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RELATED CORRESPONDENCE

October 31, 1990

Joseph Scinto, Esq.
Office of General Counsel
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

SUBJECT: Seabrook Decommissioning Bond

Dear Mr. Scinto:

You may recall that I called you a few months ago to verify a report I had received, to the effect that EUA Power had obtained the release of its $10 million decommissioning bond for Seabrook, in order to make an interest payment due in May of 1990. After making some inquiries, you called me back to inform me that you knew of no such release.

I recently received a copy of EUA Power's "Form 10-Q," filed with the Securities and Exchange Commission on August 14, 1990. The report states at page 6 that EUA Power made a May 15, 1990 interest payment "with proceeds from short-term borrowings from EUA [EUA Power's parent company] and the release of a $10,000,000 decommissioning fund (which had been established by EUA Power to secure its Seabrook obligations with respect to up to $10 million of decommissioning expenses and any cancellation costs) in exchange for a guaranty of that obligation by EUA." A copy of the relevant pages is enclosed.

As you know, eight months ago the Commission denied Intervenors' motion for a stay of full power operation of the Seabrook reactor, based in part on the existence of a $72.1 million surety bond issued by the Aetna Casualty and Surety Company. CLI-90-3, 31 NRC 219, 259 (1990). The statements made in EUA Power's Form 10-Q raise obvious questions as to whether the bond is still effective. I would appreciate hearing from you as soon as possible regarding the status of the security bond.

Sincerely,

Diane Curran

Diane Curran

cc: Seabrook service list

9011270098 901031
PDR ADOCK 05000443
Q PDR

DS03

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FORM 10-Q

RECD S.E.C.

AUG 1 4 1990

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended June 30, 1990

OR

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

For the transition period from ______ to ______

RECEIVED

AUG 17 1990

Bechtel Information Services
Rockville, Maryland

Commission File Number 33-10978

EUA POWER CORPORATION

(Exact name of registrant as specified in its charter)

New Hampshire	02-0396811
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Forty Stark Street, P.O. Box 326 Manchester, New Hampshire	03105
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code (617) 357-9590

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at July 31, 1990
Common Shares, $.01 par value	10,000 shares

Note B - Contingencies -- (Continued)

appeals relating to certain issues with respect to Unit No. 1, which, if adversely decided, could impact the continued effectiveness of the License. The Company cannot predict the outcome of these proceedings.

EUA Power's Seabrook Interest:

Since its inception on November 2, 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. 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-1990s. EUA Power believes that 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 17-1/2% Series A Secured Notes due November 15, 1991, pursuant to which EUA Power currently has outstanding $180,000,000 (the full authorized amount) of 17-1/2% Series B Secured Notes due May 15, 1993 and $99,597,200 (out of $100,000,000 authorized) of 17-1/2% 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.

Although EUA Power expects to generate sufficient revenues in the future from the sale of electr[illegible] from Unit No. 1 to pay interest on the Notes, no such revenues [illegible]e available for payment of the interest installment due on May 15, 1990. Accordingly, EUA Power and its parent Company, Eastern Utilities Associates (EUA) sought, and on April 30, 1990 received, approval from the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 for several proposed financing transactions that enabled EUA Power to pay in cash the May 15, 1990 interest installment and should enable EUA Power to meet its obligations and working capital requirements for the period through May 15, 1991 including payment

Note B - Contingencies -- (Continued)

in cash of the interest to become due on the Notes. Utilizing part of the SEC authorization, EUA Power made the May 15, 1990 interest payment with proceeds from short-term borrowings from EUA and the release of a $10,000,000 decommissioning fund (which had been established by EUA Power to secure its Seabrook obligations with respect to up to $10 million of decommissioning expenses and any cancellation costs) in exchange for a guaranty of that obligation by EUA. Other financing transactions authorized by the SEC include capital contributions and open-account advances by EUA, and short-term borrowings by EUA Power from others which would be guaranteed by EUA, with an overall limit of $75,000,000 on the amount of financing from external sources through one or any combination of the authorized transactions to be outstanding at any one time. EUA is under no obligation to make any further loans or any capital contributions or open-account advances to, or to purchase any stock from, EUA Power, or to guarantee any of its obligations.

As part of the 1988 exchange of Notes, 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, as of June 30, 1990, EUA Power has issued $63,090,000 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 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.

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 Allowance for Funds Used During Construction (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 allowable 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 may be restored to earnings. For the twelve months ended June 30, 1990, the deferral of AFUDC reduced EUA Power's net income by $27.9 million. Since the implementation of FAS 90 through June 30, 1990, approximately $58.8 million of AFUDC related to EUA Power's investment in Unit 1 has been deferred. Additional amounts of AFUDC will be deferred until the commercial operation of Seabrook.