units are planned or under construction.

Details relating to the various units are as follows:

Joint Ownership Units	State	Proportionate Share of Total Ownership %	Proportionate Share of Total Ownership MW	Company's Share in Thousands of Dollars: Amount of Utility Plant in Service	Accumulated Depreciation	Amount Expended through 12/31 1979	Total Estimated Cost of Construction
Seabrook Units #1 & 2	New Hampshire	0.1710	3.9	—	—	1,962	5,851
Millstone Unit #3	Connecticut	0.217	2.5	—	—	1,762	7,037
Pilgrim Unit #2	Massachusetts	0.19	2.2	—	—	827	5,565
Montague Units #1 & 2	Massachusetts	0.35	8.1	—	—	250	12,293
Wyman Unit #4	Maine	0.1822	1.1	396	19		
New Haven Harbor	Connecticut	4.5	20.1	6,930	828		
			37.9	$7,326	$847	$4,801	$30,746

The Company's share of direct operating expenses of the joint ownership units is included in the corresponding operating expense on its income statement.

On January 26, 1979, the common shareholders approved the acquisition of an additional 0.43332% ownership interest in each of the Seabrook Units from The Connecticut Light and Power Company. The Company has made an agreement to purchase up to an additional 0.26087% ownership in each of the Seabrook Units from Public Service Company of New Hampshire, subject to the approval of the common shareholders. The purchase of both additional interests, representing approximately an additional 16 MW, has been excluded from the information presented herein, pending final approval of the purchases by the DPU.

The Company expects to finance the cost of its participation in the Units initially through the use of short-term borrowings. At the appropriate times, short-term borrowings are expected to be replaced by permanent financing.

The Company estimates construction requirements relative to these Units of approximately $10,160,000 during the next five year period ending December 31, 1984.

Reference is made to "The Company" and "Construction Program" for additional information regarding the Company's joint ownership in several nuclear units and the problems faced by the nuclear facilities.

Note 10. Electric Facilities Purchased

New England Power Company received final regulatory approval from the Securities and Exchange Commission and on June 1, 1977, the Flagg Pond and Beech Street substations and associated 69KV and 13.8KV lines were integrated into the Company's electric system. The purchase of this equipment located within the Company's service area ended a 68-year old arrangement under which New England Power had served six large industrial customers within the Company's service area.

Note 11. Segment Information

	Electric Operations		
	1979	1978	1977
Operating revenues	$24,475,296	$21,157,542	$19,061,399
Operating income before income taxes	$ 3,910,716	$ 3,654,896	$ 2,691,154
Identifiable assets as of December 31	$32,460,207	$30,724,323	$29,387,092
Depreciation	$ 955,004	$ 932,260	$ 886,491
Construction expenditures	$ 1,841,551	$ 2,339,849	$ 3,664,804

	Gas Operations		
	1979	1978	1977
Operating revenues	$ 9,786,185	$ 7,919,991	$ 6,860,860
Operating income before income taxes	$ 1,355,870	$ 1,185,032	$ 916,881
Identifiable assets as of December 31	$11,097,002	$ 8,987,224	$ 8,131,480
Depreciation	$ 281,688	$ 249,527	$ 207,299
Construction expenditures	$ 1,429,049	$ 758,659	$ 654,880

	Total Company		
	1979	1978	1977
Operating revenues	$34,261,481	$29,077,533	$25,922,259
Operating income before income taxes	$ 5,266,586	$ 4,839,928	$ 3,608,035
Income taxes	(1,762,468)	(1,607,717)	(1,064,073)
Non-operating income	88,714	201,991	111,902
Net income deductions	(1,332,126)	(1,474,352)	(1,456,052)
Net income	$ 2,260,706	$ 1,959,850	$ 1,199,812
Identifiable assets as of December 31	$43,557,209	$39,711,547	$37,518,572
Unallocated assets, primarily working capital	$ 7,256,086	$ 4,513,480	$ 4,916,140
Total assets as of December 31	$50,813,295	$4[illegible],225,027	$42,434,712
Depreciation	$ 1,236,692	$ 1,181,787	$ 1,093,790
Construction expenditures	$ 3,270,600	$ 3,098,508	$ 4,319,684

Note 11. Segment Information — (Continued)

Expenses used to determine operating income before taxes are charged directly to either segment or are allocated in accordance with factors contained in cost of service studies which were included in rate applications approved by the DPU. Assets allocated to each segment are based upon specific identification of such assets provided by Company records. Assets not so identified represent primarily working capital items.

Note 12. Supplementary Income Statement Information

Amounts recorded for maintenance and repairs and depreciation are set forth separately in the Consolidated Statement of Income. There were no fees or royalties.

Information as to taxes other than federal taxes on income is as follows:

	Year Ended December 31,				
	1979	1978	1977	1976	1975
Taxes Other Than Federal Income Taxes:					
Charged directly to operating expenses:					
Other Taxes					
Miscellaneous Federal taxes	$ 147,890	$ 120,210	$ 117,409	$ 101,291	$ 102,657
Miscellaneous state taxes	45,779	46,649	42,255	42,592	32,213
	193,669	166,859	159,664	143,883	134,870
State gross earnings (franchise) tax	178,641	113,990	143,826	133,922	87,624
Municipal property taxes	1,362,511	1,693,904	1,528,762	1,384,481	1,253,906
Abatement of prior year	(244,076)	—	—	—	—
	1,490,745	1,974,753	1,832,252	1,662,286	1,476,400
Charged to other accounts:					
Taxes capitalized to plant	33,046	31,705	26,878	31,701	35,545
State gross earnings (franchise) tax charged to non-operating income and jobbing	1,530	1,086	(179)	2,784	5,201
Miscellaneous taxes charged to other accounts	2,638	3,083	2,579	12,574	9,986
	37,214	35,874	29,278	47,059	50,732
	$1,527,959	$2,010,627	$1,861,530	$1,709,345	$1,527,132
Rents Charged to Operations	$ 430,309	$ 428,289	$ 445,630	$ 467,163	$ 367,641

Note 13. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1979 and 1978 is as follows:

	Three Months Ended							
	March 31		June 30		Sept. 30		Dec. 31	
	1979	1978	1979	1978	1979	1978	1979	1978
Total operating revenues	$9,262,880	$8,913,440	$7,903,958	$6,585,503	$7,790,297	$5,988,814	$9,304,346	$7,589,776
Operating income	$ 942,984	$1,032,845	$ 689,517	$ 692,098	$ 667,486	$ 677,117	$1,204,131	$ 830,151
Net income	$ 654,713	$ 689,468	$ 424,545	$ 391,099	$ 319,478	$ 365,942	$ 861,970	$ 513,341
Earnings per share	$1.28	$1.36	$.78	$.70	$.55	$.65	$1.73	$.96

Net income for the quarter ended December 31, 1979 has been increased by $376,478 or $.83 of earnings per common share, resulting from abatements of real estate taxes.

UNDERWRITING

The Underwriters named below have severally agreed, subject to the terms and conditions of a purchase agreement, to purchase from the Company the following respective numbers of shares of Additional Common Stock:

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
	100,000

The purchase agreement provides that the Underwriters are committed to purchase all of the shares of Additional Common Stock if any are purchased.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Liberty Plaza, New York, New York 10080, the Representative of the Underwriters, has advised the Company that sales of shares of Additional Common Stock to certain dealers may be made at a concession of $ per share and the Underwriters may allow, and such dealers may reallow, discounts of not in excess of $ per share on sales to certain other dealers. After the initial public offering, the public offering price, concession and reallowance may be changed.

The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

Fitchburg Gas
and
Electric Light Company

100,000 Shares Common Stock
($10 Par Value)

FG&E

PROSPECTUS

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Dated May , 1980

ATTACHMENT 8

ADDITIONAL FINANCIAL INFORMATION SEABROOK

STATION, UNIT NOS. 1 & 2

3A. Table I indicates our total cost for this project. From 4/1/80 to completion Table II shows the total expected capital costs of the Department thru 1985. A 5% depreciation rate is assumed.

3B. At present no bond financing is anticipated to meet our projected costs for Seabrook. Should borrowing become necessary the principal and interest would be paid out of current operating funds derived from the sale of energy.

3C. Last borrowing took place on July 15, 1962. Amount was $450,000.00 at a rate of 3%. These were general obligation bonds. We had no problems at that time in floating this issue. We have no outstanding long term debt at present.

3D. Copies attached.

3E. The participants percentage ownership share in the facility is equal to its percentage entitlement in the electrical capacity and output of the Plant.

3F. "The Mayor of a City, or the Selectmen or Municipal Light Board, if any, of a Town acquiring a gas or electric plant shall appoint a Manager of municipal lighting, who shall under the direction and control of the Mayor, Selectmen or Municipal Light Board, if any, and subject to this chapter, have full charge of the operation and management of the plant". 1/

SCHEDULE OF PRICES FOR GAS AND ELECTRICITY

There shall be fixed schedules of prices for gas and electricity, which shall not be changed oftener than once in three months. Any change shall take effect on the first day of a month, and shall first be advertised in a newspaper, if any, published in the municipality. No price in said schedules shall, without the written consent of the department,2/ be fixed at less than production cost as it may be defined from time to time by order of the Department.2/ Such schedules of prices shall be fixed to yield not more than eight per cent per annum on the cost of the plant, as it may be determined from time to time by order of the Department,2/ after the payment of all operating expenses, interest on the outstanding debt, the requirements of the serial debt or sinking fund established to meet said debt, and also depreciation of the plant reckoned as provided in section fifty-seven and losses; but any losses exceeding three per cent of the investment in the plant may be charged in succeeding years at not more than three per cent per annum. The gas and electricity used by the municipality for any purpose except street lighting shall be charged for in accordance with the prices in the fixed schedules. The gas and electricity used by the municipality for street lighting shall be charged for at a cost to be determined as follows: the sum of all operating expenses, interest on the outstanding debt, the requirements of the serial debt or sinking fund established to meet said debt, and also depreciation of the plant reckoned as provided in section fifty-seven, and losses, shall be the dividend; the kilowatt hours sold including those supplied for street lighting shall be the divisor, and the resulting quotient multiplied by the kilowatt hours supplied for street

1/ Chapter 164, Section 56, Massachusetts General Laws
2/ Department - Massachusetts Department of Public Utilities

Lighting shall be the cost to be charged to the municipality for street lighting. In lieu of the method of determining charges for electricity used by the municipality for street lighting, as set forth in the preceding sentence, electricity so used may be charged for at a cost in accordance with a street lighting schedule filed with and approved by the Department. 2/ 3/

NOTICE OF CHANGE OF PRICE TO DEPARTMENT

When a town fixes or changes a price, a notice thereof in form specified by the Department shall be filed within sixty days with the Department by the Manager of municipal lighting, and for the failure to do so he shall forfeit not more than twenty-five dollars. 4/

1/ Chapter 164, Section 56, Massachusetts General Laws
2/ Department - Massachusetts Department of Public Utilities
3/ Chapter 164, Section 58, Massachusetts General Laws
4/ Chapter 164, Section 59, Massachusetts General Laws

TABLE I

HUDSON LIGHT AND POWER DEPARTMENT

ESTIMATED TOTAL CASH FLOW REQUIREMENTS

SEABROOK UNITS 1 & 2

PERIOD	ESTIMATED UNIT EXPENDITURES (1)
4/1/80 - 12/31/80	$ 316,333
1981	346,555
1982	260,868
1983	196,651
1984	99,730
1985	8,279

(1) Included Fuel

TABLE II

HUDSON LIGHT AND POWER DEPARTMENT

ESTIMATED TOTAL CAPITAL REQUIREMENTS

SEABROOK AND OTHER PROJECTS

PERIOD	TOTAL CAPITAL EXPENDITURES
4/1-12/31/80	$712,193
1981	728,460
1982	823,713
1983	802,115
1984	748,658
1985	779,802

TABLE III

ESTIMATED INTERNAL FUNDS AVAILABLE

TO MEET CAPITAL EXPENDITURES

PERIOD	TOTAL FUNDS AVAILABLE DURING PERIOD
4/1 - 12/31/80	$1,941,000
1981	1,735,000
1982	1,526,000
1983	1,225,000
1984	962,000
1985	800,000

COMPARATIVE BALANCE SHEET Assets and Other Debits

Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	UTILITY PLANT			
2	101 Utility Plant — Electric (P. 17)	$4,962,170.50	$ 4,939,641.56	$ (22,528.94)
3	101 Utility Plant — Gas (P. 20)	None	None	None
4				
5	Total Utility Plant	4,962,170.50	4,939,641.56	(22,528.94)
6				
7				
8				
9				
10				
11	FUND ACCOUNTS			
12	125 Sinking Funds	None	None	None
13	126 Depreciation Fund (P. 14)	1,154,367.91	1,380,208.42	225,840.51
14	128 Other Special Funds	54,041.70	66,884.56	12,842.86
15	Total Funds	1,208,409.61	1,447,092.98	238,683.37
16	CURRENT AND ACCRUED ASSETS			
17	131 Cash (P. 14)	315,852.52	81,974.00	(233,878.52)
18	132 Special Deposits	82,379.94	88,374.42	5,994.48
19	135 Working Funds	100.00	100.00	.00
20	141 Notes Receivable	None	None	None
21	142 Customer Accounts Receivable	500,477.93	591,477.74	90,999.81
22	143 Other Accounts Receivable	13,293.92	26,452.78	13,158.86
23	146 Receivables from Municipality	15,710.53	20,129.72	4,419.19
24	151 Materials and Supplies (P. 14)	392,914.59	454,174.80	61,260.21
25	171 Interest Receivable	26,113.12	37,910.01	11,796.89
26	165 Prepayments	98,250.61	157,898.30	59,647.69
27	174 Miscellaneous Current Assets	None	None	None
28	Total Current and Accrued Assets	1,445,093.16	1,458,491.77	13,398.61
29	DEFERRED DEBITS			
30	181 Unamortized Debt Discount	None	None	None
31	182 Extraordinary Property Losses	None	None	None
32	185 Other Deferred Debits	23,862.75	41,477.39	17,614.64
33	Total Deferred Debits	23,862.75	41,477.39	17,614.64
34				
35	Total Assets and Other Debits	7,639,536.02	7,886,703.70	247,167.68

POOR ORIGINAL

M

COMPARATIVE BALANCE SHEET Liabilities and Other Credits

Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	APPROPRIATIONS			
2	201 Appropriations for Construction	None	None	None
3	SURPLUS			
4	205 Sinking Fund Reserves	None	None	None
5	206 Loans Repayment	1,925,000.00	1,925,000.00	.00
6	207 Investment of Municipality	20,093.39	20,093.39	.00
7	208 Unappropriated Earned Surplus (P. 12)	5,009,491.83	5,108,903.44	99,411.61
8	Total Surplus	6,954,585.22	7,053,996.83	99,411.61
9	LONG TERM DEBT			
10	221 Bonds (P. 6)	None	None	None
11	231 Notes Payable (P. 7)	None	None	None
12	Total Bonds and Notes	None	None	None
13	CURRENT AND ACCRUED LIABILITIES			
14	232 Accounts Payable	505,598.84	703,347.22	197,748.38
15	234 Payables to Municipality	None	None	None
16	235 Customers' Deposits	82,379.94	88,374.42	5,994.48
17	236 Taxes Accrued	None	None	None
18	237 Interest Accrued	None	None	None
19	242 Miscellaneous Current and Accrued Liabilities	58,822.02	2,885.23	(55,936.79)
20	Total Current and Accrued Liabilities	646,800.80	794,606.87	147,806.07
21	DEFERRED CREDITS			
22	251 Unamortized Premium on Debt	None	None	None
23	252 Customer Advances for Construction	38,150.00	38,100.00	(50.00)
24	253 Other Deferred Credits	None	None	None
25	Total Deferred Credits	38,150.00	38,100.00	(50.00)
26	RESERVES			
27	260 Reserves for Uncollectible Accounts			
28	261 Property Insurance Reserve			
29	262 Injuries and Damages Reserves			
30	263 Pensions and Benefits Reserves			
31	265 Miscellaneous Operating Reserves			
32	Total Reserves	None	None	None
33	CONTRIBUTIONS IN AID OF CONSTRUCTION			
34	271 Contributions in Aid of Construction	None	None	None
35	Total Liabilities and Other Credits	7,639,536.02	7,886,703.70	247,167.68

State below if any earnings of the municipal lighting plant have been used for any purpose other than discharging indebtedness of the plant, the purpose for which used and the amount thereof.

TRANSFERRED $175,000.00 TO TOWN

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Total: Current Year (b)	Total: Increase or (Decrease) from Preceding Year (c)
1	OPERATING INCOME		
2	400 Operating Revenues (P. 37 and 43)	5,563,763.98	801,520.67
3	Operating Expenses:		
4	401 Operation Expense (P. 42 and 47)	4,692,145.85	1,054,604.41
5	402 Maintenance Expense (P. 42 and 47)	236,506.87	49,487.35
6	403 Depreciation Expense	487,186.23	7,805.83
7	407 Amortization of Property Losses	None	None
8			
9	408 Taxes (P. 49)	None	None
10	Total Operating Expenses	5,415,838.95	1,111,897.59
11	Operating Income	147,925.03	(310,376.92)
12	414 Other Utility Operating Income (P. 50)	None	None
13			
14	Total Operating Income	147,925.03	(310,376.92)
15	OTHER INCOME		
16	415 Income from Merchandising, Jobbing and Contract Work (P. 51)	362.53	362.53
17	419 Interest Income	126,060.28	47,765.89
18	421 Miscellaneous Nonoperating Income	63.77	63.77
19	Total Other Income	126,486.58	48,192.19
20	Total Income	274,411.61	(262,184.73)
21	MISCELLANEOUS INCOME DEDUCTIONS		
22	425 Miscellaneous Amortization		
23	426 Other Income Deductions		
24	Total Income Deductions	None	None
25	Income Before Interest Charges	274,411.61	(262,184.73)
26	INTEREST CHARGES		
27	427 Interest on Bonds and Notes		
28	428 Amortization of Debt Discount and Expense		
29	429 Amortization of Premium on Debt — Credit		
30	431 Other Interest Expense		(10.02)
31	432 Interest Charged to Construction — Credit		
32	Total Interest Charges	None	(10.02)
33	NET INCOME	274,411.61	(262,174.71)

EARNED SURPLUS

Line No.	(a)	Debits (b)	Credits (c)
34	208 Unappropriated Earned Surplus (at beginning of period)		5,009,491.83
35			
36			
37	433 Balance Transferred from Income		274,411.61
38	434 Miscellaneous Credits to Surplus (P. 21)		
39	435 Miscellaneous Debits to Surplus (P. 21)		
40	436 Appropriations of Surplus (P. 21)	175,000.00	
41	437 Surplus Applied to Depreciation		
42	208 Unappropriated Earned Surplus (at end of period)	5,108,903.44	
43			
44	TOTALS	5,283,903.44	5,283,903.44

POOR ORIGINAL

ATTACHMENT 9

Responses of the Massachusetts Municipal Wholesale Electric Company (MMWEC) to Requests for Additional Financial Information - Seabrook Station, Unit Nos. 1 and 2:

3a Q: Provide a detailed statement of the projected sources of funds and respective dollar amounts for the applicant's total contributions to the capital costs of Seabrook Station, Units 1 and 2. Include a detailed explanation of the assumptions upon which the projected sources of funds are based.

A All funds projected to be required for MMWEC's share of the capital cost of the Seabrook Station will be raised through the issuance of tax-exempt debt obligations. MMWEC is a public corporation and political subdivision of the Commonwealth of Massachusetts. As such, MMWEC has no stockholders, operates on a non-profit basis with no net income or retained earnings and is exempt from State and Federal taxes.

b. Q: If the applicant is to finance its ownership share with bonds, indicate the source of funds for payment of interest charges and principal.

A The principal and interest are payable from the revenues derived by MMWEC from its Power Supply System. Such revenues include all payments to be made to MMWEC by signatories to Power Sales Agreements with MMWEC.

MMWEC is the joint action power supply agency for 31 member Massachusetts municipal electric systems (Members). Members and others (Non-member Participants) enter into Power Sales Agreements with MMWEC with respect to the output of specific electric generating facilities (Projects). These Power Sales Agreements require each Participant in a Project to pay its share of all of MMWEC's costs associated with the Project, including debt service on obligations issued by MMWEC to acquire or construct the project, whether or not the Project is completed or operating.

c. Q: Describe the nature, amount, rating, and success of the applicant's most recent revenue and general obligation bond sales. Indicate the current total outstanding indebtedness in each category for each entity.

A MMWEC is authorized to issue revenue bonds under Chapter 775 of the Massachusetts Acts of 1975. In August 1979, MMWEC issued Power Supply System Revenue Bonds, 1979 Series A, in the amount of $150,000,000. These bonds were rated A by Moody's Investors Service and A+ by Standard and Poors. These bonds were marketed in an orderly fashion. At the present time, MMWEC has outstanding Power Supply System Revenue Bonds in the amount of $560,870,000 and Notes Payable in the amount of $35,000,000.

d. Q: Provide copies of the most recent (December 1979 Annual and most recent six-month and 12-month) Financial Statements of the applicant.

A Copies of the audited Financial Statements of MMWEC as of December 31, 1979 and 1978 are attached.

e. Q: Is each participant's percentage ownership share in the facility equal to its percentage entitlement in the electrical capacity and output of the plant? If not, explain the difference(s) and any resultant effect on any participant's obligation to provide its share of design and construction costs.

A MMWEC's percentage ownership share is equal to its percentage entitlement in the capacity and energy from the plant.

f. Q: Describe the rate-setting authority of the applicant and how that authority may be used to ensure the satisfaction of financial obligations under the Purchase and Ownership Participation Agreements for Seabrook Station.

A MMWEC is required to fix and collect charges sufficient to pay the costs of each Project, including debt service. MMWEC's ability to ensure satisfaction of its financial obligations arises from the Power Sales Agreements. Signatories to Power Sales Agreements covenant to fix electric rates sufficient to provide revenues to meet their obligations under the Power Sales Agreement and to pay all of their other electric system obligations. MMWEC charges under the Power Sales Agreements, and the rates of Member Participants are not subject to Massachusetts Department of Public Utilities' approval.