BOSTON EDISON COMPANY
EXECUTIVE OFFICES
800 BOYLSTON STREET
BOSTON, MASSACHUSETTS 02199

THOMAS J. MAY
ASSISTANT TREASURER

November 21, 1980

Mr. Jerome Saltzman, Chief
Antitrust Indemnity Group
Nuclear Regulatory Commission
U. S. Nuclear Regulatory Agency
Washington, D. C. 20555

Re: Docket No. 50-293

Dear Mr. Saltzman:

Enclosed please find the data necessary for compliance with the 1975 amendments to the Price Anderson Act (Public Law 94-197):

1. Boston Edison Company Annual Report for 1979.

2. Boston Edison Company Form 10-Q for the quarter ended September 30, 1980 as filed with the Securities and Exchange Commission.

3. Cash Flow Forecast for the year 1981.

4. Narrative Statement of curtailment of capital expenditures.

Very truly yours,

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BOSTON EDISON COMPANY

1981 Internal Cash Flow Projection
for Pilgrim Unit #1 Nuclear Power Station
(Dollars in Thousands)

	12 Mos. Ended 9/30/80	Projected Year 1981
Net Income After Taxes	$ 63,512	$ 77,373
Less Dividends Paid	52,634	58,392
Retained Earnings	$ 10,878	$ 18,981
Adjustments:		
Depreciation and Amortization	59,688	65,726
Deferred Income Taxes and Investment Tax Credits	37,186	46,786
Allowance for Funds Used During Construction	(29,420)	(37,099)
Total Adjustments	$ 67,454	$ 75,413
Internal Cash Flow	$ 78,332	$ 94,394
Average Quarterly Cash Flow	$ 19,583	$ 23,599
Percentage Ownership in All Operating Nuclear Units	Pilgrim Unit #1	74.27%
Maximum Total Contingent Liability		$ 10,000

ITEM (4) NARRATIVE STATEMENTS OF CURTAILMENT OF CAPITAL EXPENDITURES:

The Boston Edison Company would be able to curtail $10 million of capital expenditures within any three month period of the next twelve months if it becomes necessary to pay retrospective premiums.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

F O R M 1 0 - Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1980 — Commission file number 1-2301-2

BOSTON EDISON COMPANY
(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-1278810 (I.R.S. Employer Identification No.)
800 Boylston Street, Boston, Massachusetts (Address of principal executive offices)	02199 (Zip Code)

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

None
Former name, former address and former fiscal year, if changed since last report.

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 September 30, 1980
Common Stock, $10 par value	13,848,067 shares

BOSTON EDISON COMPANY

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BOSTON EDISON COMPANY

BALANCE SHEETS
(Unaudited)

	September 30, 1980	September 30, 1979*
	(In Thousands)	
Property, Plant and Equipment:		
Utility Plant in Service	$1,615,454	$1,534,895
Nonutility Property	820	872
Construction Work in Progress	258,956	205,208
	1,875,230	1,740,975
Less: Depreciation	433,833	392,578
	1,441,397	1,348,397
Nuclear Fuel - Net	57,500	47,803
Total Property, Plant and Equipment	1,498,897	1,396,200
Investments in Nuclear Electric Companies, at equity	6,975	6,786
Current Assets:		
Cash	3,416	8,697
Accounts Receivable - Net	126,520	104,486
Other	37,250	40,064
Total Current Assets	167,186	153,247
Deferred Debits:		
Deferred Fuel Expense	56,033	41,307
Other	16,116	22,269
Total Deferred Debits	72,149	63,576
	$1,745,207	$1,619,809

LIABILITIES AND CAPITAL

Common Stock, par value $10 per share (Note 2)	$ 138,481	$ 135,345
Premium on Common Stock	156,196	152,775
Retained Earnings	131,279	120,278
	425,956	408,398
Cumulative Preference Stock (Note 3)	82,873	84,682
Cumulative Preferred Stock	82,997	82,983
Total Capital	591,826	576,063
Long-Term Debt:		
First Mortgage Bonds (Note 4)	603,000	528,000
Secured Notes	18,080	19,720
Total Long-Term Debt	621,080	547,720
Nuclear Fuel Financing Obligation	50,000	50,000
Current Liabilities:		
Long-Term Debt Due within One Year (Note 4)	1,640	90,303
Notes Payable - Banks	129,200	44,180
Other	81,615	90,248
Total Current Liabilities	212,455	224,731
Deferred Credits:		
Accumulated Deferred Income Taxes (Note 6)	213,694	171,448
Accumulated Deferred Investment Tax Credit	49,634	46,518
Other	6,518	3,329
Total Liabilities and Deferred Credits	1,153,381	1,043,746
	$1,745,207	$1,619,809

See accompanying notes to financial statements.

* Restated to reflect refunds to wholesale electric utility customers.

BOSTON EDISON COMPANY

STATEMENTS OF INCOME
(Unaudited)

	Quarter Ended		Nine Months Ended	
	9-30-80	9-30-79*	9-30-80	9-30-79*
	(In Thousands)			
OPERATING REVENUES:				
Electric	$130,247	$123,923	$352,557	$325,195
Steam	2,063	2,101	11,074	10,779
Fuel and purchased power adjustment	95,134	70,984	288,218	169,936
Other	4,211	3,407	11,451	9,742
Total	231,655	200,415	663,300	515,652
OPERATING EXPENSES:				
Operation - Fuel	102,884	72,396	301,902	191,231
- Purchased Power	(4,274)	14,909	26,297	16,969
- Other	29,587	28,069	87,121	79,158
	128,197	115,374	415,320	287,358
Maintenance	11,081	8,936	30,854	24,487
Depreciation	12,225	11,843	36,675	35,528
Taxes - Other than income	21,270	19,474	64,787	60,767
Taxes - Income	17,286	16,285	31,027	33,870
Total	190,059	171,912	578,663	442,010
OPERATING INCOME	41,596	28,503	84,637	73,642
OTHER INCOME AND DEDUCTIONS:				
Allowance for other funds used during construction (Note 3)	1,330	2,665	5,209	6,795
Other - Net	98	109	292	(21)
INCOME BEFORE INTEREST CHARGES	43,024	31,277	90,138	80,416
INTEREST CHARGES:				
Long-term debt	12,848	12,809	38,631	39,094
Nuclear fuel financing obligation	1,273	1,385	5,160	3,739
Other	4,757	2,174	14,934	5,764
Allowance for borrowed funds used during construction - credit (Note 3)	(5,803)	(5,342)	(17,439)	(12,080)
Total	13,075	11,026	41,286	36,517
NET INCOME	29,949	20,251	48,852	43,899
PREFERRED DIVIDENDS PROVIDED	1,379	1,379	4,134	4,134
PREFERENCE DIVIDENDS PROVIDED	2,401	2,460	7,216	7,354
BALANCE AVAILABLE FOR COMMON STOCK	26,169	16,412	37,502	32,411
EARNINGS PER SHARE OF COMMON STOCK	$1.90	$1.27	$2.73	$2.70
DIVIDEND DECLARED PER COMMON SHARE	$0.68	$0.61	$2.04	$1.83
COMMON SHARES OUTSTANDING (weighted average)	13,804	12,897	13,724	11,993

See accompanying notes to financial statements.

* Restated to reflect refunds to wholesale electric utility customers.

BOSTON EDISON COMPANY

STATEMENTS OF SOURCES OF CONSTRUCTION FUNDS
(Unaudited)

	Nine Months Ended	
	September 30, 1980	September 30, 1979*
	(In Thousands)	
Funds from Operations	$ 99,679	$ 96,457
Funds Provided from or (Applied to) Outside Sources		
Sale of Common Stock (Note 2)	4,737	43,410
Sale of First Mortgage Bonds	-0-	45,500
Redemption of $1.175 Series Preference Stock	(1,866)	-0-
Proceeds from Nuclear Fuel Financing Obligation	-0-	6,211
Sinking fund payments and other retirements First mortgage bonds	(13,663)	(60,025)
Increase (Decrease) in notes payable	62,520	(8,000)
	51,728	27,096
Other Funds Used:		
Working Capital and other changes	(7,794)	(12,930)
Dividends declared	(39,447)	(33,818)
	(47,241)	(46,748)
Total Funds Provided	$104,166	$ 76,805
Construction Expenditures:		
Plant	$ 91,987	$ 59,038
Nuclear Fuel	12,179	17,767
Total construction expenditures	$104,166	$ 76,805

See accompanying notes to financial statements.

* Restated to reflect refunds to wholesale electric utility customers.

BOSTON EDISON COMPANY

NOTES TO UNAUDITED FINANCIAL STATEMENTS

(1) Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted in this Form 10-Q pursuant to the Rules and Regulations of the Securities and Exchange Commission. However, in the opinion of the Company, the disclosures contained in this Form 10-Q are adequate to make the information presented not misleading. See Notes to Financial Statements included in the Company's Form 10-K for the year ended December 31, 1979 for additional information relevant to the financial statements contained herein, including information as to significant accounting policies followed by the Company (Note A) and the restatement for certain wholesale revenue adjustments (Note G).

In the opinion of the Company, the accompanying unaudited financial statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1980 and 1979, and the results of operations and sources of construction funds for the nine months then ended.

The results of operations for the nine month period ended September 30, 1980 are not necessarily indicative of the results to be expected for the full year. During 1979 and 1978, the Company experienced major fluctuations in quarterly net income. (See Note J of Notes to Financial Statements included in the Company's Form 10-K for the year ended December 31, 1979.)

(2) On July 15, 1980, August, 15, 1980 and September 2, 1980, the Company issued 29,938 shares, 39,566 shares and 29,160 shares, respectively, of its common stock in accordance with the Dividend Reinvestment and Common Stock Purchased Plan. (See Part II, Item 5(a) Increase in Outstanding Securities in this Form 10-Q.)

At September 30, 1980, 17,534,000 shares of Common Stock were authorized; 13,848,067 shares were issued and outstanding.

(3) Prior to April 1, 1981, the Company is required to offer to purchase, on May 1, 1981, 200,000 shares of the $1.175 Series (less any shares purchased prior to the date of the offer) at prices not to exceed $10 plus dividends accrued.

(4) The aggregate net principal amounts of long-term debt due in the five years 1980 through 1984 are $1,640,000, $1,640,000, $16,640,000 $4,015,000 and $23,890,000, respectively.

(5) Commencing in 1977, pursuant to Order #561 issued by the Federal Energy Regulatory Commission (FERC), the Company changed its method for determining the rate used in computing Allowance For Funds Used During Construction (AFUDC) and its method of presentation of AFUDC in the statement of income. In accordance with the Order, the AFUDC rates for the years 1978 and 1979 were 11% and 11.5%; the rate used in the first nine months of 1980 was 12.3%.

(6) Based upon its most recent retail rate order, the Company adjusted its provision for deferred income taxes associated with the debt portion of AFUDC by approximately $5,200,000 effective January 1, 1980. This amount is based on the method used to compute deferred income tax expense in the rate level allowed by the Massachusetts Department of Public Utilities in such rate order. This change has increased third quarter earnings per share by $0.38, of which $0.26 is applicable to the first six months of 1980.

BOSTON EDISON COMPANY

Management's Discussion and Analysis of Statements of Income
For the Three and Nine Months Ended September 30, 1980
Versus the Comparable 1979 Periods

Based on an increased number of shares, earnings per common share for the three and nine months ended September 30, 1980 increased $0.63 and $0.03, respectively, over the comparable 1979 periods.

Results for the periods were affected by a change in the Company's method of accounting for deferred income taxes associated with the debt portion of AFUDC. This change was in response to a regulatory order and increased earnings per common share by $0.38, (see note 6 of Notes to Unaudited Financial Statements included in Part 1 of this Form 10-Q).

Results for the periods were also affected by a change in the Company's fuel and purchased power adjustment clause. The Company has recently received an order from the Massachusetts Department of Public Utilities (MDPU) which allows the use of a forecasted fuel clause to recover its fuel and purchased power costs. In accordance with the order the Company has deferred in the third quarter of 1980 approximately $9,300,000 of fuel and purchased power costs. Although this change has increased earnings per common share by $0.34 for the three and nine months ended September 30, 1980, a substantial portion of this amount would have been recovered in the fourth quarter through the previous fuel clause and therefore the impact for the full year 1980 will not be material.

Results for the nine months ended September 30, 1980 were also affected by increased kilowatthour sales, rate increases and an increase in allowance for funds used during construction. These increases were offset primarily by higher interest costs and the operation and maintenance expenses associated with the refueling outage of the Company's nuclear generating unit.

Excluding the effects of the Company's change from bimonthly to monthly billing, retail and territory kilowatthour sales increased about 2.7 and 0.6 percent, respectively, during the three and nine months.

Base electric revenues for the three and nine months were higher by $6,324,000 and $27,362,000, respectively, for the reasons summarized in the following table.

	Three Months Ended September 30, 1980	Nine Months Ended September 30, 1980
Estimated Retail Rate Increases	$ 6,113,000	$15,860,000
Increase From Conversion to Monthly Billing	1,904,000	4,979,000
Increase in Energy Sold at Retail	1,547,000	1,205,000
Total Retail Revenue Increase	$ 9,564,000	$22,044,000
Sales for Resale	(3,240,000)	5,318,000
Total Increase in Base Electric Revenues	$ 6,324,000	$27,362,000

For the third quarter, fuel and purchased power adjustment revenues and fuel and purchased power expenses increased $24,150,000 and $11,305,000, respectively. For the nine months ended September 30, 1980, like revenues and expenses increased $118,282,000 and $119,999,000. The nine months' increases were primarily as a result of the refueling outage of the Company's nuclear generating unit and the resulting higher costs of fuel. Fuel and purchased power expenses were reduced for both periods by approximately $9,300,000 as described in the third paragraph above.

Maintenance is accrued based on an annual forecast. The annual maintenance forecast for 1979 was adjusted subsequent to September 30, 1979. The 1980 annual forecast as of September 30, 1980 is $41,070,000 which is $4,986,000 higher than 1979 actual of $36,084,000.

Taxes other than income taxes, primarily property taxes, increased because of increases in tax rates and valuations.

The effective income tax rate for the three and nine months ended September 30, 1980 was 37% and 39%, respectively; for the comparable 1979 periods the rates were 45% and 43%. The lower 1980 rates are due to the third quarter change in accounting for deferred income taxes associated with the debt portion of AFUDC (see note 6 of Notes to Unaudited Financial Statements included in Part 1 of this Form 10-Q).

Other interest increased $2,583,000 and $9,170,000, respectively, for the three and nine months ending September 30, 1980 principally as a result of an increase in the average outstanding loan balance and an increase in the 1980 average borrowing rate.

BOSTON EDISON COMPANY

Management's Discussion and Analysis of Statements of Income
Third Quarter of 1980 Versus Second Quarter of 1980

As mentioned in management's discussion of the three and nine months ended September 30, 1980, the third quarter was affected by a change in the Company's method of accounting for deferred income taxes and the use of a forecasted fuel and purchased power adjustment clause.

Excluding the effects of the change to monthly billing, retail and territory kilowatthour sales increased by approximately 12.0% percent. The third quarter summer months have historically resulted in the highest quarterly sales during the year.

Total operating revenues increased $31,661,000 during the third quarter, primarily due to increased kilowatthour sales.

Total operating expenses, excluding income taxes, increased $3,060,000 or 1.8%.

The effective income tax rate per the second and third quarter of 1980 was 42% and 37%, respectively. The lower third quarter rate is due to the change in accounting for deferred income taxes associated with the debt portion of AFUDC.

Other interest expense decreased $1,399,000 principally due to lower borrowing rates.

Primarily as a result of the above, net income increased $20,038,000.

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF
COOPERS & LYBRAND (INTERNATIONAL)

To the Stockholders and Directors of
Boston Edison Company:

We have made a review of the balance sheets, statements of income and sources of construction funds of Boston Edison Company as of September 30, 1980 and 1979, and for the nine month periods then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the aforementioned financial statements for them to be in conformity with generally accepted accounting principles.

Coopers + Lybrand

Boston, Massachusetts
October 22, 1980

BOSTON EDISON COMPANY

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

By letter dated September 30, 1980, FERC acknowledged the Company's compliance with the settlement between the Company and the Towns of Concord, Norwood and Wellesley terminating the proceedings on its docket. In addition, a stipulation of dismissal has been filed with the U.S. District Court in Boston. (See note 3 of Notes to Unaudited Financial Statements in Part I of the Company's Form 10-Q for the quarter ended June 30, 1980).

Item 5. Increase in Amount Outstanding of Securities or Indebtedness

(a) Increase in Outstanding Securities

Common Stock:	Number of Shares	Common Stock	Premium
Balance at June 30, 1980	13,749,403	$137,494,030	$155,509,664
Dividend Reinvestment Plan Sales:			
July 15, 1980	29,938	299,380	392,562
August 15, 1980	39,566	395,660	437,771
September 2, 1980	29,160	291,600	337,177
Balance	13,848,067	$138,480,670	$156,677,174
Less Capital Stock Expenses			481,089
Balance at September 30, 1980			$156,196,085

Item 8. Other Materially Important Events

(1) In an order issued September 30, 1980, as supplemented on October 17, 1980, the Massachusetts Department of Public Utilities granted the Company an annual retail rate increase of $37,500,000. The new rates are effective for power consumed on and after September 30, 1980. The Department increased the allowed return on equity from 13.62% to 14.2% and adopted a year-end rate base in lieu of the year average rate base to offset the effects of attrition and regulatory lag. The Company has filed a motion for reconsideration of the rate order to reflect property tax increases received after October 17, 1980.

(2) The Company intends to file a Form S-16 Registration Statement on or about November 14, 1980 in connection with the sale of 2,000,000 shares of Common Stock, par value $10 per share.

Item 9. Exhibits and Reports on Form 8-K

(a) Exhibits

Description

Articles of Organization, as amended April 15, 1980 to increase the authorized capital stock of the Company by 3,000,000 shares of Common Stock having a par value of $10 per share.

(b) Reports on Form 8-K

None

S I G N A T U R E

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

BOSTON EDISON COMPANY
(Registrant)

Date: November 14, 1980

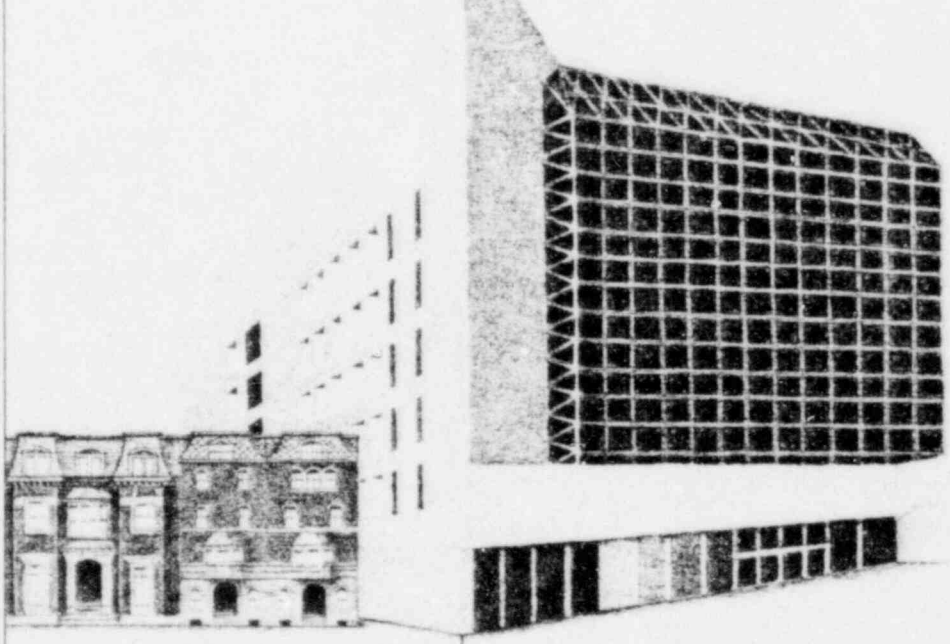
Ralph M. Kelmon
Ralph M. Kelmon
Treasurer
(Chief Accounting Officer)

The Boston Edison Company

1979 ANNUAL REPORT

Strength– With Boston

Boston enters the emerging decade as one of the premier urban centers in the nation. Through prudent planning, it has established eminence in character and is positioned for growth and prosperity. So too with Boston Edison. It is a beneficiary of the area's dynamic economy, possesses strength in operations and, through significant financial accomplishment, has fashioned a sound foundation for the future.



	1979	1978	% Change
Operating Revenues (000)	$698,002	$613,263	13.8
Balance for Common Stock (000)	$ 43,567	$ 34,139	27.6
Common Shares Outstanding – Weighted Average (000)	12,389	11,535	7.4
Common Stock Data:			
Earnings Per Share	$3.52	$2.96	18.9
Dividends Declared Per Share	$2.51	$2.44	2.9
Payout Ratio	71%	82%	–
Book Value per Share	$30.37	$30.91	(1.8)
Return on Average Common Equity	11.31%	9.65%	17.2
Fixed Charge Coverage (SEC)	2.53x	2.50x	1.2

Cover:
Brownstone row houses, Back Bay. Circa 1870.
John F. Kennedy Presidential Library, Columbia Point. Circa 1979.

To Our Shareholders

As we enter the decade of the eighties, the Boston Edison corporate mission remains constant – to provide customers with reliable and reasonably priced electric energy in an environmentally acceptable manner balancing the interests of our employees and shareholders. While this task is even more demanding today, we are confident Boston Edison is well positioned to address the decade of the eighties successfully.

The Company has gained significant strength through programs aimed at the corporate objectives of being well-managed, productive, financially strong, technically proficient and socially responsible. These objectives will continue to govern activities in the eighties.

Prospects for economic growth and development in the Boston area are excellent. Rapidly growing service and high technology industries have brought expanded opportunity and established a sound economic foundation for the region. Development interest is high and expected to remain so. In large part the strength of Boston Edison reflects the strength of a revitalized Boston – its economic vitality and its prospects for development.

In 1979, significant financial accomplishment was evident. Earnings per share and return on common equity reached their highest levels in seven years; an already healthy cash flow improved; successful financings were completed and the improvement of financial ratios continued. Reaffirming the Company's long standing commitment to its shareholders, the dividend was increased in December and a discount dividend reinvestment plan was adopted. Today, Boston Edison has built a solid foundation for additional accomplishment.

Boston Edison is committed to improve productivity and efficiency and made major strides in these areas during the year. The record of our nuclear generating unit Pilgrim 1 was outstanding. The fossil units achieved significantly improved generating efficiencies. The planning and control budget process was refined. The number of employees was maintained near record low levels. These achievements represent efforts of a capable and dynamic employee team. The Company's management structure has undergone substantial changes over the past few years to enhance its flexibility and competence to respond to today's rapidly changing and complex energy supply situation and the social and regulatory environment.

One of the greatest challenges facing the Company today is energy supply. We have continually and aggressively pursued means of reducing dependence upon imported oil. We have emphasized the benefits of nuclear energy, which has proven to be safe, reliable, economical and environmentally acceptable. In 1979, New England's nuclear units generated over 30 percent of area energy requirements and saved consumers over $800 million in fuel charges. Pilgrim Unit 1 attained outstanding operating success, supplying close to 40 percent of the Company's generation, at a capacity factor of 83 percent, and providing over $139 million in fuel savings to our customers.

In 1979, nuclear energy experienced a most difficult challenge – the accident at Three Mile Island. It was an accident that had both positive and negative aspects. It generated a thorough reassessment of present practices and, as a result, nuclear energy will be even safer. Nuclear energy remains capable of alleviating present and future energy supply problems but positive action by government is necessary if we are to realize its full potential. Company efforts to attain additional consumer benefits from nuclear power through the construction of Pilgrim Unit 2 are faced with delays in the regulatory process as a result of Three Mile Island.

To reduce oil dependence, the Company is also exploring coal, alternative energy sources, conservation and load management. We recently announced the funding of studies for a low head hydroelectric facility on the Charles River in Newton, an agreement in principle with Wheelabrator-Frye Corporation for a joint project to build a refuse to energy facility in the Metropolitan Boston area, and also commissioned a study at the Weymouth generating site for new coal burning units.

As Boston Edison pursues its corporate objectives in the eighties, we believe we have a strong base of human and physical resources in place to aggressively address the challenges and to grasp the opportunities.

Francis M. Staszesky
President and Chief Operating Officer

Thomas J. Galligan, Jr.
Chairman and Chief Executive Officer

February 22, 1980

Boston enters the 1980s as one of the premier urban centers in the nation. Standing at the forefront of cities experiencing revitalization, it offers a quality of life seldom found elsewhere. Through prudent planning, Boston has established eminence in character and is positioned for growth and prosperity through the coming decade. Simply put, today the Boston area is a most attractive place to live, work, shop and visit; an attractiveness that will be enhanced through the 1980s.

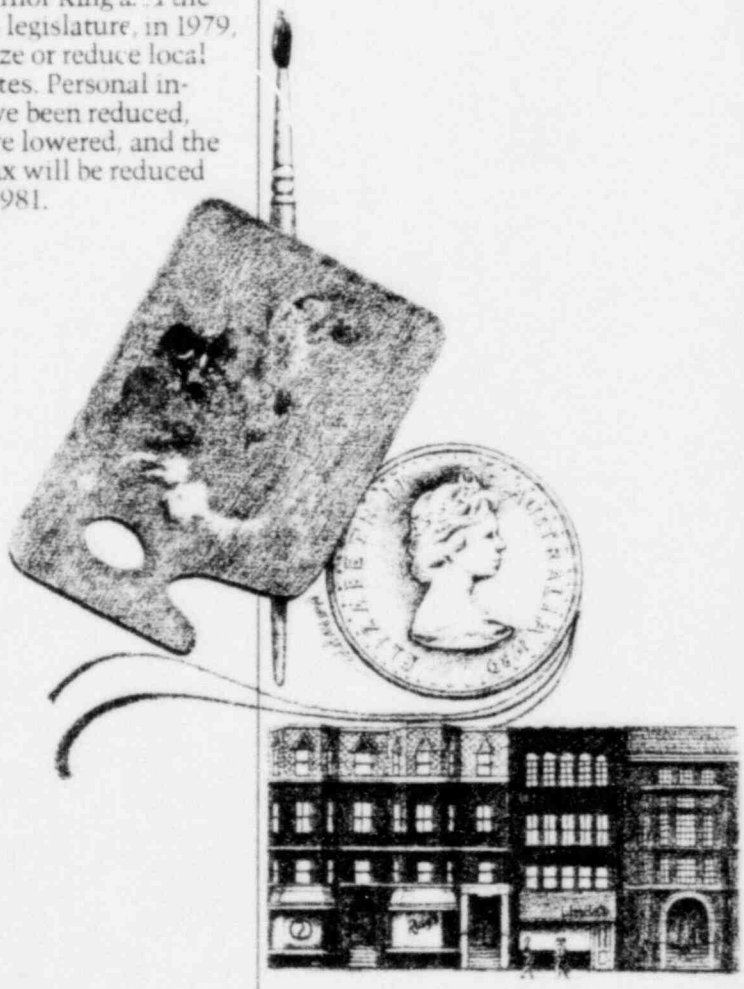
Quality of Life

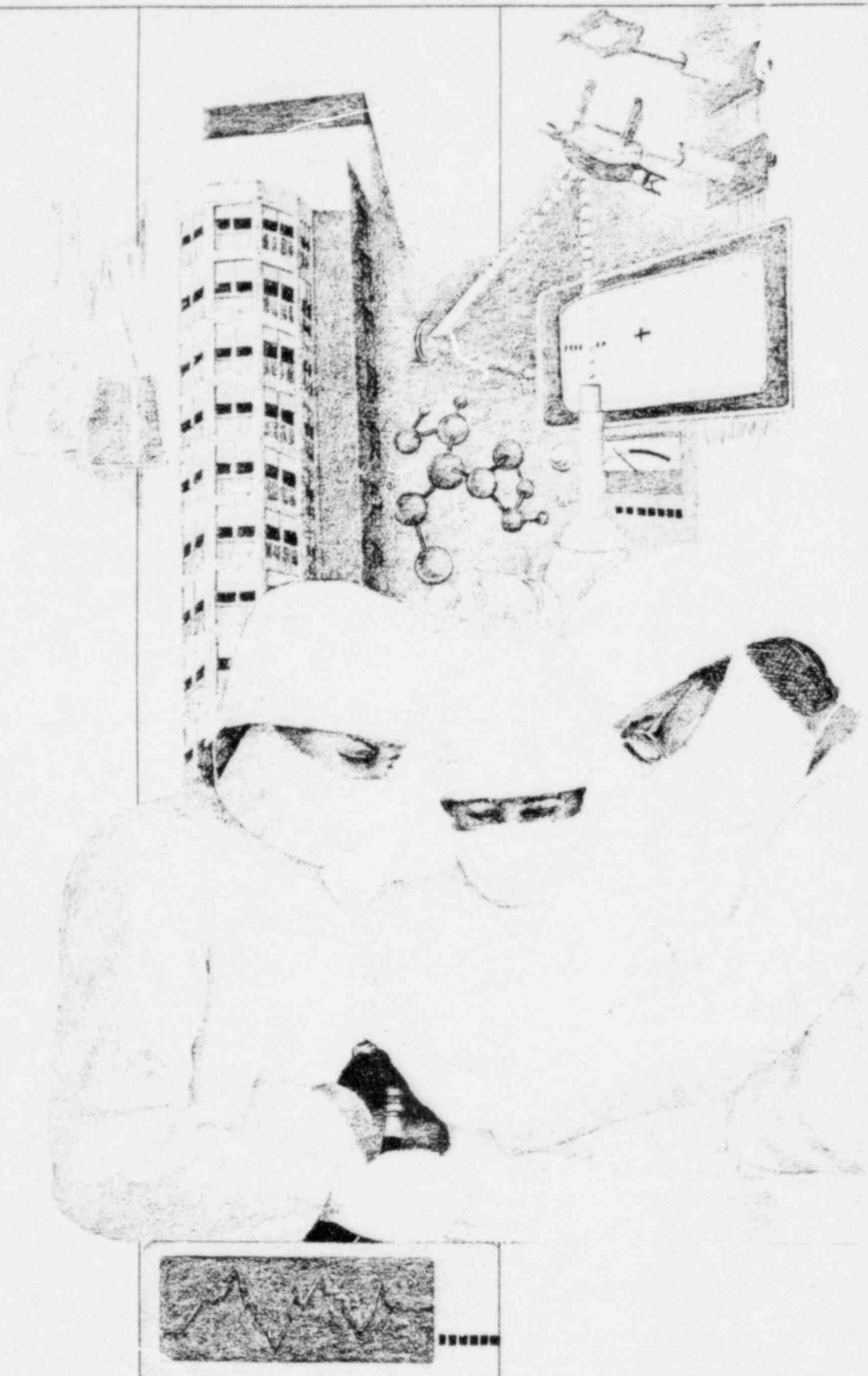
What is special about Boston? It is the preservation of the charm of the past while developing the new; resurrected brownstone town houses and the new Kennedy Library. It is job opportunities, expanding and varied, and housing choices ranging from the heart of the city to the surrounding suburbs. It is an atmosphere of culture; the performing arts—ballet, theater, opera and the symphony; and the applied arts—museums, galleries and libraries. It is sailing in the summer and skiing in the winter; strolling along the historic Freedom Trail or shopping at the bustling Faneuil Hall Marketplace. Boston's strength is its inherent ability to provide a wide array of attractive choices, permitting people to live, work and relax as they desire; it is "a quality of living."

Changing Business Climate

The Boston area economy is sound, having exhibited the critical ability to replace declining industries with growing ones: from trade and fishing to shoes and textiles and now to technology and services. High technology, fueled by prominent educational and research establishments, paces the area's economic activity and represents an industry of almost limitless growth potential. Education, medicine and government epitomize expanding service industries, as do international finance and the arts. They are each elements of the new Boston economy.

To stimulate expansion of existing business and attract new companies, major efforts are reducing the burdens of local and state taxation. Governor King and the Massachusetts legislature, in 1979, acted to stabilize or reduce local property tax rates. Personal income taxes have been reduced, meal taxes were lowered, and the capital gains tax will be reduced 60 percent by 1981.





The Massachusetts Business Development Council is working to improve the state's economic climate and attract business to the Commonwealth. Regional Training Centers are being developed in conjunction with existing colleges and vocational institutions to provide citizens with expanded training opportunities to meet the labor requirements of area employers. Ninety-three high technology firms have formally committed themselves to work with state government to promote jobs in return for an economically constructive tax system. Specifically, the goal is to provide 150,000 new jobs by the end of 1982. The needs of existing business and the requirements of new business are being addressed actively by state government.

Overall, the business climate is healthy and improving.

Developing the New Boston

Spurred by over a decade of planned development, current building activity indicates that Boston has substantial potential for growth in almost every segment of its economy. Boston's transformation from an older urban area into a city with restored pride and an optimistic outlook is the result of a combination of public improvement and private investment. Carefully planned public investment sparked an influx of private investment, together totaling over $12 billion in the past 12 years.

During this period, office space increased by an unprecedented 50 percent. New hotels were constructed and others expanded, providing additional rooms equal to almost a third of existing capacity. Apartment and condominium construction paced substantial housing development. Major new retail facilities were completed. The area's medical and educational establishments experienced significant expansion. Evidenced by considerable investment in new, expanded and renovated facilities, a cultural revival was begun and is well underway.

Since 1960, Boston's business base has successfully shifted from manufacturing to expanding broad-based service activities. This has had a major impact on the area's economic transformation as these activities have generated a pattern of continuous growth.

Outlook for the Future

The outlook for Boston's continued development during the 1980s is encouraging. Over the next four years, public and private investment is planned at a rate of approximately $1 billion a year. Investor interest is strong and expected to increase as development progresses.

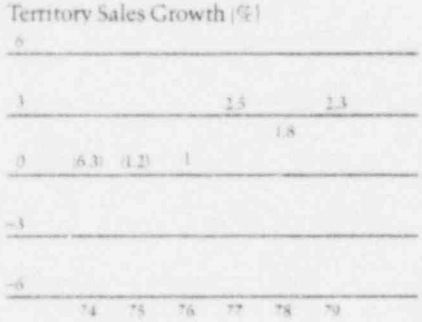
Boston today is in a position to control the quality of its future development and may pick and choose among development proposals. Investment interest is keen because there are clear cut needs for housing, office space, retail outlets and new hotels. Positive steps are underway to increase substantially convention facilities, enhancing the city's attractiveness as a convention center. Projects are already proceeding to address each of these needs.

The Boston area is strong and will be stronger. Careful planning over the past few years has made Boston the unique city it is today. Careful planning will embellish that image through the 1980s.

Territory Sales by Class (%)

48	48	47	46	44	41	Commercial
27	27	28	28	27	27	Residential
19	19	19	20	19	20	Industrial
6	6	6	6	10	12	Other
79	78	77	76	75	74	

The Strength of Boston Edison



Just as Boston is well positioned to enter the decade of the 80s so too is Boston Edison. It is a beneficiary of the area's strong economy. It has strength in operations and energy supply to meet changing patterns of energy use and has effected financial improvements that form a sound foundation for the future.

Improved Operations

In 1979, Pilgrim Unit 1, Boston Edison's 670 MW unit, achieved its best performance since commencing commercial operation in 1972 and established all-time operating records. It supplied 38 percent of the Company's generation at a capacity factor of 83 percent, saving the burning of approximately 8 million barrels of oil and representing fuel savings to customers of over $139 million. This capacity factor represented the fourth best performance of all boiling water reactors in the world.

On January 5, 1980, the unit was taken out of service for refueling (its first since late 1977), for scheduled maintenance, and for the installation of new equipment. It is scheduled to return to service in April 1980.

In the area of generating efficiency as measured by heat rates, Boston Edison ranks as one of the top utilities in the nation—a reflection of improved overhaul and maintenance programs for the Company's fossil-fired units. An Outage Control Group was formed in 1979, resulting in all generating unit overhauls being completed on schedule and within budget. The Heat Rate Group, composed of a central staff supported by coordinators at individual generating stations, has established a rigorous approach to monitoring and improving unit efficiency.

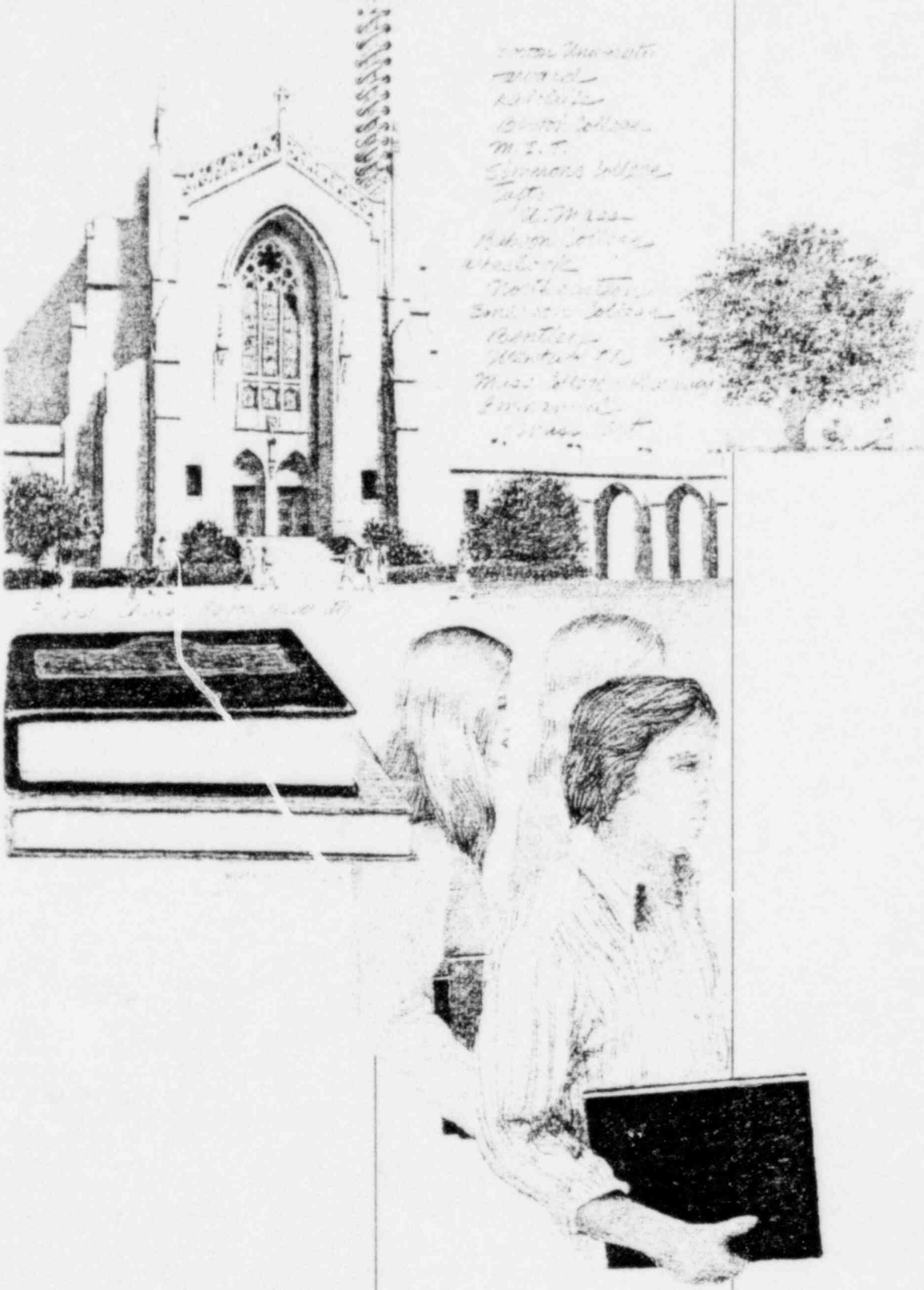
Additional steps were taken during the past year to strengthen the executive team and reinforce the organizational structure. The expanded Executive Office, responsible for monitoring the operations of the Company and establishing corporate policies, continued to improve the delegation of decision-making authority throughout the various levels of management.

A Strategic Management Council, consisting of key corporate executives, was established to formalize development of corporate intermediate and long-range planning and overall corporate strategies. Among the matters under study are future energy supply and planning issues, human resource development and information processing systems.

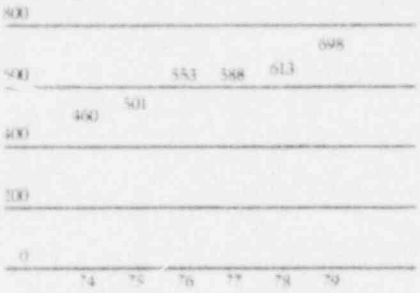
Continued development of the Company-wide planning and control budget process, which unifies goals, plans and budgets, has effected tighter operational control.

Also during 1979, the consolidation of two major work locations at the Company's Prudential Center headquarters was completed, and construction began on a new materials management complex in Watertown which will provide central warehousing and servicing facilities for the Company. To improve system reliability and efficiency by providing increased operation and planning information, work continues on a new Supervisory Control and Data Acquisition System. It is expected to be operational in 1981.

As an outgrowth of the recent Boston Edison rate decision rendered by the Department of Public Utilities, the management consulting firm of Temple, Barker and Sloane is conducting a management audit of the Company. The Company welcomes the audit and believes it will confirm the effectiveness of efforts designed to achieve efficiency and productivity gains and to provide opportunities for further achievement.



Total Operating Revenue ($ Millions)



Energy Supply

For the ten-year period 1980 to 1990, the Company's territory peak load is expected to grow at about 2 percent annually. Existing capability should be sufficient to meet new load requirements until the later part of the 80s, at which time Pilgrim Unit 2, an 1150 MW nuclear generating unit, is scheduled to be placed into service.

To reduce dependence upon imported oil and to assure adequate generating capacity to meet loads in the 1990s, the Company has initiated feasibility studies for a new coal-fired station at the site of the former Edgar generating station in Weymouth.

A major corporate goal of Boston Edison has been and is to decrease its reliance on imported oil. This goal is also in line with the President's proposal for utilities to substantially cut their oil consumption by 1990.

The Company believes that the use of nuclear and coal for base load power generation represents an available and viable near-term solution to the nation's oil problems. As part of long-term energy supply planning efforts, however, it is investigating a number of options other than nuclear and coal: additional capacity purchases; conversion of existing oil-fired units to synthetic liquid fuel or coal-oil slurry; alternative technologies such as solar, wind, refuse, cogeneration and fuel cells; and load reduction through direct load control and incentive rate structures. The Company is also directly involved in on-going energy research being conducted by the Electric Power Research Institute.

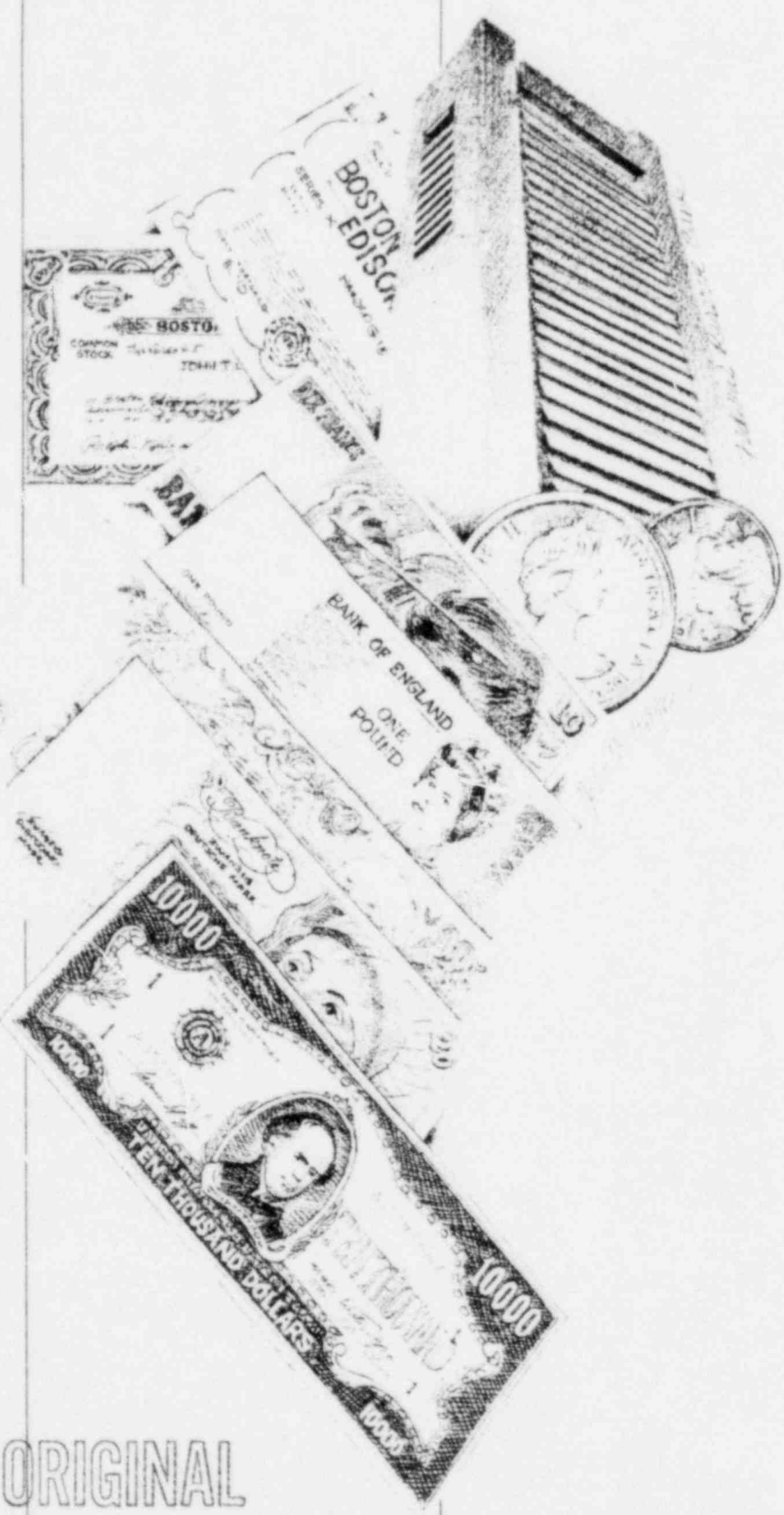
Underscoring the importance of the Company's multiple efforts to reduce its oil consumption were the supply problems and price increases experienced, in 1979, by the country and Boston Edison due to the political unrest in oil producing countries. The world price of oil skyrocketed. In February 1980, the Company's cost was over $28 per barrel. This compares to an average cost per barrel in 1979 of $19.34 and in 1970 of $2.22 per barrel. Oil prices are expected to exceed $30 per barrel in early 1980.

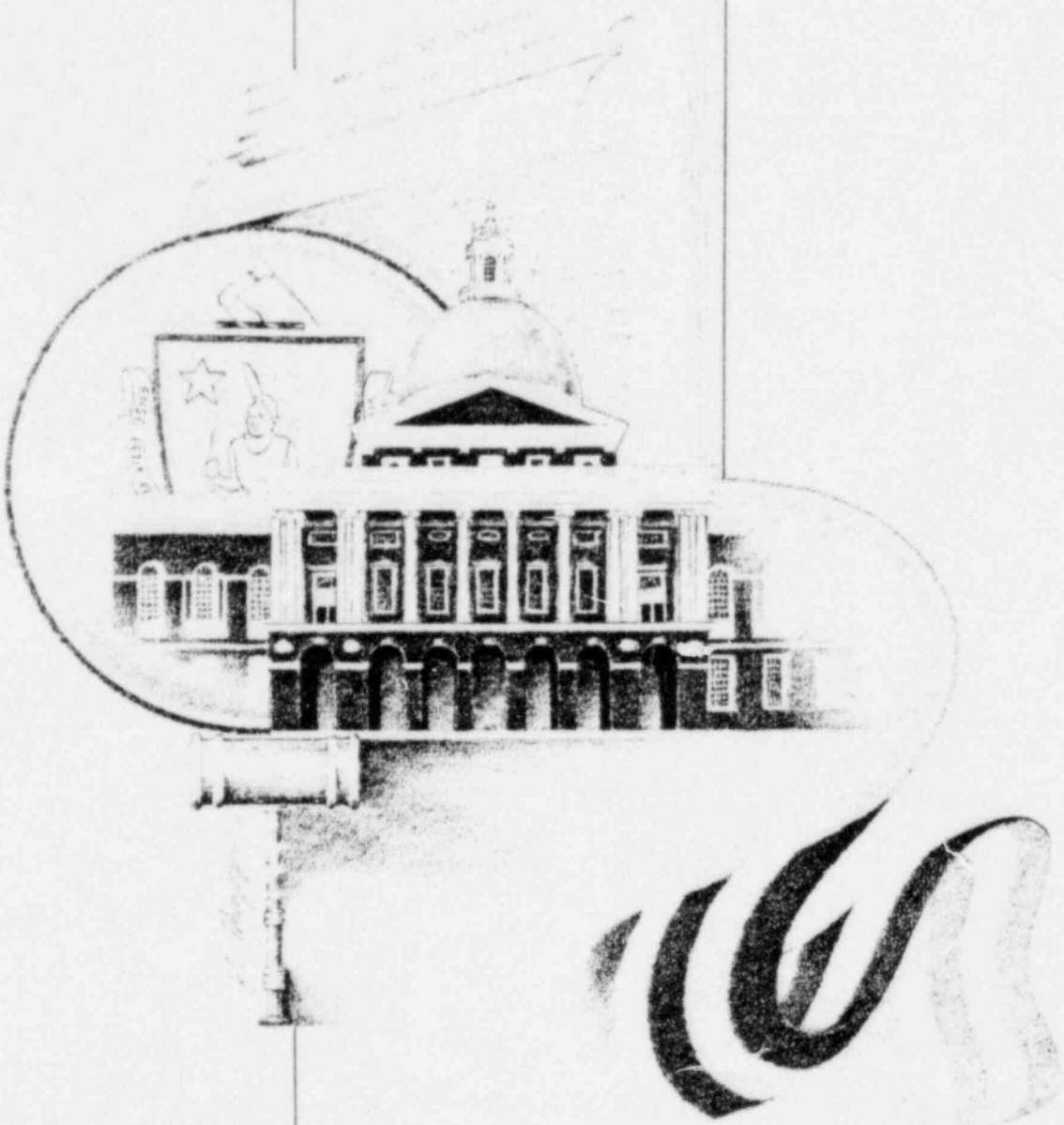
Because higher percent sulphur oil is more plentiful, environmental standards would be met and customers could realize up to $95 million in annual fuel savings, the Company is aggressively seeking from regulatory agencies permission to burn higher percent sulphur oil in lieu of one percent oil.

Boston Edison has already demonstrated notable achievement in efforts to lessen the use of imported oil. Over the last decade, the Company's oil consumption has declined from 17 million barrels in 1970 to 14 million barrels in 1979, due primarily to the impact of Pilgrim Unit 1. Additional reductions will be realized when Pilgrim Unit 2 commences commercial operation. The unit, when fully operational, will displace the burning of 11 million barrels of oil.

The accident at Three Mile Island has temporarily slowed the licensing processes for the nation's nuclear plants. Three major reports have been released recently on nuclear power. The Presidential Kemeny Commission and the Nuclear Regulatory Commission Rogovin reports were undertaken as a result of Three Mile Island to analyze and study the accident. The Energy in Transition report by the National Academy of Sciences was initiated in 1976 to examine energy options to the year 2010. In the Kemeny and Rogovin reports the nuclear option was thoroughly analyzed and a clear message presented: proceed, but proceed with caution. In the National Academy report, the need for nuclear power to meet the nation's energy needs was stressed. Important changes and improvements were suggested in areas of operation and regulation but the viability and necessity of the nuclear option was emphasized.

Questions regarding nuclear energy can be answered. Recommendations for improvements can be effected. Existing problems are solvable. What is necessary, however, is a commitment from government to effectively utilize the nuclear option and to subsequently diminish crippling regulation.





The nuclear industry in general has been strengthened by lessons learned from the accident at Three Mile Island. Establishment of the Institute of Nuclear Power Operations and a Nuclear Safety Analysis Center represent industry commitments to improved reactor safety and operating excellence. In addition to its active role in the development and implementation of these key industry organizations, Boston Edison established task forces to review and evaluate plant systems, safety, training and communication with respect to Company nuclear activities. Recommendations concerning changes in equipment and procedures that resulted from the Kemeny Report, Nuclear Regulatory Commission regulations and in-house studies are being and will be implemented to assure that nuclear power generation will continue to be both a safe and reliable source of energy.

Boston Edison recognized the value of independent reviews of its nuclear operations and in March 1978 formed a Nuclear Review Group, composed of three eminently qualified nuclear specialists. On a quarterly basis, the group spends a week reviewing all aspects of the Company's nuclear operations and reports its findings directly to senior management. Many operating improvements have resulted from their suggestions and recommendations.

The construction of Pilgrim Unit 2 has been delayed by effects from the accident at Three Mile Island. The date when the unit will commence commercial operation largely depends upon the date of the issuance of a construction permit by the Nuclear Regulatory Commission. The Commission has paused in the issuance of construction permits and operating licenses while it evaluates the studies and reports on the accident at Three Mile Island. Although the Company is continuing its efforts to obtain a construction permit as soon as possible, for financial planning purposes it has assumed that the construction permit will not be granted until April 1981 and that on that basis the unit will commence commercial operation in 1987.

Changing Market

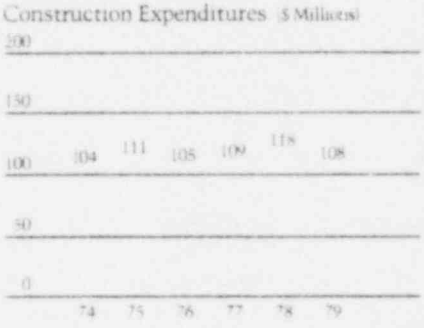
The uncertain condition of world fuel supply and prices has altered the nation's market for electric energy. Homeowners and businesses are acutely aware of rising energy costs and are exercising closer control of energy consumption. Federal, state and local actions have accelerated conservation efforts, prime examples being more energy efficient building construction and more efficient appliance standards. These measures follow conservation efforts already taken voluntarily.

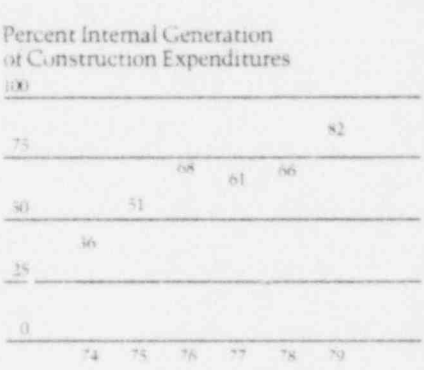
As energy efficiency becomes a key objective, the short-term implication for future electric energy usage nationally is clearly more controlled load growth.

Early in 1979, the electric energy growth rate in the United States appeared headed for the 5 to 6 percent level, but data now emerging suggest growth at about 3 percent. For 1980, national growth expectations are forecast in the 2 to 3 percent range. This now means that rather than being on the low side, Boston Edison's growth rate will be approximately that of the nation as a whole.

Boston Edison had already experienced and addressed the changing pattern of energy usage. Company territory sales growth in 1979 was 2.3 percent, a rate that may approximate growth over the next decade. While the Boston area is experiencing strong economic activity and development interest, new projects will include considerable emphasis on energy conservation. Included in these projects are several all electric buildings.

As energy producers, the nation's utilities are obligated to assume leadership in promoting energy efficiency. To that end, Boston Edison has initiated programs in time-of-use rates. It has assisted customers with energy audits, conducted load research, and is engaged in a constructive marketing program to encourage off-peak energy use and improve the system load factor. In 1979, the Company's load factor improved to 59.7 percent from 57.7 percent in 1978.





Identification of the economic sectors which contribute to energy growth is important to Boston Edison. The transition to a service and high technology oriented economy has had a stabilizing effect upon Company sales growth because such industries are more recession proof than their manufacturing counterparts. They also constitute the Company's growing commercial sector, currently accounting for close to one-half of territory sales. In the past this sector has been the least affected by economic downturns and the first to rebound. It has been the core of the region's development.

Among major commercial developments underway and planned are Lafayette Place, Copley Place, the State Transportation Building and One Post Office Square. These alone represent over $500 million of investment and lead the many proposals for hotels and office buildings, a number of which will be under construction in 1980. The proposed enlargement of the Hynes Auditorium, currently Boston's largest convention center, will double the size of that existing facility.

Expansion of area medical facilities continues with a $25 million ambulatory care unit at Massachusetts General Hospital, a $40 million pediatric wing at Tufts New England Medical Center, a $23 million National Nutrition Center, being developed by the U.S. Department of Agriculture in conjunction with Tufts University, and the nearly completed new suburban quarters for the Lahey Clinic.

Relative to education, area colleges and universities expect about $60 million of plant investment over the coming four years, for additional dormitories, classrooms and office space.

Substantial development potential is projected for the high technology industry as several hundred companies in computers, electronics, communications, instrumentation and other fields continue to experience growth and expansion.

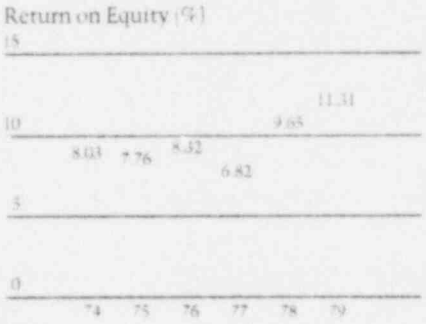
The residential sector also exhibits favorable growth prospects. Over $340 million of investment in apartment and condominium construction is expected through the next four years. Shipyard Quarters represents a ten-year project, starting in 1980, to convert the former Charlestown Navy Yard to mixed residential use. Exeter Towers and Devonshire Towers typify development of luxury apartments while Bradford Towers will provide housing for the elderly. Both the Copley Place project and the Ritz Carlton Hotel addition contain housing components. While interest is especially high in Boston's Waterfront, Back Bay and South End sections where property values and unit demand have soared, it is evident in the suburbs as well.

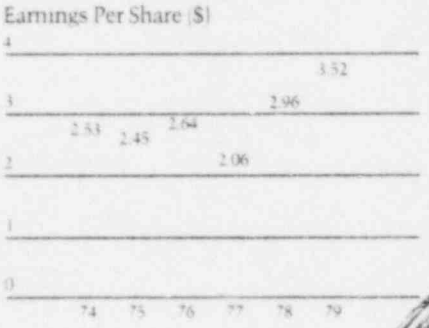
Moreover, the creation of the Boston Marine Industrial Park and the Crosstown Industrial Park signify important new industrial activity.

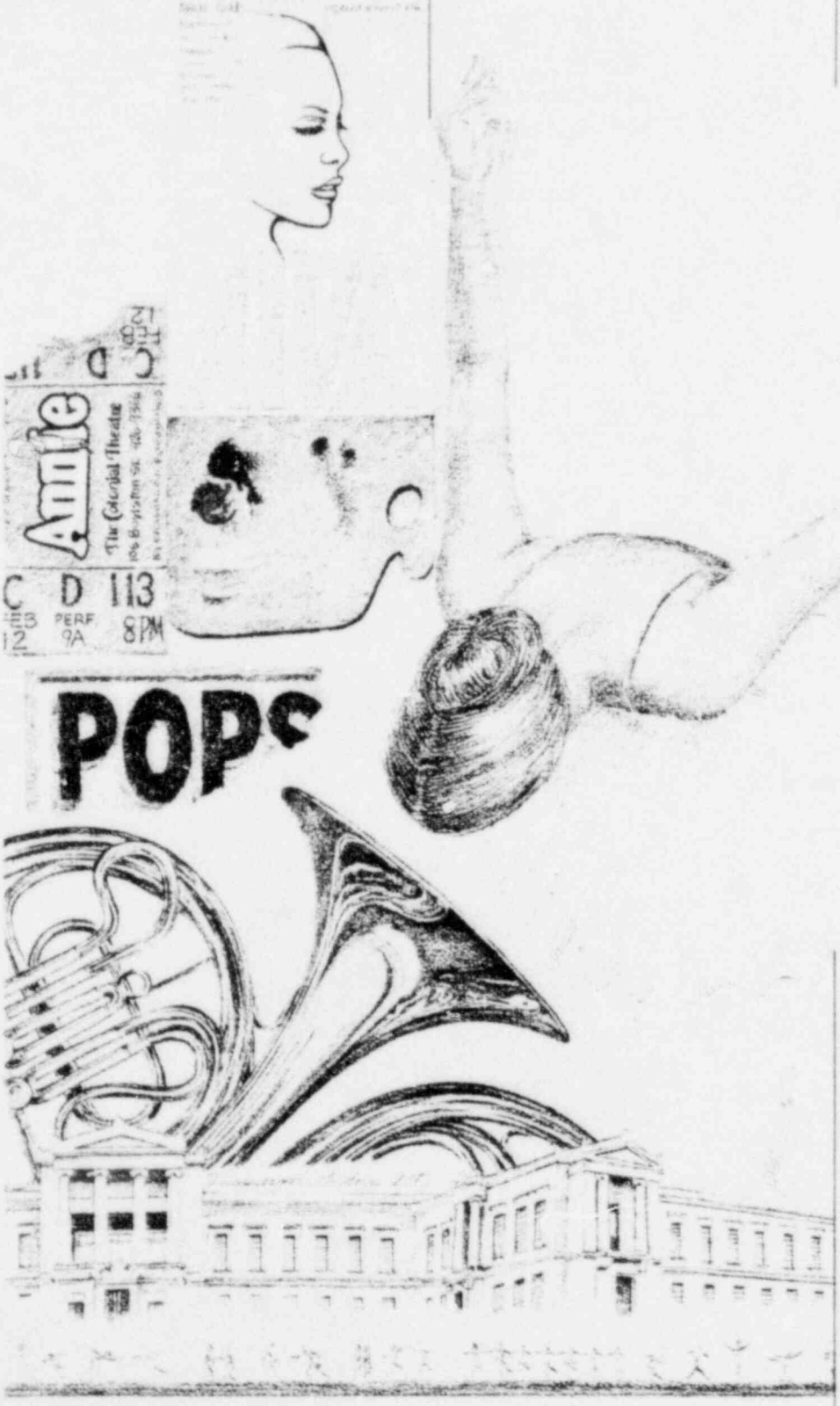
Financial Accomplishment

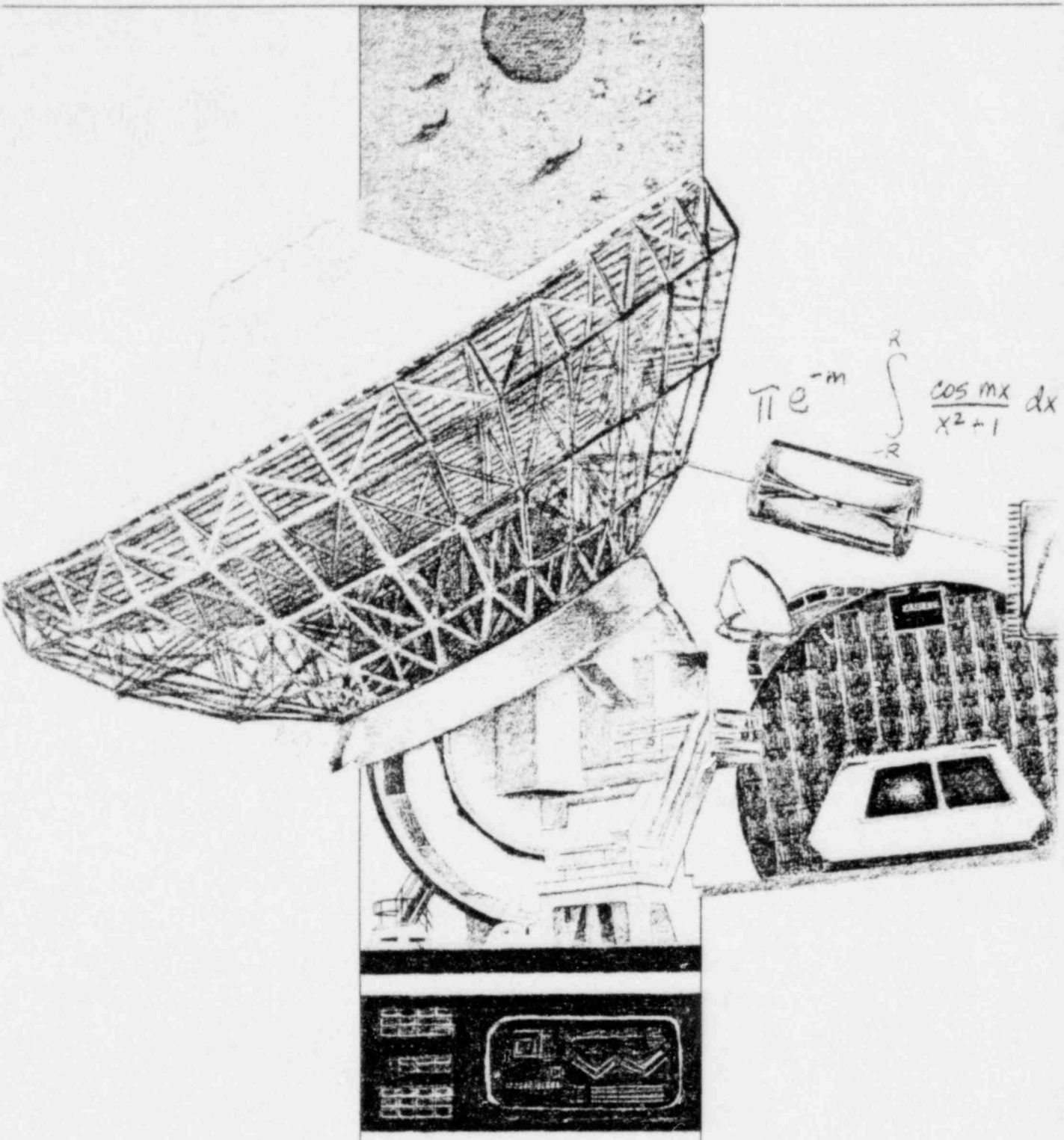
In 1979, major financial gains were achieved. Earnings per share increased approximately 19 percent to $3.52 from $2.96 in 1978. Revenues advanced to $698 million, an increase of 14 percent. The return on average common equity rose to 11.3 percent, a 17 percent improvement and the highest level since 1972 for this important measure of financial performance.

The Company continues to exhibit one of the better cash positions in the industry. Cash flow per share in 1979 amounted to $9.72, covering common dividends by over 3.5 times. Correspondingly, 82 percent of the $108 million expended for construction during the year was generated from internal funds, compared with an industry average of approximately 36 percent. Despite record setting interest rates, the Company's coverage ratio exhibited continued improvement, increasing to 2.53 times.









Significant progress was again achieved in the area of capitalization. Financings undertaken from 1977 through 1979 have eliminated all intermediate-term debt. The refunding of a $75 million term note in October completed a process of converting close to $200 million in intermediate-term debt to long-term debt. At year end, common equity comprised 34 percent of long-term capitalization. Long-term debt represented 52 percent and preferred and preference equity 14 percent. These percentages reflect the results of a concerted effort to increase the percentage capitalization of common equity and to reduce the debt ratio from a high of 60 percent realized in 1974. Future financings are expected to maintain the ratios in line with industry averages.

In December, the Company's Board of Directors increased the quarterly dividend to $.68 per share from $.61 per share, the first increase since 1972. On an annual basis the dividend rate would be $2.72 per share. The increase reflected the Company's improved financial position, optimism about the future and an established commitment to return to shareholders a competitive yield on their investment.

In October, the Company received a $20.1 million rate increase on an annual basis in a decision on a rate filing submitted to the Department of Public Utilities in March 1979. This rate increase represented the first major decision rendered by the Department's new commissioners and demonstrated a more responsive approach to ratemaking in the Commonwealth. The allowed return on equity was increased to 13.62 percent, and the commission suggested that it may allow an increased return on equity as "an appropriate means of rewarding increased efficiency and productivity." The commission also indicated that it was actively considering a change in its conventional ratemaking methodology in order to alleviate problems associated with regulatory lag and persistent inflation.

Overall, the decision represents a forward step in ratemaking in the Commonwealth, and the Company is optimistic that its financial needs will be addressed responsibly in the future.

The Company has notified the Department of its intention to file on March 17, 1980 for a general retail rate increase. The Department may suspend the effective date of the rates for a period of up to six months and will hold public hearings and investigate the propriety of the new rates.

In the Company's external financing activity, 1979 was a busy and successful year. The Company negotiated a $500 million revolving credit and term loan facility with an international consortium of major banks. This credit agreement has replaced most of the Company's bank lines and is designed to provide a standby source of long-term borrowings during the Pilgrim Unit 2 construction period. The agreement extends over 12 years, encompassing both the construction of Pilgrim Unit 2 and a period after project completion for loan repayment. The Company intends to issue First Mortgage Bonds and other debt securities in the public and private markets. Should market conditions preclude the availability of such funds, the credit agreement could be drawn upon for long-term borrowings

The Company received $43.4 million from the issuance of two million additional shares of common stock in August. In October, the Company privately placed $75 million of Series R, 10.95% First Mortgage Bonds and received, in August, $45.5 million as scheduled delivery of the Series Q, 9.75%, First Mortgage Bonds, privately placed in December 1978. Both bond issues were placed at rates lower than those obtainable in the public market at the times of delivery.

In September, a new Dividend Reinvestment and Common Stock Purchase plan was instituted for Common, Preferred and Preference shareholders as well as for eligible employees. Participants in the plan, along with those in a revised Employee Stock Ownership Plan, receive newly issued shares of common equity from the Company. In 1979, 92,000 shares were issued by the Company under the plans.

Capitalization (%)

	79	78	77	76	75	74
Common Equity	34	33	31	28	29	31
Preferred and Preference Equity	14	15	15	16	13	9
Long-Term Debt	52	52	54	56	58	60

Management's Discussion and Analysis of Statements of Income

Kilowatthour sales to our retail customers increased 2.3% in 1979 and 1.7% in 1978, respectively, while territory kilowatthour sales increased 2.3% and 1.8% for the same periods. Territory kilowatthour sales for both years would have been up approximately 2.0% had not 25,000,000 kilowatthours been lost due to the February 1978 blizzard.

The following table provides a summary of the changes in operating revenues for the years 1979 and 1978.

Operating Revenue Changes	Increase (Decrease) 1978*
Electric Revenues:	(in thousands)
Retail Sales:	
Estimated Rate Increases	$24,346
Increase in Energy Sold	2,517
Subtotal	26,863
Sales for Resale	2,574
Total Base Electric Revenues	29,437
Other Electric Revenues	(39)
Fuel and Purchased Power Adjustment Revenues	(1,294)
Total Electric Revenues	28,104
Steam Revenues – Including Fuel Adjustment	(3,236)
Total	$24,868

*Restated, see Note G

In 1979 total fuel and purchased power adjustment revenues and net fuel and purchased power expenses increased $52,357,000 and $62,635,000, respectively. This compares with a 1978 decrease in like revenues and expenses of $3,687,000 and $1,803,000. The 1979 increases were due primarily to the average cost per barrel of oil which was approximately $6.74 greater than the 1978 average of $12.61. In 1978 the average cost per barrel decreased by $0.88. The Company's nuclear facility, Pilgrim Unit I, operated at 83% and 75%, of capacity, during 1979 and 1978, respectively, which saved the Company's customers fuel costs of approximately $139,000,000 in 1979 and $78,000,000 in 1978, and was the major cause of the 1978 decrease in fuel revenues and expenses.

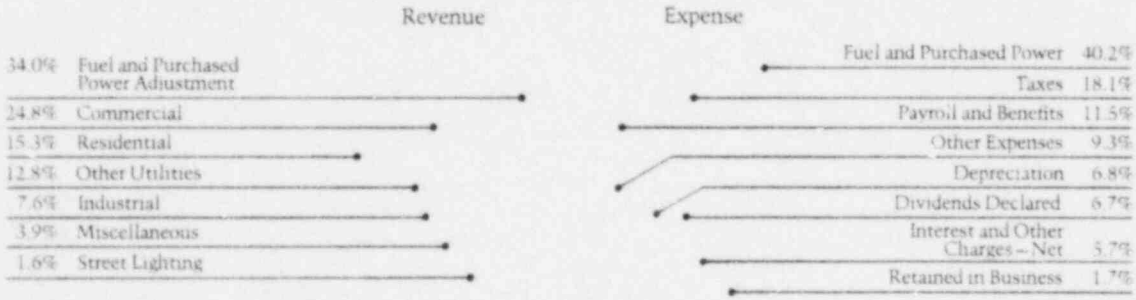
Other operating expenses were up $11,677,000 in 1979 and $5,894,000 in 1978 primarily due to increases in labor costs, rents, insurance, and nuclear power expenses. Maintenance costs increased in 1979 due principally to the effect of inflation.

Taxes other than income taxes decreased during 1979 as a result of property tax abatements. The 1978 increase resulted from higher property tax rates and valuations. The effective income tax rates for the years 1979 and 1978 were 42.7% and 46.7%, respectively. The lower 1979 rate is due, in part, to a decrease in the federal income tax rate from 48% to 46%. (See also note C, of notes to financial statements).

Interest on long-term debt increased because of additional sales of long-term securities during the periods. The nuclear fuel financing obligation commenced in August, 1978; thus, the 1979 increase.

Other interest decreased in 1979 principally as a result of a decrease in the average short-term loans outstanding of approximately $51,400,000; this was partially offset by an increase in weighted average interest rates which rose from 9.02% in 1978 to 13.07% in 1979. The 1978 increase was principally due to a 2.7% increase in the average interest rates.

Allowances for Funds Used During Construction increased $8,581,000 in 1979 and $7,997,000 in 1978 due primarily to increased average construction work in progress and an increase in the accrual rate reflecting an increased cost of funds. (See also note B of notes to financial statements).



Years ended December 31,	1978*	1977*	1976*	1975
Operating Revenues				
Electric	$400,553	$371,116	$349,868	$290,186
Steam	15,439	16,282	17,101	15,925
Fuel and purchased power adjustment	184,785	188,472	174,454	184,557
Other	12,486	12,525	11,796	10,454
Total Operating Revenue	613,263	588,395	553,219	501,122
Operating Expenses:				
Operation:				
Fuel (note A)	219,840	206,583	189,668	173,049
Purchased power (note A)	(1,710)	13,350	16,855	28,873
	218,130	219,933	206,523	201,922
Other	97,300	91,406	83,972	73,359
Total Operation Expense	315,430	311,339	290,495	275,281
Maintenance	32,812	33,659	31,875	25,090
Depreciation (note A)	45,936	44,814	42,815	38,324
Taxes other than income taxes	82,931	79,781	71,288	60,136
Provisions for income taxes (notes A and H):				
Current	11,739	3,969	2,048	1,153
Deferred	24,486	18,827	13,032	24,916
Investment tax credit – Net (note A)	7,470	12,004	16,362	(312)
Total Operating Expenses	520,804	504,393	467,915	424,588
Operating Income	92,459	84,002	85,304	76,534
Other Income:				
Allowance for other funds used during construction (note B)	4,266	236	4,651	6,494
Other – Net	(161)	(494)	179	70
Operating and Other Income	96,564	83,744	90,134	83,098
Interest Charges:				
Interest on long-term debt	48,119	47,595	47,413	45,376
Nuclear fuel financing obligation (note D)	1,702	–	–	–
Other	10,110	7,381	7,484	9,660
Allowance for borrowed funds used during construction – credit (note B)	(12,798)	(8,831)	(3,805)	(5,314)
Total	47,133	46,145	51,092	49,722
Net Income	49,431	37,599	39,042	33,376
Preferred dividends provided	5,512	5,512	5,512	5,512
Preference dividends provided	9,780	9,780	8,362	4,503
Balance Available for Common Stock	$ 34,139	$ 22,307	$ 25,168	$ 23,361
Common Shares Outstanding (weighted average)	11,535	10,852	9,535	9,535
Earnings per Share of Common Stock	$2.96	$2.06	$2.64	$2.45

The notes on pages 20 through 28 are an integral part of the financial statements.
Management's Discussion and Analysis of Statements of Income is on page 16.
*Restated, see note G.

Balance Sheets

	December 31, 1978*	
Assets		
Property, Plant and Equipment, at original cost (notes A, C, and L)		
Utility plant in service:		
Electric plant	$1,459,340	
Steam heating service plant	46,269	
	1,505,609	
Less: Accumulated depreciation	367,926	$1,137,683
Nuclear fuel (note D)	84,127	
Less: Accumulated amortization	45,663	38,464
Nonutility property	927	
Less: Accumulated depreciation	28	899
Construction work in progress (note G)		169,960
		1,347,006
Investments in Nuclear Electric Companies, at equity		6,498
Current Assets:		
Cash	15,327	
Accounts receivable:		
Customers	88,278	
Other	4,110	
Materials and supplies, at average cost (note C)	27,077	
Prepaid expenses and other current assets	967	135,759
Deferred Debits (notes A, C and G)		53,483
		$1,542,746
Liabilities and Capital		
Common Stock par value $10 per share (note F):		
Shares authorized 14,534,500		
Shares outstanding 13,626,439	$115,345	
Premium on Common Stock (note F)	129,812	
Retained Earnings	111,497	
Surplus Invested in Plant	405	
Capital Stock Expense—net	(426)	$ 356,633
Cumulative Preferred Stock, par value $100 per share, authorized, issued and outstanding (note F):		
4.25% Series—180,000 shares	18,000	
4.78% Series—250,000 shares	25,000	
8.88% Series—400,000 shares	40,000	
Capital Stock Expense—net	(28)	82,972
Cumulative Preference Stock, par value $1 per share, authorized 8,000,000 shares, issued and outstanding (note F):		
Non-Redeemable Series:		
$1.46 Series—2,675,000 shares	2,675	
Premium on $1.46 Series	35,658	
Capital Stock Expense—net	(146)	38,187
Redeemable Series:		
$1.175 Series—5,000,000 shares	5,000	
Premium on $1.175 Series	41,650	
Capital Stock Expense—net	(193)	46,457
Long-Term Debt (note C):		
First mortgage bonds	541,680	
Secured notes	19,720	561,400
Nuclear Fuel Financing Obligation (note D)		43,789
Current Liabilities:		
Long-term debt due within one year	91,148	
Notes payable to banks (note E)	52,180	
Accounts payable	43,738	
Customer deposits	4,493	
Taxes accrued (note H)	6,212	
Interest accrued	7,531	
Dividends declared	8,412	
Other current liabilities	2,220	218,034
Deferred Credits:		
Accumulated deferred income taxes (notes A and H)	150,402	
Accumulated deferred investment tax credit (notes A and H)	41,509	
Unamortized premium on debt, less expense (note C)	369	
Other	2,994	195,274
		$1,542,746

*Restated, see note G. The notes on pages 20 through 28 are an integral part of the financial statements.

Sources of Construction Funds – Retained Earnings

Years ended December 31,	1978	1977	1976*	1975
Statements of Sources of Construction Funds				
Funds Generated Internally:				
Net Income	$ 49,431	$ 37,599	$ 39,042	$ 33,376
Add – Amounts charged (credited) not requiring funds currently:				
Depreciation	46,015	44,904	42,864	38,452
Deferred income taxes (note H)	24,486	18,827	12,937	24,699
Amortization of nuclear fuel	11,618	4,136	5,118	4,515
Investment tax credit – net	7,470	12,004	16,362	(312)
Allowance for funds used during construction	(17,064)	(9,067)	(8,456)	(11,808)
Total from operations	121,956	108,403	107,867	88,922
Less – Preferred dividends declared	5,512	5,512	5,512	5,512
Less – Preference dividends declared	9,780	9,780	8,037	4,020
Less – Common dividends declared	28,144	26,924	23,264	23,264
Funds generated internally	78,520	66,187	71,054	56,126
Funds Obtained from Outside Sources:				
Sale of Securities:				
Common Stock	–	51,560	–	–
Preference Stock	–	–	38,333	46,650
First Mortgage Bonds	49,500	60,000	–	–
Less – Sinking Fund & other retirements	(150)	(358)	(175)	(200)
Decrease in term notes payable to banks	–	(60,000)	–	–
Sale (redemption) of Secured Notes	(1,640)	–	–	23,000
Increase (decrease) in notes payable to banks	(56,500)	14,000	(12,500)	(12,320)
Proceeds from Nuclear Fuel Financing Obligation	43,789	–	–	–
Funds obtained from outside sources	34,999	65,202	25,658	57,130
Other Funds Provided (Used):				
Deferred fuel costs	11,030	(11,743)	798	(2,198)
Working Capital and other changes	(6,394)	(10,958)	7,203	(124)
	4,636	(22,701)	8,001	(2,322)
Total funds provided	$118,155	$108,688	$104,713	$110,934
Construction Expenditures:				
Plant	112,102	109,727	86,507	94,131
Nuclear Fuel	6,053	(1,039)	18,206	16,803
Total construction expenditures	$118,155	$108,688	$104,713	$110,934
Statements of Retained Earnings				
Balance at beginning of year:				
As previously reported	$106,485	$111,102	$107,890	$107,310
Cumulative adjustment to reflect refunds to certain customers (note G)	(983)	(983)	–	–
As restated	105,502	110,119	107,890	107,310
Net Income	49,431	37,599	39,042	33,376
	154,933	147,718	146,932	140,686
Cash Dividends Declared:				
Preferred	5,512	5,512	5,512	5,512
Preference	9,780	9,780	8,037	4,020
Common	28,144	26,924	23,264	23,264
	43,436	42,216	36,813	32,796
Balance at end of year	$111,497	$105,502	$110,119	$107,890

The notes on pages 20 through 28 are an integral part of the financial statements.
*Restated, see Note G.

The Company is subject to regulation by various agencies. Because of the effect in regulated businesses of the rate-making process, differences may arise in the application of generally accepted accounting principles as between regulated and nonregulated businesses. Such differences are related principally to the time at which various items enter into the determination of net income in accordance with the principle of matching costs and revenues.

1. Depreciation and Amortization
Physical property is depreciated on a straight-line basis at approximately 3.18% annually. At the time of retirement of property units, their cost and the cost of removal are charged to and salvage is credited to accumulated depreciation.

Maintenance expense is charged for the cost of current repairs, replacement of items not accounted for as units of property, and minor betterments of plants and properties as they are incurred.

The cost of nuclear fuel is amortized to fuel expense based on engineering estimates of usage. Nuclear fuel cost does not include salvage value and reprocessing costs, since the Massachusetts Department of Public Utilities (MDPU) has not allowed estimates of these items to be used in the determination of current fuel adjustment charges.

2. Capitalization of Costs During Construction
In accordance with regulatory accounting, the Company capitalizes as part of construction costs certain general and administrative costs, and also capitalizes and includes in income an allowance for funds used during construction (see note B).

3. Deferred Debits
The Company defers unbilled fuel and purchased power costs, and certain other costs deemed recoverable in rates.

4. Income Taxes
Deferred income tax expense results from timing differences in the recognition of certain expenses for tax and financial statement purposes. The major components of deferred income tax expense are summarized in note H.

Investment tax credits are reflected in income over the estimated useful lives of the related property.

5. Pensions
The Company's policy is to fund pension costs accrued; pension expense for the year consists of normal cost plus 10% amortization of initial prior service costs (see note I).

Under the rate-making process, the amounts recorded as Allowance for Funds Used During Construction (AFUDC) are not realized in cash currently but will be recovered over the service life of plant in the form of increased revenue collected as a result of higher depreciation expense.

Commencing in 1977, pursuant to Order #561 issued by the Federal Energy Regulatory Commission (FERC), the Company changed its method for determining the rate used in computing AFUDC. In accordance with the Order, the AFUDC rates for the years 1977, 1978 and 1979 were 9%, 11% and 11.5%, respectively.

Pending the outcome of formal rule-making proceedings, the MDPU has not allowed the Order #561 method nor did it allow the additional deferred income taxes resulting from that method to be included in the cost of service. Had the Company used the method in effect prior to Order #561, 1977 net income would have been increased by approximately $.20 per common share; 1978 net income would not have been materially changed; and 1979 net income would have been decreased by approximately $.19 per common share.

First Mortgage Bonds
Substantially all property, plant and equipment and materials and supplies owned by the Company are subject to lien under the terms of the Indenture of Trust and First Mortgage dated December 1, 1940, and supplements thereto.

Series	Rate	Maturity	1979	1978
			(in thousands)	
O	12½	Aug. 15, 1979(1)	$ –0–	$ 60,000
B	2½	Apr. 1, 1980	13,663	13,688
D	3⅛	July 1, 1982	15,000	15,000
E	3	Aug. 1, 1984	18,000	18,000
F	4⅝	June 1, 1987	25,000	25,000
H	4¼	June 1, 1992	15,000	15,000
I	4¾	Nov. 1, 1995	25,000	25,000
J	6⅛	June 1, 1997	40,000	40,000
K	6⅞	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9⅜	July 1, 2000	60,000	60,000
N	8⅛	May 15, 2001	75,000	75,000
Q	9¾	Dec. 15, 2003(1)	95,000	49,500
R	10.95	Oct. 31, 2004(2)	75,000	–0–
P	9¼	Apr. 15, 2007	60,000	60,000
Total First Mortgage Bonds			616,663	556,188
Other Long-Term Debt:				
Term Note Payable to Bank, maturing on October 31, 1979 (2)			–0–	75,000
Secured Notes, due November 15, 1985, with interest at 11¼% (3)			19,720	21,360
Total Long-term Debt			636,383	652,548
Less: Long-term Debt due within one year			15,303	91,148
Long-term Debt – Net			$621,080	$561,400

(1) On August 15, 1979 the Company received $45,500,000 from a group of institutional investors as part of the December 1978 sale of $95,000,000 principal amount of First Mortgage Bonds, Series Q, 9¾%, due 2003. The proceeds from the August delivery were applied to the payment of the Company's First Mortgage Bonds, Series O, 12½%, due August 15, 1979.

(2) The Company issued $75,000,000 aggregate principal amount of First Mortgage Bonds, Series R, 10.95%, due 2004 pursuant to Bond Purchase Agreements dated October 31, 1979 with institutional investors. The proceeds were used to refund the outstanding Term Note Payable to Bank, due October 31, 1979. Under the agreement the bonds are redeemable at prices declining from $110.95 at the present time to 100.00% of par value in the year 2004 and may not be refunded prior to October 31, 1989 with indebtedness having a shorter life to maturity or a lower interest rate. The Company will be required to make annual sinking fund payments of $1,875,000 in the years 1984 through 1990, $3,000,000 in the years 1991 through 1996 and $5,475,000 in the years 1997 through 2003.

(3) The notes are secured by five gas turbine facilities and have annual prepayment requirements of $1,640,000 through November 15, 1984.

The aggregate principal amounts of long-term debt due in the five years 1980 through 1984 are $15,303,000, $1,640,000, $16,640,000, $4,015,000, and $23,890,000, respectively.

The unamortized premium on the Company's outstanding debt, less expense of issue, is being amortized ratably to the maturities of the respective debt.

Under the terms of an agreement with PruLease, Inc., the Company is able to finance from time to time the acquisition costs of nuclear fuel up to a maximum amount of $50,000,000 at any one time outstanding. Principal is paid quarterly on the basis of nuclear fuel burnup. Interest, at a rate equal to PruLease's ninety-day commercial paper rate plus 1⅛%, is payable monthly.

PruLease has a secured interest in the assets financed by the agreement which is subordinate to the lien of the indenture securing the Company's First Mortgage Bonds. At December 31, 1979 the interest rate was 15⅛%.

On July 31, 1979, the Company entered into a credit agreement with a banking group providing for a $500,000,000 revolving credit and term loan facility designed to replace most of the Company's short-term bank lines and to provide a standby source of long-term borrowings for the Company's construction program through the commencement of commercial operation of Pilgrim Unit No. 2 or July 31, 1987, whichever is earlier. Outstanding borrowings under the revolving credit facility (up to $125,000,000) on that date can be converted into a term loan at the option of the Company. Borrowings under the term loan facility (up to $375,000,000) and any portion of the revolving credit facility so converted will be repayable in four equal annual installments beginning one year after the earlier of commencement of commercial operation of Unit No. 2 or July 31, 1987. Borrowings under the revolving credit facility bear interest at 104% of the prime rate with no compensating balance requirement. The Company is obligated to pay commitment fees of ½ of 1% per annum of the unused portion of the revolving credit facility and ¼ of 1% per annum of the unused portion of the term loan facility. At December 31, 1979, borrowings under the revolving credit facility amounted to $50,000,000.

At December 31, 1979, the Company also has lines of credit with a number of banks totaling $25,000,000, the terms of which provide for borrowings at the prime rate with no compensating balance requirements.

The weighted average interest rate on outstanding short-term borrowings was 11.46% at December 31, 1978 and 15.70% at December 31, 1979. The maximum amounts of short-term borrowings outstanding were $124,180,000 in 1978 and $69,180,000 in 1979. Average short-term borrowings outstanding and related average interest rates during the years 1978 and 1979 were $101,860,000 at 9.02% and $50,453,000 at 13.07%, respectively. The average amounts outstanding and the average interest rates are based on daily weighted averages, but without considering the effect of compensating balance requirements in effect during such periods.

1. Common Stock:

On May 4, 1977, the Company sold 2,000,000 shares of common stock for $51,560,000 of which $20,000,00 was credited to common stock at par value and $31,560,000 was credited to premium on common stock.

The Company issued 2,000,000 shares of common stock, $10 par value on August 7, 1979 and issued shares periodically pursuant to its Dividend Reinvestment and Common Stock Purchase Plan and Employee Stock Ownership Plan.

	Number of Shares	Common Stock	Premium
Balance at December 31, 1978	11,534,500	$115,345,000	$129,811,669
New Issue on August 7, 1979	2,000,000	20,000,000	23,410,000
Dividend Reinvestment Plan (a)	42,739	427,390	428,186
Employee Stock Ownership Plan (a)	49,200	492,000	506,760
Balance at December 31, 1979	13,626,439	$136,264,390	$154,156,615

(a) The remaining authorized shares reserved for future issuance are: Dividend Reinvestment Plan 457,261; Employee Stock Ownership Plan 250,800.

2. Cumulative Preferred Stock:

Series	Current Redemption Price
4.25% (1)	$103.625 per Share
4.78% (1)	$102.80 per Share
8.88% (1)	$107.00 per Share

(1) Upon involuntary liquidation of the Company, holders will be entitled to receive $100 per share.

3. Cumulative Redeemable Preference Stock:

Series:	
$1.175 (issued March 19, 1975) (2) (3)	Not Redeemable Prior to March 1, 1980

(2) Prior to April 1, 1980, the Company is required to offer to purchase, on May 1, 1980, 200,000 shares of the $1.175 Series (less any shares purchased prior to the date of the offer) at prices not to exceed $10 per share plus dividends accrued.

4. Cumulative Non-Mandatory Redeemable Preference Stock:

Series:	
$1.46 (issued May 12, 1976) (3)	Redeemable at the option of the Company after May 1, 1981

(3) Subject to the prior preferential rights of the Cumulative Preferred Stockholders, upon involuntary liquidation of the Company, holders of the $1.175 and $1.46 Series are entitled to receive $10 and $15 per share, respectively.

1. Capital Commitments

At December 31, 1979, contractual obligations for plant and equipment were approximately $197,000,000. Of this amount $79,000,000 was for Unit No. 2 at Pilgrim Station of which $32,000,000 is to be borne by the other joint owners of Unit No. 2. As of December 31, 1979 the Company's portion of construction expenditures for Unit No. 2 included in construction work in progress totaled $181,000,000, including $41,000,000 of AFUDC.

2 Rate Proceedings

Information regarding certain pending rate proceedings at December 31, 1979 was as follows:

Effective April 30, 1979 the Company increased its rates to its wholesale electric utility customers subject to final approval by FERC and possible refund. The new rates which are designed to increase revenues approximately $1,000,000 annually, are being contested by certain wholesale customers. Based on a settlement offer made to these customers, the Company has provided $284,000 for estimated revenue refunds for the period April 30, 1979 through December 31, 1979. In addition, the Company has provided for estimated revenue refunds in connection with wholesale rate increases for the period January 1, 1973 through April 29, 1979.

In 1976, the Company began billing to wholesale customers $1,924,000 of deferred fuel costs over a twenty-four month period. On May 3, 1979, FERC ruled that the Company was not entitled to such revenues; the Company made refunds pending the outcome of an appeal to the First Circuit Court of Appeals which was subsequently denied. Accordingly, the years 1976 through 1978 have been restated to record the refunds. The effect of the restatement was to reduce net income by $983,000 ($.10 per share) for the year 1976. In addition, with no effect on net income, fuel and purchased power adjustment revenues and fuel expense were each reduced by $767,000, $982,000 and $175,000, respectively, for the years 1976, 1977 and 1978.

3. Litigation

The Company is a defendant in antitrust suits brought by the Town of Norwood in 1974 and the Towns of Concord and Wellesley in 1976. The plaintiffs claim treble damages totaling $69,000,000 based on their dealings with the Company as wholesale purchasers of electric power.

Herrick & Smith, special counsel to the Company, have stated that they cannot predict the outcome of these lawsuits, since they cannot be certain what facts might be found in a trial or how some legal issues might be resolved, but that in the pretrial proceedings to date, nothing has come to their attention indicating to them that the plaintiffs' claims have merit.

4. Lease Commitments

At December 31, 1978 and 1979, the Company had leases covering certain facilities and equipment. Some of these leases are "capital leases," as defined by the Financial Accounting Standards Board. Under regulatory accounting, leases are not capitalized.

Had all operating leases which meet the criteria for capital leases been capitalized, the amounts of the asset and the liability that would have been included in the balance sheets for the years ended December 31, 1978 and 1979 and the effect on expenses would be immaterial.

Estimated minimum rental commitments under noncancellable leases and the amounts applicable to capital leases for years subsequent to 1979 are as follows:

	Total	Capital Leases
	(in thousands)	
1980	$10,100	$ 7,100
1981	11,500	8,000
1982	10,000	7,200
1983	9,500	6,000
1984	10,000	5,500
1985-1989	30,400	22,100
1990-1994	23,700	14,700
1995-1999	19,900	10,900
2000 and subsequent	17,100	15,300

A portion of the aforementioned rentals may be capitalized as part of construction costs in the future.

Information with respect to rentals from 1975 through 1979 is as follows:

	Rent Expense*	Portion Related to Capital Leases*	Capitalized As Part of Construction Costs
1979	$8,600	$6,000	$1,600
1978	7,500	5,300	1,900
1977	8,700	6,400	1,700
1976	5,600	3,800	1,500
1975	4,800	3,200	1,100

*Excludes rentals capitalized as part of construction costs.

Components of deferred income tax expense are as follows:

	1979	1978	1977	1976	1975
	(in thousands)				
Excess tax depreciation over book depreciation	$19,042	$19,387*	$ 5,337	$ 4,863	$ 9,399
Deferred fuel expense	9,012	(4,950)	5,270	(358)	5,580
Capitalized property taxes	115	60	–	–	1,887
Deferred interest expense	(3,780)	1,108	158	105	1,652
Debt portion of allowance for funds used during construction (note B)	6,994	5,744	3,964	1,708	3,067
Contested property taxes	–	–	–	380	1,299
Other indirect construction costs	1,290	–	1,386	1,225	1,432
Massachusetts corporate franchise tax	4,770	1,152	2,382	1,512	2,139
Abandonment loss	–	–	–	1,471	–
Other	(1,953)	1,985	330	1,865	(1,721)
Total	$35,490	$24,486	$18,827	$12,771	$24,734

*In computing the 1978 income tax liability, the Company used a method of depreciation different than that subsequently used when filing its 1978 tax returns. As a result, $15,384,000 has been reclassified from the current to the deferred provision for 1978 income taxes in the accompanying financial statements.

The effective income tax rates reflected in the financial statements and the reasons for their differences from the statutory Federal income tax rate are explained below:

	1979	1978	1977	1976	1975
Statutory rate	46%	48%	48%	48%	48%
Allowance for other funds used during construction (note B)	(4.1)	(2.2)	(.2)	(3.1)	(5.3)
Massachusetts corporate franchise tax	3.2	3.2	3.3	3.1	3.2
Other	(2.4)	(2.3)	(3.7)	(3.4)	(2.5)
Effective Rate	42.7%	46.7%	47.4%	44.6%	43.4%

Federal income tax returns through 1973 have been examined and closed.

The Company has a noncontributory funded plan (with voluntary contributory features) covering substantially all employees. Pension accruals and the portion added to construction costs were as follows:

	1979	1978	1977	1976	1975
			(in thousands)		
Total accrued	$8,057	$7,808	$7,406	$6,389	$5,974
Added to construction costs	1,728	1,810	1,841	1,659	1,542

Unfunded prior service costs as of December 31, 1978 and 1979 were $11,000,000 and $7,900,000, respectively.

The plan's asset and benefit information at the most recent actuarial valuation date, January 1, 1979, was as follows (in thousands):

Actuarial present value of accumulated benefits:

Vested	$ 92,100
Nonvested	4,100
	$ 96,200
Net assets available for benefits	$117,600

Quarter	Operating Revenues	Net Operating Income	Net Income	Net Income Available for Common Stock	Earnings Per Share of Common Stock*
1979					
First	$159,995	$22,898	$11,808	$ 7,995	$0.69
Second	155,398	22,261	11,980	8,144	0.71
Third	200,510	28,514	20,337	16,498	1.28
Fourth**	182,099	24,911	14,734	10,930	0.81
1978* **					
First	$164,768	$18,117	$ 7,149	$ 3,336	$0.29
Second	140,544	21,875	11,450	7,614	0.66
Third	160,410	29,272	17,973	14,134	1.22
Fourth	147,541	23,195	12,859	9,055	0.79

*Based on quarterly weighted average number of shares.

**As a result of a recent rate order, fourth quarter earnings reflect an adjustment in property taxes and nuclear operating expense which decreased fourth quarter earnings per common share by $0.18, of which $0.05 was applicable to each of the first three quarters.

***Operating Revenues restated, see note G-2.

It is the Company's opinion that the quarterly financial data has been prepared by the application of consistent accounting practices and policies and reflect all adjustments necessary for a fair presentation of the quarterly results of operations.

The increases in third and fourth quarter earnings are primarily due to the effect of a summer rate surcharge.

The Company has recently expanded its fuel storage facilities at the Pilgrim site to include sufficient capability for spent fuel through approximately the year 1990. Since there is no domestic facility in operation to reprocess spent nuclear fuel at the present time, the Company's spent nuclear fuel assemblies might require indefinite storage. No provision has been made for this cost of indefinite storage; however, alternative methods are currently being evaluated for reasonableness. Once the Company is satisfied as to a reasonable method of approach, the appropriate regulatory authorities will be petitioned for approval.

The depreciation rate for Pilgrim Unit No. I does not include provision for cost of decommissioning the unit at the end of its useful life; however, such costs will be included in the depreciation rate once they can be reasonably determined by the Company and approved by the appropriate regulatory authorities.

The Company also participates as an investor in two other nuclear units. Both of these units have begun to recover as part of their wholesale rates a provision for estimated permanent storage costs, while one of the units is conditionally including a decommissioning provision subject to possible refund by FERC mandate.

1. Joint-Owned Electric Plants
The Company owns 59.026% of the Unit No. 2 nuclear facility to be constructed at Pilgrim Station (see note G-1). In addition, the Company is a joint owner of Yarmouth Unit #4, which was constructed by Central Maine Power Company and commenced operations in 1979; included in the accompanying balance sheets is the Company's proportionate share (5.888%) of plant in service of $10,684,000 and $11,799,000 for 1978 and 1979, respectively, and accumulated depreciation of $32,000 and $401,000 for 1978 and 1979, respectively. The Company's share of direct expenses of Yarmouth Unit #4 were $1,000,000 in 1979 and were charged to operating expenses.

2. Long-Term Contracts for the Purchase of Electricity
The Company has five long-term contracts for the purchase of electric power. The total annual costs under these contracts are included with purchased power expense in the Company's Statements of Income. The contracts are listed below:

To the Stockholders and Directors of Boston Edison Company

We have examined the balance sheets of Boston Edison Company at December 31, 1979 and 1978 and the related statements of income, retained earnings and sources of construction funds for each of the five years in the period ended December 31, 1979. 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.

In our opinion, the financial statements referred to above present fairly the financial position of Boston Edison Company at December 31, 1979 and 1978 and the results of its operations and sources of construction funds for each of the five years in the period ended December 31, 1978 in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Boston, Massachusetts
January 24, 1980

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33 for the purpose of providing certain information about the effect of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by The Consumers Price Index for all Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost of plant is determined primarily by indexing surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. Since the utility plant is not expected to be replaced precisely in kind, current cost does not necessarily represent the replacement cost of the Company's productive capacity.

		Boston Edison's 1979 Proportionate Share				
Generating Unit	Contract Expiration Date	% Unit(s) Capacity Purchased	Total Expense(c)	Minimum Debt Service	Interest Portion of Minimum Debt Service	Debt Outstanding
			(in thousands)			
Canal Unit #1	2001	25.0(a)	$ 4,084	$ 670	$ 394	$ 4,650
Coleson Cove Units (d)	1986	9.7	3,766	2,527	2,449	497(b)
Connecticut Yankee Atomic	1998	9.5	4,729	743	506	5,894
Potter Unit #2	1984	38.33(e)	1,288	1,000	527	1,383(b)
Yankee Atomic	1991	9.5	1,829	301	182	950
Total			$15,696	$5,241	$4,058	$13,374

(a) Represents 4.99% of the Company's installed net capability; the remaining four units aggregate 5.7%
(b) These contracts do not extend for the life of the unit; however, the amount represents the estimated debt payments through the contract expiration dates
(c) Excluding fuel costs
(d) Expressed in United States dollars
(e) Composite % for 1979; declines annually

Fuel inventories and the cost of fossil fuel used in generation, have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason fuel inventories are effectively monetary assets.

Depreciation is determined by applying the Company's composite depreciation rate to the indexed plant amounts.

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under rate-making prescribed by the regulatory commissions to which the Company is subject, only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current cost that exceed the historic cost of plant is not presently recoverable in rates as depreciation, and is reflected as a reduction to net recoverable cost. While the rate-making process gives no recognition to the current cost of replacing property, plant, and equipment, based on past practices the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Continuing Operations, the reduction of net property, plant, and equipment should be offset by the gain from the decline in purchasing power of net amounts owed. During the period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant, and equipment. Since the depreciation on this plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

The erosion of stockholders' equity due to changing prices may be summarized either in terms of general inflation or in terms of changes in specific prices, as follows:

	Stated in average 1979 dollars	
	In terms of General Inflation	In terms of Specific Changes in Prices
	(in thousands)	
Increase in provision for:		
Depreciation	$ 36,931	$ 43,273
Amortization	4,150	15,062
Increase in specific prices, less general price level increase		(370,112) 317,540
Write-down in plant because only historical cost depreciation is specifically recoverable in utility rates	140,854	176,172
Gain from decline in purchasing power of net amounts owed	(115,428)	(115,428)
Total erosion of stockholders' equity because of inflation	$ 66,507	$ 66,507

Statement of Income from Continuing Operations Adjusted for Changing Prices
For the Year Ended December 31, 1979
(In Thousands)

	Conventional Historic Cost	Constant Dollar Average 1979 Dollars	Current Cost Average 1979 Dollars
Revenues	$698,002	$698,002	$698,002
Expenses:			
Operation and maintenance, excluding nuclear fuel amortization	412,060	412,060	412,060
Nuclear fuel amortization	13,786	17,936	28,848
Depreciation	47,407	84,338	90,680
Taxes other than income taxes	81,712	81,712	81,712
Income taxes	44,453	44,453	44,453
Interest charges	49,009	49,009	49,009
Other income	(9,284)	(9,284)	(9,284)
Total Expenses	$639,143	$680,224	$697,478
Income from operations excluding reduction to net recoverable amount	$ 58,859	$ 17,778*	$ 524
Increase in specific prices (current cost) of plant held during the year**			$370,112
Reduction to net recoverable amount		$(140,854)	(176,172)
Effect of increase in general price level			(317,540)
Net			$(123,600)
Gain from decline in purchasing power of net amounts owed		115,428	115,428
		$ (25,426)	$ (8,172)

*Including the reduction to net recoverable cost, the loss from continuing operations on a constant dollar basis would have been $123,076.

**At December 31, 1979, current cost of property, plant and equipment, net of accumulated depreciation, was $2,622,082, while historical cost or net cost recoverable through depreciation was $1,417,685.

Five Year Comparison of Selected Supplementary Financial Data
Adjusted for Effects of Changing Prices
(In Thousands of Average 1979 Dollars)

	Years Ended December 31,				
	1975	1976	1977	1978	1979
Operating revenues	$676,465	$706,046	$705,426	$682,938	$698,002
Historical cost information adjusted for general inflation					
Income from continuing operations (excluding reduction to net recoverable cost)					$17,778
Income per common share (after dividend requirements on preferred stock)					$0.20
Net assets at year-end at net recoverable cost					$503,346
Current cost information					
Income from continuing operations (excluding reduction to net recoverable cost)					$524
Loss per common share (after dividend requirements on preferred stock)					$(1.19
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost					$(123,600
Net assets at year-end at net recoverable cost					$503,346
General information					
Gain from decline in purchasing power of net amounts owed					$115,428
Cash dividends declared per common share	$3.29	$3.11	$2.93	$2.72	$2.51
Market price per common share at year-end	$31.00	$34.94	$30.87	$26.59	$22.00
Average consumer price index	161.2	170.5	181.5	195.4	217.6

	1978	1977	1976	1975	1974
Capability – MW:					
New-Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,026	1,020	1,047	1,056	633
Edgar Station	–	297	294	294	294
L Street Station	48	48	43	46	46
Yarmouth Unit #4	35	–	–	–	–
Gas Turbines	267	237	234	232	232
Total	2,806	3,032	3,048	3,058	2,635
Contract Purchases	317	261	216	315	394
Contract Sales	(329)	(323)	(313)	(453)	(497)
Net Capability at Year-end	2,794	2,970	2,951	2,920	2,532
Net Capability at Peak	2,716	2,980	2,926	2,905	2,606
Capability Responsibility to NEPOOL at Peak	2,462	2,895	2,765	2,631	2,585
Edison Territory Hourly Peak – MW	2,031	2,013	1,970	1,933	1,891
Edison Territory Load Factor	57.7%	57.2%	58.7%	57.9%	59.7%
Generating Station Economy – BTU per Net kWh Generated	10,149	10,190	10,290	10,250	10,363
Average Cost of Fuel – Cents per Million BTU:					
Fossil	204.20	218.28	188.68	200.92	196.15
Nuclear	25.61	14.77	19.72	16.41	21.49
Composite	142.57	168.89	149.16	150.97	159.13
Capability (net kW):					
Fossil	80%	81%	81%	80%	77%
Nuclear	20%	19%	19%	20%	23%
Generation (net kWh):					
Fossil	68%	78%	78%	77%	79%
Nuclear	32%	22%	22%	23%	21%
Plant Investment (000):					
Additions (gross)	$126,625	$118,075	$ 95,552	$105,534	$114,352
Retirements	64,869	11,475	12,888	26,760	16,210
Accumulated Depreciation	367,954	387,614	354,577	322,454	305,630
Amount of Depreciable Plant	1,467,975	1,441,653	1,386,772	1,312,886	1,124,990
Total Plant Investment	1,676,496	1,614,740	1,508,140	1,425,476	1,346,702
Per Average Customer (dollars)	3,053	2,963	2,777	2,627	2,489
Per Average Employee (dollars)	433,764	405,408	377,318	356,191	326,949
Per $1 Base Operating Revenue (dollars)	3.91	4.04	3.98	4.50	4.81
Electric Plant in Service per Edison Territory Hourly Peak (dollars per kW)	719	709	693	673	587
Number of Employees at Year-end	3,837	3,921	3,999	3,972	4,042

POOR ORIGINAL

Mrs. Norman L. Cahners
Trustee†
Frank L. Farwell
Chairman of the Board,
Liberty Mutual Insurance Company††*
Thomas J. Galligan, Jr.
Chairman and Chief Executive Officer,
*Boston Edison Company**
Kenneth I. Guscott
President, Ken Guscott Associates
(management consultants)††
Philip B. Hamilton
Former Chairman of the Board,
Dennison Manufacturing Company
(manufacturers of office machines
and paper converters)††
Edward B. Hanify
Attorney-at-Law,
Partner, Ropes & Gray††*
Joseph P. Healey
*Chairman, BayBank Middlesex**
Richard D. Hill
Chairman of the Board
and Chief Executive Officer,
First National Boston Corporation
(bank holding company)††
Bernard J. O'Keefe
Chairman and Chief
Executive Officer, EG&G, Inc.
*(technological services)**
Herbert Roth, Jr.
President and Chief Executive Officer,
LFE Corporation (manufacturer of
equipment and systems for traffic
and industrial process control)†
Francis M. Staszesky
President and Chief Operating Officer,
*Boston Edison Company**
Joseph P. Tyrrell
Senior Vice President,
Boston Edison Company

* Member of the Executive Committee
†† Member of the Audit Committee
† Member of the Executive Personnel Committee

Thomas J. Galligan, Jr.
Chairman and Chief Executive Officer
Francis M. Staszesky
President and Chief Operating Officer
Joseph P. Tyrrell
Senior Vice President
James M. Lydon
Senior Vice President
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Eleanor T. Daly
Vice President
Assistant to the Chairman
Robert T. Parry
Vice President – Employee Relations
Benjamin H. Weiner
Vice President
Power Supply Administration
Victor H. Kazanian
Vice President and General Counsel
J. Edward Howard
Vice President – Nuclear
David J. O'Connor, Jr.
Vice President
Accounting, Procurement and Service
C. Bruce Damrell
Vice President
Engineering and Distribution
Craig D. Peffer
Vice President – Commercial
John R. Stevens
Vice President – Corporate Relations
William D. Harrington
Vice President
Steam and Electric Operations
Ralph M. Kelmon
Treasurer
Diane Kinch Tritter
Clerk of the Corporation
Timothy J. Heffernan
Assistant Treasurer
Thomas J. May
Assistant Treasurer
Marc S. Alpert
Assistant Treasurer
Barbara M. Donahue
Assistant Clerk of the Corporation
Richard J. Coughlin
Director of Stores and Service

	1978	1977	1976*	1975	1974
Operating Revenues (000)	$613,263	$588,395	$553,219	$501,122	$459,532
Balance for Common (000)	$34,139	$22,307	$25,168	$23,361	$24,128
Earnings Per Share	$2.96	$2.06	$2.64	$2.45	$2.53
Dividends Per Share	$2.44	$2.44	$2.44	$2.44	$2.44
Payout Ratio	82%	118%	92%	100%	96%
Book Value per Share	$30.91	$30.39	$31.85	$31.61	$31.54
Cash Flow Per Share	$9.25	$8.58	$9.89	$8.33	$6.32
Return on Average Common Equity	9.65%	6.82%	8.32%	7.76%	8.03%
Year-end Dividend Yield	10.22%	9.48%	8.91%	10.61%	15.87%
Fixed Charges Coverage (SEC)	2.50x	2.26x	2.25x	2.05x	1.74x
Capitalization:					
Long-Term Debt	52%	54%	56%	58%	60%
Preferred and Preference Equity	15%	15%	16%	13%	9%
Common Equity	33%	31%	28%	29%	31%
Funds Generated Internally (000)	$78,520	$66,187	$71,054	$56,126	$36,972
Construction Expenditures (000)	$118,155	$108,688	$104,713	$110,934	$103,683
Per Cent Internal Generation	66%	61%	68%	51%	36%
Stockholders at Year-end	57,667	57,302	51,720	52,427	51,317
Shares Outstanding:					
(Wtd. Ave.)	11,534,500	10,851,704	9,534,500	9,534,500	9,534,500
(Year-end)	11,534,500	11,534,500	9,534,500	9,534,500	9,534,500
Stock Price – High	26⅛	28⅜	27⅜	24¾	29¼
– Low	22⅛	24⅞	22⅜	15½	14
– Year-end	23⅞	25¾	27⅜	23	15⅜
Year-end Market Value (000)	$275,386	$297,012	$261,007	$219,294	$146,593
Trading Volume (Shares)	2,087,000	1,982,000	1,570,000	1,563,000	2,245,000
Market/Book (Year-end)	.77	.85	.86	.73	.49
Price/Earnings (Year-end)	8.1	12.5	10.4	9.4	6.1

*Restated See Note G.

Quarterly Stock Data

Following are the reported high and low sales prices of Boston Edison Company's common stock on the New York Stock Exchange and Composite Tape transactions for the quarters of 1979 and 1978 and the dividends per share paid during those quarters:

	1979			1978		
	High	Low	Dividends	High	Low	Dividends
First Quarter	24¾	23	.61	26⅛	22½	.61
Second Quarter	23½	20⅝	.61	24⅞	22⅛	.61
Third Quarter	23¼	21	.61	25½	23⅛	.61
Fourth Quarter	22½	19⅞	.68	25⅞	22⅜	.61

Additional Financial Data

Mention here is not intended to give increased emphasis to a particular note, but merely to avoid repetition of detailed financial data. The notes in their entirety are an integral part of the financial statements.

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