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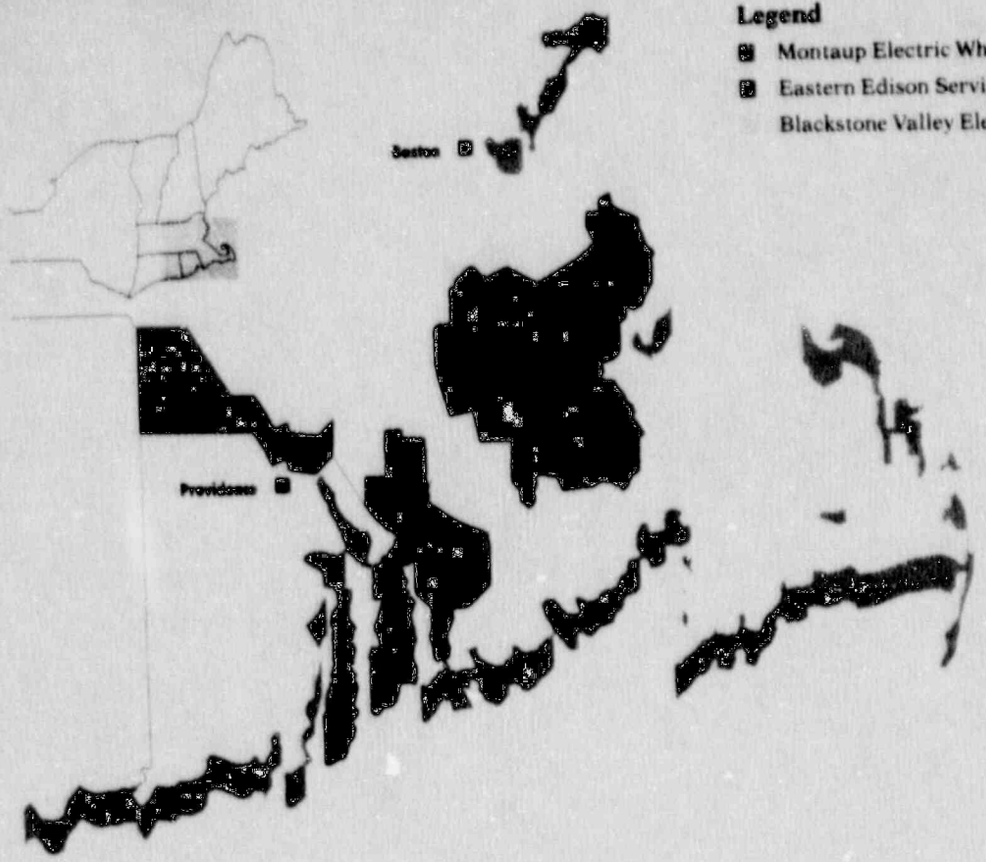
EUA System Territory



Legend

- Montaup Electric Wholesale Territory
- Eastern Edison Service Area
- Blackstone Valley Electric Service Area

On The Cover

Line workers Doug Wight (left) and Mike O'Reilly typify Eastern Utilities' commitment to ***quality customer service.*** *This report's theme section, "Leadership for the '90s," explores those qualities that have enabled Eastern Utilities to become a leader among utilities as we enter the 1990s.* *(See Page 6)*

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Highlights

	1989	1988	% Change
Financial Data *(dollars in thousands)*			
Operating Revenues	**$ 408,577**	$ 374,138	+9.2
Operating Income	**58,388**	65,212	−10.5
Consolidated Net Income	**40,877**	37,475	+9.1
Net Utility Plant	**1,158,693**	1,019,957	+13.6
Cash Construction Expenditures	**75,861**	65,307	+16.2
Internally Generated Funds	**32,734**	38,894	−15.8
Return on Average Common Equity	**12.1%**	12.8%	−5.5
Common Share Data			
Earnings per Average Common Share	**$2.95**	$2.85	+3.5
Dividends Paid per Share	**$2.475**	$2.375	+4.2
Average Common Shares Outstanding	**13,877,091**	13,167,915	+5.4
Book Value per Share (Year End)	**$24.57**	$22.57	+8.9
Market Price (Year End)	**$41.75**	$31.50	+32.5
Operating Data			
Total Electric Sales (mwh)	**5,127,000**	4,900,000	+4.6
System Requirements (mwh)	**4,396,000**	4,330,000	+1.5
System Peak Demand (mw)	**831**	813	+2.2
System Reserve Margin (At Peak)	**26.7%**	22.0%	+21.4
System Load Factor	**60.4%**	60.8%	−0.7
Customers (Year End)	**256,602**	252,807	+1.5
Employees (Year End)	**1,241**	1,204	+3.0

EUA System Profile

Eastern Utilities Associates is an investor-owned public utility holding company and the parent company of the EUA System. The EUA System is principally engaged in the generation, transmission, distribution and sale of electricity to approximately 257,000 customers, covering an area of about 540 square miles. The EUA System includes two retail electric companies—Eastern Edison Company serving 173,000 customers in southeastern Massachusetts and Blackstone Valley Electric Company serving 84,000 customers in northern Rhode Island, and two wholesale generation companies—Montaup Electric Company, which supplies electricity to Eastern Edison, Blackstone and three unaffiliated utilities for resale and EUA Power Corporation, which expects to sell wholesale power to other utilities within New England.

In addition to the above utility companies, the EUA System includes EUA Cogenex Corporation, an energy management and cogeneration company; EUA Energy Investment Corporation, established to invest in cogeneration and small power production facilities; EUA Ocean State Corporation, a subsidiary established to invest in the Ocean State Power project; and EUA Service Corporation, which provides various management services to all EUA System companies.

To Our Shareholders:

Nineteen hundred and eighty nine marked the conclusion of a decade of significant change and growth for Eastern Utilities Associates. The 1980s brought shareholders growth in their dividends and in the market value of their EUA shares. The 1980s also enabled your Eastern Utilities team to establish a dynamic and diversified System that is ready to deal with the changes we will face in the decade ahead.

Earnings per average common share for 1989 were $2.95 compared to $2.85 in 1988, while your dividend was increased to an annual rate of $2.50. This marks the eighth consecutive year of dividend increases and the 61st year of consecutive dividends paid by EUA.

The deferral of a significant portion of the non-cash Allowance for Funds Used During Construction (AFUDC) associated with EUA Power's ownership share in the Seabrook nuclear project, mandated by Financial Accounting Standard 90, remained in effect through the end of the year. The reversal of deferred AFUDC by our EUA Power subsidiary will be linked to its ability to enter into long-term power contracts to sell its 140 megawatts of Seabrook capacity.

It appears that initially EUA Power will be selling its Seabrook capacity on a short-term basis at rates that will not fully cover all of its actual costs. We feel confident that long term contracts will ultimately be entered into, although we cannot predict the timing of these contracts. We firmly believe that EUA Power's investment in Seabrook is a valuable asset that over the long-term will provide an above average return for our shareholders.

Sales to commercial customers rose 5% to 1.5 billion kwh offsetting a decrease in sales to industrial customers and static residential sales. Moderate weather patterns throughout the year combined with the region's economic slowdown impacted the overall sales increase of only 1.5 percent. Retail customers of Eastern Edison and Blackstone Valley Electric did, however, push demand for electricity to an EUA System record peak of 831,270 kilowatts last July 27.

On March 1, 1990 the Nuclear Regulatory Commission voted to lift the last of its limitations on the issuance of a full power license to Seabrook Station. Although it is expected that opponents will appeal the NRC decision to the Federal court we expect that commercial operation could begin within two to three months of Seabrook's initial start-up. Supporters who travelled Seabrook's long and difficult road should be applauded for showing tenacity and dedication to a project that will help alleviate the region's pressing energy needs. We are pleased to have been instrumental in helping to save the Seabrook option through the establishment in 1986 of EUA Power which allowed us to purchase the Seabrook ownership interests of five participants who were ordered to dispose of their ownership.

The name John F.G. Eichorn, Jr. has been synonymous with Eastern Utilities Associates for almost two decades. Now serving as the Association's Chairman, Eichorn was President from 1972 to 1985 and Chief Executive Officer from 1972 to 1989. A nationally recognized figure in the energy field, Eichorn is Chairman of the Joint Owners of the Seabrook nuclear power plant. Under his leadership, EUA assured Seabrook's viability and thereby significantly assisted New England in meeting its severe capacity requirements.

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Visible, accessible and innovative are some of the adjectives used to describe EUA's President and Chief Executive Officer Donald G. Pardus. A 30 year utility veteran Pardus has been instrumental to EUA's growth over the last 10 years. He has initiated the development and implementation of the System's Five Year Strategic Plan that emphasizes EUA's commitment to shareholders, customers, employees and communities. His open leadership style is best illustrated by his frequent "Let's Talk" meetings with System employees and discussions with investors that often begin with the admonition to "just call me Don."

EUA is also playing a major role in further efforts to supply New England with much needed generating capacity. Through our EUA Ocean State subsidiary, we hold a 25% equity investment in Ocean State Power, which is constructing two 250 MW natural gas fired generating units in Burrillville, Rhode Island. These are the only major generating units under construction in New England at this time. EUA's investment should provide a premium return to our shareholders.

Additionally, EUA embarked on a strategy of mergers and acquisitions. In April, we made a friendly offer to the managements of the UNITIL Corporation in New Hampshire and the Massachusetts based Fitchburg Gas and Electric Light Company to purchase all of the common shares of both companies. Management rejected our offers. Subsequently, we commenced cash tender offers directly to the shareholders of both companies. We continue to believe that EUA's acquisition of both UNITIL and Fitchburg Gas and Electric is in the best interest of all concerned and we reiterate our willingness to negotiate a transaction which assures their stockholders will receive fair value for their common stock. While the regulatory process has not moved as promptly as we would prefer, we remain fully committed to successfully completing these acquisitions.

In September, we agreed with NECO Enterprises of Providence, Rhode Island to purchase its subsidiary, Newport Electric Corporation, in exchange for 540,000 EUA common shares. Newport Electric serves approximately 30,000 customers in the Rhode Island communities of Newport, Jamestown, Middletown, and Portsmouth. Our proposed acquisition has been the recipient of support on all fronts as being in the best interests of shareholders, customers and employees of both EUA and Newport Electric.

Our EUA Cogenex subsidiary continues to make its mark in the field of energy management. Since acquiring this start up company in 1987, EUA Cogenex has grown to become a recognized leader in providing energy savings and demand side management programs.

In November, Blackstone filed with the Rhode Island Public Utilities Commission for its first increase in base rates in almost four years. The request, if approved in its entirety, would generate almost $5 million in annual revenue.

On March 5, 1990 Montaup filed a $20.5 million rate case with the Federal Energy Regulatory Commission. The principal reason for the filing is to include in base rates the balance of Montaup's 2.9% investment in Seabrook as well as the operating and maintenance costs of Seabrook. In addition, the rate increase includes the recovery of costs incurred to carry out our various conservation and load management programs.

Our success in 1989—as in years past—is directly tied to the efforts of our entire EUA team. We approach the new decade with a renewed sense of purpose and determination to continue to develop our existing System and to seek out new opportunities for the benefit of you, our shareholders.

Sincerely,

John F.G. Eichorn, Jr.
Chairman

Donald G. Pardus
President

March 5, 1990

Eastern Utilities . . .
Leadership for the '90s

Leadership is showing the way by going in advance, realizing that unless you prepare for the future, you will be left in the past.

With the dawn of the 1990s, the future has arrived for Eastern Utilities Associates (EUA), with its opportunities and challenges. Striving to enhance our shareholders' investment . . . working to ensure a reliable energy supply for the decade . . . keeping the cost of electricity reasonable for customers . . . EUA is ready to accept the challenge.

If the final test of a leader is that he is a catalyst and leaves in others the conviction and the will to carry on, then Chairman John F. G. E[illegible]n, Jr., who retired in 1989 as Chief Executive Officer, epitomizes that legacy.

"John Eichorn made EUA a modern-day progressive utility," says President and Chief Executive Officer Donald G. Pardus. "He led the System through the turbulent '70s, brought it recognition and respect in the '80s and prepared it for the '90s."

Eichorn became a nationally recognized industry leader as Chairman of the Joint Owners of Seabrook Station. His decision to form EUA Power Corp. in 1986 and become the third largest owner of the project was a major turning point in the plant's troubled history. Eichorn was instrumental in moving the plant towards commercial operation and providing New Englanders with much-needed generating capacity at a time when demand was reaching record proportions.

Eichorn's contributions to EUA not only include the establishment of EUA Service and EUA Power, but also the addition of EUA Ocean State, an equity investor in the Ocean State Power generation project, and the acquisition of EUA Cogenex, a leader in the energy services and demand management field. He assembled a management team which by his own description is one of the best in the industry . . . a team consisting of both traditional and non-traditional utility veterans poised to provide EUA with Leadership for the 1990s.

Public Relations. Sales. Nuclear Projects. Labor Relations. Administration. Finance. Senior Executive Vice President and Chief Operating Officer John R. Stevens provides a diversified background and 25 years of experience to EUA. "The future belongs to those companies which can compete by adapting to changing business conditions."

"The future's potential is realized through the planning process," says Executive Vice President Arthur A. Hatch. "Balancing energy requirements with environmental concerns in energy dependent New England is a test for today's utility manager," he says.

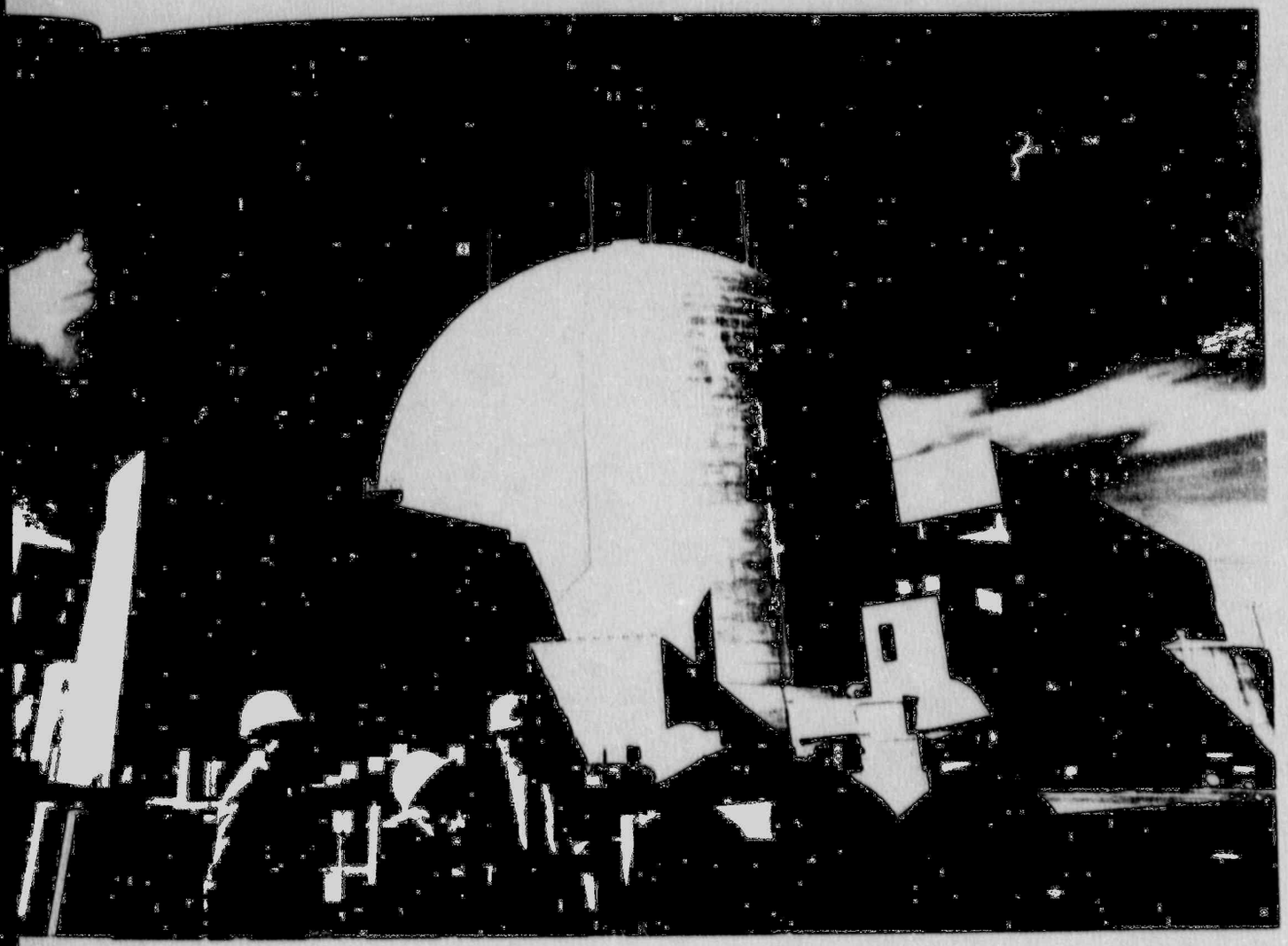
"The continued enthusiasm displayed by our dedicated employees will help ensure the fulfillment of our customers' and shareholders' expectations," says Executive Vice President Robert E. Maguire, a seasoned utility veteran with 40 years of experience.

Samuel Slater's Mill—where the Industrial Revolution began—provides an historic contrast with an EUA crew maintaining our modern underground distribution system in Pawtucket, Rhode Island.

EUA Cogenex provides energy savings and demand side management programs to a variety of clients. This diversification into complementary energy-related businesses is typical of EUA's progressive culture.

Financial Department personnel keep abreast of stock market conditions and the daily activity of your EUA shares.

EUA Speakers Club members visit the Seabrook nuclear generating station to stay abreast of current energy-related technology. EUA has a 15% interest in Seabrook.



Joseph S. Fitzpatrick is President of EUA Cogenex, a subsidiary on the cutting edge of the emerging energy management field. "The ability to provide a number of energy management options to our customers will enhance our profitability in the '90s," he says.

"Being an active participant in the economic development of our communities is important to our customers," says David N. Gulvin, President of Blackstone Valley Electric. Gulvin is one of a group of business leaders working to increase international trade in northern Rhode Island.

Eastern Edison President John D. Carney reminds employees of our fundamental mission: "As we become a more diversified entity over the next 10 years, we must not lose sight of our basic mission – to provide safe and reliable electric service at reasonable prices to our customers, and maximize the return to our shareholders," he says.

My concept of leadership can be likened to that of the role played by a symphony orchestra conductor who leads his professionals through the movements of a musical score," says EUA President Pardus. "He brings together the various sections of the orchestra to create a unified melody."

For EUA the musical score for the '90s is it. Five Year Strategic Plan. Its companion Business Plan emphasizes the System's commitment to its shareholders, customers, employees and communities it serves.

"These are the four elements that must play harmoniously for us to be a success," Pardus says.

"We have a special responsibility to our shareholders," offers Senior Executive Vice President and Chief Operating Officer John R. Stevens. "In the next decade, we must continue to reinforce in our shareholders the idea that we are a progressive utility on the cutting edge; that measured market growth and dividend appreciation are synonymous with the letters 'EUA.'"

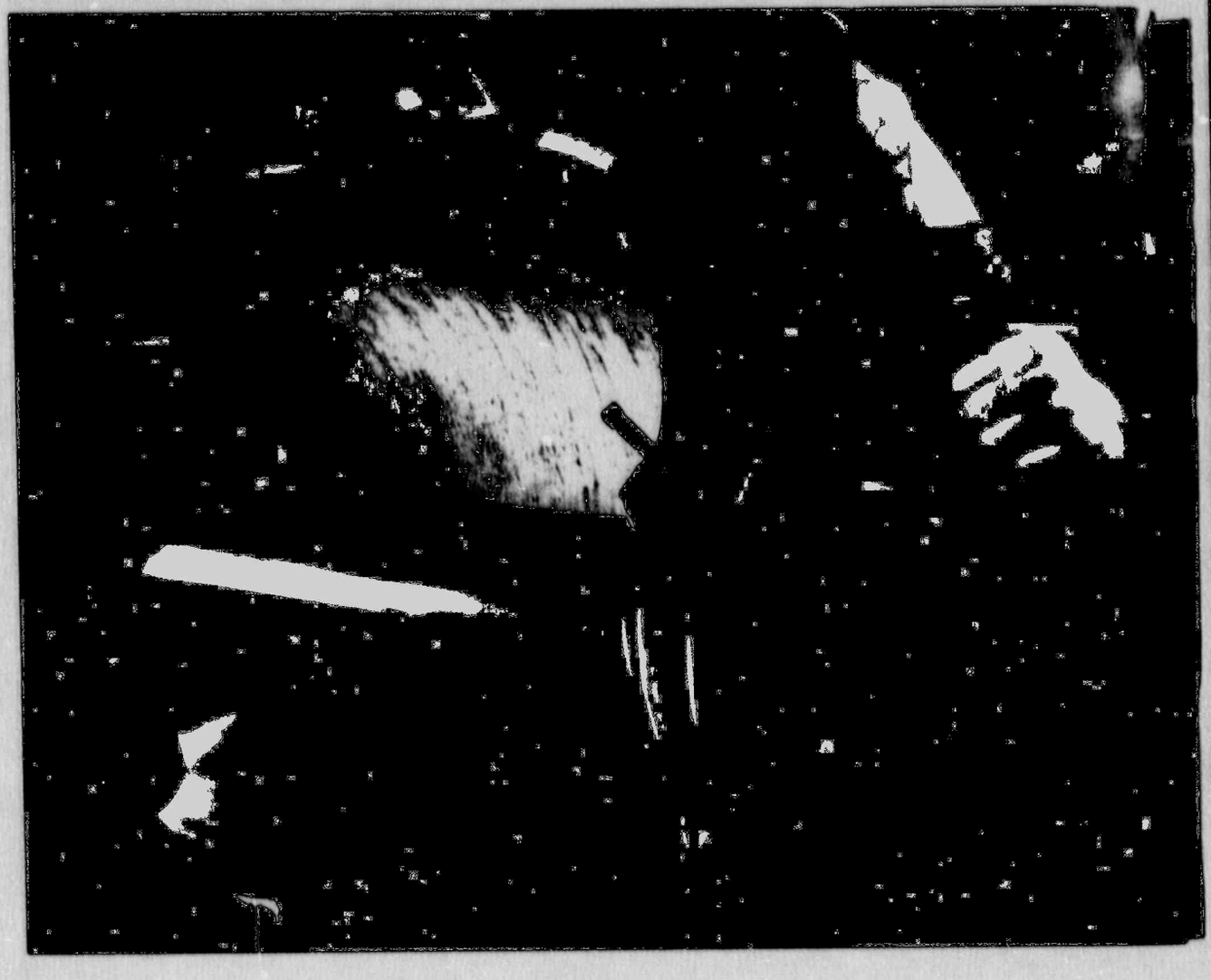
EUA has become more than just a traditional utility company. While its prime focus continues to be on its core business—providing reliable electricity to its customers—EUA is also a part of the emerging world of non-traditional energy related services and cogeneration through subsidiaries like EUA Cogenex and EUA Ocean State.

The world of mergers and acquisitions tolls for EUA, too. There's the anticipated addition of Newport Electric and the continuing effort to acquire Fitchburg Gas and Electric Light Company and UNITIL Corporation.

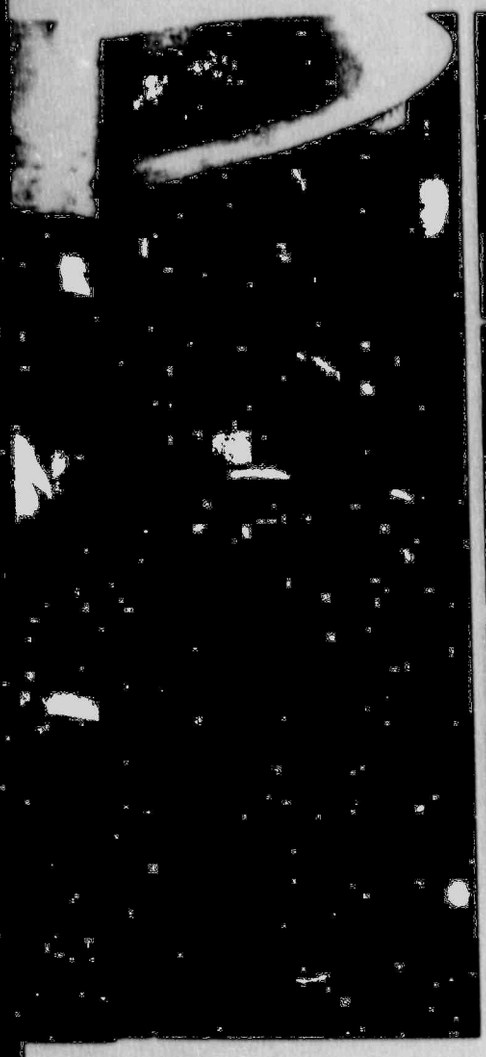
Over the next few years, EUA will also be capitalizing on its investments in ventures such as EUA Ocean State and EUA Power.

"Our energy related diversified approach to business should continue to pay dividends for our shareholders in the '90s," emphasizes Stevens.

Joe Rusin (left) and Bob Moore inspect a boiler feed pump during scheduled maintenance that enabled Montaup Electric's Somerset Station to exceed New England Power Pool target for unit availability.



Avedis Zildjian Co., known to musicians the world over for its high quality cymbals, chose electric furnaces for the precise controls required in its metal-alloying process at a modern plant in Norwell, Massachusetts.



A lonely road; a disabled automobile. The sight of an Eastern Utilities vehicle with its Radio Assist logo means help is on the way, summoned through our radio communications system.

The use of bar codes is central to the efficiency of the computerized materials management system in all EUA stockrooms.

"To our customers, we want to remain their 'utility of choice' in the decade ahead," says Executive Vice President Arthur A. Hatch. As the competition for business increases from a variety of sources, we must not take our customers for granted."

In order to stay competitive in the '90s, EUA will ensure its future by supporting reasonable rates with a "full-service" utility concept; by continuing to provide customers with safe, reliable electric service; and by offering them an opportunity to save energy and money—while, at the same time, meeting the region's growing demand for energy.

EUA's conservation and load management program—called 'Helping You Save'—offers a variety of energy saving incentives for residential, commercial and industrial customers while being a part of the System's planned response to the region's capacity needs.

"Progressive programs that team EUA with its customers are a critical ingredient in our commitment to be competitive in the '90s," says Hatch.

"Our employees are the arteries and nerves of our System," says Robert E. Maguire, Executive Vice President. "Without their contributions we would not be either what we are today or where we are today. They exemplify our very character—our spirit."

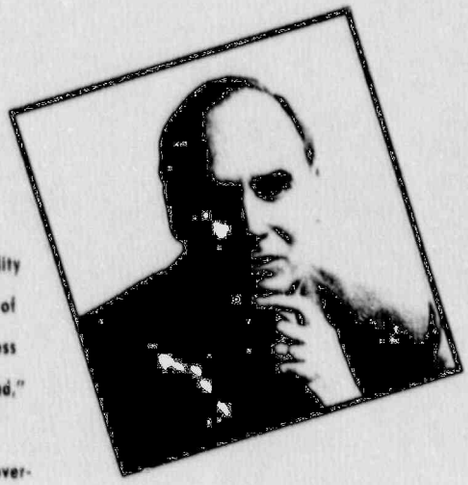
EUA will continue to retain qualified employees who will be part of the team effort leading the System into the next century.

EUA will meet this goal—of providing leadership for the '90s and beyond—by rewarding performance and offering opportunities for enhancing education and skills training. The 'Teaming Up for Performance' goals and incentives program gives employees a personal stake in the success of the System whether it be in the areas of earnings growth, safety, reliability or cost control.

Expanded training in performance management, customer relations, affirmative action and other areas results in a more contemporary and diversified work force.

Treasurer Clifford J. Hebert is responsible for planning EUA's future financing requirements. "In the next decade, EUA will be capitalizing on investments made in EUA Cogenex, EUA Power and EUA Ocean State. These, and other opportunities, can only strengthen the respect EUA has in the financial community."

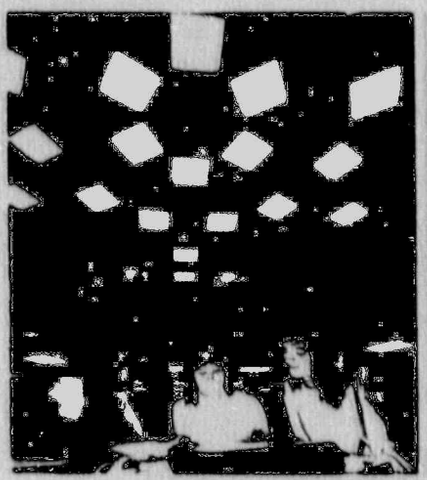
With a background in human resources and customer service, Eastern Edison Vice President Barbara A. Hassan explains to employees the important role they play in making EUA a success in the '90s. "All of our employees are setting the standard for excellence in customer service."



"Our involvement in non-traditional utility areas is a major part of our strategy for success in the '90s and beyond," says Vice President [redacted]alff. He oversees Special Projects as well as Resource Planning and Power Management – all supporting the System's efforts through the decade.

EUA Service Corporation Vice President Robert G. Powderly is responsible for seeing that EUA pursues a fair and reasonable return on its investment as well as for the administration of the System's customer service operation. "Our intent is to balance the interests of both our shareholders and customers."

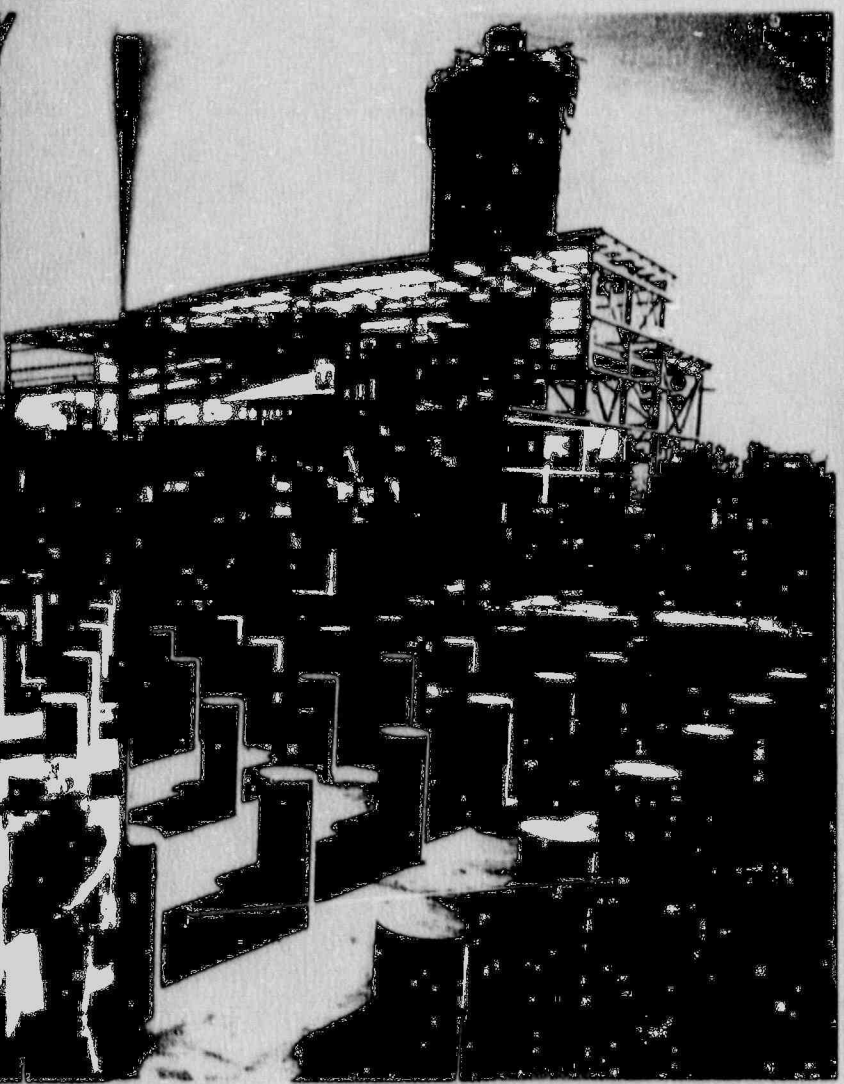
The energy saving efficient lighting installed at Woonsocket, Rhode Island, High School, is typical of EUA's conservation and load management programs.

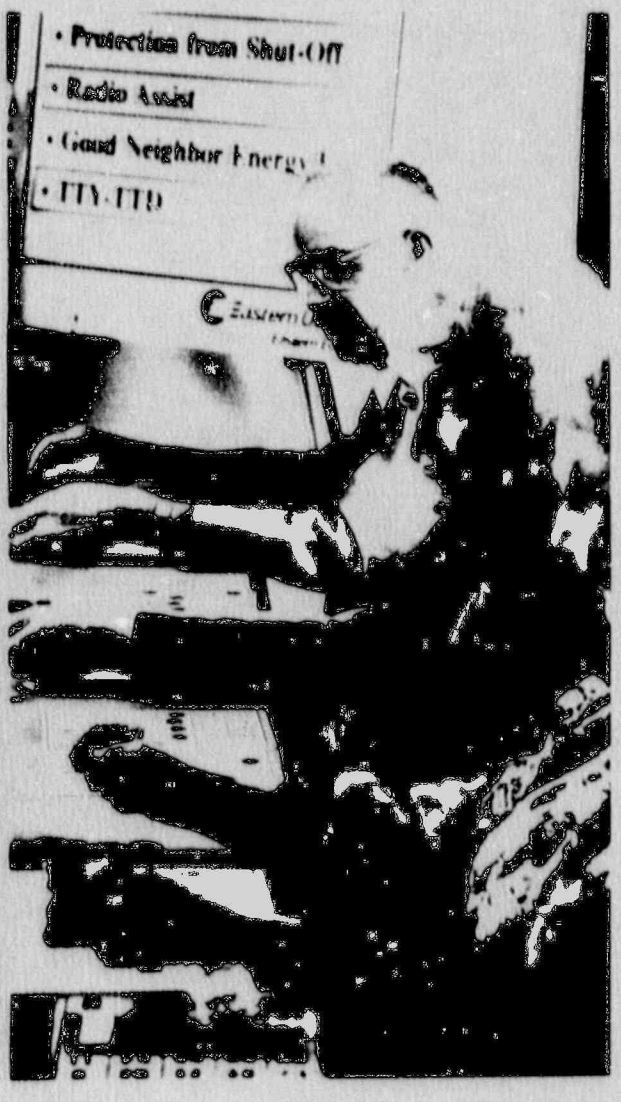


Electrician's Helper Pat Kelleher prepares control cables for installation at a System transmission substation.

Workers have maintained the construction schedule for the two Ocean State Power units in Burrillville, Rhode Island. The new generating units are expected to enter service in late 1990 and late 1991, respectively.

EUA retirees participated in a pilot program during which we developed Energy Bingo—our newest community program for seniors.





Open, candid communication between System officers and employees is also a key to success in the '90s. A two-way communications program called "Let's Talk" is an ongoing forum for all employees which encourages open discussion and exchange of ideas.

"A company can be only as good as the people who work in it. At EUA, we strive to be one of the best," says Maguire.

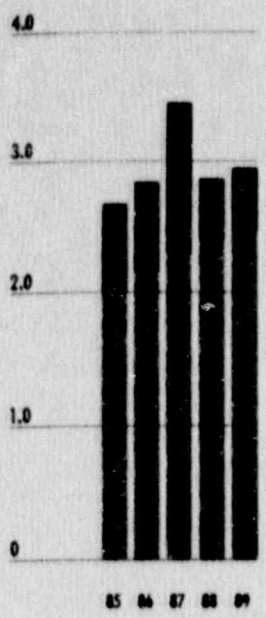
"Being a good corporate citizen is the fourth movement of our corporate symphony," notes Pardus. "Community involvement allows us to communicate with our customers directly and demonstrate to them that we care about them as individuals."

EUA System companies and employees serve the public in a variety of business and private endeavors. They work to attract new business and actively participate in promoting the quality of life in areas they serve by involvement in local Chambers of Commerce and similar organizations. System companies support activities like the Good Neighbor Energy Fund and Adopt-A-School programs. Employees speak, free-of-charge, to community groups and students on topics such as electric safety, energy alternatives, career opportunities and conservation as ambassadors of the all-volunteer EUA Speakers Club. They are also involved in local economic activities and social service projects as active members of service clubs and other organizations.

EUA encourages its employees to become involved in their communities. "It's essential that we reaffirm our commitment to a higher quality of life than our predecessors left us . . . and follow that mission relentlessly," says Pardus.

As EUA readies itself for its future, we, like Thomas Edison, are mindful that, when all is said and done, "There is still no substitute for hard work" in the process of providing Leadership for the '90s.

Review of Operations



Earnings and Dividends

■ Earnings
▩ Dividends

Earnings and Dividends

Shares in Eastern Utilities Associates earned $2.95 for the year ended December 31, 1989, on revenues of $408.6 million. That is an increase of 10 cents per average common share over 1988 earnings of $2.85.

The annual dividend was raised from $2.40 per share to $2.50, effective with the May 15, 1989, payment. This marked the eighth consecutive year of dividend increases.

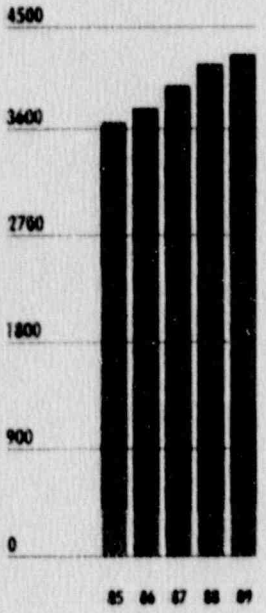
An increase in the non-cash Allowance for Funds Used During Construction (AFUDC), higher base rates charged by our Massachusetts retail electric subsidiary, Eastern Edison Company, and moderate growth in kilowatt-hour sales for the year helped offset the diluting effect of our October issue of 1,500,000 additional common shares.

AFUDC Deferral

As previously reported, a conservative interpretation of Financial Accounting Standard 90 (FAS-90) required the deferral of a portion of the AFUDC associated with EUA's ownership interest in the Seabrook nuclear power project. We have also indicated the deferral would be discontinued as the commercial operation of Seabrook draws closer, and the amounts previously deferred may be restored to earnings.

On March 1, 1990 the Nuclear Regulatory Commission voted to lift the last of its limitations on the issuance of a full power license to Seabrook.

Upon further review the reversal of any deferred AFUDC for our EUA Power subsidiary will be linked to the ability of EUA Power to enter into long-term power contracts to sell its 140 megawatts of Seabrook capacity at prices sufficient to recover its investment. Upon Seabrook's commercial operation, it is likely we will be selling short-term capacity at rates that are lower than our actual costs. We are actively marketing EUA Power's Seabrook capacity in New England and New York and we feel confident that EUA Power will ultimately enter into such long-term sales contracts, although we cannot predict the timing of these contracts.



Primary Sales
Millions of Kwh

Total Primary Sales
■ Residential
▩ Commercial
▩ Industrial
▩ Other

Sales and Demand

Kilowatt-hour sales of electricity continued to grow in our Massachusetts and Rhode Island service territories, but at a slower pace than in recent years. Overall, System requirements increased 1.5%.

The economy and inconsistent weather patterns were dominant factors. The coldest December in the 119-year history of Boston Weather Bureau records boosted residential sales late in the year. But annual sales were held down by moderate summer and autumn seasons.

Continued strong growth in kilowatt-hour sales to our commercial customers (up 5.1% over 1988 figures) offset the dampening impact of flat residential sales and a downturn in sales to the industrial customer group.

The economic slowdown in our service territory directly affected our sales to industrial customers. Closings of manufacturing facilities by several major industrial customers reduced our industrial sales by approximately 4.3%.

The demand for electricity by retail customers of Eastern Edison and Blackstone Valley Electric Company, our Rhode Island retail electric subsidiary, created an EUA System record peak of 831,270 kilowatts during July. This was a 2.3% increase over the System's previous peak of 812,750 kilowatts.

Implementation of conservation and load management programs offered to our Blackstone and Eastern Edison customers

provided the equivalent of approximately 9,850 kilowatts of capacity savings, which effectively slowed the increase in system demand. Reducing peak demand lessens our need to invest in costly new generating facilities and saves our customers money.

Nearly 8,200 commercial, industrial and residential customers participated in one or more of the conservation and load management programs we offered. Taking advantage of these programs will enable them to save approximately $2.1 million in their yearly energy bills.

Mergers and Acquisitions

In April, EUA offered to purchase, for cash, all the outstanding common shares of two other New England utility companies, UNITIL Corporation in New Hampshire and Fitchburg Gas and Electric Light Company (FG&E) in Massachusetts. The friendly offers, representing a 20% premium over market values of UNITIL and FG&E shares at that time, were rejected by the managements of UNITIL and FG&E. We commenced cash tender offers to the shareholders of both companies.

We remain committed to acquiring FG&E and UNITIL. We continue to believe acquisition of these two companies is in the best interests of the customers, shareholders, and employees of UNITIL, FG&E and EUA—as well as the New England region.

Return on Average Common Equity

We remain willing to negotiate the acquisitions on a friendly basis, ensuring that shareholders of each company receive fair value for their common stock and avoiding the further unnecessary expense of a contested transaction. We may continue to extend the deadlines for our separate tender offers for FG&E and UNITIL, in order to allow the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 to continue its review of our proposed acquisitions.

Acquisition of FG&E and UNITIL would add approximately 100,000 customers to the EUA System.

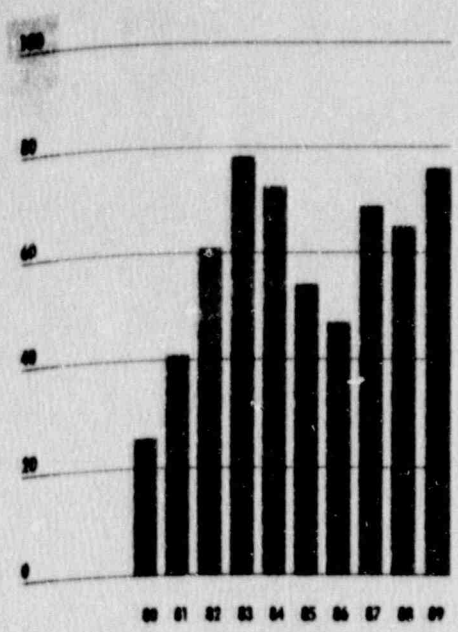
Last September, we signed an agreement to purchase Newport Electric Corporation from its parent, NECO Enterprises, for 540,000 EUA common shares.

The proposed acquisition has received support on all fronts as being in the best interests of shareholders, customers and employees of both companies. NECO has scheduled a special meeting of shareholders for March 15, 1990, to approve the sale of Newport.

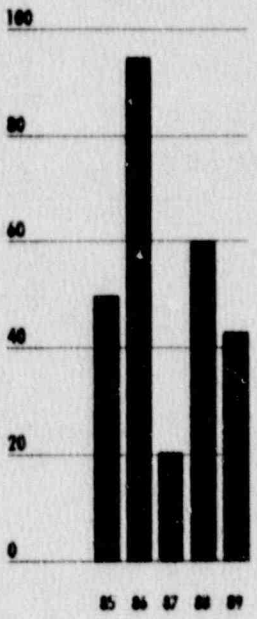
Newport provides electric service to 30,000 customers in the Rhode Island communities of Newport, Jamestown, Middletown and Portsmouth. Its 55-square-mile service territory extends to a point within five miles of the Fall River division of Eastern Edison. Newport has long been a customer of our wholesale generation and transmission subsidiary, Montaup Electric Company.

Diversification Update

In the past few years, EUA has become a more widely diversified energy company. No longer are we strictly an "electric utility" holding company, although we



Cash Construction Expenditures
Millions of Dollars



Internally Generated Funds as a % of Cash Construction Expenditures

remain committed to a philosophy of diversifying into energy-related businesses where we have expertise.

This diversification is most successfully exemplified by EUA Cogenex Corporation, our energy management subsidiary.

Since its purchase by EUA in 1987, EUA Cogenex has become nationally known as a major contractor working principally with regional utilities on energy savings and demand side management programs for their customers. EUA Cogenex is already a primary contractor for several large New England utilities and has recently been selected by Orange & Rockland Utilities in New York State and Jersey Central Power & Light Company in New Jersey as a prime contractor to provide comprehensive demand side management services to large commercial and industrial customers of those electric utilities.

Providing demand side management services to hundreds of individual buildings, EUA Cogenex services hotels, colleges, medical facilities and commercial and industrial facilities throughout the United States. Texas Instruments; Hewlett Packard; Newport Hospital; Maidenform; Coca-Cola; Nordstrom's; Digital Equipment Corporation; AT&T; Holiday Inn; T.J. Maxx; Globe Mfg; MIT; Sheraton; Best Western; and Le Meridien are all familiar names on the list of EUA Cogenex clients.

EUA Cogenex made a positive contribution to 1989 earnings, and its contribution is expected to grow in the coming years.

Financing Activities

In September, Blackstone negotiated a private placement of $15,000,000 of Series B First Mortgage Bonds maturing in

2004 at a rate of 9½%. The funds were used to repay existing short-term bank borrowings and to pay the sinking fund requirement of Blackstone's Series A Bonds.

A sale of 1,500,000 new common shares of EUA resulted in net proceeds to the Company of $53,662,500 in October. These funds were used to repay short-term bank borrowings; redeem $15,750,000 of EUA's 10¼% Senior Notes; and make investments in or loans to subsidiaries.

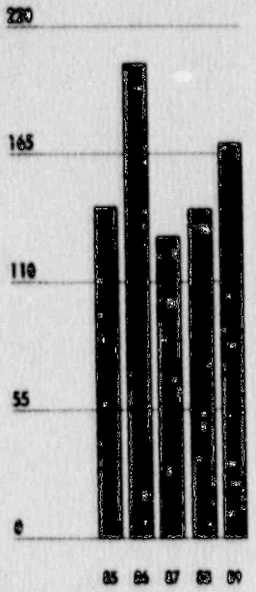
An additional $13.2 million was raised during 1989 through the issuance of approximately 391,000 common shares under our Dividend Reinvestment and Employee Savings Plans. More than 34% of our shareholders participate in the Dividend Reinvestment Plan.

Power Plant Status

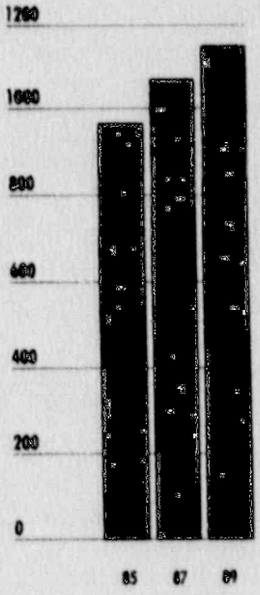
Following a briefing on January 18, 1990, the staff of the Nuclear Regulatory Commission recommended the issuance of a full-power operating license to the Seabrook nuclear generating station.

The Nuclear Regulatory Commission issued its license to Seabrook on March 1, 1990. Although opponents have appealed to the Federal court we expect that the plant will begin the start-up process that should lead to full-power commercial operation within 2–3 months.

During 1989 Seabrook successfully completed a series of tests at partial power, ensuring that all the components of the complex plant perform up to their design specifications. Seabrook attained its first self-sustained nuclear reaction shortly after 5 pm on June 13, 1989.



Market to Book Ratios



System Capability/Peak

Megawatts

- Total System Capability
- Reserve Margin
- Interim Unit Sales
- EUA System Peak

The Atomic Safety and Licensing Board issued a favorable decision on emergency response plans developed by Seabrook's management for communities in Massachusetts late in the year following an on-site drill that drew praise from Nuclear Regulatory Commission evaluators. A five-member Nuclear Regulatory Commission team said the response during the drill demonstrated the ability to implement the emergency plan in a manner that would provide adequate protective measures for the safety of the health and public."

The Pilgrim nuclear power plant, in which Montaup has a power purchase interest, began its return to service in March 1989 after an outage that began in April 1986. The unit reached full power in October.

In December 1989, we reached a settlement with the operator of Pilgrim, under which Montaup will recoup a portion of its replacement power costs and outage expenses for the time Pilgrim was out of service. In addition, Montaup will receive an additional amount to support the EUA System conservation and load management programs. The settlement, subject to Federal Energy Regulatory Commission approval, will result in lower bills for Montaup's wholesale customers.

In northern Rhode Island, construction of the Ocean State Power Unit 1 generating plant adjacent to an EUA-owned transmission substation continued within budget and on schedule for a commercial start-up late this year. Steam and gas turbines are in place; fuel and water pipelines are nearly finished; construction nears completion day-by-day.

Unit 1 is the first of two 250-megawatt natural gas-fueled generating units planned for the site. Ground was broken at the site in November for construction of Unit 2, an identical 250-megawatt generator.

We formed EUA Ocean State Corporation to hold a 25% equity investment in the project when each unit enters commercial service, scheduled in late 1990 and late 1991, respectively. Montaup has signed life-of-unit power purchase agreements for 55 megawatts of the output of each unit.

Each Ocean State unit is a "combined cycle" type of generator. Natural gas will fire a gas turbine used to generate electricity. The hot exhaust gases leaving this turbine are diverted to become the source of heat for a waste heat recovery boiler which produces steam used to drive a second turbine. The "combined" output of both turbines produces more electricity than systems which do not recover the waste heat, thus conserving the amount of fuel used per unit of output.

Ocean State Power is owned by an innovative partnership, comprising a consortium of three regional utilities, including EUA Ocean State; a Canadian gas pipeline company; and the private developer responsible for project development and administration of the plant's construction. Each member of the group contributes its own diverse expertise to the project.

The Ocean State project represents the first major utility generating units to be built in Rhode Island in 50 years. It is the largest power plant under construction in New England at this time. We expect Ocean State Power to contribute much needed generating capacity to our region at the same time it provides EUA with yet another opportunity for an investment return that is in excess of the traditional utility return.

Rate Cases

In November, Blackstone filed with the Rhode Island Public Utilities Commission its first increase in base rates in nearly four years. The requested 4.3% increase, if granted in its entirety, would add approximately $5,000,000 to Blackstone's annual revenues.

Blackstone's rates now in effect are based on the cost of doing business in 1985. The requested new rates are designed so customers' bills would cover the actual costs incurred in more recent years. The largest single portion of the requested increase is to cover our investment in the equipment necessary to best serve our customers' growing use of electricity.

Under normal practice, the Public Utilities Commission will issue a decision on Blackstone's rate request by mid-August 1990.

On March 5, 1990, Montaup filed with the Federal Energy Regulatory Commission (FERC) a $20,500,000 increase in wholesale rates. Montaup requested that the new rates become effective the date Seabrook enters commercial service. The requested increase puts in Montaup's rate base the balance of its investment in the Seabrook project. FERC previously permitted Montaup to include in rate base up to 50% of its Seabrook Construction Work in Progress.

Included in Montaup's rate request is approximately $7,000,000 to recover the costs of conservation and load management programs. These programs save money and energy for customers of Blackstone and Eastern Edison. They also reduce our need to provide costly new generating capacity.

Customer and Community Relations

In 1989, EUA broadened its participation in community affairs by expanding our emphasis on programs for senior citizens. At the same time we retained our commitment to the youth of the communities we serve by expanding those programs with which we have been so successful.

Senior citizens warrant special attention. Our "Gatekeeper" program is designed to help customers—especially our elderly customers—head off crises before they occur. Our customer contact personnel are directed to report situations that appear to be abnormal, so the appropriate source of help may be contacted for any suspected problem. With the two-year-old "Radio Assist" and "Traffic Net" programs, our employees in radio equipped vehicles contact fire, police or rescue personnel in emergencies, and report highway and traffic hazards to radio traffic broadcasters.

The "Good Neighbor Energy Fund," co-sponsored with The Salvation Army, helps our customers who are in a temporary financial crisis pay their heating and utility bills. Eastern Edison and Blackstone donate $1 to the fund for each $2 contribution from our customers.

We launched a new program in 1989, geared specifically to the needs of senior citizens. "Energy Bingo"—a form of everybody's favorite game involving answers to energy-related questions—incorporates recommendations by seniors from local organizations. This program combines the best attributes of entertainment and information. It addresses individual concerns as well as providing more general information. To ensure that Energy Bingo appropriately serves the audience for which it is designed, the Edison Pioneers—the organization of Eastern Edison retirees—was invited to participate in a pilot program.

Other community programs are also aggressively pursued. We continue to place a high priority on education. Our retail subsidiaries increased their classroom participation by 24% in 1989, providing educators with nearly 95,000 teaching tools. These programs—offered free of charge—included curriculum materials, computer software, videos and films, publications, vocational materials, book covers, educational posters and talks by EUA Speakers Club members. The Eastern Utilities Teachers Advisory Panel ensures that these classroom aids present a balanced and objective approach to their energy-related subject matter. The panel of working classroom teachers from the communities we serve suggests new materials for inclusion in our programs and reviews each item before it is offered to the schools.

Our two bellwether safety programs: the third grade's "Electrical Safety From A to Zap" and "Stay Clear, Stay Alive" for fifth graders continue in popularity. Since their inception in the late 1970s, presenters have emphasized the importance of electrical safety to more than 150,000 students.

We reach students in non-traditional, non-classroom ways, too. We participate in "Adopt-a-School" programs inviting students to shadow our employees for a day on the job; we're at Career Days to talk to students about various jobs in the utility field; and we sponsor Junior Achievement companies so students can learn about the free enterprise system.

The 91 members of our all-volunteer EUA Speakers Club reached more than 14,000 customers through presentations before community groups. Our speakers addressed electricity-related topics directly affecting the customer—reliability of electric service; rates; safety; conservation; and the need for future generating capacity, among others.

Organizational Changes

On April 25, the Board of Trustees elected President Donald G. Pardus to the additional post of Chief Executive Officer of the EUA System. Mr. Pardus joined EUA as Vice President, Treasurer, and Chief Financial Officer in 1979. He served as President and Chief Operating Officer prior to his most recent promotion.

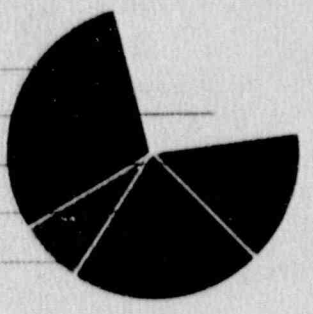
Mr. Pardus succeeds John F. G. Eichorn, Jr., as Chief Executive Officer. Mr. Eichorn remains Chairman of the Board of Trustees.

Russell A. Boss of Warwick, Rhode Island, was elected to the Board of Trustees in August, succeeding Robert I. Dexter, who retired after 11 years as an EUA Trustee. Mr. Dexter also retired as a Director of Eastern Edison upon reaching the mandatory retirement age for Trustees.

Mr. Boss is President of A.T. Cross Co., the internationally known Rhode Island-based manufacturer of fine writing instruments.

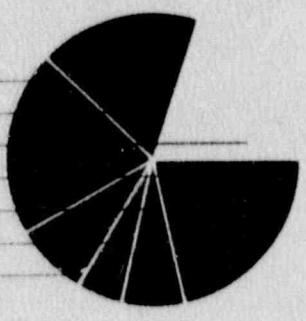
Income

28.4¢	Residential
26.4¢	Commercial
14.2¢	Industrial
24.3¢	Other
6.7¢	Other Electric Utilities



Expense

20.2¢	Fuel
17.8¢	Purchase Power
19.9¢	Other Operation and Maintenance
21.4¢	Interest and Preferred Dividends
7.3¢	Taxes
5.2¢	Depreciation and Amortization
8.2¢	Earnings



Income/Expense Dollar

John R. Stevens was elected to the Board of Trustees effective January 1, 1990, succeeding D. Reid Weedon, who had been a Trustee since 1972. Like Mr. Dexter, Mr. Weedon retired from the Board.

Mr. Stevens was promoted effective January 1, 1990, from Executive Vice President to Senior Executive Vice President and Chief Operating Officer of EUA.

Arthur A. Hatch was promoted effective January 1, 1990, from President of Eastern Edison to Executive Vice President of EUA. John D. Carney, who had been Vice President of Eastern Edison, succeeded Mr. Hatch as President. Mr. Carney was, in turn, succeeded as Vice President by Barbara A. Hassan, formerly Director of Customer Service for our EUA Service Corporation subsidiary.

Robert P. Tassinari, who had been Vice President of EUA, was named Senior Vice President.

David H. Gulvin succeeded William R. Bisson as President of Blackstone effective November 1, upon Mr. Bisson's retirement after a 40-year career with the EUA System. He had been President of Blackstone Valley Electric since 1981.

Mr. Gulvin joined Blackstone in 1986 as Vice President. He is succeeded in that post by John S. Meschisen, who had been Director of Engineering for EUA Service Corporation.

Selected Consolidated Financial Data

Years Ended December 31, (In Thousands Except Common Shares and Per Share Amounts)	**1989**	1988	1987	1986	1985
Income Statement Data:					
Operating Revenues	**$408,577**	$374,138	$367,129	$343,324	$333,510
Operating Income	**58,388**	65,212	62,195	61,725	48,072
Consolidated Net Income	**40,877**	37,475	43,546	32,490	29,770
Balance Sheet Data:					
Plant in Service	**687,833**	671,192	653,371	614,330	407,497
Construction Work in Progress	**674,850**	535,814	425,818	358,708	335,130
Gross Utility Plant	**1,362,683**	1,207,006	1,079,189	973,038	742,627
Accumulated Depreciation and Amortization	**203,990**	187,049	173,813	157,813	143,497
Net Utility Plant	**1,158,693**	1,019,957	905,376	815,225	599,130
Total Assets	**1,376,032**	1,202,635	1,071,216	954,514	714,436
Capitalization:					
Long-Term Debt	**606,079**	554,564	479,217	423,789	285,491
Redeemable Preferred Stock	**34,612**	34,614	29,852	29,852	31,457
Non-Redeemable Preferred Stock	**15,079**	15,079	15,079	15,079	15,079
Common Equity	**375,016**	301,759	285,383	225,156	208,211
Total Capitalization	**1,030,786**	906,016	809,531	693,876	540,238
Short-Term Debt	**58,676**	62,426	38,035	63,444	25,373
Common Share Data:					
Earnings per Average Common Share	**$ 2.95**	$ 2.85	$ 3.46	$ 2.82	$ 2.67
Average Number of Shares Outstanding	**13,877,091**	13,167,915	12,596,381	11,537,677	11,156,941
Return on Average Common Equity	**12.1%**	12.8%	17.1%	15.0%	14.9%
Market Price—High	**41¾**	33⅛	40½	39½	26⅞
—Low	**30⅜**	21⅛	24	25¼	16⅛
—Year End	**41¾**	31½	28	38½	25⅞
Cash Dividends Paid per Share	**$ 2.475**	$ 2.375	$ 2.27	$ 2.15	$ 2.03

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Consolidated Net Income for 989 increased $3.4 million or 9.1% over 1988 whi e 1988 decreased $6.1 million or 13.9% from 1987. Earnings per average common share of $2.95 in 19!9 increased 3.5% over 1988, while 1988 decreased 1 '.6% from 1987. The 1989 increase principally ref ects additional earnings from non-cash aliowan e for funds used during construction (AFUDC) appli able to EUA Power Corporation's owners!iip in the Seabrook nuclear power project. In addition, increased sales of electricity and new rates charged by our Massachusetts retail subsidiary since January, had a positive impact on 1989 earnings. The decrease in 1988 is the result of the deferral of a portion of non-cash AFUDC associated with our ownership interest in Seabrook partially offset by increases in kilowatt-hour sales. These changes in earnings per share are also influenced by the increases in the number of average common shares outstanding of 5.4% and 4.5%, respectively.

Deferral of AFUDC

The deferral of a portion of AFUDC associated with our investment in Seabrook commenced January 1, 1988 and is mandated by Financial Accounting Standard 90 (FAS 90). While the deferral resulted in a reduction in earnings of approximately $26.8 million in 1989 and $22.4 million for 1988, it has no impact on our cash flow. We had previously indicated that as the licensing of Seabrook becomes more assured we would review the deferral requirement with the intent of restoring a portion of the deferred AFUDC to earnings. Upon further review, the reversal of any deferred AFUDC for our EUA Power subsidiary will be linked to the ability of EUA Power to enter into long-term power contracts to sell its 140 megawatts of Seabrook capacity at prices sufficient to recover its investment. Upon Seabrook's commercial operation it is likely EUA Power will be selling short-term capacity at rates that are lower than their actual costs. We are actively marketing EUA Power's Seabrook capacity in New England and New York and we feel confident that EUA Power will ultimately enter into such long-term sales contracts, although we cannot predict the timing of these contracts. See discussion under EUA Power Sales below. Also see Note J—Commitments and Contingencies for further details.

Operating Revenues

The table below sets forth estimates of the factors which caused Operating Revenues to change during the last two years:

($ in millions)	*Increase (Decrease) From Prior Years* 1989	1988
Operating Revenue change attributable to:		
Recovery of Fuel Costs	**$ (1.5)**	$(18.2)
Effect of Rate Changes	**6.4**	—
PPCA	**14.8**	5.3
kwh Sales	**5.7**	19.8
Unit Contracts	**4.5**	(1.1)
Non-Electric	**4.5**	1.2
Total	**$34.4**	$ 7.0

The revenues attributable to fuel costs are the result of the recovery of such costs through the operation of adjustment clauses.

The effect of rate changes for 1989 is primarily associated with an Eastern Edison rate increase, which was effective in January 1989. As of December 31, 1989, the EUA System has no base rate revenues subject to refund.

The revenue attributable to PPCA in the table above reflects Blackstone's and Eastern Edison's recovery of Montaup's purchased power capacity costs through the operation of their Purchased Power Cost Adjustment (PPCA) clauses.

Kilowatt-hour sales for 1989 continued to grow in our service territories, but at a slower pace than 1988. This growth is demonstrated by the 5.1% and 28.2% increases in kwh sales to our commercial customers and our unit contract sales, respectively. Kilowatt-hour sales also were up in 1988 compared to 1987. The commercial and residential sectors led the way in 1988 with increases in kwh sales of 7.5% and 6.3%, respectively.

The table below sets forth the percent changes in kwh sales by class of customers for the last two years:

	Increase (Decrease) From Prior Years 1989	1988
Residential	**(0.3)%**	6.3%
Commercial	**5.1**	7.5
Industrial	**(4.3)**	0.7
Other	**4.2**	0.2
Total System Requirements	**1.5**	4.6
Unit Contracts	**28.2**	(5.9)
Total Energy Sales	**4.6**	3.2

Expenses

The EUA System's most significant expense items continue to be Fuel and Purchased Power costs, which comprised about 53.9% and 53.5% of total operating expenses for 1989 and 1988, respectively. Fuel expense for 1989 increased $3.3 million or 3.4% over 1988, primarily as a result of higher oil prices experienced during 1989. Fuel expense for 1988 decreased $15.1 million or 13.4% from 1987, primarily as a result of lower oil prices experienced during 1988. Purchased Power-Demand costs increased $20.3 million in 1989 over 1988, primarily because of additional purchases required as a result of higher system net generation due to the increased kwh sales mentioned above, additional purchases required under new purchased power contracts in effect in 1989 that were not in effect in 1988, and two generating units being out of service for scheduled annual maintenance for two months in 1989. Purchased Power-Demand costs in 1988 increased $10.2 million over 1987 as a result of increased kwh sales and additional demand charges from Pilgrim Unit I which was out of service for all of 1988. The 1989 increase in other operation expenses reflects additional amortization of costs previously deferred, recovery of which commenced with the implementation of Eastern Edison's 1989 rate increase, costs related to an increase in our work force and increased operating costs resulting from EUA Cogenex's growing business activity. In addition, each year's increase reflects the effects of inflation on labor, materials and other costs.

AFUDC represents a non-cash element of income. AFUDC increased $24.8 million in 1989 compared to 1988 primarily as a result of an increase in the base to which the AFUDC rate is applied.

Long-term debt interest increased $7.8 million in 1989 over 1988 primarily as a result of EUA Power's payment of interest on its 17½% Series B Secured Notes with the issuance of 17½% Series C Secured Notes instead of cash. (See "EUA Power" under Note J—Commitments and Contingencies for further details). The 1988 increase over 1987 was again related to the issuance of Series C Secured Notes for interest payments on the Series B Secured Notes and the issuance by EUA Service Corporation of $20,000,000 of 10.20% Secured Notes. These increases were partially offset by Eastern Edison's ability to refinance certain of its high cost securities in 1988. (See Consolidated Statement of Capitalization for details). Amortization of debt expense and premium increased $1.4 million in 1989 over 1988 while 1988 was virtually the same as 1987. The increase in 1989 was primarily a result of the premium paid on the redemption of EUA's 10¼% Senior Notes. (See further discussion on permanent financings below.)

Other Interest Expense increased $5.7 million in 1989 over 1988 and decreased $7.8 million in 1988 from 1987. The increase in 1989 is primarily the result of higher levels of short-term borrowings at increased rates and interest accrued with respect to the proposed tax disallowance of the Seabrook Unit 2 abandonment loss (see "Seabrook Unit 2" under Note J—Commitments and Contingencies for further details). The decrease in 1988 is primarily the result of interest paid in 1987 on a Montaup rate refund.

Inflation continues to have an impact on the operation of our System. At the Federal level, wholesale rate-making practices permit a forward looking test period which enables us to anticipate inflationary increases. The traditional use of an historical test period for retail rate-making purposes at the state level does not provide us this opportunity.

The tax effect of the cumulative amount of tax/book timing differences, which have previously been flowed through, has not been recorded inasmuch as the tax liability on those flow through timing differences is recovered through rates as the timing differences reverse. The Tax Reform Act of 1986 reduced the federal statutory corporate income tax rate from 46% to 40% in 1987 and to 34% in 1988 and thereafter. EUA has determined that the reduced tax rates will cause the regulated subsidiaries' accumulated deferred income taxes to be adequate to provide for all timing differences, including those that were previously flowed through.

Financial Condition

The EUA System's need for permanent capital is primarily related to the construction of facilities required to meet the needs of its existing customers and to meet the future requirements of these customers as well as new customers. For 1989, 1988 and 1987, the EUA System's cash construction expenditures (excluding AFUDC) were $75.9 million, $65.3 million and $68.9 million, respectively. Of these amounts $26.9 million, $29.5 million, and $27.8 million, respectively, relate to cash construction expenditures on Seabrook.

The System expects cash construction expenditures to decrease to about $64.7 million in 1990 principally due to the completion of Seabrook. Cash construction expenditures for 1991, 1992 and 1993 are estimated to be approximately $59.3, $57.5 and $60.8 million, respectively.

Traditionally cash construction requirements not met with internally generated funds are obtained through short-term borrowings which are ultimately funded with permanent capital. In 1989 internally generated funds available after the payment of dividends amounted to $32.7 million, or 43.2% of the cash construction requirements. In 1988, such internally generated funds amounted to $39 million, or 59.6% of the cash construction requirements.

The System expects that in 1990 it will internally generate a somewhat lesser percentage of its cash construction requirements than it did in 1989, pri-

ments of EUA Cogenex and the possible sale of EUA Power's Seabrook capacity at rates lower than actual costs. (See EUA Power Sales below.) It is expected that the System's internal cash generation will be in excess of System cash construction expenditures once EUA Power enters into long-term power contracts for its capacity.

Permanent financings during 1989 included $15.0 million Series B First Mortgage Bonds issued by Blackstone, $53.7 million in proceeds from an EUA public issue of 1.5 million common shares and $13.2 million from the issuance of 391,000 common shares under our Dividend Reinvestment and Employee Savings Plans. The proceeds from Blackstone's issue were used primarily to retire short-term bank borrowings and pay a sinking fund requirement on its Series A Bonds due in 1989. The proceeds of the EUA issues of common shares were used to redeem EUA's 10¼% Senior Notes; repay short-term bank borrowings; make investments in or loans to subsidiary companies and for other corporate purposes. EUA Power issued $55.3 million of its 17½% Series C Secured Notes in 1989 in lieu of making cash interest payments on its Series B and Series C Secured Notes. (See Consolidated Statement of Capitalization for details.)

In addition to construction expenditures, projected requirements for scheduled sinking fund payments and maturities of securities in 1990, 1991, 1992 and 1993 are: $3.0 million, $4.1 million, $103.7 million and $219.1 million respectively. The maturity of EUA Power's Series C Secured Notes of $99.6 million in 1992 and its Series B Secured Notes of $180.0 million in 1993 are expected to be refinanced at or before their respective due dates at market rates prevailing at that time which are expected to be significantly lower than their current cash interest rate of 17½%. (See also Note J—Commitments and Contingencies for further information concerning EUA Power's need to carry out additional financing in 1990.)

In April 1989, EUA commenced cash tender offers to the shareholders of UNITIL Corporation (UNITIL) and Fitchburg Gas and Electric Light Company (FG&E). The total amount of funds required to purchase all of the outstanding shares of UNITIL and FG&E and to pay related expenses is estimated to be approximately $77 million. EUA has arranged a $75 million term-loan with a major New York bank to provide funds, if necessary, for these proposed acquisitions. In addition, EUA cannot predict the timing of required regulatory approvals needed to consummate these transactions. For more details regarding the UNITIL and FG&E proposed acquisitions, refer to "Mergers and Acquisitions" in the Review of Operations section of this report.

New Accounting Standards

See Notes A and J of Notes to Consolidated Financial Statements for information pertaining to Financial Accounting Standard (FAS) 96 "Accounting for Income Taxes," a new accounting standard which has been issued but is not required to be implemented until 1992.

EUA Power Sales

EUA Power expects to begin selling its 140 megawatts of Seabrook Unit 1 capacity as of the commercial operation date of Seabrook Unit 1. As of the balance sheet date, EUA Power has not entered into any power contracts for the sale of its power. Management believes that it is likely that initially EUA Power will be selling its capacity at short-term rates, that will be lower than EUA Power's actual costs. As previously stated, management believes that EUA Power will ultimately enter into long-term power sales contracts at prices sufficient to recover its investment, although the timing of these contracts cannot be predicted. The sale of EUA Power's capacity below its cost for an extended period of time could have a material impact on future EUA System operating results. (See "EUA Power" under Note J—Commitments and Contingencies for further details.)

Report of Management

The management of Eastern Utilities Associates is responsible for the consolidated financial statements and related information included in this annual report. The financial statements are prepared in accordance with generally accepted accounting principles applicable to rate-regulated utilities and include amounts based on the best estimates and judgements of management giving appropriate consideration to materiality. Financial information included elsewhere in the annual report is consistent with the financial statements.

The EUA System maintains an accounting system and related system of internal controls which are designed to provide reasonable assurance as to the reliability of financial records and the protection of assets. The System's staff of internal auditors conducts reviews to maintain the effectiveness of internal control procedures.

Coopers & Lybrand, the System's independent certified public accountants, is engaged to examine and express their opinion on our financial statements. Their examination includes a review of internal controls to the extent required by generally accepted auditing standards.

The Audit Committee of the Board of Trustees, which consists solely of outside Trustees, meets with management, internal auditors and Coopers & Lybrand to discuss auditing, internal controls and financial reporting matters. The internal auditors and Coopers & Lybrand have free access to the Audit Committee without management present.

Consolidated Income Statement

Years Ended December 31, *(In Thousands Except Common Shares and Per Share Amounts)*	1989	1988	1987
Operating Revenues	**$408,577**	$374,128	$367,129
Operating Expenses:			
Fuel	**100,462**	97,202	112,264
Purchased Power-Demand	**88,430**	68,134	57,892
Other Operation	**80,951**	69,156	62,280
Maintenance	**18,332**	17,285	14,668
Depreciation and Amortization	**25,906**	22,951	21,964
Taxes—Other Than Income	**16,498**	15,402	15,155
Income and Deferred Taxes	**19,610**	18,796	20,711
Total Operating Expenses	**350,189**	308,926	304,934
Operating Income	**58,388**	65,212	62,195
Equity in Earnings of Jointly Owned Companies	**1,670**	1,372	1,480
Allowance for Other Funds Used During Construction	**4,785**	1,591	19,534
Other Income (Deductions)—Net	**2,119**	961	(1,047)
Income Before Interest Charges	**66,962**	69,136	82,162
Interest Charges:			
Interest on Long-Term Debt	**87,906**	80,140	63,555
Amortization of Debt Expense and Premium	**3,605**	2,230	2,101
Other Interest Expense	**11,034**	5,384	7,198
Allowance for Borrowed Funds Used During Construction (Credit)	**(80,592)**	(59,025)	(38,393)
Net Interest Charges	**21,953**	28,729	34,461
Income After Interest Charges	**45,009**	40,407	47,701
Preferred Dividends of Subsidiaries	**4,132**	2,932	4,155
Consolidated Net Income	**$ 40,877**	$ 37,475	$ 43,546
Average Common Shares Outstanding	**13,877,091**	13,167,915	12,596,381
Consolidated Earnings Per Average Common Share	**$2.95**	$2.85	$3.46
Dividends Per Common Share	**$2.475**	$2.375	$2.27

Consolidated Retained Earnings Statement

Years Ended December 31, *(In Thousands)*	1989	1988	1987
Consolidated Retained Earnings—Beginning of Year	**$ 86,077**	$ 79,762	$ 64,698
Consolidated Net Income	**40,877**	37,475	43,546
Total	**126,954**	117,237	108,244
Dividends Paid—EUA Common Shares	**34,272**	31,160	28,482
Consolidated Retained Earnings—End of Year	**$ 92,682**	$ 86,077	$ 79,762

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

Consolidated Statement of Cash Flows

Years Ended December 31, (In Thousands)	1989	1988	1987
Cash Flow from Operating Activities:			
Income After Interest Charges	**$ 45,009**	$ 40,407	$ 47,701
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities:			
Depreciation and Amortization	**32,972**	25,549	24,210
Amortization of Nuclear Fuel	**1,698**	1,742	1,957
Deferred Taxes	**25,328**	25,056	15,757
Investment Tax Credit, Net	**(8,348)**	(11,375)	6,578
Oil Conservation Adjustment	**4,699**	5,723	9,239
Allowance for Funds Used During Construction	**(85,377)**	(66,616)	(57,927)
Non-Cash Interest Expense	**54,850**	46,824	1,352
Other—Net	**6,465**	(8,812)	(2,357)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	**(8,187)**	(8,564)	(7,381)
Materials and Supplies	**(1,501)**	(292)	1,310
Accounts Payable	**2,654**	1,388	3,481
Taxes Accrued	**1,899**	(3,893)	914
Other—Net	**3,437**	(7,328)	(1,716)
Net Cash Provided From Operating Activities	**75,598**	45,809	43,118
Cash Flow from Investing Activities:			
Construction Expenditures	**(75,861)**	(65,307)	(68,929)
Increase in Other Investments	**(17,160)**	(630)	(1,103)
Net Cash Used In Investing Activities	**(93,021)**	(65,937)	(70,032)
Cash Flows from Financing Activities:			
Issuances:			
Common Shares	**66,857**	10,067	45,260
Preferred Stock		20,000	
Long-Term Debt	**15,000**	90,000	106,562
Redemptions:			
Long-Term Debt	**(19,875)**	(80,875)	(53,125)
Preferred Stock		(15,000)	
Premium on Reacquisition and Financing Expenses	**(1,628)**	(4,222)	(4,808)
EUA Common Share Dividends Paid	**(34,272)**	(31,160)	(28,482)
Subsidiary Preferred Dividends Paid	**(4,132)**	(2,932)	(4,155)
Net (Decrease) Increase in Short-Term Debt	**(3,750)**	24,391	(25,409)
Net Cash Provided From Financing Activities	**18,200**	10,269	35,843
Net Increase (Decrease) in Cash	**777**	(9,859)	8,929
Cash and Temporary Cash Investments at Beginning of Year	**5,014**	14,873	5,944
Cash and Temporary Cash Investments at End of Year	**$ 5,791**	$ 5,014	$ 14,873
Cash paid during the year for:			
Interest	**$ 40,271**	$ 37,537	$ 59,984
Income Taxes	**$ 6,872**	$ 7,183	$ 5,921

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

Consolidated Balance Sheet

December 31, *(In Thousands)*	1989	1988
Assets		
Utility Plant and Other Investments:		
Utility Plant In Service	$ 687,833	$ 671,192
Less Accumulated Provision for Depreciation and Amortization	203,990	187,049
Net Utility Plant in Service	483,843	484,143
Construction Work in Progress (Notes I and J)	674,850	535,814
Net Utility Plant	1,158,693	1,019,957
Nonutility Property—Net	25,883	15,068
Investments in Jointly Owned Companies	16,766	9,409
Decommissioning Fund	10,000	10,000
Notes Receivable	11,466	965
Other	1,251	1,801
Total Utility Plant and Other Investments	1,224,059	1,057,200
Current Assets:		
Cash and Temporary Cash Investments	5,791	5,014
Accounts Receivable:		
Customers, Net	42,386	32,542
Accrued Unbilled Revenues	9,416	7,211
Other	12,849	16,695
Materials and Supplies (at average cost):		
Fuel	7,917	6,867
Plant Materials and Operating Supplies	8,417	7,966
Other Current Assets	6,111	5,955
Total Current Assets	92,887	82,250
Deferred Debits:		
Unamortized Debt Expense	18,375	20,559
Extraordinary Property Losses	6,175	7,861
Other Deferred Debits	34,536	34,765
Total Deferred Debits	59,086	63,185
Total Assets	$1,376,032	$1,202,635
Liabilities and Capitalization		
Capitalization:		
Common Equity	$ 375,016	$ 301,759
Non-Redeemable Preferred Stock of Subsidiaries	15,079	15,079
Redeemable Preferred Stock of Subsidiaries—Net	34,612	34,614
Long-Term Debt—Net	606,079	554,564
Total Capitalization	1,030,786	906,016
Current Liabilities:		
Notes Payable—Banks	58,676	62,426
Long-Term Debt Due Within One Year	3,000	4,125
Accounts Payable	28,506	25,852
Customer Deposits	2,238	2,120
Taxes Accrued	3,929	2,030
Deferred Taxes	752	1,505
Interest Accrued	16,097	16,821
Other Current Liabilities	6,603	2,814
Total Current Liabilities	119,801	117,693
Deferred Credits:		
Unamortized Investment Credit	28,109	36,457
Other Deferred Credits	54,478	26,041
Total Deferred Credits	82,587	62,498
Accumulated Deferred Taxes	142,858	116,428
Commitments and Contingencies (Notes B and J)		
Total Liabilities and Capitalization	$1,376,032	$1,202,635

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

Consolidated Statement of Capitalization

December 31, *(Dollar Amounts in Thousands)*	1989		1988	
Eastern Utilities Associates:				
Common Shares:				
$5 par value, 36,000,000 shares authorized, 15,262,237 shares outstanding in 1989 and 13,371,252 shares in 1988.	$ 76,311		$ 66,856	
Other Paid-In Capital	208,284		150,882	
Common Share Expense	(2,261)		(2,056)	
Retained Earnings	92,682		86,077	
Total Common Equity	375,016	36.4%	301,759	33.3%
Preferred Stock of Subsidiaries:				
Non-redeemable Preferred:				
Blackstone Valley Electric Company:				
4.25%, $100 par value 35,000 shares (1)	3,500		3,500	
5.60%, $100 par value 25,000 shares (1)	2,500		2,500	
Premium	129		129	
Eastern Edison Company:				
4.64%, $100 par value 60,000 shares (1)	6,000		6,000	
8.32%, $100 par value 30,000 shares (1)	3,000		3,000	
Expense, Net of Premium	(50)		(50)	
	15,079	1.5	15,079	1.7
Redeemable Preferred:				
Eastern Edison Company:				
9.00%, $100 par value 150,000 shares (1)	15,000		15,000	
9.80%, $100 par value 200,000 shares (1)	20,000		20,000	
Expense, Net of Premium	(388)		(386)	
	34,612	3.3	34,614	3.8
Long-Term Debt:				
Eastern Utilities Associates:				
Senior Notes 10¼% (10¼% prior to July 1988) due 1999			16,875	
EUA Service Corporation:				
10.2% Secured Notes due 2008	20,000		20,000	
EUA Power Corporation: (Note J)				
17½% Series B Secured Notes due 1993	180,000		180,000	
17⅛% Series C Secured Notes due 1992	99,597		44,336	
Blackstone Valley Electric Company:				
First Mortgage Bonds:				
14¼% due 1995 (Series A)	18,000		21,000	
9⅛% due 2004 (Series B)	15,000			
Variable Rate Demand Bonds due 2014 (2)	6,500		6,500	
Eastern Edison Company:				
First Mortgage and Collateral Trust Bonds:				
9¼% due 1993	30,000		30,000	
4⅛% due 1993	5,000		5,000	
6⅛% due 1997	7,000		7,000	
10⅛% due 1997	35,000		35,000	
9⅞% due 1998	40,000		40,000	
8⅜% due 1999	5,000		5,000	
7⅝% due 2002	8,000		8,000	
8¾% due 2003	10,000		10,000	
9¼% due 2016	55,000		55,000	
10% due 2017	35,000		35,000	
Pollution Control Revenue Bonds:				
10¼% due 2008	40,000		40,000	
Unamortized (Discount) Premium—Net	(18)		(22)	
	609,079		558,689	
Less Portion Due Within One Year	3,000		4,125	
Total	606,079	58.8	554,564	61.2
Total Capitalization	$1,030,786	100.0%	$906,016	100.0%

(1) Authorized and Outstanding.
(2) Weighted average interest rate was 6.7% for 1989 and 5.7% for 1988.

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

Notes to Consolidated Financial Statements

December 31, 1989, 1988, and 1987

(A) Summary of Significant Accounting Policies:

Basis of Consolidation: The consolidated financial statements include the accounts of Eastern Utilities Associates (EUA) and all subsidiaries. All material intercompany transactions between the consolidated subsidiaries have been eliminated.

System of Accounts: The accounts of EUA and its consolidated subsidiaries are maintained in accordance with the uniform system of accounts prescribed by the regulatory bodies having jurisdiction.

Jointly Owned Companies: Montaup Electric Company (Montaup) follows the equity method of accounting for its investments in jointly owned companies including four regional nuclear generating companies. Montaup's investments in these companies range from 2.50 to 4.50 percent. Montaup is entitled to electricity produced from these facilities based on its ownership interests and is billed pursuant to contractual agreements which are approved by the Federal Energy Regulatory Commission (FERC).

Montaup also has equity investments of 3.27% in each of two companies which own and operate tie lines used to transmit hydroelectric power between the Hydro-Quebec electric system and New England.

Utility Plant and Depreciation: Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and material, allocatable overhead, allowance for funds used during construction and indirect charges for engineering and supervision. For financial statement purposes, depreciation is computed on the straight-line method based on estimated useful lives of the various classes of property. Provisions for depreciation, on a consolidated basis, were equivalent to a composite rate of approximately 3.3% in 1989 and 1988 and 3.2% in 1987 based on the average depreciable property balances at the beginning and end of each year.

Allowance for Funds Used During Construction (AFUDC): AFUDC represents the estimated cost of borrowed and equity funds used to finance the EUA System's construction program. In accordance with regulatory accounting, AFUDC is capitalized, as a cost of Utility Plant, in the same manner as certain general and administrative costs. AFUDC is not an item of current cash income, but is recovered over the service life of utility plant in the form of increased revenues collected as a result of higher depreciation expense. The combined rate used in calculating AFUDC was 22.05% in 1989, 21.80% in 1988 and 16.59% in 1987. In accordance with regulatory authority, Montaup and EUA Power Corporation (EUA Power) provide deferred income taxes on the borrowed funds component of AFUDC. See Note J with respect to a change in accounting in 1988 for AFUDC.

Nuclear Fuel Disposal and Nuclear Plant Decommissioning Costs: The Nuclear Waste Policy Act of 1982 establishes that the federal government is responsible for the disposal of spent nuclear fuel. Under the provisions of this act, the Federal government requires Montaup to pay a fee based on its share of the generation from the Millstone 3 nuclear generating unit. Montaup is recovering this fee through its fuel adjustment clause.

Also, Montaup is recovering through rates its share of estimated decommissioning costs for Millstone Unit 3. Montaup's share of the currently allowed estimated total costs to decommission the unit is $7.4 million in 1986 dollars, which is based on studies performed by Northeast Utilities, the lead owner of the unit.

Operating Revenues: Revenues are based on billing rates authorized by applicable federal and state regulatory commissions. Eastern Edison Company (Eastern Edison) and Blackstone Valley Electric Company (Blackstone), the retail subsidiaries, follow the policy of accruing the estimated amount of unbilled base rate revenues for electricity provided at the end of the month to more closely match costs and revenues. In addition they also record the difference between fuel costs incurred and fuel costs billed. Montaup and Blackstone also record the difference between purchased power costs incurred and billed.

Federal Income Taxes: The general policy of EUA and its subsidiaries with respect to accounting for federal income taxes is to reflect in income the estimated amount of taxes currently payable and to provide for deferred taxes on certain items subject to timing differences to the extent permitted by the various regulatory commissions. See Note B for details of major deferred tax items. As permitted by the regulatory commissions it is the policy of the subsidiaries to defer the annual investment tax credits and to amortize these credits over the productive lives of the related assets.

In 1987, the Financial Accounting Standards Board issued Statement No. 96, "Accounting for Income Taxes" (FAS 96), which retains the current requirement to record deferred income taxes for temporary differences that are reported in different years for financial reporting and tax purposes; however, the methodology for calculating and recording deferred income taxes has changed. Under the liability method adopted by FAS 96, deferred tax liabilities or assets are computed using the tax rates that will be in effect when the temporary differences reverse. However, for regulated companies, the changes in tax rates applied to accumulated deferred income taxes may not be immediately recognized in operating results because of ratemaking treatment and provisions in the Tax Reform Act of 1986. EUA must adopt FAS 96 no later than 1992. EUA believes

...ie adoption of FAS 96 will have a positive non-cash impact upon the results of operations of approximately $15 million in the year of adoption assuming that the federal income rate remains at 34%.

Cash and Temporary Cash Investments: EUA considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

(B) Income and Deferred Taxes:
Components of income and deferred tax expense for the years 1989, 1988 and 1987 are as follows:

(In Thousands)	1989	1988	1987
Federal:			
Current	**$ (200)**	$ 2,798	$(3,523)
Deferred	**25,197**	24,082	14,613
Investment Tax Credit, Net	**(8,347)**	(11,375)	6,578
	16,650	15,505	17,668
State:			
Current	**2,285**	2,318	2,247
Deferred	**675**	973	796
	2,960	3,291	3,043
Charged to Operations	**19,610**	18,796	20,711
Charged to Other Income:			
Current	**2,451**	480	(17)
Deferred	**(544)**		348
	1,907	480	331
Total	**$21,517**	$19,276	$21,042

Federal tax expense was less than the amounts computed by applying Federal income tax statutory rates to book income subject to tax for the following reasons:

(In Thousands)	1989	1988	1987
Federal Income Tax Computed at Statutory Rates	**$21,782**	$19,448	$26,569
(Decreases) Increases in Tax From:			
Equity Component of AFUDC	**(1,627)**	(541)	(7,814)
Depreciation of Equity AFUDC	**214**	322	1,353
Other	**(1,989)**	(3,411)	(2,184)
Federal Income Tax Expense	**$18,380**	$15,818	$17,924

The provision for deferred taxes resulting from timing differences is comprised of the following:

(In Thousands)	1989	1988	1987
Excess Tax Depreciation	**$ 4,726**	$ 4,581	$ 6,881
Estimated Unbilled Revenue	**(639)**	(1,076)	(1,255)
Unbilled Fuel Costs	**(258)**	(179)	160
Debt Component of AFUDC	**29,539**	22,366	14,090
Abandonment Losses	**(461)**	(662)	(590)
Capitalized Overheads	**(931)**	1,788	2,350
Effect of State and Local Taxes	**675**	973	796
Deferred Charges	**(1,534)**	(227)	(174)
Alternative Minimum Tax	**(4,723)**	(3,322)	(6,807)
Other—Net	**(1,066)**	814	306
Total	**$25,328**	$25,056	$15,757

The tax effect of the cumulative amount of timing differences at December 31, 1989 for which deferred federal income taxes have not been provided has not been recorded because the regulatory process is expected to allow such amounts to be recovered from customers when the taxes are ultimately payable. (See also Note A)

EUA has approximately $16 million of investment tax credit carryforwards which expire between the years 2001 and 2004.

(C) Acquisition:
EUA and NECO Enterprises Inc. (NECO) have entered into a Stock Purchase Agreement whereby EUA agreed to purchase from NECO all of the common stock of its wholly-owned subsidiary Newport Electric Corporation (Newport). In return EUA would issue to NECO 540,000 EUA common shares. The purchase is expected to be ratified by NECO shareholders at a special meeting, currently scheduled for March 15, 1990. Assuming such ratification occurs and all regulatory approvals are received, EUA expects to complete the acquisition by the end of March and will account for it using purchase accounting.

Newport is a Rhode Island corporation and an electric utility company serving a retail territory comprising the communities of Newport, Jamestown, Middletown and Portsmouth, all located in the County of Newport, Rhode Island, an area of approximately 55 square miles with a population of approximately 70,000.

(D) Capital Stock:
The changes in the number of common shares outstanding and the increases in other paid-in capital during the years ended December 31, 1989, 1988 and 1987 were as follows (dollars in thousands):

	Number of Common Shares Issued			
	Reinvestment and Employee Plans	Public Sales	Common Shares At Par	Other Paid-In Capital
1989	390,985	1,500,000	$9,455	$57,402
1988	405,190		2,026	8,041
1987	289,833	1,000,000	6,449	38,811

In the event of involuntary liquidation the non-redeemable preferred stock of Blackstone Valley Electric Company (Blackstone) and Eastern Edison Company (Eastern Edison) is entitled to $100 per share. In the event of voluntary liquidation, or if redeemed at the option of those companies, the non-redeemable preferred stock is entitled to: Blackstone's 4.25% issue, $104.40; Blackstone's 5.60% issue, $103.82; Eastern Edison's 4.64% issue, $102.98; Eastern Edison's 8.32% issue, $103.54, prior to October 1, 1993 and at reduced premiums in subsequent years.

Under the terms and provisions of the issues of preferred stock of Blackstone and Eastern Edison, certain restrictions are placed upon the payment of dividends on common stock by each company. At December 31, 1989 and 1988 the respective capitalization ratios were in excess of the minimum which would make these restrictions effective.

(E) Redeemable Preferred Stock:
Eastern Edison's 9.00% and 9.80% Preferred Stock issues are entitled to mandatory sinking funds sufficient to redeem 6,000 and 8,000 shares, respectively, during each twelve-month period commencing July 1, 1991 in the case of the 9.00% issue and September 1, 1993 in the case of the 9.80% issue.

The redemption price for each issue is equal to the initial public offering price ($100) plus accrued dividends. Eastern Edison also has the non-cumulative option of redeeming an additional 6,000 and 8,000 shares, respectively, during each period at such price.

In the event of involuntary liquidation the redeemable preferred stock of Eastern Edison is entitled to $100 per share. In the event of voluntary liquidation, or if redeemed at the option of Eastern Edison, the 9.00% issue is entitled to $109.00 prior to July 1, 1991 and the 9.80% issue is entitled to $109.80 prior to September 1, 1993. The redemption premium reduces in subsequent years.

The aggregate amount of redeemable preferred stock sinking fund requirements, for each of the five years following 1989 are: none in 1990, $600,000 in 1991 and 1992 and $1,400,000 in 1993 and 1994.

(F) Long-Term Debt:
The various first mortgage bond issues of Blackstone and Eastern Edison are secured by substantially all of their utility plant. In addition, Eastern Edison's bonds are collateralized by securities of Montaup in the principal amount of $287,897,828.

Blackstone's Variable Rate Demand Bonds are collateralized by an irrevocable letter of credit which expires on December 6, 1992. The letter of credit permits extensions on an annual basis upon mutual agreement of the bank and Blackstone.

Pursuant to an exchange offer EUA Power currently has outstanding $180,000,000 of Series B Secured Notes and $99,597,200 of Series C Secured Notes. (See also Note J—Commitments and Contingencies for further information concerning EUA Power's exchange offer and its need to carry out additional financing.) In connection with the original private placement of the Secured Notes and the subsequent exchange offer, EUA Power incurred fees of $11,300,000. These costs have been deferred and will be amortized to expense over the life of the Series B Secured Notes.

The Series B Secured Notes, which mature May 15, 1993, are non-redeemable prior to November 15, 1991 and on or after that date are redeemable at 100.5% of principal amount during the six month period ending May 14, 1992, at 100.25% of principal amount during the six month period ending November 14, 1992, and at 100.125% of principal amount thereafter. The Series C Secured Notes, which mature November 15, 1992, are non-redeemable prior to maturity.

In September 1989, Blackstone issued $15,000,000 principal amount of 9.5% Series B First Mortgage Bonds due 2004, the proceeds of which were used to repay its notes payable and sinking fund requirement on its Series A Bonds due in 1989.

The aggregate amount of current EUA System cash sinking fund requirements (which excludes amounts that may be satisfied by available property additions) and maturities for long-term debt, for each of the five years following 1989 are: $3,000,000 in 1990, $4,100,000 in 1991, $103,697,000 in 1992, $219,100,000 in 1993 and $4,100,000 in 1994.

Under terms of the Indenture securing its various bond issues Eastern Edison is required to deposit annually with the Trustee cash in an amount equal to 1% of the aggregate principal amount of bonds previously authenticated and delivered. Eastern Edison has satisfied this sinking fund requirement for 1989 under alternate provisions of its Indenture by certifying available property additions to the Trustee.

(G) Lines of Credit:
EUA System companies had unused short-term lines of credit with various banks of approximately $56,324,000 at December 31, 1989. In accordance with informal agreements with the various banks, commitment fees are required to maintain the lines of credit.

(H) Jointly-Owned Facilities:
At December 31, 1989, EUA Power and Montaup owned the following interests in jointly-owned electric generating facilities (dollars in thousands):

	Percent Owned	Plant in Service	Accumulated Depreciation and Amortization	Net Plant in Service	Construction Work in Progress
EUA Power:					
Seabrook Unit 1	12.13%	$ 213	$ —	$ 213	$470,245
Montaup:					
Canal Unit 2	50.00%	65,725	31,534	34,191	—
Wyman Unit 4	1.96%	4,021	1,332	2,689	—
Seabrook Unit 1	2.90%	63	18	45	198,961
Millstone Unit 3	4.01%	185,887	19,237	166,650	51

The foregoing amounts represent Montaup's and EUA Power's interest in each facility including nuclear fuel. Financing for any such interest is provided by the respective company. Montaup's and EUA Power's share of related operating and maintenance expenses with respect to units reflected in the table above are included in the corresponding operating expenses. Montaup and EUA Power did not incur operating and maintenance expenses for Seabrook Unit 1 in 1989 since the unit is not yet in service. See Note J—Commitments and Contingencies for information with respect to recent developments affecting the Seabrook project, including the cancellation of Seabrook Unit 2.

(I) Decommissioning Fund:

Under the agreements of purchase and sale with each of the five sellers from which EUA Power purchased its Seabrook interest, EUA Power was required to establish a fund of $10,000,000 to secure payment of part of its share of decommissioning costs of Seabrook Unit 1 and any costs of cancellation of Unit 1 or Unit 2. Under an agreement entered into among EUA Power, a bank and the other joint owners of Seabrook, the bank is empowered to use securities of the fund should a default of EUA Power occur with respect to its obligations to pay such decommissioning and cancellation costs. The agreement also provides that upon payment in full of the decommissioning and cancellation obligations, or upon the written agreement of EUA Power and the then joint owners who certify to the bank that they own at least 80% of the ownership shares in the Seabrook Project to terminate the agreement, or at such time as the fund requirement is reduced to zero as a result of a written guarantee by EUA or a purchase or purchases (under life-of-the-unit contracts) of all of EUA Power's entitlement from Unit 1, the agreement shall terminate and the bank shall immediately release and return to EUA Power all collateral then in the possession or control of the bank. In accordance with regulatory accounting principles, AFUDC is recorded on EUA Power's investment in the decommissioning fund.

(J) Commitments and Contingencies:

Seabrook Unit 1:

Background: Montaup and EUA Power have a 2.9% and 12.1% ownership interest, respectively in the 1150 megawatt Seabrook Unit 1 nuclear generating unit in Seabrook, New Hampshire, which has been completed and ready for operation since 1986. New Hampshire Yankee (NHY), a division of Public Service Company of New Hampshire, is currently responsible for the operation of Seabrook. At December 31, 1989, Montaup's and EUA Power's investments in Unit 1 (including nuclear fuel) were approximately $199.0 million and $470.4 million, respectively.

Licensing: On March 1, 1990, the Nuclear Regulatory Commission (NRC) issued an Order lifting the last of its limitations on the full power license for Unit 1 which had been issued in 1986. The NRC delayed the effectiveness of its Order until March 8, to permit the filing of stay motions. If stay motions are filed in the United States Court of Appeals (Court of Appeals), then the effective date will be one week after the motions are filed, but no later than March 15, 1990. It is expected that the Massachusetts Attorney General and other intervenors will file such stay motions with the Court of Appeals. Unless the NRC's Order is stayed by the Court of Appeals, Unit 1 will begin the start-up process that will lead to commercial operation. There are pending before the NRC and its adjudicatory boards, a number of motions and appeals relating to certain issues with respect to Unit 1, which, if adversely decided, could affect continued effectiveness of the full power license. Neither Montaup nor EUA Power can predict the outcome of these proceedings. However, EUA believes that Unit 1 will ultimately operate at full power.

Montaup: On March 5, 1990, Montaup filed with FERC for a $20.5 million increase in wholesale rates, to become effective with the commercial in-service date of Unit 1. The requested increase would, among other things, place in Montaup's rate base the balance of its investment in Unit 1. FERC previously permitted Montaup to include in rate base about 50% of its Seabrook construction work in progress. The ultimate recovery of Montaup's total investment in Seabrook Unit 1 through rates will be subject to final approval by FERC as part of this rate proceeding, and the prudence of a portion of such investment could be an issue in such rate proceeding. Montaup believes that its expenditures on Seabrook Unit 1 were prudent and that FERC will continue to permit the recovery of prudently incurred costs through rates for plants in commercial operation. EUA believes that the amount of any potential disallowance of recovery of the expenditures would not have a substantial adverse effect on the EUA System's common equity.

EUA Power: Since its inception on November 25, 1986, EUA Power has principally been engaged in the acquisition and financing of its 12.1% ownership interest. Under the Seabrook Joint Ownership Agreement, EUA Power is required to accept its share of power and pay for its share of all operating costs of power generated from the project once Unit 1 commences operation. EUA's recovery of its investment in EUA Power is contingent upon EUA Power's ability to enter into long-term sales contracts to sell its share of the power generated by Unit 1 at prices sufficient to recover its investment.

EUA Power is actively marketing its Seabrook capacity in New England and New York. Demand for electricity in New England has been exceeding projections in recent years. New England Power Pool planners have projected that with a conservative annual growth rate of 2%, significant amounts of additional generating capacity beyond that already planned (including Seabrook Unit 1) will be required by the mid-1990's. EUA Power believes that, because of the actual growth in demand, it will ultimately enter into long-term sales contracts at prices sufficient to recover its investment, although it cannot predict the timing of these contracts. Upon commercial operation of Seabrook, it is likely that EUA Power will be selling short-term capacity at rates lower than its actual costs.

Beginning in May 1988, EUA Power made a successful exchange offer for all of its 17½% Series A Secured Notes due November 15, 1991, pursuant to which EUA Power currently has outstanding $180,000,000 17½% Series B Secured Notes due May 15, 1993 and $99,597,200 17½% Series C Secured Notes due November 15, 1992 (collectively the Notes). The terms of the Notes provide, among other things, that interest may be paid in cash or additional Series C Notes. During 1989 and 1988 all interest was paid by the issuance of Series C Notes in lieu of cash at a rate equal to 133% of the interest which would otherwise have been paid in cash. As part of the exchange, EUA Power also offered Contingent Interest Certificates evidencing the right to receive additional payments contingent upon and measured by EUA Power's income in certain years following the commercial operation of Unit 1. Additionally, EUA Power has issued $60,790,000 of 25% preferred stock ($100 par value) to EUA. Should EUA Power be unable to ultimately enter into long-term sales contracts which provide sufficient revenue to cover its costs, EUA Power may be unable to make cash interest payments, and to make principal payments, on its Notes described above. Such Notes are solely the obligation of EUA Power and are not guaranteed by EUA or any other person. These circumstances could also result in the inability of EUA to recover its equity investment ($93.4 million at December 31, 1989). EUA would thus be required to charge off such equity investment (net of related taxes) to earnings. Management believes that should such a charge to earnings occur, it would not in itself adversely affect EUA's ability to pay common share dividends.

Since EUA Power desires to resume cash interest payments by May 15, 1990, and since it is currently expected that EUA Power will not initially be able to sell its Seabrook capacity at rates which will cover all of its actual costs (including the cash interest payments), EUA and EUA Power are seeking authorization for EUA to provide funds to EUA Power and for EUA Power to issue additional securities to EUA. Such authorization will require approval from the Securities and Exchange Commission (SEC). In February 1990, EUA and EUA Power filed with the SEC to obtain such authorization. EUA Power expects that such authorization will be received on a timely basis. In the unlikely event the SEC authorization is not received, it is likely that EUA Power would not be able to make the interest payments on its outstanding Notes.

Accounting Change: Effective January 1, 1988, EUA Power implemented Financial Accounting Standard No. 90 (FAS 90) "Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs." FAS 90, among other things, requires that AFUDC should be capitalized only if its inclusion in allowable costs for rate making purposes is probable. As discussed above, EUA Power has not entered into any power contracts for the sale of its share of the electricity to be generated by Seabrook Unit 1, therefore, it is uncertain at this time whether all of its costs will be recovered. Thus, FAS 90 mandates that the recording of a portion of AFUDC for financial reporting purposes be deferred. If and when EUA Power enters into long-term power sales contracts at prices sufficient to recover its investment, all or a portion of any AFUDC previously deferred will be restored to earnings. For the twelve months ended December 31, 1989, the deferral of EUA Power's AFUDC reduced consolidated net income by $26.8 million. Since the implementation of FAS 90, approximately $44.2 million of AFUDC related to EUA Power's investment in Unit 1 has been deferred.

Seabrook Unit 2: Montaup and EUA Power also have 2.9% and 12.1% ownership interests respectively in Unit 2. On November 6, 1986, the joint

owners, recognizing that Unit 2 had been cancelled, voted to dispose of the Unit. Plans regarding disposition of Unit 2 are now under consideration, but have not been finalized and approved. Montaup and EUA Power are unable, therefore, to estimate the costs for which they would be responsible in connection with the disposition of Unit 2. Monthly charges are required to be paid by Montaup and EUA Power with respect to Unit 2 in order to preserve and protect its components and various warranties. Montaup is currently recovering its investment in Unit 2 under a FERC approved rate case settlement.

On June 23, 1989, the Internal Revenue Service (IRS) issued a report in connection with its examination of the consolidated income tax return of EUA for the year 1984. The report included a proposed adjustment to disallow Montaup's Unit 2 abandonment loss deduction of $12.7 million claimed in the return. The IRS's proposed disallowance is based on its position that the necessary criteria to qualify for an abandonment loss have not been met. The Company disagrees with the IRS's position and filed a protest on September 15, 1989. The issue is currently under consideration by the IRS Regional Director of Appeals. Should the tax benefit for the Unit 2 abandonment loss deduction ultimately be realized at a tax rate or for periods different than on Montaup's filed tax return, Montaup would seek to have its Unit 2 rate recovery modified to reflect such lower benefit.

Other Matters: Public controversy concerning nuclear power could also affect the six operating nuclear units in which Montaup has an interest. It is possible, although such an event seems remote, that such controversy could result in the premature shutdown of one or more of the units.

Pensions: The EUA System companies participate in a defined benefit pension plan covering substantially all of their employees. Plan benefits are based on years of service and average compensation over the five years prior to retirement. It is the EUA System's policy to fund the plan on a current basis in amounts determined to meet the funding standards established by the Employee Retirement Income Security Act of 1974.

Net pension expense (income) for 1989, 1988 and 1987 included the following components (in thousands):

	1989	1988	1987
Service cost-benefits earned during the period	**$ 1,573**	$ 1,507	$ 1,588
Interest cost on projected benefit obligations	**5,437**	4,932	4,511
Actual return on assets	**(16,883)**	(7,834)	(3,170)
Net amortization and deferrals	**9,485**	692	(3,629)
Net periodic pension (income)	**$ (388)**	$ (703)	$ (700)

The following table sets forth the actuarial present value of benefit obligations and funded status at December 31, 1989, 1988 and 1987 (in thousands):

Accumulated benefit obligations, including vested benefits of $53,173, $43,076 and $41,456 respectively	**$ 53,416**	$ 47,507	$ 45,485
Projected benefit obligations	**$(67,234)**	$(59,917)	$(58,972)
Plan assets at fair value, primarily stocks and bonds	**88,701**	75,617	71,125
Less: Unrecognized net gain on assets	**(20,787)**	(13,689)	(10,692)
Unamortized net assets at January 1	**1,460**	(259)	(412)
Net pension assets	**$ 2,140**	$ 1,752	$ 1,049

The weighted average discount rate and rate of increase in future compensation levels used in determining the actual present value of accumulated benefit obligations in 1989 were 8.6% and 6.4%, respectively. The expected long-term rate of return on plan assets was 9.5%.

Certain health care benefits are provided to substantially all retired employees. The cost of these benefits, which amounted to approximately $1,174,000 in 1989, $636,000 in 1988 and $562,000 in 1987, was charged to expense when paid.

Long-Term Purchased Power Contracts: The EUA System is committed under long-term purchased power contracts, expiring on various dates through the year 2007, to pay demand charges whether or not energy is received. Under terms in effect at December 31, 1989, the aggregate annual minimum commitments for such contracts is approximately $92,000,000 in 1990, $111,000,000 in 1991, $113,000,000 in 1992, and $111,000,000 in 1993 and will aggregate approximately $1,830,000,000 for years after 1993. In addition, the EUA System is required to pay additional amounts depending on the actual amount of energy received under such contracts. The demand costs associated with these contracts are reflected as Purchased Power-Demand on the Consolidated Income Statement.

Construction: The EUA System's construction program is estimated at $103,000,000 for the year 1990 and $288,000,000 for the years 1990 through 1993 (including allowance for funds used during construction of $45,000,000). These estimates assume Seabrook Unit 1 will commence commercial operation by April 1, 1990.

Environmental Controls: The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and certain similar state statutes authorize various governmental authorities to seek court orders compelling responsible parties to take clean-up action at disposal sites determined to present an imminent and substantial danger to the public and to the environment because of an actual or threatened release of hazardous substances. Because of the nature of the EUA System's business, various by-products and substances are produced or handled which are classified as hazardous under these laws. EUA System companies generally provide for the disposal of such substances through licensed individual contractors but these statutory provisions generally impose potential joint and several responsibility on the generators of the wastes for clean-up costs. Blackstone has been notified with respect to a number of such sites, and the clean-up of such wastes, in general, is receiving increasing attention from the governmental agencies involved. While EUA cannot estimate the costs which may result from these matters, it does not believe such costs will be material.

EUA Guarantees: EUA, as parent company of EUA Ocean State Corporation (EUA Ocean State), has guaranteed that up to $63,000,000 will be available for EUA Ocean State to meet its equity commitment to Units I and II of the Ocean State Power project. Approximately $30,000,000 of such funds are not expected to be paid until late 1990 and the remainder paid in late 1991.

Montaup, as one of the stockholders of each of three regional nuclear generating companies, has guaranteed its pro rata share of obligations of those companies as follows: 2.5% of a $40,000,000 nuclear fuel financing of Vermont Yankee Nuclear Power Corporation; 4.5% of a $50,000,000 debenture issue of Connecticut Yankee Atomic Power Company; and 4.0% of a $50,000,000 nuclear fuel financing of Maine Yankee Atomic Power Company.

Montaup is a 3.27% equity participant in two companies who are constructing transmission facilities to interconnect New England and the Hydro-Quebec system in Canada. Montaup's share of the amounts committed as of December 31, 1989 is approximately $13.0 million. All equity participants are required to guarantee, in addition to their own share, the obligation of those participants not meeting certain credit criteria. Amounts so guaranteed by Montaup are approximately $5.4 million at December 31, 1989. In addition, Montaup has minimum rental commitments under this noncancellable transmission facilities support agreement for years subsequent to 1989 which total approximately $60 million.

Report of Independent Certified Public Accountants

To the Trustees and Shareholders of Eastern Utilities Associates

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Eastern Utilities Associates and subsidiaries (the Company) as of December 31, 1989 and 1988, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 1989 and 1988, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note J of "Notes to Consolidated Financial Statements," the Company has a substantial investment in EUA Power Corporation (EUA Power), a wholly-owned subsidiary of the Company whose principal asset is its investment in Unit 1 of the Seabrook Nuclear Power Project (Unit 1). There are uncertainties regarding EUA Power's financing and the ultimate sale of Unit 1's capacity at prices sufficient to recover EUA Power's investment in Unit 1. Given these uncertainties, it is impossible to predict whether the Company will be able to fully recover its investment in EUA Power. No provision for any potential loss that may result upon resolution of the above mentioned uncertainties has been made in the accompanying financial statements.

Boston, Massachusetts
February 27, 1990

Quarterly Financial and Common Share Information

(Unaudited)

	Thousands of Dollars				Earnings per Average Common Share	Dividends Paid	Common Share Market Price	
	Operating Revenues	Operating Income	Income After Interest Charges	Consolidated Net Income			High	Low
For the quarters ended 1989:								
December 31*	$105,732	$16,072	$12,170	$11,138	$0.75	$0.625	41¼	36⅜
September 30	101,038	14,686	11,273	10,240	0.75	0.625	37	35¼
June 30	99,178	12,196	8,879	7,848	0.58	0.625	37½	32
March 31	102,629	15,434	12,688	11,651	0.87	0.60	32⅞	30⅛
For the quarters ended 1988:								
December 31**	$94,094	$12,754	$ 9,782	$ 8,750	$0.66	$0.60	33⅛	27⅝
September 30	93,977	17,933	11,799	11,247	0.85	0.60	29	24¼
June 30	86,629	15,487	7,926	7,385	0.56	0.60	25¼	21⅛
March 31	99,438	19,038	10,900	10,093	0.78	0.575	29¼	24

The common shares of Eastern Utilities Associates are listed on the New York Stock Exchange and the Pacific Stock Exchange under the ticker symbol "EUA." The approximate number of Common Shareholders of record on February 1, 1990 was 15,400.

**Consolidated Net Income for the fourth quarter of 1989 included $3.8 million related to the recognition of AFUDC, $1.1 million which represents a writedown of a project by EUA Energy and $1.4 million which represents the recording of accrued interest related to a proposed tax disallowance of the Seabrook Unit 2 abandonment loss. These adjustments had the net effect of increasing fourth quarter Earnings per Average Common Share by 10 cents.*

***Consolidated Net Income for the fourth quarter of 1988 included $1.3 million which represents the full year effect of AFUDC related to the decommissioning fund as described in Note 1 and $0.3 million related to property tax abatements received in February 1988. These adjustments had the effect of increasing fourth quarter Earnings per Average Common Share by 11 cents.*

Dividend Reinvestment and Common Share Purchase Plan

A Dividend Reinvestment and Common Share Purchase Plan is available to all registered shareholders and System company employees.

Participants in the Plan are given a 5% discount on shares purchased with reinvested dividends. Participants may also make additional cash payments as frequently as once a month to purchase additional shares with no discount. Optional cash payments are limited to a maximum of $5,000 per calendar quarter and must be received no later than the 5th day preceding the Investment Date to be invested in that month.

The Investment Date for all shares purchased under the Plan is the dividend payment date for the months in which dividends are payable. For each month in which a dividend is not payable the Investment Date is the 15th of such month. The price of shares purchased is based on the average closing price of EUA shares for the five trading days preceding each Investment Date.

Complete details regarding the Plan may be obtained by writing:
William F. O'Connor, Secretary
Eastern Utilities Associates
Post Office Box 2333
Boston, MA 02107

Transfer Agent
The First National Bank of Boston
Post Office Box 644
Boston, MA 02102
(Common and Preferred Shares)

Bond Trustee
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110
(Bonds of all series)

Consolidated Operating Statistics

Years Ended December 31,	**1989**	1988	1987	1986	1985	1984	1979
Energy Generated and Purchased (millions of kwh):							
Generated							
— by Somerset Station	**1,296**	1,190	1,294	887	1,316	1,180	792
— by Nuclear Units	**956**	472	390	543	1,065	458	1,012
— by Jointly-Owned Units	**2,075**	1,836	2,050	2,101	1,595	1,507	1,795
— by Life of the Unit Contracts	**836**	884	569	667	697	814	706
Interchange with NEPOOL	**(446)**	23	236	157	(387)	(136)	(600)
Purchased Power – Unit Power	**410**	495	207	309	223	480	410
Total Generated and Purchased	**5,127**	4,900	4,746	4,664	4,509	4,303	4,115
Operating Revenues (thousands):							
Residential	**$141,254**	$127,883	$124,047	$115,744	$110,682	$121,623	$ 63,394
Commercial	**131,306**	119,362	114,857	105,777	98,826	105,310	53,012
Industrial	**70,852**	69,516	72,218	67,973	66,707	75,850	38,192
Other Electric Utilities	**20,783**	23,660	18,740	16,189	15,779	23,909	12,435
Other	**12,799**	10,290	11,192	15,019	8,990	9,396	7,502
Total Primary Sales Revenues	**376,994**	350,711	341,054	320,702	300,984	336,088	174,535
Unit Contracts	**23,213**	19,518	23,372	22,622	32,526	25,237	11,266
Non Electric	**8,370**	3,909	2,703				
Total Operating Revenues	**$408,577**	$374,138	$367,129	$343,324	$333,510	$361,325	$185,801
Energy Sales (millions of kwh):							
Residential	**1,416**	1,412	1,328	1,262	1,212	1,205	1,150
Commercial	**1,497**	1,424	1,325	1,243	1,169	1,113	1,052
Industrial	**832**	869	863	855	833	856	859
Other Electric Utilities	**389**	377	365	372	382	396	398
Other	**28**	28	28	28	29	30	44
Total Primary Sales	**4,162**	4,110	3,909	3,760	3,625	3,600	3,503
Losses and Company Use	**234**	220	231	211	197	215	226
Total System Requirements	**4,396**	4,330	4,140	3,971	3,822	3,815	3,729
Unit Contracts	**731**	570	606	693	687	488	386
Total Energy Sales	**5,127**	4,900	4,746	4,664	4,509	4,303	4,115
Number of Customers:							
Residential	**227,440**	224,933	221,480	217,899	214,454	211,622	201,435
Commercial	**27,890**	26,611	25,480	24,356	23,161	22,177	20,073
Industrial	**1,237**	1,229	1,237	1,250	1,238	1,209	1,222
Other Electric Utilities	**5**	5	7	15	15	16	16
Other	**30**	29	29	30	30	29	150
Total Customers	**256,602**	252,807	248,233	243,550	238,898	235,053	222,896
Average Revenue per Residential Customer ($)	**621**	569	560	531	516	575	315
Average Use per Residential Customer (kwh)	**6,226**	6,277	5,996	5,792	5,652	5,694	5,708
Average Revenue per kwh:							
Residential	**9.98¢**	9.06¢	9.34¢	9.17¢	9.13¢	10.09¢	5.52¢
Commercial	**8.77¢**	8.38¢	8.67¢	8.51¢	8.45¢	9.46¢	5.04¢
Industrial	**8.52¢**	8.00¢	8.37¢	7.95¢	8.01¢	8.86¢	4.44¢

Consolidated Operating Statistics—General

Years Ended December 31,	**1989**	1988	1987	1986	1985	1984	1979
Capitalization (thousands):							
Bonds (Net)	**$306,500**	$294,500	$267,500	$246,500	$263,500	$266,500	$80,985
Other Long-Term Debt	**299,579**	260,064	211,717	177,289	21,991	22,376	42,500
Total Long-Term Debt—Net	**606,079**	554,564	479,217	423,789	285,491	288,876	123,485
Preferred Stock	**49,691**	49,693	44,931	44,931	46,536	48,319	20,686
Common Equity	**375,016**	301,759	285,383	225,156	208,211	191,619	93,765
Total Capitalization	**$1,030,786**	$906,016	$809,531	$693,876	$540,238	$528,814	$237,936
Common Share Data:							
Earnings per Average Common Share ($)	**2.95**	2.85	3.46	2.82	2.67	2.85	1.74
Dividends per Share ($)	**2.475**	2.375	2.27	2.15	2.03	1.91	1.60
Payout (%)	**83.9**	83.3	65.6	76.2	76.0	67.0	92.0
Average Common Shares Outstanding	**13,877,091**	13,167,915	12,596,381	11,537,677	11,156,941	10,562,324	4,871,667
Total Common Shares Outstanding	**15,262,237**	13,371,252	12,966,062	11,676,229	11,376,471	10,892,886	5,438,969
Book Value per Share ($)	**24.57**	22.57	22.01	19.28	18.30	17.59	17.24
Percent Earned On Average Common Equity (%)	**12.1**	12.8	17.1	15.0	14.9	16.5	9.4
Market Price ($):							
High	**41¾**	33⅛	40½	39½	26⅞	18	15½
Low	**30⅛**	21⅛	24	25¼	16⅜	12½	11⅝
Year End	**41¼**	31½	28	38½	25⅞	18	11½
Miscellaneous ($ in thousands):							
Total Construction Expenditures ($)	**188,599**	151,198	126,856	64,371	78,192	95,211	30,498
Cash Construction Expenditures ($)	**75,861**	65,307	68,929	47,137	54,406	73,159	24,230
Internally Generated Funds ($)	**32,734**	38,894	14,554	44,832	27,501	40,858	6,461
Internally Generated Funds as a % of Cash Construction (%)	**43.2**	59.6	21.1	95.1	50.5	55.8	26.7
Installed Capability—MW	**1,169**	1,090	1,091	971	987	931	996
Less: Unit Contract Sales—MW	**116**	98	108	108	110	75	88
System Capability—MW	**1,053**	992	983	863	877	856	908
System Peak Demand—MW	**831**	813	782	691	738	716	677
Reserve Margin (%)	**26.7**	22.0	25.8	24.9	18.9	19.5	34.1
System Load Factor (%)	**60.4**	60.8	60.4	65.6	59.1	60.6	62.8
Sources of Energy (%):							
Nuclear	**26.8**	18.2	15.1	19.0	26.2	10.9	21.9
Coal	**28.9**	27.0	31.1	22.0	34.1	29.3	
Oil	**44.3**	54.8	53.8	59.0	39.7	59.8	78.1
Cost of Fuel (Mills Per kwh):							
Nuclear	**7.6**	8.2	9.2	8.6	7.0	8.9	3.5
Coal	**20.1**	20.5	20.5	23.7	23.7	27.8	
Oil	**24.7**	22.6	28.3	23.6	41.2	43.6	25.1
All Fuels Combined	**18.8**	19.4	23.0	20.8	26.3	36.1	19.6

Trustees

Oliver F. Ames (A, C)
Director, Fiduciary Trust Company, and private trustee, Boston, Massachusetts

Russell A. Boss (F, P)
President and Chief Operating Officer, A.T. Cross Company Lincoln, Rhode Island

John E. Conway (A, C)
Chairman of the Board, Jack Conway & Co., Inc. Norwell, Massachusetts

John F. G. Eichorn, Jr. (F, P)
Chairman of the Board of Trustees of the Association

Peter B. Freeman (F, P)
Corporate Director and Trustee, Providence, Rhode Island

Nathan H. Garrick, Jr. (A, C)
Retired

Robert E. Maguire
Executive Vice President of the Association

Wesley W. Marple, Jr. (A, C)
Professor of Business Administration, Northeastern University, Boston, Massachusetts

Donald G. Pardus
President and Chief Executive Officer of the Association

Margaret M. Stapleton (F, P)
Vice President, John Hancock Mutual Life Insurance Company, Boston, Massachusetts

John R. Stevens
Senior Executive Vice President and Chief Operating Officer of the Association

A—Indicates member of Audit Committee
C—Indicates member of Compensation and Nominating Committee
F—Indicates member of Finance Committee
P—Indicates member of Pension Trust Committee

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Chairman

Donald G. Pardus
President and Chief Executive Officer

John R. Stevens
Senior Executive Vice President and Chief Operating Officer

Arthur A. Hatch
Executive Vice President

Robert E. Maguire
Executive Vice President

Robert P. Tassinari
Senior Vice President

Richard M. Burns
Comptroller

Clifford J. Hebert, Jr.
Treasurer

William F. O'Connor
Secretary

System Companies

Eastern Utilities Associates

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EUA Power Corporation
Montaup Electric Company
EUA Energy Investment Corporation
EUA Ocean State Corporation
One Liberty Square
Post Office Box 2333
Boston, MA 02107
(617) 357-9590
John F. G. Eichorn, Jr., *Chairman*
Donald G. Pardus, *President*

Eastern Edison Company
110 Mulberry Street
Brockton, MA 02403
(508) 580-1213
John D. Carney, *President*

Blackstone Valley Electric Company
Washington Highway
Lincoln, RI 02865
(401) 333-1400
David H. Gulvin, *President*

EUA Cogenex Corporation
One Liberty Square
Boston, MA 02107
(617) 357-9590
Joseph S. Fitzpatrick, *President*

The name Eastern Utilities Associates is the designation of the Trustees for the time being under a Declaration of Trust dated April 2, 1928, as amended, and all persons dealing with Eastern Utilities Associates must look solely to the trust property for the enforcement of any claims against Eastern Utilities Associates as neither the Trustees, Officers nor Shareholders assume any personal liability for obligations entered into on behalf of Eastern Utilities Associates.

Annual Meeting
The 1990 Annual Shareholders Meeting will be held on Tuesday, April 24, 1990 at 10 a.m. in the Forum Room on the 5th Floor at State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts.

Financial Supplement
Upon request EUA will furnish a copy of its Financial Supplement which includes financial statements of its major operating companies.

Eastern Utilities

Eastern Utilities Associates

Annual Report 1989