April 4, 1992

Docket No. 50-293

The Honorable Robert L. Hedlund
Massachusetts Senate
Room 416B, State House
Boston, Massachusetts 02133

Dear Senator Hedlund:

This letter is in response to your letter dated, March 6, 1992, requesting a copy of the annual report for the Pilgrim Nuclear Power Station (PNPS). Enclosed is a copy of the Boston Edison Company's (BECo) most recent annual report. BECo does not publish an annual report on PNPS separate from their other facilities.

Additional information on BECo's financial status is available by contacting Ms. Theodora S. Convisser, Boston Edison Company, Clerk of the Corporation, 800 Boylston Street, Boston, Massachusetts 02199. I hope this is responsive to your needs.

Sincerely,

original signed by

Ronald B. Eaton, Senior Project Manager
Division of Reactor Projects I/II
Project Directorate I-3

Enclosure:
Boston Edison Company's
Annual Report

cc: without enclosure
See next page

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COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS SENATE
STATE HOUSE BOSTON 02133

SEN. ROBERT L. HEDLUND
NORFOLK AND PLYMOUTH DISTRICT
ROOM 416 B. STATE HOUSE
TEL. 722-1646

COMMITTEES
COMMERCE AND LABOR
TAXATION
PUBLIC SAFETY
COUNTIES

March 6, 1992

Nuclear Regulatory Commission
Office of Nuclear Reactor Safety
Washington, D.C. 20555

To Whom It May Concern:

I would like to request a copy of the annual report for the Pilgrim Nuclear Power Plant which is located in Plymouth, MA.

Since this plant is located so as to affect many of my constituents, I would appreciate the information requested above.

Thank you for your attention in this matter.

Very truly yours,

Robert L. Hedlund
State Senator
Norfolk-Plymouth District

RLH/bwc

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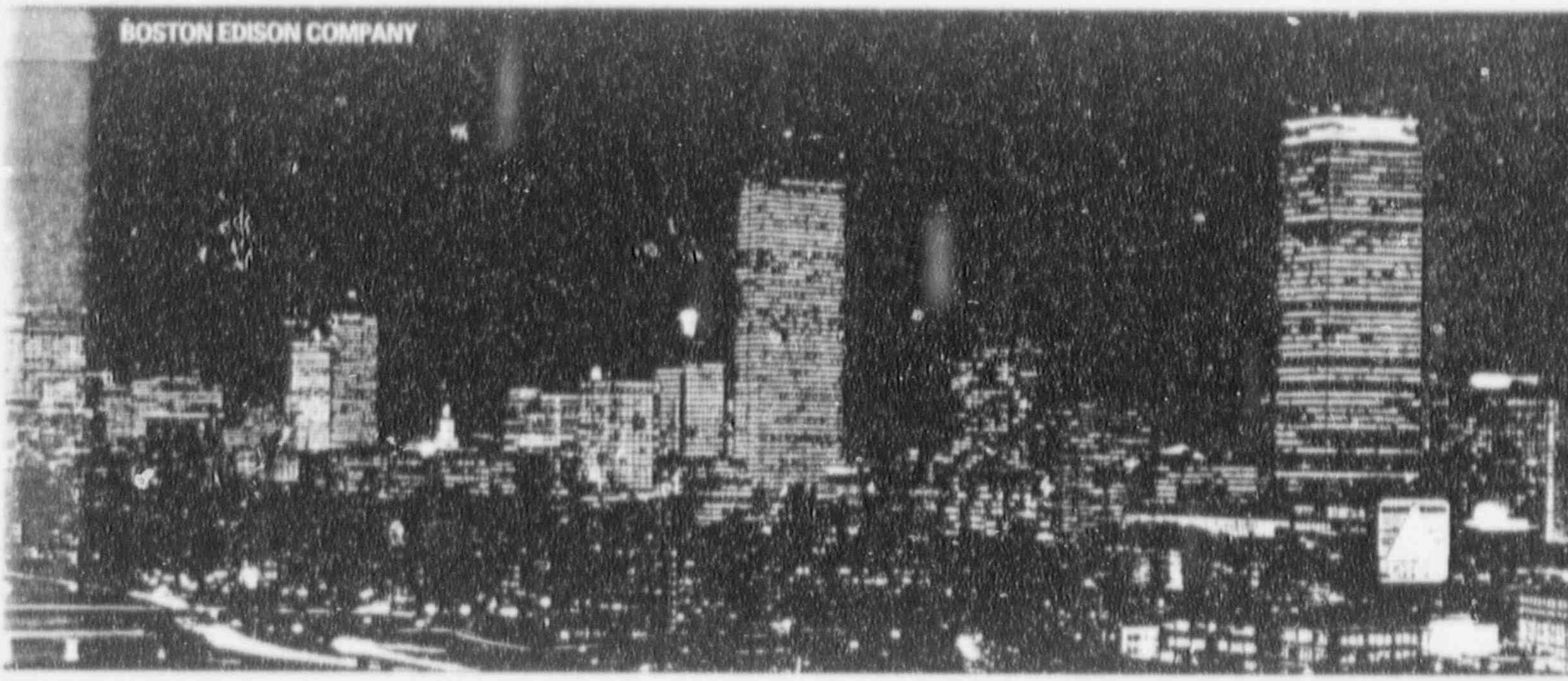
1991 ANNUAL REPORT



AN ENERGY AND

ENERGY SERVICES

COMPANY

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About the Company

Boston Edison is an operating public utility engaged principally in the generation, purchase, transmission, distribution and sale of electric energy. We were incorporated in 1886. We supply electricity at retail to an area of approximately 590 square miles within 30 miles of Boston, encompassing the City of Boston and 39 surrounding cities and towns. The population of the territory we serve at retail is approximately 1,500,000.

We also supply electricity to other utilities and municipal electric departments at wholesale for resale. About 88 percent of our revenues are derived from retail electric sales, ten percent from wholesale electric sales and two percent from other sources.

On the cover

The growth of the Boston skyline marks the expansion of our commercial sector. It also represents the crown jewel of our service territory. In the foreground is the Prudential Tower in Boston's Back Bay, which has served as our headquarters since it first opened back in 1965.

Financial highlights

		Years ended December 31	
	1991	1990 [a]	% change
Operating revenues (000)	$1,319,714	$1,258,546	+ 4.9%
Income available for common stock (000)	$77,059	$77,788	- 0.9%
Common shares outstanding - weighted average (000)	39,348	38,779	+ 1.5%
Common stock data:			
Operating earnings per share	$1.96	$1.60	+ 22.5%
Net earnings per share	$1.96	$2.01	- 2.5%
Dividends declared per share	$1.595	$1.535	+ 3.9%
Payout ratio	81%	76%	+ 6.6%
Book value per share	$17.90	$17.20	+ 4.1%
Market value per share	$24.75	$20.00	+ 23.8%
Return on average common equity	11.3%	11.8%	- 4.2%
Fixed charge coverage (SEC)	1.86x	2.13x	- 12.7%

(a) Includes a gain of $15 million or $0.41 per share after-tax effect from an accounting change.

February 20, 1992

Dear Shareholder:

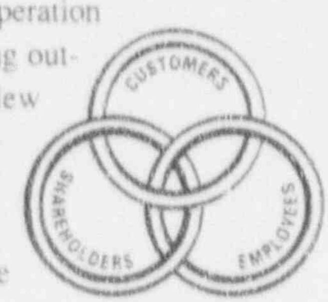
I have just completed my first full year as your Chief Executive Officer, and I am pleased to report progress and accomplishment in 1991. We increased the value of your investment in Boston Edison; we set new operational records at our power plants; we engaged in meaningful partnerships to promote efficiency and economic development with government and our largest customers; we made progress in developing new management information systems to guide us into the next century; and we began the process of positioning Boston Edison ahead of emerging demands.

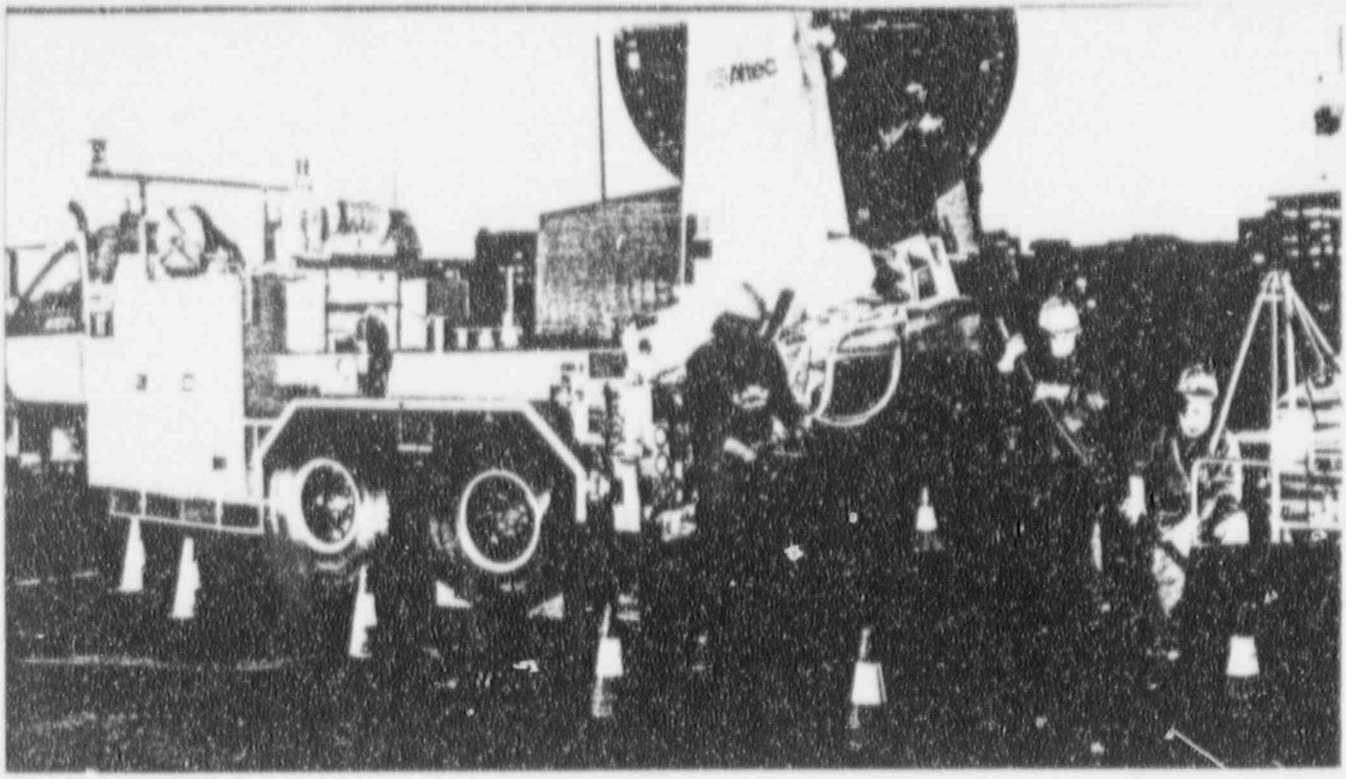
Looking at your Company's financial performance in 1991, earnings from operations reached $1.96 per share of common stock, compared to $1.60 per share in 1990. We increased your dividend by 3.8 percent or six cents per share. The price of common stock increased from $20 per share to $24.75 at the closing bell on December 31. Combined, these increases provided you with a total return on your investment of 33.8 percent, which means for the third consecutive year, your Company outperformed the electric utility industry and the overall market.

MISSION STATEMENT Energy and energy services are the reason we are in business. To establish and maintain the lasting confidence of all the publics we serve, our mission must be to provide energy and energy services in a safe, environmentally sound, competitively priced and reliable manner. Rising standards of excellence will guide us in achieving our mission.

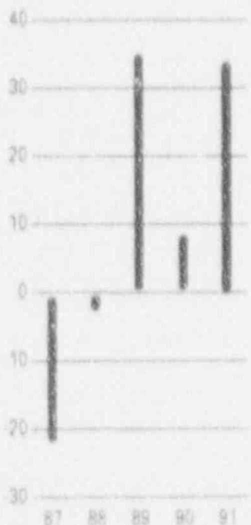
Nevertheless, 1991 was a difficult and challenging year. Actual electricity sales declined by 1.3 percent, largely due to the recession's impact on the local economy. Still, we made financial progress with the aid of new revenues from the 1989 rate settlement and, most importantly, the participation of all employees in reducing operations and maintenance costs.

There were many employee accomplishments in 1991. The Pilgrim Nuclear Power Station set a new record for consecutive days of operation and safely and successfully completed the shortest refueling outage in its history. The generating units of Mystic and New Boston Stations achieved new records for availability and consecutive days of operation, and the 13 peaking units in the Combustion Turbine Division were available for service 92.2 percent of the time, another new record. Employee





% total return



Total return to shareholders has exceeded industry and market averages for the past three years.

response to the damage caused by Hurricane Bob was extraordinary as we restored service within 24 hours to 91 percent of the 150,000 customers who lost power and to all customers within three days. And, I am pleased to report that in an independent survey conducted by First Market Research of Boston, 85 percent of our residential customers have a favorable or very favorable opinion of Boston Edison, our highest rating ever. As you can see, our employees accomplished higher levels of individual achievement and performed very well as a team.

As a corporate citizen, we initiated efforts in 1991 to increase our role as partners in policy making with the new Governor, William Weld, his Administration, the Legislature, our regulators and the Greater Boston business community. We adopted an ambitious Environmental Policy and implemented significant initiatives to support it. We also developed a corporate Energy Policy that seeks to ensure least-cost, reliable and environmentally sound future supplies of energy for our customers.


BOSTON
EDISON

CHARLES E. PETERS, Jr.
Senior Vice President Finance

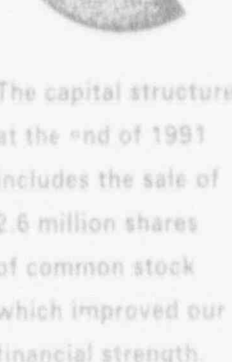
ServiceNet, one of the many new management information systems at Boston Edison, is a high-speed, two-way communications network, that allows direct transmission of information between our customers and the Company's billing, information and energy management systems.

STEADY IMPROVEMENT

As reported in the President's Letter, our Company continued in 1991 its pattern of financial progress. Earnings per share from operations increased 22.5 percent; we increased your dividend by 3.8 percent, outpacing the industry average increase of two to three percent; the price of our common stock increased by nearly 24 percent; and we successfully controlled our budgets, reducing costs of operations by 1.2 percent and holding capital expenses $42 million below the previous year's spending.

In a move to strengthen the Company's financial structure, we issued 2.6 million new shares of common stock at $23.75 per share. Proceeds from the offering were used to retire bonds with an 11 percent interest rate and, therefore, improve our debt to equity ratio.

In 1992, we expect modest inflationary increases in operations and maintenance expenses, substantially increased property taxes and a continuing sluggish economy, which will likely result in a further decrease in electricity sales. However, 1992 earnings will benefit from $25 million in additional revenues, the last installment of the 1989 rate case settlement, and from an additional $15 million in after-tax accounting adjustments allowed under that settlement to help the Company achieve a 12 percent return on equity. We also expect 1992 earnings to be positively affected through the continuation of cost control efforts by our managers and employees.



The capital structure at the end of 1991 includes the sale of 2.6 million shares of common stock which improved our financial strength.

Looking beyond 1992, earnings and our allowed rate of return on equity will depend on the outcome of the Company's request to the Massachusetts Department of Public Utilities (MDPU) for increased base rates. As part of our 1989 rate settlement agreement, we are required to file by April 15, 1992 for new rates which will become effective on November 1, 1992.

SERVICES AND OPERATIONS

In 1987, we initiated a quality improvement program called Service Excellence; a program that will develop and maintain Boston Edison as a premier employer and a high quality provider of energy services. Service Excellence calls upon all employees to create the future through innovative problem-solving, participative decision-making, sharing information, strategic thinking, goal setting and calculated risk taking.

A companion program, called Operational Excellence, is defined as doing the right thing; doing it effectively through goal-setting and doing it efficiently by controlling costs and reaching our goals. A total employee effort, Operational Excellence is a thorough review of all aspects of our operations and is a vehicle for reprioritizing the services we provide.

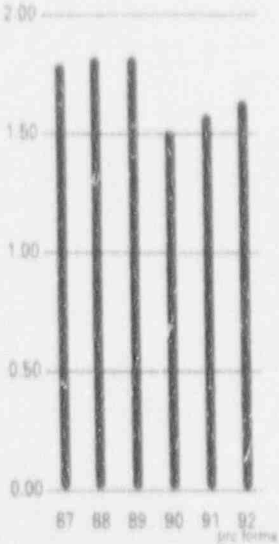
Examples of excellence include our General Test Division Chemical Laboratory, which has received state certification to analyze metals, minerals and oils, eliminating the expense of outside laboratories to fulfill regulatory requirements. Employees in our General Test Division, who are responsible for the testing, repair and calibration of all portable test equipment, are

JOHN J. HIGGINS
Senior Vice President
Human Resources

Technical job skills and professional management development are among the training priorities for 1992 at Boston Edison. Another important program, Service Excellence, will continue in its next phase, providing employees with the information necessary to provide top quality service to all internal and external customers.

now saving the Company tens of thousands of dollars annually by servicing (in-house) pieces of equipment that were previously sent to the manufacturer for repair. And, design engineers in our Electronics Division have designed and specified a new microwave communications system that will use fiber optics to link all Company facilities together and create our own independent system-wide telecommunications network. This will eliminate the costs associated with leased telephone lines except for those used for long-distance and measured business charges.

$ paid per share



Dividends per share increased $0.06 in each of the last two years.

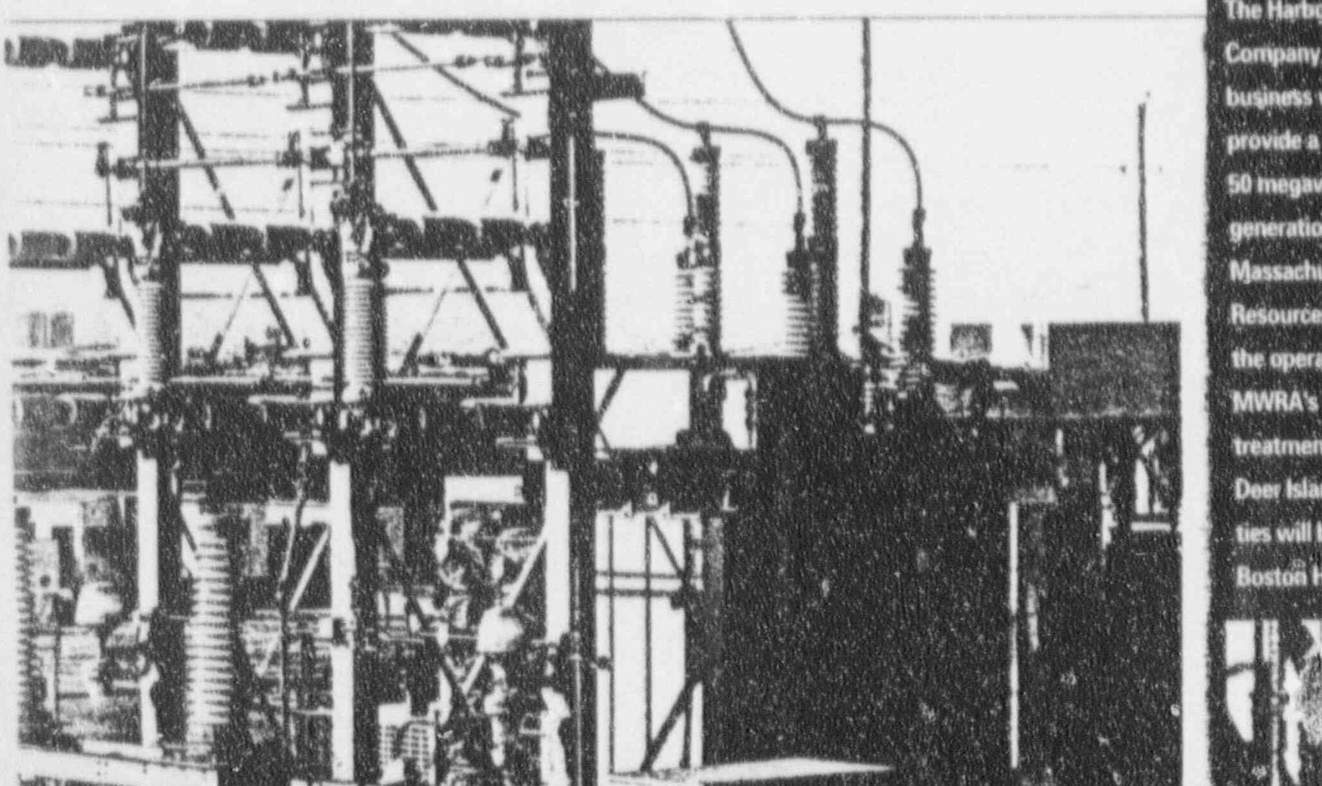
To achieve excellence, our managers and employees must have information, and we are investing in the systems and processes needed to provide it. They include a revenue collection program for tracking delinquent customer accounts; an Executive Information System (EIS), which allows us to monitor key corporate and department performance indicators, including sales, earnings, stock performance and budgets; a new payroll system that integrates human resource and payroll functions, provides better information on new-hires' skills and work histories and offers employees more information about their pay and benefits; and a work scheduling system for field con-

struction teams, which is based on work standards required to complete typical underground and overhead transmission and distribution work activities. Future systems changes include improvements to our electronic distribution monitoring and control system (SCADA) and a prototype demand-side management tracking system to monitor and evaluate the energy efficiency programs being implemented by the Company.

LONG-TERM BENEFITS

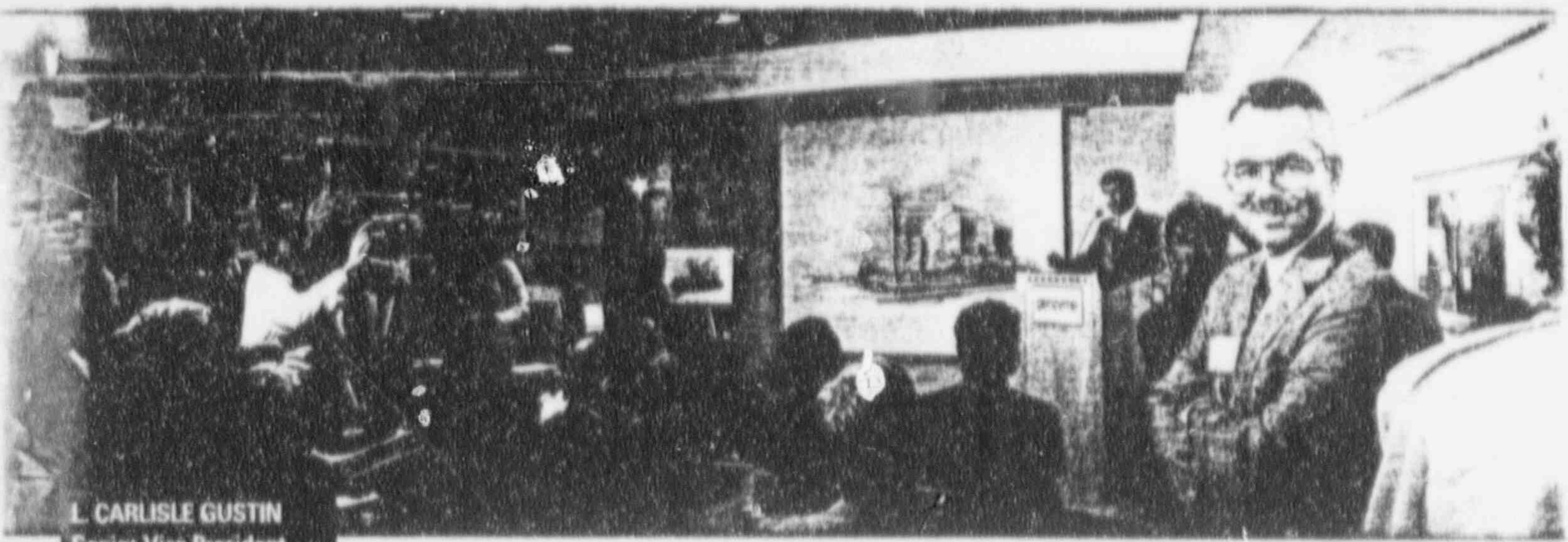
To help the Massachusetts economy turnaround, we initiated and received approval last fall from the Massachusetts Department of Public Utilities for a special Economic Development discount electricity rate designed to entice manufacturing firms to expand or move into the Greater Boston area. Our program offers a four-year discount period and a 40 percent reduction off base rates during the first year.

In cooperation with the City of Boston and the State of Massachusetts, we offered this discount rate to Genzyme Corporation, a Cambridge-based biotechnology firm looking for sites to build a new $75 million manufacturing facility that will provide about 200 jobs. In December 1991, after being courted by several other areas in and out of the state, Genzyme announced that it would site its new facility in Boston.



THOMAS J. MAY
Executive Vice President

The Harbor Electric Energy Company, our first new business venture, will provide a substation and 50 megawatts of standby generation to the Massachusetts Water Resources Authority, for the operation of the MWRA's new wastewater treatment facilities on Deer Island. The new facilities will be used for the Boston Harbor cleanup.

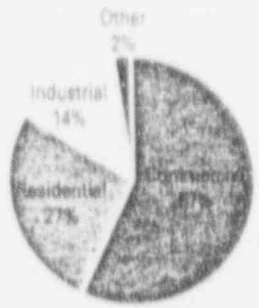


L. CARLISLE GUSTIN
Senior Vice President
Marketing & Customer Service

Genzyme Corporation was recruited to our service area through the creative efforts of the City of Boston, the administration of Governor William Weld and your Company, which is assuming a prominent role in economic development.

The discount rate is one element of a more comprehensive Economic Development program sponsored by our Company. We have appointed a full-time Economic Development manager, and we are forming a partnership with other Massachusetts utilities to offer a site-finding service to companies thinking of locating in the state. We offer existing business customers, such as Bull HN, cost-saving measures through our Energy Efficiency Partnership program; and we are providing assistance to non-profit Community Development Corporations (CDC) to help neighborhoods with chronic economic problems turn things around. In Somerville, for instance, we provided advice and assistance to the local CDC in their negotiations to purchase a building.

Partnerships are the key to our success. To paraphrase an editorial aired on Boston's WBZ TV on January 10, 1992..."progress will occur only when city officials and business people break old patterns and begin to work together. ...Take a page from the book of Boston Edison, which has offered a discount rate to promote short-term economic growth and has developed an energy efficiency program for long-term gains. Boston Edison has demonstrated a willingness to do what others have not; become a booster for the city."



The stability of the Commercial and Residential sectors in our 1991 retail customer sales mix helps minimize the effects of regional economic swings.

EFFICIENCY PARTNERSHIPS

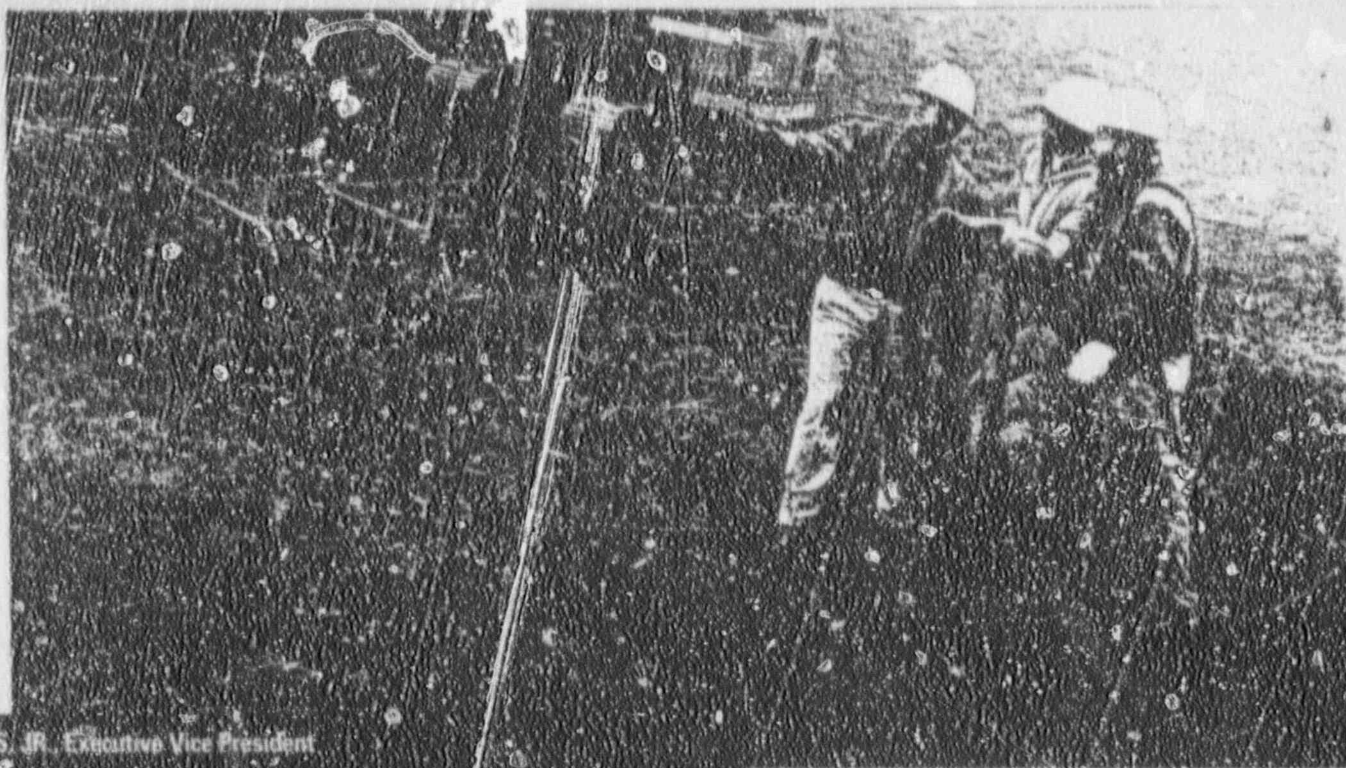
The Waltham Weston Hospital and Medical Center installed energy efficient lighting measures and is projected to reduce its annual energy usage by 1.3 million kilowatthours (kWh) and save more than $100,000 a year. Raytheon, makers of the scud-busting Patriot Missile, will upgrade lighting and install new energy efficient equipment in its Microwave and Power Tube Division in Waltham. When combined with work completed to date, estimated energy savings will exceed 1,300,000 kWh per year and annual cost savings will be about $100,000. And, after installing a state-of-the-art system to control energy usage in two of its buildings, Boston College, a renowned coeducational school in Chestnut Hill, will save nearly $36,000 in annual energy costs and some 554,000 kWh.

Through our broad range of demand-side management (DSM) programs, we are able to help customers save money and use energy more efficiently. Our annual residential lighting promotion, offering instant rebates and free energy efficient light bulbs as incentives, recruited over 28,000 new residential customers to the program. The Energy Fitness Van provided nearly 19,000 households with services such as efficient light installation, water-saving measures, electric water heater wraps and pipe insulation, collectively reducing these customers' electric bills by some $500,000 over the life of these measures.

The major objectives of DSM are to help customers be energy efficient and to stretch existing energy resources to meet as many needs as possible. We expect to begin recovering our DSM costs for 1991 and 1992, as well as base revenues lost as a result of the programs. We have filed a request with our state regulators to recover these costs associated with DSM through customers' 1992 bills.

RONALD A. LEDGETT
Senior Vice President
Power Delivery, Stores and Services

Expected to boost the local economy, Boston's Third Harbor Tunnel and Central Artery Projects are underway. These multi-billion dollar projects will require Boston Edison to relocate power lines and other electrical equipment over the next six years. Our costs will be reimbursed by the Commonwealth and the federal government.



GEORGE W. DAVIS, JR., Executive Vice President

The Brown Brontosaurus, a tracked vehicle with a mechanical arm, allows us to perform selective cutting along our transmission rights-of-way and preserve low-growing plants that are important to wildlife. More important to our neighbors, using these machines means we no longer apply chemicals to control vegetation growth on our rights-of-way.

The potential also exists for the Company to earn incentives above and beyond program costs. The incentives would be based on real kilowatthour savings and would be collected the year after the savings occur. With approval from state regulators, we could collect up to $3 million in incentives in 1992 based on kilowatthour savings realized in 1991.

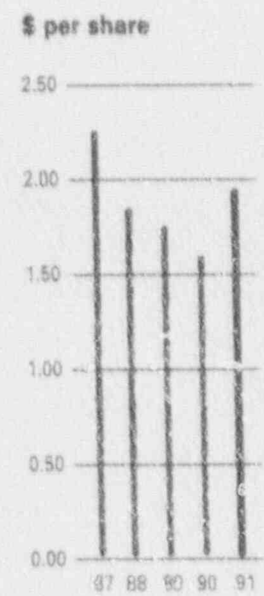
AGGRESSIVE LEADERSHIP

The situation: we needed to replace six aging wooden poles supporting a 115,000 volt transmission line over Hobbs Brook Reservoir in Lexington. The challenge: how do we install the new 65 foot steel towers and remove the old ones without disturbing the sensitive environment? The answer: we pre-assembled the steel towers off-site, flew them by helicopter to the islands on which they would stand and removed the old poles by flying them back to the assembly site. Any necessary digging on the islands was done by hand, no heavy equipment was necessary and the environment of Hobbs Brook Reservoir was not disturbed.

This is just one example of how the employees of Boston Edison are implementing the new Environmental Policy adopted by our Company in 1991. As a

major energy supplier in Massachusetts, we have a special responsibility to provide our services in an environmentally sound manner. It is our goal, therefore, to become an aggressive leader in protecting, preserving and improving the natural environment.

To demonstrate our commitment, we have implemented programs to remove polychlorinated biphenals (PCB's) from our electrical system, and asbestos from our facilities. Our demand-side management programs, which help our customers use electricity more efficiently, are also good for the environment. Operations at our facilities already meet the strict air quality requirements of the recently enacted Clean Air Act, and, in 1989, we were the only major utility in the state to already meet the Commonwealth of Massachusetts' new acid rain standards. For the future, we will no longer use chemicals to control vegetation growth on our transmission rights-of-way. Like other utilities, Boston Edison used to apply government approved herbicides, but our neighbors expressed concerns about the health impacts of the herbicides used. To respond we now mechanically perform selective cutting to control growth and protect reliability.



Earnings per share from operations rose 22.5% in 1991.

CAMERON H. DALEY
Senior Vice President
Power Supply

Mystic Unit #6, pictured above during its overhaul, was one of four fossil-fueled generating units to reach new operating records in 1991 for availability and consecutive days of operation. Of note, New Boston Unit #1 ran 220 consecutive days and holds the fifth best record for units of its kind in the nation.

Your Company's environmental record is a good one. Through balanced fuel mixes, research and development of cleaner fuels and renewable resources and a host of other initiatives, Boston Edison will continue to limit the environmental impact of its operations.

NEW OPPORTUNITIES

"The best way to predict the future is to create it." Al Kay

Your Company is constantly looking for new business opportunities that are related to our core business of providing energy and energy services. We have established a Strategic Marketing Project Team that is developing a Marketing Plan to incorporate demand-side management, traditional market analysis and the potential for investing in and marketing electric technologies. The team is focused on making electricity the preferred choice of regulators, customers and the general public for both efficiency and the environment.

In 1911, Boston Edison was a recognized leader in promoting electric vehicles. In fact, our enthusiasm led to the opening of a 25-car garage on Atlantic Avenue in Boston to re-charge and service our own fleet as well as privately-owned vehicles. Today, 81 years later, our interest and involvement in the promise of electric vehicles is reborn. We have purchased two electric vans for testing and promotion in 1992. These limited production vehicles are the first of what promises to be a line of future electric vehicles that will compete for customers on the open market.

Another new business opportunity is the Harbor Electric Energy Company (HEEC), a wholly-owned subsidiary of Boston Edison established to provide energy and related services to new wastewater treatment facilities being constructed on Deer Island by the Massachusetts Water Resources Authority (MWRA). A submarine cable across Boston Harbor and temporary interconnection facilities on Deer Island are in service and producing about $5 million in annual revenues for the Company. A permanent substation and 50 megawatts of standby generation for the Deer Island facilities are due to be operational in 1994, and are expected to produce some $8 million in annual revenues.

Finally, we will continue to look for reasonable opportunities for new power generation. One example, a proposal to build a 306-megawatt, primarily gas-fired power plant on the site of the former Edgar Station in Weymouth, Massachusetts, faces many regulatory challenges. We are moving forward through the licensing process with the state's Energy Facilities Siting Council, the Massachusetts Department of Public Utilities, the Federal Energy Regulatory Commission and several other environmental and regulatory agencies. Approval by these agencies is required for project completion; their decisions are due in 1992.

1991 Company generated fuel mix was balanced because our three largest fossil units can burn either oil or gas, whichever is cheapest.

ROY A. ANDERSON
Senior Vice President
Nuclear

Pilgrim Station performed well in 1991, setting a new record of 216 consecutive days of operation, and was rated "better than average" by the Nuclear Regulatory Commission (NRC). Pilgrim's emergency preparedness plans were judged to be superior by the NRC and the Federal Emergency Management Agency (FEMA).

Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (our state regulators) approved a Retail Settlement Agreement effective November 1, 1989, relating to certain of our proceedings before them. On November 5, 1990 the Federal Energy Regulatory Commission (our federal regulators) approved the Wholesale Settlement Agreements relating to claims filed by certain of our wholesale customers in connection with the 1986-1988 outage at Pilgrim Nuclear Power Station (Pilgrim Station). Through December 31, 1991, we made cash payments of $57,687,000 to the wholesale settling parties as discussed further below.

As a result of the Retail Settlement Agreement and the Wholesale Settlement Agreements, we recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock. This charge was included in our 1989 year-end consolidated statement of income as a component of "Other income (loss)" consistent with electric utility practices and methods of presentation. We are not allowed to collect the costs of this 1989 one-time charge to earnings from either our retail or wholesale customers. The charge to earnings for all of the settlement agreements included about $75,000,000 for retail demand-side management expenses, $31,000,000 of previously deferred outage-related nuclear expenses, $41,000,000 of litigation, regulatory commission and other expenses, and $31,000,000 for costs to replace the power that would have normally been generated by this unit. Monies spent on our demand-side management activities (not directly associated with the settlement agreements) are normally charged to customers through our rates in accordance with regulatory guidelines. Deferred outage-related nuclear costs (not directly associated with the settlement agreements) are normally included as part of our operating expenses ("Amortization of deferred nuclear outage costs") in the consolidated statement of income. We expect to charge customers for similar costs incurred in the future, as we have been allowed to do in the past by our state regulators.

Results of Operations

1991 Versus 1990

Our earnings per common share amounted to $1.96 in 1991 and $2.01 in 1990. Results of operations for 1990 included $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues).

Our 1991 total operating revenues amounted to $1,319,714,000, which represented an increase of 4.9% over the prior year broken down as follows:

1.3% decrease in retail electric sales billed	$ (3,567,000)
Increase in performance rate revenues [(a)]	23,401,000
Increase in fuel and purchased power revenues [(b)]	21,144,000
Change in wholesale sales, interchange, and other	20,190,000
Increase in total revenues	$ 61,168,000

(a) As part of the Retail Settlement Agreement, we were permitted to increase our retail rates by approximately $22,500,000 during the period November 1, 1990 to October 31, 1991 and effective November 1, 1991 to October 31, 1992, by an additional $25,000,000 which is subject to adjustment based upon the operation of Pilgrim Station. No significant adjustment was made for the performance year ended October 31, 1991.

(b) Increases in fuel and purchased power revenues are primarily offset by increases in fuel and purchased power expenses. We had increased purchased power costs associated with new long-term contracts and a 16% decline in output from our fossil units. This decline in our output was primarily due to the order in which the New England Power Pool, of which we are a member, has its participants run their generating units. The major portion of fuel and purchased power expenses are collected from our customers through fuel and purchased power rates with the balance recovered through our base rates.

Other operation and maintenance expenses declined $4,523,000 from 1990. This was primarily due to reduced maintenance and pension expenses, which were partially offset by increases in labor, certain employee benefits, research and development costs, bad debts, and nuclear operations expense. Through December 31, 1991, we deferred $22,871,000 (net) of costs associated with the recently completed refueling outage at Pilgrim Station. We expect to receive approval from our regulators to charge our customers for these costs as we have in prior retail rate orders (excluding the October 1989 Retail Settlement Agreement). Similarly, about $4,300,000 of our non-cash pension costs, $3,600,000 of storm costs associated with damage caused by an August 1991 hurricane, and $9,200,000 of certain demand-side management program costs have been deferred. Since we expect to receive approval from our state regulators to charge our customers for the amortization of these costs over time, we have included these items in "Other deferred debits" on our consolidated balance sheet at December 31, 1991.

Property and other tax expenses increased $10,362,000 due to increases in local property tax rates. Our provision for income taxes declined $12,527,000 as a result of the reversal of certain deferred taxes associated with settlement-related issues. Our effective income tax rate was 16.5% in 1991 versus 30.4% in 1990 (including the cumulative effect of a change in accounting principle). Based on the terms of the Retail Settlement Agreement, we added back into income certain municipal tax abatements ($13,000,000 in each period) and certain deferred income taxes of approximately $13,000,000 and $2,000,000 in 1991 and 1990, respectively. In addition, 1991 income reflects a reduction in federal income tax expense of $3,700,000 arising from the deduction of certain payments mandated by the Retail Settlement Agreement.

Allowance for funds used during construction (AFUDC), which represents our financing costs for construction, totaled $8,984,000, an increase of 2% from 1990, due to an increase in our construction work in progress base, partially offset by a lower AFUDC rate. Our total interest expense increased $10,610,000, primarily related to increased interest expense on new long-term debt partially offset by a decrease in short-term interest expense. Increased long-term interest expense resulted from the issuance of $100,000,000 of 9 7/8% debentures (due 2020) in June 1990, the issuance of $100,000,000 of 8 7/8% debentures (due 1995) in December 1990 and the issuance in August 1991 of $125,000,000 of 9 3/8% debentures (due 2021). The decrease in our short-term interest expense was the result of a decline in short-term borrowing rates in 1991. The increase in our average total borrowings has been to cover the cost of our plant expenditures. We finance a portion of our plant expenditures through funds generated by our business with the balance through external financings.

1990 Versus 1989

Our 1990 earnings per common share amounted to $2.01 as compared to a loss of $0.88 in 1989. The 1990 results included $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues). Excluding the cumulative effect of the change in accounting principle, 1990 earnings amounted to $1.60 per common share as compared to a loss of $0.88 per common share (a loss of $0.84 per common share had we been accruing unbilled revenues) in 1989. The 1989 results included a $2.78 per common share charge relating to the settlement agreements and a $0.14 per common share gain from the taking of certain of our property by eminent domain.

Our 1990 total operating revenues amounted to $1,258,546,000, which represented a decrease of 0.9% over the prior year broken down as follows:

0.2% increase in retail electric sales billed	$ 266,000
Increase in performance rate revenues [a]	20,582,000
Decrease in fuel and purchased power revenues	(23,460,000)
Decrease in wholesale sales and interchange	(4,608,000)
Other changes	(3,579,000)
Decrease in total revenues	$ (10,799,000)

(a) As part of the Retail Settlement Agreement, we were permitted to increase our retail rates by approximately $20,000,000 during the period November 1, 1989 to October 31, 1990, and by an additional $22,500,000 during the period November 1, 1990 to October 31, 1991.

Fuel and purchased power revenues and fuel and purchased power expenses decreased by $23,460,000 and $20,328,000, respectively, primarily due to an increase of 9% in electricity generated from our facilities in 1990 as compared to 1989, coupled with a 24% decline in electricity purchased from other utilities. The increase in our output was primarily due to increased generation from Pilgrim Station. The major portion of fuel and purchased power expenses is collected from our customers through our fuel and purchased power rates with the balance recovered through non-fuel related rates.

Other operation and maintenance expenses increased $24,770,000, primarily due to increases in labor, employee benefits expense and bad debts, which were partially offset by decreases in regulatory commission and research and development expenses. Amortization of deferred outage-related nuclear costs decreased $19,876,000 due to our write-off of substantially all deferred outage-related nuclear costs in the fourth quarter of 1989 as part of the $178,650,000 charge discussed previously.

Property and other tax expense decreased $1,118,000 primarily due to lower property taxes resulting from a 1988 settlement of a tax dispute with the City of Boston, Massachusetts. Our provision for income taxes increased $3,416,000 over 1989 primarily due to higher pre-tax income. Our effective income tax rates for 1990 and 1989 were 30.4% (including the cumulative effect of an accounting change) and 26.7% (excluding the settlement agreements), respectively. The lower figure in 1989 is related to the reversal of certain prior years' deferred income taxes. The original accrual was based upon a rulemaking by our federal regulators regarding AFUDC. Because our state regulators had not adopted this method, we added these amounts back to income. In accordance with the terms of the Retail Settlement Agreement, we added to income in 1990 certain municipal tax abatements (approximately $13,000,000), and deferred income taxes ($2,000,000). Our other income in 1989 includes a $0.14 per share gain on a taking of certain of our property by eminent domain.

AFUDC totaled $8,833,000, a decrease of 16% from 1989, due to decreases in both our average construction work in progress base and our AFUDC rate. Our total interest expense increased $5,356,000, primarily related to an increase in our average short-term loan balance outstanding (which is necessary to support our ongoing program of plant expenditures), our June 1990 issuance of $100,000,000 of thirty year 9 7/8% debentures and $100,000,000 of five year 8 7/8% debentures issued in December 1990. We finance a portion of our plant expenditures through funds generated by our business with the balance through external financings.

Financial Condition, Outlook for the Future and Liquidity

Financial Condition

In connection with the Retail Settlement Agreement, we agreed to limit our retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, our ability to maintain or increase earnings through October 31, 1992 will depend primarily on our ability to control costs and increase electric sales, as well as the efficient operation of Pilgrim Station. Effective November 1, 1991 our annual retail revenues increased $25,000,000, subject to adjustment based upon Pilgrim Station's performance. In addition, if we are unable to achieve a retail rate of return of 12.0% in 1992, we may make certain accounting adjustments (but only if they do not result in our exceeding a 12% retail rate of return) by taking into income (i) deferred income taxes of $23,000,000 and (ii) $13,000,000 of certain municipal property tax abatements. During the period November 1, 1992 through October 31, 2000, we agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of our investment in Pilgrim Station and related operating costs. We will file for retail rate relief in the spring of 1992 with a decision expected by November 1, 1992.

Our electric generating units, other than Pilgrim Station, are fossil fuel-fired (using oil or natural gas). Fossil fuel related expenses (excluding net purchased power) accounted for approximately 16%, 21% and 24% of our total operating expenses in each of the years 1991, 1990, and 1989, respectively. The majority of our fossil fuel purchases involve imported residual fuel oil acquired primarily from international suppliers, and natural gas which is supplied to us on an "interruptible" basis. We currently charge our customers for fossil fuel costs incurred through our existing fuel and purchased power rates in both our retail and wholesale rate schedules.

Expected Plant Expenditures, Future Generation Capacity and Outlook for the Future

Our current estimate of plant expenditures over the next five years (which is subject to continuing review and adjustments), is approximately $1,000,000,000 (excluding AFUDC and $79,000,000 in nuclear fuel expenditures). Our long-term debt and medium-term note maturities and sinking fund requirements for our debt, preferred stock and sewage facility revenue bonds total $287,335,000 in the next five years.

A large portion of our electric sales are in the commercial sector as compared to the industrial sector. Since New England continues to experience a sluggish economy, we do not anticipate significant growth in our retail electric sales in the near term. Retail electric sales billed for 1991 were 1.3% lower than 1990. We may also experience lower growth in electric sales because of implementation of demand-side management (DSM) programs which are designed to assist customers in conserving their use of electricity. As part of the Retail Settlement Agreement, we committed to spend $75,000,000 in DSM programs during 1990-1992, of which approximately $26,500,000 remains to be spent as of December 31, 1991. In 1991, we spent about $37,000,000 in DSM programs and we anticipate spending approximately $63,000,000 in 1992. We are requesting approval from our state regulators to charge our customers for about $10,000,000 and $38,000,000 of these expenditures, respectively, as well as lost base revenues and program incentives. The remaining amount was written off in 1989 as a result of the previously discussed Retail Settlement Agreements. Hearings on our 1991 programs were concluded and we expect a decision shortly. Hearings on our 1992 programs are scheduled for the spring of 1992.

Beginning in February and July 1991, our billings include annual rate increases of $6,800,000 and $2,800,000, respectively from certain wholesale customers. Certain of these increases are being collected, subject to refund, pending the outcome of wholesale rate hearings before our federal regulators. We have settled with one wholesale customer and no refund will be necessary to that customer.

We are continually studying various energy alternatives in order to meet our customers' electricity needs. Due to the demand for electricity in the region and regulatory emphasis on least-cost options, along with environmental considerations, a growing share of how we meet those needs is expected to come from DSM. Pursuant to state regulation, the selection of least-cost options is subject to advance approval by our state regulators. In 1991, we continued to seek proposals for purchases of power from cogeneration facilities and/or private power producers, increase emphasis on customer use of our DSM programs, seek the regulatory approvals necessary to begin building new generation capacity at the Edgar Energy Park located on our property in Weymouth, MA, and explore other least-cost power generation options.

Liquidity and Financing

Our scheduled repayments of debt principal in 1992 are $21,800,000. We expect to fund the estimated $120,000,000 of interest on long-term debt outstanding in 1992 through normal cash flow from our operations. The funds we generated internally through operations (excluding the effects of the settlement agreements) represented approximately 89%, 73% and 62% of our plant expenditures in the years 1991, 1990 and 1989, respectively.

Our estimate of working capital needs for 1992 and 1993 is expected to be consistent with our historical levels, except for the additional impact of approximately $32,500,000 of expected future cash outlays in 1992 related to the settlement agreements (classified as a current liability on our consolidated balance sheet at December 31, 1991). Approximately $45,000,000 of similar payments were made to the settling parties in 1991.

We meet our working capital requirements, as well as our interim financing needs to cover our current program of plant expenditures, primarily with internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. We currently have short-term borrowing authority from our federal regulators of $350,000,000 which we believe is adequate to cover our working capital and other liquidity requirements. As of December 31, 1991, we had $210,300,000 of short-term debt outstanding (which excludes $21,800,000 of long-term debt due within one year). Included in our $350,000,000 borrowing authority, we have available a three-year $200,000,000 revolving credit facility which expires in February 1993. As of December 31, 1991, we had not applied to our state regulators for approval to incur long-term debt under this agreement, nor had we incurred any short-term debt under it. We also have arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

In July 1991 our state regulators approved our financing plan to issue up to $400,000,000 of debt and/or equity securities prior to December 31, 1992. In August 1991 we issued $125,000,000 of 9 3/8% debentures due August 15, 2021. We used the net proceeds from the sale of these securities to reduce some of our outstanding short-term debt. On December 2, 1991, we issued $50,000,000 of 8.0% mandatory redeemable preferred stock. The proceeds from this issuance was used to retire all of our outstanding stated rate auction preference stock. On December 4, 1991, our wholly-owned subsidiary, Harbor Electric Energy Company (HEEC), issued $36,300,000 of long-term sewage facility revenue bonds. A portion of the net proceeds from this issuance was used to retire $21,000,000 of maturing short-term sewage facility revenue bonds. In December 1991, we sold 2,600,000 shares of our common stock. The net proceeds of $59,774,000 were used to redeem $55,000,000 of our Series X, 11% first mortgage bonds.

Edgar Energy Park

As we previously reported, we have made regulatory filings at the Commonwealth of Massachusetts Energy Facilities Siting Council (EFSC) and our state and federal regulators regarding our Edgar Energy Park project, a 306 MW combined cycle generating station. Through our proposed subsidiary, Edgar Electric Energy Company, we plan to construct this unit on the site of our retired Edgar Generating Station located in Weymouth, Massachusetts.

We have concluded hearings before the EFSC, which will address the issues of need for additional power and the environmental effects of the unit. Additionally, we have also made applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies.

Because of the number and scope of regulatory proceedings that must be completed prior to beginning construction of a project of this magnitude, we are not able to predict with certainty whether we will proceed with this project nor on what date. Assuming receipt of the necessary approvals, we would anticipate that construction could begin by the end of 1992.

We have spent approximately $5,600,000 on this project which is included in "Construction work in progress" on our December 31, 1991 consolidated balance sheet and we are currently committed to spend an additional $700,000. If we do not receive the necessary regulatory approvals or if we elect not to proceed with this project, and if we are not able to charge our customers for these costs, we would be required to write off our investment in this project.

Pilgrim Nuclear Power Station

During 1991, Pilgrim Station continued to meet operational performance targets established by the Retail Settlement Agreement. In January 1991, the Nuclear Regulatory Commission (NRC) extended Pilgrim Station's operating license from the year 2008 to 2012.

In May 1991, a joint Federal Emergency Management Agency (FEMA)/NRC task force completed a detailed review of the status of offsite emergency preparedness plans for Pilgrim Station. In June 1991 FEMA issued a finding that adequate protective measures can be taken offsite to protect the health and safety of the public in the event of a radiological emergency at Pilgrim Station and in July 1991 the NRC Commissioners found that there continued to be reasonable assurance that the offsite emergency preparedness program is adequate. In December 1991, an exercise of the emergency plans was conducted with participation by over 1,000 representatives of our Company and state and local governments. Preliminary assessments of the exercise by the NRC and FEMA were positive and noted no deficiencies. Also in December, the NRC issued its most recent Systematic Assessment of Licensee Performance (SALP) Report for Pilgrim Station which evaluated all areas of the plant's operations and management. In its report, the NRC found that a superior level of performance was achieved in the areas of emergency preparedness, radiological controls, and security; and a good level of performance was achieved for all other areas. Finally, for the sixth consecutive time, Pilgrim Station's class of operator candidates achieved a 100 percent pass rate on the NRC licensing examination.

Notwithstanding these generally favorable developments and findings, the subject of nuclear power, and related issues such as emergency planning, continues to be a matter of public concern and subject to close regulatory scrutiny. We closely monitor all such issues and concerns that may affect the safe, economic and reliable operation of Pilgrim Station and are of the opinion that the continued operation of Pilgrim Station is in the best interests of the Company and our customers.

Income Taxes

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96 - "Accounting for Income Taxes", which, as amended by SFAS No. 109, is now scheduled to become effective in 1993. We anticipate that due to the impact of regulation, the primary effect of this statement will be reflected on our consolidated balance sheet and will result in no significant impact on our net income.

Post Retirement Benefits Other Than Pensions

In December 1990, the FASB issued SFAS No. 106 - "Accounting for Postretirement Benefits Other than Pensions" which will be effective for the 1993 fiscal year. SFAS No. 106 requires use of an actuarial basis for computing the liability for benefits (other than pensions) for retired employees and future retirees. We are currently recognizing these benefits primarily as claims are paid. While we may be faced with recording a large increase in liability (preliminary estimates are in the process of being prepared by our actuaries) we have not yet fully determined the means of recovery of such expenses through the rate-making process or of implementing this accounting pronouncement. The adoption of this pronouncement is not expected to impact our cash flows in the near future.

Other Matters

We are affected by inflation with respect to our operation and maintenance costs. We are also affected by inflation in the form of higher construction costs for improvements at our generating stations and for new transmission and distribution equipment. Our level of depreciation expense is based upon the historical cost of our plant. We believe that depreciation expense calculated on a "replacement cost of facilities" basis would be significantly higher.

We have been named as a potentially responsible party by certain environmental authorities with respect to the cleanup of some hazardous waste sites. However, we believe that the likelihood of incurring any material liability with respect to these claims is remote.

In November 1990, amendments were made to the federal Clean Air Act. We have performed a preliminary analysis of these amendments and have determined that there are no major obstacles for us to be able to comply with them. Moreover, our analysis indicates that we have emission allowances in excess of what we will need and that these may be marketable.

We have a $2 million investment (9.5% interest) in the Yankee Atomic Electric Company (Yankee Atomic), which owns and operates the oldest nuclear power plant in the country. On October 1, 1991, that unit was shut down in response to a Nuclear Regulatory Commission concern over the condition of the reactor vessel. On February 26, 1992, the Board of Directors of Yankee Atomic voted to permanently close the unit and prepare for early decommissioning of the plant. Yankee Atomic will be filing with federal regulators to collect the costs associated with this shutdown and decommissioning between now and the year 2000 from its contract customers. We will be responsible for our proportionate share. Yankee Atomic has a decommissioning estimate of approximately $98,000,000 as of January 1, 1989, and is working on a new estimate which is expected to be significantly higher. We expect to receive recovery from our customers for all of these costs.

Consolidated Statements of Income (Loss)

(in thousands, except earnings (loss) per share)	1991	1990	1989
		years ended December 31,	
Operating revenues	$ 1,319,714	$ 1,258,546	$ 1,269,345
Operating expenses:			
Fuel	200,912	276,333	277,274
Net purchased power	299,742	187,801	207,188
Other operations and maintenance	376,897	381,420	356,650
Depreciation and amortization	126,151	121,881	120,759
Amortization of deferred cost of cancelled nuclear unit	24,381	24,381	24,381
Amortization of deferred nuclear outage costs	2,443	1,500	21,376
Taxes - property and other	66,216	55,854	56,972
Provision for income taxes	17,111	29,638	26,222
Total operating expenses	1,113,853	1,078,808	1,090,822
Operating income	205,861	179,738	178,523
Other income (loss):			
Rate and contract settlements	0	0	(178,650)
Income taxes on rate and contract settlements	0	0	72,370
Allowance for other funds used during construction	0	0	1,362
Other, net	5,684	6,294	11,041
Operating and other income	211,545	186,032	84,646
Interest charges:			
Long-term debt	108,912	93,706	91,674
Other	16,947	21,543	18,219
Allowance for borrowed funds used during construction - credit	(8,984)	(8,833)	(9,112)
Total interest charges	116,875	106,416	100,781
Income (loss) before cumulative effect of accounting change	94,670	79,616	(16,135)
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819	0	15,824	0
Net income (loss)	94,670	95,440	(16,135)
Preferred and preference dividends provided	17,611	17,652	17,653
Balance available for common stock	$ 77,059	$ 77,788	$ (33,788)
Common shares outstanding (weighted average)	39,348	38,779	38,246
Earnings (loss) per share of common stock:			
Before cumulative effect of accounting change	$ 1.96	$ 1.60	$ (0.88)
Cumulative effect of accrual of unbilled revenues	0	$ 0.41	0
Total	$ 1.96	$ 2.01	$ (0.88)
Dividends declared per common share	$ 1.595	$ 1.535	$ 1.745

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

Consolidated Balance Sheets

(in thousands)		1991	years ended December 31,	1990
Assets				
Property, plant and equipment, at original cost:				
Utility plant in service	$3,533,007		$ 3,317,696	
Less: accumulated depreciation	1,097,991	$ 2,435,016	1,015,371	$ 2,302,325
Nuclear fuel	256,199		248,595	
Less: accumulated amortization	180,137	76,062	163,694	84,901
Construction work in progress		99,870		142,233
Total		2,610,948		2,529,459
Investments in electric companies, at equity		27,308		25,793
Nuclear decommissioning fund		43,661		37,765
Current assets:				
Cash and cash equivalents	4,279		1,667	
Accounts receivable	167,307		163,648	
Accrued unbilled revenues	28,632		28,772	
Fuel, materials & supplies, at average cost	93,817		106,533	
Prepaid expenses & other current assets	7,240	301,275	6,116	306,736
Deferred debits:				
Deferred cost of cancelled nuclear unit	43,665		64,777	
Deferred nuclear outage costs	22,871		809	
Other	69,860	136,396	48,330	114,416
Total assets		$ 3,119,588		$ 3,014,169

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

Consolidated Balance Sheets

(in thousands)		1991		years ended December 31, 1990
Capitalization and Liabilities (see accompanying Schedules of Capital Stock and Indebtedness)				
Common stock equity		$ 753,496		$ 671,362
Cumulative preferred stock:				
Non-mandatory redeemable series		83,000		83,000
Mandatory redeemable series		100,000		50,000
Cumulative preference stock				
Non-mandatory redeemable series		38,333		38,333
Mandatory redeemable series		0		50,000
First mortgage bonds		690,425		774,025
Sewage facility revenue bonds, net		21,120		0
Debentures		325,000		200,000
Unsecured medium-term notes		100,000		100,000
Current liabilities:				
Sewage facility revenue bonds	$ 0		$ 21,000	
Long-term debt due within one year	21,800		56,800	
Notes payable	210,300		153,530	
Accounts payable	112,354		132,211	
Income, property and other taxes accrued	2,229		7,278	
Interest accrued	23,265		21,878	
Dividends payable	20,193		18,073	
Other	12,458		6,376	
Rate and contract settlements	32,538	435,137	53,784	470,930
Deferred credits:				
Accumulated deferred income taxes	434,810		405,895	
Accumulated deferred investment tax credits	79,510		89,271	
Nuclear decommissioning reserve	48,654		41,323	
Rate settlement	0		23,300	
Other	10,103	573,077	16,730	576,519
Commitments and contingencies				
Total capitalization and liabilities		$ 3,119,588		$ 3,014,169

Consolidated Statements of Retained Earnings

(in thousands)	1991	years ended December 31, 1990	1989
Balance at beginning of year	$ 161,143	$ 142,952	$ 243,569
Net income (loss)	94,670	95,440	(16,135)
Subtotal	255,813	238,392	227,434
Cash dividends declared:			
Preferred	9,476	9,147	9,147
Preference	8,135	8,505	8,506
Common	63,725	59,597	66,829
Subtotal	81,336	77,249	84,482
Balance at end of year	$ 174,477	$ 161,143	$ 142,952

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

Consolidated Statements of Cash Flows

(in thousands)	1991	1990	1989
		years ended December 31,	
Cash flows from operating activities:			
Net income (loss)	$ 94,670	$ 95,440	$ (16,135)
Adjustments to reconcile net income (loss)			
to net cash provided by operating activities:			
Cumulative effect (net) for years prior to			
1990 of change for unbilled revenues	0	(15,824)	0
Rate and contract settlements, net	(44,546)	(68,070)	98,630
Depreciation	113,756	107,659	106,727
Amortization of nuclear fuel	19,869	25,913	10,614
Amortization of deferred cost of cancelled nuclear unit (net)	21,112	19,967	18,898
Other amortization	9,904	12,922	12,159
Allowance for funds used during construction	(8,984)	(8,833)	(10,474)
Increase (decrease) in deferred income taxes	24,475	29,028	(7,795)
(Deferral) amortization of nuclear outage costs, net	(22,062)	1,500	21,376
Net changes in:			
Accounts receivable	(3,519)	21,173	(27,515)
Fuel, materials & supplies	12,716	(10,890)	(1,536)
Accounts payable	(19,857)	16,320	5,502
Other current assets and liabilities	1,626	(105)	14,783
Other, net	(27,469)	(23,832)	11,661
Net cash provided by operating activities	171,691	196,368	236,895
Cash flows provided (used) by investing activities:			
Plant expenditures (excluding AFUDC)	(214,213)	(255,784)	(235,946)
Decommissioning fund	(5,896)	(6,679)	(6,983)
Investments in electric companies	(1,515)	(3,367)	(11,207)
Proceeds from asset dispositions	0	0	9,145
Net cash (used) by investing activities	(221,624)	(265,830)	(244,991)
Cash flows provided (used) by financing activities:			
Issuances:			
Common stock	68,800	8,623	10,943
Preferred stock	50,000	0	0
Long-term debt	146,120	200,000	0
Redemptions:			
Debt retirements	(118,600)	[illegible]	(16,270)
Preference stock	(50,000)	0	0
Net change in short-term debt	35,770	(39,310)	99,260
Dividends paid	(79,545)	(76,484)	(87,083)
Net cash provided by financing activities	52,545	69,140	6,850
Net increase (decrease) in cash and cash equivalents	2,612	(322)	(1,246)
Cash and cash equivalents at the beginning of the year	1,667	1,989	3,235
Cash and cash equivalents at the end of the year	$ 4,279	$ 1,667	$ 1,989
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 115,488	$ 105,642	$ 100,647
Income taxes	$ 18,979	$ 19,227	$ 42,159

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

Consolidated Schedules of Capital Stock

(in thousands, except per share amounts)				December 31, 1991	1990
Common stock equity:					
Common stock					
Shares outstanding; 100,000,000 and 50,000,000 authorized, respectively				42,047	38,999
Par value per share				$ 1.00	$ 5.00
Total par value				$ 42,047	$ 194,993
Premium on common stock				536,567	314,821
Retained earnings				174,477	161,143
Surplus invested in plant				405	405
Total				$ 753,496	$ 671,362
Cumulative preferred stock:					
Par value $100 per share, 2,830,000 shares authorized; issued and outstanding:					
Non-mandatory redeemable series:					
Series	Shares	Redemption Price/Share			
4.25%	180,000	$ 103.625		$ 18,000	$ 18,000
4.78%	250,000	$ 102.80		25,000	25,000
8.68%	400,000	$ 102.00		40,000	40,000
Total				$ 83,000	$ 83,000
Mandatory redeemable series:					
Series	Shares				
7.27%	500,000			$ 50,000	$ 50,000
8.00%	500,000			50,000	0
Total				$ 100,000	$ 50,000
Cumulative preference stock:					
Par value $1 per share, 8,000,000 shares authorized; issued and outstanding:					
Non-mandatory redeemable series:					
$1.46 Series - 2,675,000 shares				$ 2,675	$ 2,675
Premium on $1.46 Series				35,658	35,658
Total				$ 38,333	$ 38,333
Mandatory redeemable series:					
Stated rate auction preference stock - 0 and 500,000 shares				$ 0	$ 500
Premium on stated rate auction preference stock				0	49,500
Total				$ 0	$ 50,000

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

Consolidated Schedules of Indebtedness

Long-term debt:
Boston Edison Company:
First mortgage bonds:

Series	Interest Rate (%)	Maturity	(in thousands) December 31, 1991	1990
H	4 1/4	June 1, 1992	$ 15,000	$ 15,000
I	4 3/4	Nov. 1, 1995	25,000	25,000
J	6 1/8	June 1, 1997	40,000	40,000
K	6 7/8	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9 3/8	July 1, 2000	60,000	60,000
N	8 1/8	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9 3/4	Dec. 15, 2003	66,975	74,575
R	10.95	Oct. 31, 2004	50,250	56,250
P	9 1/4	Apr. 15, 2007	60,000	60,000
U	10 1/4	Apr. 1, 2014	15,000	15,000
W	9 1/2	July 15, 2016	135,000	135,000
X	11	Sept. 15, 2017	45,000	100,000
Total first mortgage bonds			712,225	780,825
Less: due within one year			21,800	6,800
First mortgage bonds - net			$ 690,425	$ 774,025

	1991	1990
Unsecured medium-term notes	$ 100,000	$ 150,000
Less: due within one year	0	50,000
Unsecured medium-term notes - net	$ 100,000	$ 100,000
Debentures:		
9 7/8%, due June 1, 2020	$ 100,000	$ 100,000
8 7/8%, due December 15, 1995	100,000	100,000
9 3/8%, due August 15, 2021	125,000	0
Total debentures	$ 325,000	$ 200,000
Harbor Electric Energy Company:		
Sewage facility revenue bonds	$ 36,300	$ 0
Less: funds held by trustee	15,180	0
Total	$ 21,120	$ 0
Short-term debt:		
Boston Edison Company:		
Notes payable:		
Bank loans	$ 89,000	$ 72,500
Commercial paper	121,300	81,030
Total notes payable	$ 210,300	$ 153,530
Harbor Electric Energy Company:		
Sewage facility revenue bonds	$ 0	$ 21,000

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

1. Common Stock

Since December 31, 1988, we have issued the following shares of common stock:

	Number of Shares	Total Par Value	Premium on Common Stock
Balance December 31, 1988	37,893,791	$189,468,955	$300,779,099
Dividend reinvestment plan	632,294	3,161,470	7,781,966
Balance December 31, 1989	38,526,085	192,630,425	308,561,065
Dividend reinvestment plan	472,446	2,362,230	6,260,499
Balance December 31, 1990	38,998,531	194,992,655	314,821,564
Dividend reinvestment plan [a]	448,825	2,181,357	6,844,492
Change in par value of common stock [b]	0	(157,726,656)	157,726,656
New issue [c]	2,600,000	2,600,000	57,174,000
Balance December 31, 1991	42,047,356	$ 42,047,356	$536,566,712

(a) At December 31, 1991, the remaining authorized common shares reserved for future issuance under the Dividend Reinvestment and Common Stock Purchase Plan are 1,597,041 shares.

(b) In November 1991, we amended our Restated Articles of Organization increasing our authorized common stock from 50,000,000 to 100,000,000 shares and reducing the par value from $5 to $1 per common share.

(c) We issued 2,600,000 shares of common stock in December 1991. The net proceeds were used to retire $55,000,000 of Series X, 11% first mortgage bonds.

2. Cumulative Non-Mandatory Redeemable Preferred and Preference Stock

Holders of our cumulative non-mandatory redeemable preferred stock are entitled to $100 per share upon any liquidation of the Company. Our cumulative non-mandatory redeemable preference stock may be redeemed as a whole or in part upon resolution of the Board of Directors. The redemption price at December 31, 1991 was $15.00 per share. Subject to the prior preferential rights of our cumulative preferred stockholders, upon involuntary liquidation of the Company, holders of our $1.46 Series are entitled to receive $15 per share.

3. Cumulative Mandatory Redeemable Preferred and Preference Stock

The 500,000 shares of our 7.27% sinking fund series $100 par value, cumulative preferred stock are redeemable at our option at $107.27 prior to May 1, 1992, provided that we may not make a redemption prior to May 1, 1992 by refunding from the issuance of debt or certain stock having an interest rate, dividend rate or cost to us of less than 7.334% per year. Commencing May 1, 1992, the redemption price declines from $10[illegible] per share to par value on May 1, 2002. The 7.27% preferred stock will be entitled to a sinking fund to retire 20,000 shares at $100 per share, plus accrued dividends, on May 1 of each year, beginning in 1993. On May 1 in any year, beginning in 1993, we have the non-cumulative option to redeem an additional number of shares, not to exceed 20,000 for the sinking fund at $100 per share, plus accrued dividends. Upon any liquidation of the Company, holders are entitled to $100 per share.

On December 2, 1991, we sold 500,000 shares of $100 par value cumulative preferred stock, 8% series. We are not able to redeem this series, in whole or in part, prior to December 1, 2001. The entire series of the preferred stock is subject to mandatory redemption, out of funds legally available for this purpose, on December 1, 2001, at $100 per share, plus accrued and unpaid dividends. There is no sinking fund for this preferred stock. Holders are entitled to $100 per share net upon any liquidation of the Company. We used the proceeds of this issuance to redeem all our outstanding stated rate auction preference stock in December 1991.

4. Long-Term Debt

Substantially all our property, plant and equipment and materials and supplies are subject to lien under the terms of our Indenture of Trust and First Mortgage dated December 1, 1940, and its supplements.

The aggregate principal amounts of our first mortgage bonds, debentures, medium-term notes and sewage facility revenue bonds (including sinking fund requirements) due in the five years 1992 through 1996 are $21,800,000, $56,800,000, $56,800,000, $132,400,000, and $11,535,000, respectively.

Our first mortgage bonds, Series S, adjustable rate due 2002, bore interest at 10.50% per year for the period January 15, 1991 through January 14, 1992. The rate is adjusted annually and is based upon the ten year constant maturity Treasury Rate as published by the Federal Reserve Board. The interest rate for the period January 15, 1992 through January 14, 1993 is 9.50%.

On September 15, 1988, we issued $150,000,000 medium-term notes, Series A, in three equal increments of $50,000,000, bearing interest at 9.35%, 9.65% and 9.75% per annum and maturing on September 16, 1991, September 15, 1993, and September 15, 1994, respectively. The 9.35% medium-term notes were retired in full at their maturity in September 1991. The notes are unsecured obligations of the Company.

In December 1991, we deposited a $59,774,000 repurchase agreement and cash of $1,567,000 in an irrevocable trust to pay the principal, call premium and interest payments on $55,000,000 of Series X 11% first mortgage bonds. The repurchase agreement was secured by certain Government National Mortgage Association (GNMA) securities and matured on January 21, 1992. The bonds were selected for a partial redemption on January 23, 1992 at a call premium of 8.10%. As a result of these actions, the debt, associated accrued interest, repurchase agreement and cash were removed from our consolidated balance sheet at December 31, 1991.

In August 1991, we issued $125,000,000 of debentures. The debentures bear an interest rate of 9 3/8% per annum and mature on August 15, 2021. On and after August 15, 2001, the debentures are redeemable at prices declining from 104.612% of par beginning on August 15, 2001 to 100% of par on and after August 15, 2011.

5. Short-Term Debt

We have available a $200,000,000 revolving credit agreement with a group of banks. This agreement is intended to provide us with a standby source of short-term borrowings. The agreement terminates on the earlier of (i) February 28, 1993 or (ii) the 364th day following the first borrowing made under the agreement if we have not received approval from our state regulators to borrow under the agreement for a period of more than one year. As of December 31, 1991, we have not applied to our state regulators for approval to borrow on a long-term basis under the agreement, nor had we borrowed on a short-term basis under the agreement. We must pay commitment fees on the unused portion of the total agreement amount.

Under the terms of this agreement, we are required to maintain certain financial ratios related to our capitalization and interest coverages. The most restrictive covenant requires that we not declare dividends or make other distributions on our common stock, or incur additional debt, if certain capitalization ratios are not maintained. As of December 31, 1991, our capitalization ratios exceeded the minimum requirement.

We have arrangements with certain banks to provide short-term credit on a committed as well as an uncommitted and as available basis. We currently have authority to issue up to $350,000,000 of short-term debt and had $210,300,000 outstanding at December 31, 1991.

Information regarding our short-term borrowings, comprised of bank loans, commercial paper, and short-term sewage facility revenue bonds, is as follows:

(thousands of dollars)	1991	1990	1989
Maximum short-term borrowings	$324,400	$302,900	$233,275
Daily weighted average amount outstanding	$221,481	$221,525	$169,377
Weighted daily average interest rates, excluding commitment fees, on balance during the year	6.4%	8.5%	9.4%

6. Sewage Facility Revenue Bonds

In December 1991, Harbor Electric Energy Company (HEEC), our wholly owned subsidiary, issued $36,300,000 of long-term sewage facility revenue bonds (the bonds). The bonds are tax-exempt and are subject to annual mandatory sinking fund redemption requirements and mature in the years 1995-2015. The bonds have a weighted average coupon rate of 7.3%. On December 10, 1991, a portion of the proceeds from the bonds was used to retire $21,000,000 of short-term sewage facility revenue bonds at maturity. The remainder of the proceeds, which is on deposit with the trustee, is expected to ultimately finance the construction of HEEC's permanent substation to be located on Deer Island (in Boston harbor) and to fund an amount which must remain in reserve with the trustee. In certain circumstances, should HEEC have insufficient funds to pay certain costs on a timely basis or be unable to meet certain net worth requirements, we would be required to make additional capital contributions or loans to the subsidiary up to a maximum of $7,000,000.

Note A. Summary of Significant Accounting Policies

We are regulated by various agencies. Because rates charged to our customers are set by these agencies, there are differences in the generally accepted accounting principles applied to our business and to nonregulated businesses. These differences are primarily due to the timing of including various items in calculating net income in accordance with the objective of matching our costs and revenues.

1. Basis of Consolidation

Our consolidated financial statements include the activities of Harbor Electric Energy Company, our wholly owned subsidiary. All intercompany transactions between the subsidiary and us have been eliminated.

2. Depreciation, Amortization and Maintenance

Our physical property (excluding a factor for the cost of decommissioning nuclear units) was depreciated on an annual straight-line basis in 1991, 1990 and 1989 at approximately 3.41%, 3.41% and 3.59% per year, respectively, using the average remaining life method of computing depreciation. When these property units are retired, the cost and the net of the cost to remove them and the salvage value are charged to accumulated depreciation.

The cost of our nuclear fuel is amortized (expensed) based on the amount of electricity our nuclear produces. Our nuclear fuel expense also includes an amount for the estimated costs of ultimately disposing spent nuclear fuel. These costs are expensed and included in the costs we charge our customers for fuel and purchased power.

We charge maintenance expense for the cost of current repairs and the replacement or addition of minor parts to our plants and properties as we complete the work.

3. Forecasted Fuel and Performance Rates

The rate we charge our retail customers for fuel and purchased power allows for all fuel costs, the capacity portion of some purchased power costs, some transmission costs and demand-side management costs to be billed to our customers monthly using a forecasted rate. The difference between our actual and estimated costs is included in accounts receivable on our consolidated balance sheet until we adjust subsequent rates. The non-fuel portion of some of our purchased power costs are collected through our base rates. Our state regulators have the right to reduce our subsequent fuel rates if they find that we have been unreasonable or imprudent in the operation of our generating units or in purchasing fuel. As part of our Retail Settlement Agreement, we began charging our retail customers a performance charge from November 1989 through October 31, 1992.

4. Revenue Recognition

In the first quarter of 1990, we began recording revenues for electricity used by our customers but not billed, in order to match our revenues more closely with expenses. Before this, we recorded revenues only after bills had been sent to our customers.

5. Amortization of Discounts, Premiums and Redemption Premiums on Debt

We amortize discounts, premiums, redemption premiums and related expenses associated with issuances of debt or refinancing of existing debt in equal annual installments over the life of the new debt.

6. Allowance for Funds Used During Construction

We include in the cost of our plant expenditures an allowance for funds used during construction (AFUDC). AFUDC represents our estimated financing costs and the cost of equity which we use to finance our plant expenditures. We receive payment for those costs from our customers over the service life of the plant in the form of increased revenues collected as a result of higher depreciation expense. Our AFUDC rates for the years 1991, 1990 and 1989 were 6.85%, 9.00% and 10.20%, respectively.

7. Cash and Cash Equivalents

Cash and cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less. We record outstanding checks in accounts payable until they are presented to us for payment.

8. Deferred Debits

Through December 31, 1991, we deferred approximately $40,000,000 of certain nuclear outage-related, storm, pension and demand-side management program costs, in accordance with generally accepted accounting principles applicable to our business, and for which our state regulators have permitted cost recovery consistent with similar retail rate orders of other Massachusetts electric utilities. We have included these items in "Other deferred debits" on our consolidated balance sheet at December 31, 1991 and will expense them over the same period that we expect to charge our customers.

9. Reclassifications

We have made certain reclassifications, not affecting income, to amounts we reported in prior years to conform to our 1991 presentation.

Note B. Income Taxes

We incurred deferred income tax expense when certain income and expenses were reported on the tax return in different years than reported in the financial statements. Investment tax credits are included in our income over the estimated useful lives of the related property. Components of our income tax expense are as follows:

(in thousands)	1991	1990	1989
Cancelled nuclear unit	$ (3,998)	$ (8,998)	$ (8,998)
Excess tax depreciation over book depreciation	10,802	11,165	4,464
Deferred fuel expense	56	(4,141)	(879)
Debt portion of allowance for funds used during construction	2,856	2,966	2,897
Massachusetts corporate franchise tax	7,140	5,964	(946)
Deferred nuclear outage expense	7,014	(477)	(6,795)
Unbilled revenues	0	(873)	(1,938)
Cost of removal	4,277	3,063	1,359
Revenue reserve adjustment	(760)	(1,297)	4,843
Rate and contract settlements	10,196	20,389	0
Municipal property taxes	3,745	3,150	261
Conservation/load management programs	2,256	494	1,862
Settlement agreement	(13,000) [a]	(2,000) [a]	0
Other	(2,360)	(2,073)	(6,023) [b]
Subtotal deferred income taxes	23,224	27,332	(9,893)
Current income tax expense	(1,823)	7,046	40,348
Investment tax credits	(4,290)	(4,740)	(4,233)
Provision for income taxes	17,111	29,638	26,222
Taxes on other income:			
Current	405	518	1,065
Deferred	1,252	1,639	5,511
Subtotal	1,657	2,207	6,576
Change in accounting principle:			
Current	0	876	0
Deferred	0	8,943	0
Subtotal	0	9,819	0
Rate and contract settlements:			
Current	0	0	(2,929)
Deferred	0	0	(69,441)
Subtotal	0	0	(72,370)
Total	$ 18,768	$ 41,664	$ (39,572)

(a) In 1991 and 1990, as we agreed to do in the Retail Settlement Agreement, we included in net income $13,000,000 and $2,000,000, respectively of deferred taxes.

(b) In 1989 we reduced deferred income tax expense by $5,900,000 or $0.15 per common share resulting from the reversal of some AFUDC related deferred taxes recorded during the years 1977-1979, which were calculated based upon the method required by our federal regulators. Because our state regulators have not adopted our federal regulators' method for these years, the excess deferred tax amounts were added back to income.

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

	1991	1990	1989
Statutory tax rate (benefit)	34.0%	34.0%	(34.0)%
Allowance for other funds used during construction	-	-	(0.8)
Massachusetts corporate franchise tax	4.1	4.1	(4.5)
Investment tax credit	(3.8)	(3.4)	(8.2)
Municipal property tax adjustment	(1.6)	(1.3)	(3.2)
Reversal of outage expense deferred taxes	-	-	(7.1)
Reversal of deferred taxes - settlement agreements	(11.5) [a]	(1.5) [a]	-
Federal tax benefit of mandated payments from settlement agreements	(3.3)	-	-
Other	(1.4)	(1.5)	(13.2) [b]
Total	16.5%	30.4%	(71.0)%

(a) In 1991 and 1990, as we agreed to do in the Retail Settlement Agreement, we included in net income $13,000,000 and $2,000,000, respectively of deferred taxes.

(b) In 1989 we reduced deferred income tax expense by $5,900,000 or $0.15 per common share resulting from the reversal of some AFUDC related deferred taxes recorded during the years 1977-1979, which were calculated based upon the method required by our federal regulators. Because our state regulators have not adopted our federal regulators' method for these years, the excess deferred tax amounts were added back to income.

Note C. Settlement of Certain Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (our state regulators) approved a Retail Settlement Agreement effective November 1, 1989, relating to certain of our proceedings before them. On November 5, 1990 the Federal Energy Regulatory Commission (our federal regulators) approved the Wholesale Settlement Agreements relating to claims filed by certain of our wholesale customers in connection with the 1986-1988 outage at Pilgrim Nuclear Power Station (Pilgrim Station). Through December 31, 1991, we made cash payments of $57,687,000 to the wholesale settling parties as discussed further below.

As a result of the Retail Settlement Agreement and the Wholesale Settlement Agreements, we recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock. This charge was included in our 1989 year-end consolidated statement of income as a component of "Other income (loss)" consistent with electric utility practices and methods of presentation. We are not allowed to collect the costs of this 1989 one-time charge to earnings from either our retail or wholesale customers. The charge to earnings for all of the settlement agreements included about $75,000,000 for retail demand-side management expenses, $31,000,000 of previously deferred outage-related nuclear expenses, $41,000,000 of litigation, regulatory commission and other expenses, and $31,000,000 for costs to replace the power that would have normally been generated by this unit. Monies spent on our demand-side management activities (not directly associated with the settlement agreements) are normally charged to customers through our rates in accordance with regulatory guidelines. Deferred outage-related nuclear costs (not directly associated with the settlement agreements) are normally included as part of our operating expenses ("Amortization of deferred nuclear outage costs") in the consolidated statement of income. We expect to charge customers for similar costs incurred in the future, as we have been allowed to do in the past by our state regulators. We made cash payments for these settlement agreements of approximately $68,070,000 in 1990 and approximately $45,000,000 in 1991. As of December 31, 1991, we expect to make cash payments in 1992 of approximately $32,500,000 as part of these approved settlement agreements.

As part of the Retail Settlement Agreement, we agreed to limit increases in our retail revenues prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Therefore, our ability to maintain or increase earnings through October 31, 1992 will depend primarily on our ability to control costs and increase electric sales, as well as how efficiently we operate Pilgrim Station. During the period November 1, 1990 through October 31, 1991 we received approximately $22,500,000 from this retail revenue increase. Effective November 1, 1991 our annual retail revenues increased an additional $25,000,000, which is subject to adjustment for Pilgrim Station's performance. In addition, if we are not able to achieve a retail rate of return of 12.0% in 1992, we may make certain accounting adjustments (but only if they do not result in a retail rate of return in excess of 12%) by taking into income (i) deferred income taxes of $23,000,000 and (ii) additional municipal property tax abatements of approximately $13,000,000. During the period November 1, 1992 through October 31, 2000, we agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of our investment in Pilgrim Station and related operating costs. We will file for retail rate relief in the spring of 1992 with a decision expected by November 1, 1992.

Note D. Commitments and Contingencies

1. Capital Commitments

At December 31, 1991, we had estimated contractual obligations for plant and equipment of approximately $52,000,000.

2. Lease Commitments

We had leases covering certain facilities and equipment at December 31, 1991 and 1990. Our estimated minimum rental commitments under both noncancellable leases and transmission agreements for the years after 1991 are as follows:

(in thousands)	Total
1992	$ 33,199
1993	31,050
1994	24,739
1995	20,587
1996	19,541
Years thereafter	176,651
Total	$ 305,767

We will capitalize a portion of these lease rentals as part of plant expenditures in the future. Our total expense for both lease rentals and transmission agreements for the years ended December 31, 1991, 1990 and 1989 was $33,500,000, $32,000,000 and $29,300,000, respectively, net of capitalized expenses of $4,800,000, $3,000,000 and $4,600,000, respectively. Lease payments under certain transmission line agreements are expected to be offset by the savings from a related energy contract. Recovery of these lease payments (net of any savings) are collected through our retail fuel and purchased power rates.

3. Nuclear Insurance

The federal Price-Anderson Act currently provides $7,807,000,000 of financial protection for public liability claims and legal costs arising from a single nuclear related accident. The first $200,000,000 of nuclear liability is covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7,245,000,000 is provided by a retrospective assessment of up to $63,000,000 per incident levied on each of the 115 units licensed to operate in the United States, with a maximum assessment of $10,000,000 per reactor per accident in any year. The additional nuclear liability insurance amount may change as new commercial nuclear units are licensed and existing units give up their license. In addition to the nuclear liability retrospective assessments discussed above, if the sum of all public liability claims and legal costs arising from any nuclear accident exceeds the maximum amount of financial protection, each licensee can be assessed an additional five percent ($3,150,000) of the maximum retrospective assessment.

We have purchased insurance from Nuclear Electric Insurance Limited (NEIL) to cover some of the costs to purchase replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement, decontamination or decommissioning of our utility property resulting from covered incidents at Pilgrim

Station. Our maximum potential assessments for losses which occur during current policy years are approximately $9,000,000 under both the replacement power policy and excess property damage, decontamination and decommissioning policies. All companies insured with NEIL are subject to retroactive assessments if losses are in excess of the total funds available to NEIL. While assessments may also be made for losses in certain prior policy years, we are not aware of any losses in those years which we believe are likely to result in an assessment.

4. Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted, we and others are exposed to potential joint and several liability with respect to the cleanup of sites where hazardous wastes may have been spilled or disposed of in the past. We have had claims asserted against us related to cleanup costs at a number of these sites in Massachusetts and other states. While we are currently unable to predict the ultimate total cleanup costs for these sites or what our share of costs will be for each of these sites, based on the information we presently have available, we believe it is remote that we will incur any material liability for these sites.

5. Hydro-Quebec

Along with other New England electric utilities, we have entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. These transmission facilities were transferred to the New England Power Exchange for commercial operations on November 1, 1990. We have approximately an 11% equity ownership interest in two companies who own these transmission facilities, which is included in our consolidated financial statements. All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants who do not meet certain credit criteria and are compensated accordingly. At December 31, 1991, our portion of these guarantees was approximately $25,000,000.

6. Yankee Atomic Electric Company — Subsequent Event

We have a $2 million investment (9.5% interest) in the Yankee Atomic Electric Company (Yankee Atomic), which owns and operates the oldest nuclear power plant in the country. On October 1, 1991, that unit was shut down in response to a Nuclear Regulatory Commission concern over the condition of the reactor vessel. On February 26, 1992, the Board of Directors of Yankee Atomic voted to permanently close the unit and prepare for early decommissioning of the plant. Yankee Atomic will be filing with federal regulators to collect the costs associated with this shutdown and decommissioning between now and the year 2000 from its contract customers. We will be responsible for our proportionate share. Yankee Atomic has a decommissioning estimate of approximately $98,000,000 as of January 1, 1989, and is working on a new estimate which is expected to be significantly higher. We expect to receive recovery from our customers for all of these costs.

7. Litigation

On March 8, 1991, we were named in a lawsuit brought in the United States District Court for the District of Massachusetts. This suit alleges discriminatory employment practices under the Age Discrimination in Employment Act of 1967 concerning forty-six employees affected by our 1988 workforce reduction. We are currently analyzing the allegations made in these actions, along with our legal counsel, and intend to vigorously defend our position. Based on the information we presently have available, we do not believe they will have a material negative impact on our financial condition.

Note E. Pensions and Other Post-Retirement Benefits

We have a noncontributory funded retirement plan, with certain features that allow voluntary contributions. Benefits are based upon an employee's years of service and compensation during the last years of employment. Our funding policy is to contribute annually an amount which at least equals the minimum amount required by the government's funding standards, but does not exceed the amount which we can deduct for federal income tax purposes. Plan assets are primarily insurance contracts, equities and real estate.

Our retirement plan costs for 1991, 1990 and 1989 were $4,322,000, $2,580,000 and $3,728,000, respectively, of which $0, $748,000 and $837,000, respectively, was capitalized.

The components of our net pension cost for 1991, 1990 and 1989 were as follows:

(in thousands)	1991	1990	1989
Current service cost - benefits earned during the period	$ 8,567	$ 6,686	$ 5,821
Interest cost on projected benefit obligation	29,817	31,627	29,823
Actual return on plan assets	(60,873)	(9,464)	(50,261)
Net amortization and deferral	26,811	(26,269)	18,345
Net pension cost	$ 4,322[(a)]	$ 2,580	$ 3,728

(a) In 1991, in accordance with generally accepted accounting principles applicable to rate regulated companies in our state, we deferred our net pension costs. We expect our regulators to approve recovery of these costs from our customers in the future.

The following table sets forth the plan's funded status at December 31, 1991 and 1990:

(in thousands)	1991	1990
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $314,666 and $270,561	$ 331,997	$ 286,143
Plan assets at fair value	$ 402,977	$ 371,400
Projected obligation for service rendered to date	(409,265)	(350,865)
Plan assets in excess of projected benefit obligations	(6,288)	20,535
Unrecognized prior service cost	9,495	10,082
Unrecognized net gain	(21,899)	(45,921)
Unrecognized net obligation	11,800	12,734
Accrued pension cost included in accounts payable at December 31	$ (6,892)	$ (2,570)

The weighted average discount rates we used to measure our projected benefit obligation for 1991 and 1990 were 8.25% and 9.0%, respectively. Our expected weighted average long-term rates of return on plan assets for 1991 and 1990 were 10.0% and 9.25%, respectively. Our rate of compensation increase for both 1991 and 1990 was 4.5%.

In addition to pension benefits, we also provide certain health care and life insurance benefits to our retired employees. The cost of providing those benefits was approximately $8,200,000 in 1991, $6,900,000 in 1990 and $4,600,000 in 1989. We record health care benefits and death benefits as claims are paid. New accounting rules effective in 1993 will require us to use an actuarial basis for calculating these benefits. Preliminary estimates are in the process of being prepared by our actuaries. However, we have not yet fully determined the means of recovery of such expenses through the ratemaking process or of implementing this accounting pronouncement. The adoption of this pronouncement is not expected to impact our cash flows in the near future.

Note F. Long-Term Power Contracts

1. Long-Term Contracts for the Purchase of Electricity

We have certain long-term contracts for purchasing electric power. Under these contracts, we pay our share of the operating costs (including depreciation and a return on capital) through the contract expiration date. We included the total annual costs under these contracts with our purchased power expense in our consolidated statements of income. These contracts are as follows:

				proportionate share (in thousands)		
Generating Unit	Contract Expiration Date	%	Units of Capacity Purchased[a] MW	1991 Minimum Debt Service	1991 Interest Portion of Minimum Debt Service	Debt Outstanding Through Cont. Exp. Date
Canal Unit #1	2001	25.0	142	$ 682	$ 343	$ 2,416
Connecticut Yankee Atomic	2007	9.5	56	3,196	2,331	18,864
Yankee Atomic	2000	9.5	16	31[illegible]	151	2,850
Mass. Bay Transportation Authority Gas Turbine	2005	100.0	35	(b)	(b)	(b)
Northeast Utilities - Base Load	1993	-	300	11,212	8,661	4,591
Ocean State Power - Unit #1	2010	23.5	65	5,320	4,051	24,480
Ocean State Power - Unit #2	2011	23.5	65	4,432	3,399	19,942
Northeast Energy Associates	(c)	(c)	219	(c)	(c)	(c)
Down East Peat	2008	100.0	24	(d)	(d)	(d)
				$ 25,355	$ 18,936	$ 73,143

(a) The Northeast Utilities and the Northeast Energy Associates contracts represent 8.0% and 6.8%, respectively, of our installed net capability. The remaining units listed above aggregate 14.3%.

(b) We are required to pay the greater of $22.00 per kilowatt-year or 90% of NEPOOL Capability Responsibility Adjustment Charge up to $63.00 per kilowatt-year times the qualified capacity (presently 33.6MW) plus incremental operating, maintenance and fuel costs. The total charges for this contract in 1991 were approximately $2,100,000.

(c) We purchase approximately 75.5% of the energy output of this unit under two contracts. One contract represents 135MW and expires in the year 2015; the other contract is for 84MW and expires in 2010. We pay for this energy based upon a price per kWh received. The total charges for these contracts in 1991 were $28,675,000.

(d) We purchase 100% of the energy output of this unit. We pay for this energy based upon a price per kWh received. The total charges under this contract in 1991 were $12,177,000.

Our total fixed and variable costs for these contracts in 1991, 1990 and 1989 were $153,577,000, $93,707,000 and $62,334,000, respectively. The variable component represents fuel costs which we included with net purchased power in our consolidated statements of income.

The aggregate principal amounts of our future unconditional purchase obligations due in the period 1992 through 1996 and 1997 & thereafter are $130,792,000, $123,471,000, $77,975,000, $75,528,000, $76,080,000 and $844,520,000, respectively. The aggregate present value of these obligations is $709,658,000.

2. Long-Term Power Sales

We sell a portion of the output from Pilgrim Nuclear Power Station to other utilities under long-term contracts for the sale of electric power. The contracts are as follows:

Contract	Year of Contract Expiration	%	Units of Capacity Sold MW
Commonwealth Electric Company	2012	11.0	73.7
Montaup Electric Company	2012	11.0	73.7
Various municipalities	2000[a]	3.7	25.0
		25.7	172.4

(a) Subject to certain adjustments.

Under these contracts, the participating utilities bear their proportional share of the costs of operating Pilgrim Nuclear Power Station and associated transmission facilities, including operation and maintenance expenses, insurance, local taxes, depreciation, decommissioning and a return on the capital invested.

Note G. Estimated Future Costs of Disposing of Spent Nuclear Fuel and Retiring Nuclear Generating Plants

We have expanded our spent nuclear fuel storage facility at Pilgrim Station to include sufficient room for spent nuclear fuel through approximately the year 1995. However, under the Nuclear Waste Policy Act of 1982, the United States Department of Energy (DOE) is responsible for the ultimate disposal of spent nuclear fuel.

We are receiving funds from customers each year to cover our cost of decommissioning (i.e., retiring) Pilgrim Station at the end of its useful life. The funds collected for decommissioning are restricted in their use. These funds collected in the rates charged to our customers are based upon a 1985 estimate of $122,000,000 to decommission the plant (immediate dismantlement method) as approved by our state regulators. Our most recent estimate (1988) was $218,000,000 and we will include a revised estimate in our next rate case, which will be filed in April 1992. Securities held in the nuclear decommissioning fund are stated at cost, which approximates market. We also collect a provision for the cost of decommissioning Pilgrim Station from those customers (other utility companies and municipalities) with contracts to purchase a portion of the electricity generated by the unit over its lifetime.

We are also an investor in two other domestic nuclear units. Both of these units receive through the rates charged to their customers an amount to cover the estimated cost to dispose of their spent nuclear fuel and to retire the units at the end of their useful lives.

Note H. Change in Accounting Principle - Unbilled Revenues

Effective January 1, 1990, we began to record revenues for electricity used by our customers, but not yet billed, in order to more closely match our revenues with our expenses. The cumulative effect of this accounting change as of January 1, 1990, was to increase our 1990 earnings by $0.41 per common share ($15,824,000, net of taxes of $9,819,000). Had we recorded these unbilled revenues in 1989, the pro forma effect of this change on the year ended December 31, 1989 results would have been as follows (in thousands except loss per share):

	1989	
	as reported	pro forma
Net loss	$ (16,135)	$ (14,646)
Balance available for common stock	$ (33,788)	$ (32,299)
Loss per common share	$ (0.88)	$ (0.84)

Note I. Cancelled Nuclear Unit

We began amortizing the cost of our cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years in accordance with an order received from our state regulators. These costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by our state regulators.

In 1987, we adopted the Statement of Financial Accounting Standards (SFAS) No. 90, "Accounting for Abandonments and Disallowances of Plant Costs", which requires us to include in net income an amount for interest effectively earned from the revenues we collect from our customers to recover the costs of cancelling this unit. This had the effect of increasing net income for 1991, 1990 and 1989 by $2,017,000 ($0.05 per common share), $2,724,000 ($0.07 per share) and $3,384,000 ($0.09 per share), net of taxes of $1,251,000, $1,690,000 and $2,099,000, respectively. At December 31, 1991, the unamortized discount was approximately $2,765,000, with related deferred taxes of $1,059,000.

Note J. Eminent Domain

On May 4, 1989 the Commonwealth of Massachusetts Metropolitan District Commission (the MDC) filed an order of land taking with respect to certain Company-owned property located in Quincy, MA. The MDC paid us $9,145,000 on August 24, 1989, and we recorded a gain of $0.14 per common share, which is reflected in the accompanying financial statements. We have three years from the eminent domain taking to determine whether to pursue additional damages in court.

Report of Independent Accountants

We have audited the accompanying consolidated balance sheets and schedules of capital stock and indebtedness of Boston Edison Company and subsidiary (the Company) as of December 31, 1991 and 1990 and the related consolidated statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1991. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note H of "Notes to Consolidated Financial Statements", in 1990 the Company changed to the unbilled method of recognizing revenues.

Coopers & Lybrand

Boston, Massachusetts
January 21, 1992, except as to
the information presented in
Item 6 of Note D for which the
date is February 26, 1992

Selected Consolidated Financial Statistics (Unaudited)

Quarterly Financial Data

(in thousands, except earnings/(loss) per common share)

	Operating Revenues	Operating Income	Net Income/(Loss)	Balance Available for Common Stock	Earnings/(Loss) Per Share of Common Stock[a]
1991					
First Quarter	$ 307,730	$ 35,214	$ 8,491	$ 4,078	$ 0.10
Second Quarter	290,018	[illegible],213	4,618	205	0.01
Third Quarter	392,303	97,697	68,780	64,367	1.64
Fourth Quarter	329,663	40,737	12,781	8,409	0.21
1990					
First Quarter	$ 309,664	$ 39,213	$ 30,595[b]	$ 26,182[b]	$ 0.68[b]
Second Quarter	269,652	22,905	(2,048)	(6,462)	(0.17)
Third Quarter	353,863	81,483	56,914	52,502	1.35
Fourth Quarter	325,367	36,137	9,979	5,566	0.[illegible]

(a) Based upon the weighted average number of common shares outstanding during the quarter.
(b Includes a gain of $15,824,000 or $0.41 per common share from an accounting change.

Our electricity sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, under order of state regulators, the non-fuel related rates billed to our retail customers, are, on average, forty percent higher in the billing months of July through October when demand is usually higher. Accordingly, a significant portion of our annual earnings occurs in the third quarter.

Quarterly Stock Data

Following are the reported high and low sales prices of our common stock on the New York Stock Exchange Consolidated Tape for each of the quarters of 1991 and 1990 and the dividends declared per share during each of those quarters:

			1991			1990
	High	Low	Dividends	High	Low	Dividends
First Quarter	$20 1/2	$18 1/4	$0.395	$19 7/8	$17 5/8	$0.380
Second Quarter	20 5/8	19 1/8	0.395	19 5/8	17 3/4	0.380
Third Quarter	21 3/4	18 1/2	0.395	19 3/8	16 1/2	0.380
Fourth Quarter	24 7/8	21 1/4	0.410	20 1/4	17 1/4	0.395

Selected Consolidated Operating Statistics

	1991	1990	1989	1988	1987
Capacity - MW:					
New Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,015	1,014	1,018	1,027	1,036
L Street Station	22	22	22	22	22
W.F. Wyman Unit 4	36	36	36	36	36
Jet turbines	259	259	251	249	256
Total	2,762	2,761	2,757	2,764	2,780
Contract purchases	1,293	924	1,102	1,301	901
Contract sales	(293)	(173)	(171)	(173)	(258)
Net capability at year-end	3,762	3,512	3,688	3,892	3,423
Net capability at peak-MW	3,695	3,505	3,483	3,200	3,200
Capability responsibility to NEPOOL at peak-MW	3,311	3,393	3,443	3,253	2,827
Edison territory:					
Hourly peak-MW	2,652	2,548	2,626	2,6[illegible]	2,432
Load factor	60.0 %	62.2 %	61.4 %	60.5 %	62.7 %
Generating station economy: (BTU/net kWh)	10,331	10,403	10,309	10,050	10,151
Average cost of fuel (Company)-¢ per million BTU:					
Fossil	240.18	255.51	254.56	226.91	272.24
Nuclear	56.18	59.05	56.79	-	-
Composite	180.49	191.48	223.86	-	-
Capability (net kW):					
Fossil	81 %	81 %	82 %	83 %	80 %
Nuclear	19 %	19 %	18 %	17 %	20 %
Generation (system kWh excluding interchange):					
Fossil	70 %	72 %	87 %	90 %	90 %
Nuclear	30 %	28 %	13 %	10 %	10 %
Utility plant ($):					
Expenditures	202,589	240,902	234,253	244,807	317,797
Retirements	30,333	27,180	14,042	12,017	23,070
Accumulated depreciation	1,097,991	1,015,371	950,298	862,297	779,246
Depreciable plant	3,488,269	3,277,616	3,130,031	2,910,390	2,492,547
Number of employees at year-end	4,654	4,738	4,686	4,559	4,532

Selected Consolidated Sales Statistics

	1991	1990	1989	1988	1987
Electric energy (kWh in thousands)					
Sources (net system output):					
Generated	10,602,110	12,744,238	11,679,060	8,653,274	8,951,229
Purchased	4,651,101	3,305,491	4,177,079	4,474,726	3,129,045
Interchange	21,990	(819,434)	(919,391)	1,116,394	1,501,746
Total	15,275,201	15,230,295	14,936,748	14,244,394	13,582,020
Disposition:					
Retail sales:					
Commercial	7,132,179	7,183,347	7,095,297	7,004,452	6,750,870
Residential	3,382,306	3,430,720	3,413,801	3,430,611	3,188,748
Industrial	1,684,864	1,750,325	1,845,441	1,839,363	1,853,019
Street lighting	130,823	132,016	132,791	131,549	132,666
Railroads	148,717	143,197	126,971	90,697	0
Total retail	12,478,889	12,639,605	12,614,301	12,496,672	11,925,303
Sales for resale - total requirements	333,025	336,343	332,800	331,918	315,354
Territory total	12,811,914	12,975,948	12,947,101	12,828,590	12,240,657
Sales for resale - partial requirements	1,327,322	[illegible]	805,882	282,929	219,298
Total - system	14,139,236	[illegible]	13,752,983	13,111,519	12,459,955
Miscellaneous usage	1,135,965	916,576	1,183,765	1,132,875	1,122,065
Total	15,275,201	15,230,295	14,936,748	14,244,394	13,582,020
Kilowatthours - annual growth percent:					
Retail sales:					
Commercial	(0.7) %	1.2 %	1.3 %	3.8 %	6.1 %
Residential	(1.4)	0.5	(0.5)	7.6	4.6
Industrial	(3.7)	(5.2)	0.3	(0.7)	0.9
Street lighting	(0.9)	(0.6)	0.9	(0.8)	(1.1)
Railroads	3.9	12.8	40.0	-	-
Total retail	(1.3)	0.2	0.9	4.8	4.8
Sales for resale - total requirements	(1.0)	1.1	0.3	5.3	4.3
Territory total	(1.3)	0.2	0.9	4.8	4.8
Sales for resale - partial requirements	(0.8)	[illegible]	184.8	29.0	(69.3)
Total - system	(1.2) %	[illegible] %	4.9 %	[illegible] %	0.5 %
System total electric revenues by class:					
Commercial	48 %	48 %	48 %	48 %	49 %
Residential	27 %	28 %	27 %	28 %	28 %
Industrial	10	10 %	11 %	11 %	12 %
Sales for resale	10 %	9 %	10 %	9 %	9 %
Other	5 %	5 %	4 %	4 %	2 %
Electric sales statistics:					
Residential averages:					
Annual kWh use	6,053	6,150	6,160	6,270	5,903
Revenue per kWh [a]	10.51 ¢	10.10 ¢	10.19 ¢	9.95 ¢	10.26 ¢
Annual bill [a]	$636.17	$621.15	$627.70	$623.87	$605.65
Customer:					
Average number	642,967	642,041	637,871	629,659	621,083

(a) Excludes deferred fuel revenue.

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1991.

Selected Consolidated Financial Statistics

	1991	1990	1989	1988	1987
Operating revenues (000)	$1,319,71[illegible]	$1,258,546	$1,269,345	$1,202,655	$1,181,097
Balance for common (000))	$77,059	$77,788	$(33,788)	$70,071	$84,255
Per common share:					
Earnings (loss)	$1.96	$2.01 [d]	$(0.88) [a]	$1.86	$2.27 [b]
Dividends declared	$1.595	$1.535	$1.745	$1.82	$1.80
Dividends paid	$1.58	$1.52	$1.82	$1.82	$1.79
Book value	$17.90	$17.20	$16.71	$19.36	$19.35
Cash flow [e]	$5.64	$6.86	$5.10	$4.55	$5.53
Payout ratio	81 %	76 %	- [c]	98 %	79 %
Return on average common equity	11.3 %	11.8 %	(4.6) %	9.6 %	11.9 %
Year-end dividend yield	6.6 %	7.9 %	7.6 %	11.03 %	9.71 %
Fixed charge coverage (SEC)	1.86 x	2.13 x	0.52 x	2.08 x	2.85 x
Capitalization:					
Long-term debt	54 %	55 %	52 %	50 %	48 %
Preferred and preference equity	10 %	11 %	12 %	12 %	10 %
Common equity	36 %	34 %	36 %	38 %	42 %
Long-term debt (000)	$1,136,545	$1,074,025	$948,839	$966,534	$822,659
Mandatory redeemable preferred/ preference stocks (000)	$100,000	$100,000	$100,000	$100,000	$50,000
Total assets (000)	$3,119,588	$3,014,169	$2,878,271	$2,817,050	$2,072,960
Internal generation after dividends (000) [e]	$191,016	$187,954	$147,449	$104,241	$148,644
Plant expenditures (000)	$214,213	$255,784	$235,946	$245,103	$309,239
Internal generation [e]	89 %	7[illegible] %	62 %	43 %	48 %
Common stockholders at year-end	44,687	45,825	49,149	49,976	48,063
Common shares outstanding:					
Weighted average	39,347,824	38,778,901	38,245,648	37,683,515	37,168,722
Year-end	42,047,356	38,998,531	38,526,085	37,893,791	37,424,910
Stock price					
High	24 7/8	20 1/4	22 1/8	18 3/4	28
Low	18 1/4	16 1/2	15 3/8	12 1/2	16 3/4
Year-end	24 3/4	20	20	16 1/2	18 3/4
Year-end market value (000)	$1,040,672	$779,971	$764,913	$625,248	$701,717
Trading volume	17,464,300	19,652,300	29,938,900	46,517,500	30,040,900
Market/book (year-end)	1.38	1.16	1.20	.85	.97
Price/earnings ratio (year-end)	12.6	10.0	- [c]	8.8	8.3

(a) Includes $2.78 per common share loss applicable to rate and contract settlements.

(b) Includes $0.30 per common share from discontinued operations.

(c) Not calculated based upon a loss per common share. A payout ratio of 96% and a price/earnings ratio of 10.5 were calculated based upon $1.90 operating earnings per common share, excluding the $2.78 per common share loss due to rate and contract settlements.

(d) Includes $0.41 per common share from an accounting change.

(e) Excludes effect of rate and contract settlements.

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1991.

Officers

Bernard W. Reznicek, President and Chief Executive Officer

Thomas J. May, Executive Vice President

George W. Davis, Jr., Executive Vice President

Roy A. Anderson, Senior Vice President - Nuclear

Cameron H. Daley, Senior Vice President - Power Supply

L. Carlisle Gustin, Senior Vice President - Marketing & Customer Service

John J. Higgins, Jr., Senior Vice President - Human Resources

Ronald A. Ledgett, Senior Vice President - Power Delivery, Stores and Service

Charles E. Peters, Jr., Senior Vice President - Finance

Marc S. Alpert, Vice President and Treasurer

(1) E. Thomas Boulette, Vice President - Nuclear Operations and Station Director

C. Bruce Damrell, Vice President - Power Delivery System

John J. Desmond, III, Vice President and General Counsel

Richard S. Hahn, Vice President - Marketing

Joel Y. Kamya, Vice President - Production Operations

Martin S. Karl, Vice President - Corporate Planning

Craig D. Peffer, Vice President - Customer Service

Arthur P. Phillips, Jr., Vice President - Corporate Information Services

Edwin J. Wagner, Vice President - Nuclear Engineering

Robert J. Weafer, Jr., Vice President, Controller and Chief Accounting Officer

Theodora S. Convisser, Clerk of the Corporation

Donald Anastasia, Assistant Treasurer

James J. Judge, Assistant Treasurer

Jean C. Quinn, Assistant Clerk of the Corporation

(1) Effective February 1, 1992

Directors

(a) (b) (c) (d) William F. Connell, Chairman and Chief Executive Officer Connell Limited Partnership (metals recycling and processing and industrial production)

(d) (e) Gary L. Countryman, President and Chief Executive Officer, Liberty Mutual Insurance Company

George W. Davis, Jr., Executive Vice President, Boston Edison Company

(b) (c) (e) Thomas G. Dignan, Jr., Partner, Ropes & Gray (law firm)

(b) (c) (d) Charles K. Gifford, President, Bank of Boston Corporation (bank holding company) and The First National Bank of Boston

(a) (e) Nelson S. Gifford, Vice Chairman, Avery Dennison Corporation (pressure-sensitive adhesives and materials, office products, product identification and control systems and specialty chemicals)

(a) (e) Kenneth I. Guscott, General Partner, Long Bay Management Company (real estate development)

(b) (d) Matina S. Horner, Executive Vice President, Teachers Insurance and Annuity Association and College Retirement Equities Fund

(d) (e) William D. Manly, Former Executive Vice President, Cabot Corporation (energy and performance chemicals)

(c) Thomas J. May, Executive Vice President, Boston Edison Company

(b) (d) Sherry H. Penney, Chancellor, University of Massachusetts at Boston, MA

(a) (c) Bernard W. Reznicek, President and Chief Executive Officer, Boston Edison Company

(a) (d) Herbert Roth, Jr., Former Chairman of the Board and Chief Executive Officer, LFE Corporation (traffic and industrial process control systems)

(e) Stephen J. Sweeney, Chairman and former Chief Executive Officer, Boston Edison Company

(b) (d) Paul E. Tsongas, of counsel, Foley, Hoag and Eliot (law firm)

(b) (e) Charles A. Zraket, Trustee, The MITRE Corporation (not-for-profit system research and engineering firm)

(a) Member of Executive Committee

(b) Member of Audit, Finance and Insurance Committee

(c) Member of Pricing Committee

(d) Member of Executive Personnel Committee

(e) Member of Nuclear Operations Review Committee

Dividend Reinvestment Plan

Our Dividend Reinvestment and Common Stock Purchase Plan is available to our common, preferred and preference stockholders. Under the plan, common, preferred and preference stockholders may have their dividends reinvested in our common stock at current market prices. All participants may invest optional cash contributions, up to a maximum of $5,000 per quarter, which will be invested at the current market price. Participants do not pay fees or commissions.

All recordholders of shares of common, preferred or preference stock are eligible to participate directly in the Plan. Beneficial owners of our stock whose shares are registered in names other than their own (e.g., a broker or bank nominee) must arrange participation with the recordholder. If for any reason a beneficial owner is unable to arrange participation with their broker or bank nominee, they must become a recordholder by having the shares transferred to their own name.

All correspondence concerning changes in plan ownership should be directed to the Plan Agent:

The First National Bank of Boston
Dividend Reinvestment Unit
Mail Stop: 45-01-06
P. O. Box 1681
Boston, Massachusetts 02105-1681

Important Stockholder Information

Annual Meeting
Our Annual Meeting of Stockholders will be held on April 28, 1992, at 11:00 a.m. If you wish to receive a copy of Bernie Reznicek's remarks, please write to our Investor Relations Department.

Company Contact
Theodora S. Convisser
Clerk of the Corporation

Investor Relations Contact
Daniel L. Desjardins
Director, Investor Relations

General Offices
800 Boylston Street, Boston, Massachusetts
02199-2599
(617) 424-2000

Stock Listings
New York and Boston stock exchanges

Stock Symbol
BSE

Dividend Payment Dates
Common and Preferred
1st of February, May, August, November
Preference
1st of March, June, September, December

Tax Status of 1991 Dividends
No part of the dividends paid in 1991 on our common, preferred and preference stock were considered a return of capital.

Stock Transfer Agent, Registrar of Stock and Dividend Reinvestment Plan Agent
The First National Bank of Boston

SEC Form 10-K
Stockholders may obtain a copy of our annual report to the Securities and Exchange Commission, on Form 10-K, including our financial statements and related schedules by making a written request to our Investor Relations Department.

Inquiries Concerning Stock
If you have questions concerning your dividend payments, dividend reinvestment plan status, transfer procedures and other stock account matters, please contact our Stock Transfer Agent at the following address:

The First National Bank of Boston
Shareholder Services Division
Mail Stop: 45-02-09
P. O. Box 644
Boston, Massachusetts 02102-0644

If you are submitting documents requesting a transfer, address change or account consolidation, please use this same address with Mail Stop: 45-01-05. If you would like to contact the Bank by telephone, a toll-free number is now available to shareholders outside of Massachusetts. Please call 1-800-442-2001.

BOSTON EDISON
800 Boylston St. Boston, MA 02199-2599

DISTRIBUTION:
Docket File 50-293 w/incoming
NRC & Local PDRs w/incoming
PDI-3 Reading File w/incoming
S. Varga
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M. Rushbrook
V. Nerses
OGC
ACRS (10)
R. Lobel
J. Linville, Region I w/incoming
S. Schwartz, OSP
W. Kane, Region I

April 4, 1992

Docket No. 50-293

The Honorable Robert L. Hedlund
Massachusetts Senate
Room 416B, State House
Boston, Massachusetts 02133

Dear Senator Hedlund:

This letter is in response to your letter dated, March 6, 1992, requesting a copy of the annual report for the Pilgrim Nuclear Power Station (PNPS). Enclosed is a copy of the Boston Edison Company's (BECo) most recent annual report. BECo does not publish an annual report on PNPS separate from their other facilities.

Additional information on BECo's financial status is available by contacting Ms. Theodora S. Convisser, Boston Edison Company, Clerk of the Corporation, 800 Boylston Street, Boston, Massachusetts 02199. I hope this is responsive to your needs.

Sincerely,

original signed by

Ronald B. Eaton, Senior Project Manager
Division of Reactor Projects I/II
Project Directorate I-3

Enclosure:
Boston Edison Company's
Annual Report

cc: without enclosure
See next page

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COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS SENATE
STATE HOUSE BOSTON 02133

SEN. ROBERT L. HEDLUND
NORFOLK AND PLYMOUTH DISTRICT

ROOM 416B, STATE HOUSE
TEL. 722-1646

COMMITTEES
COMMERCE AND LABOR
TAXATION
PUBLIC SAFETY
COUNTIES

March 6, 1992

Nuclear Regulatory Commission
Office of Nuclear Reactor Safety
Washington, D.C. 20555

To Whom It May Concern:

I would like to request a copy of the annual report for the Pilgrim Nuclear Power Plant which is located in Plymouth, MA.

Since this plant is located so as to affect many of my constituents, I would appreciate the information requested above.

Thank you for your attention in this matter.

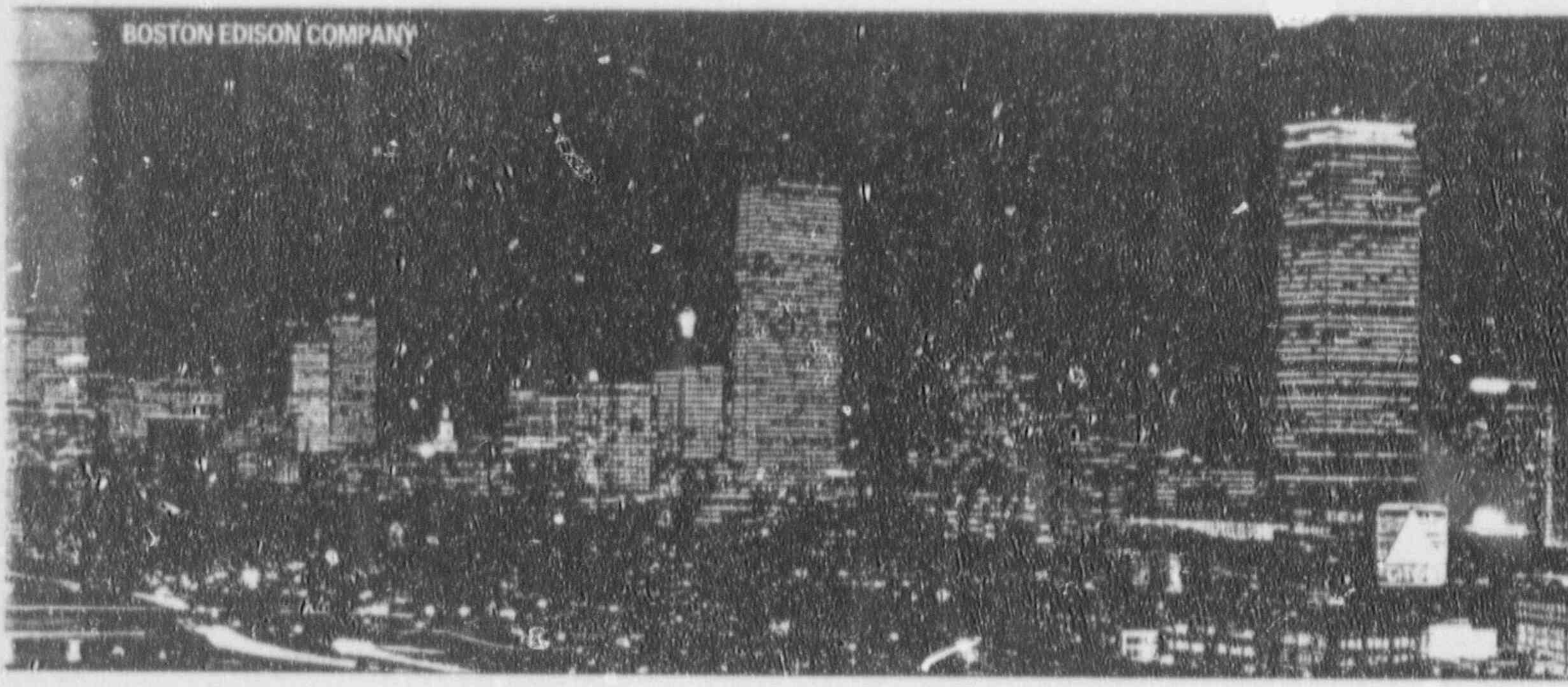
Very truly yours,

Robert L. Hedlund
State Senator
Norfolk-Plymouth District

RLH/bwc

1991 ANNUAL REPORT

BOSTON EDISON COMPANY



AN ENERGY AND

ENERGY SERVICES

COMPANY

About the Company

Boston Edison is an operating public utility engaged principally in the generation, purchase, transmission, distribution and sale of electric energy. We were incorporated in 1886. We supply electricity at retail to an area of approximately 590 square miles within 30 miles of Boston, encompassing the City of Boston and 39 surrounding cities and towns. The population of the territory we serve at retail is approximately 1,500,000.

We also supply electricity to other utilities and municipal electric departments at wholesale for resale. About 88 percent of our revenues are derived from retail electric sales, ten percent from wholesale electric sales and two percent from other sources.

On the cover

The growth of the Boston skyline marks the expansion of our commercial sector. It also represents the crown jewel of our service territory. In the foreground is the Prudential Tower in Boston's Back Bay, which has served as our headquarters since it first opened back in 1965.

Financial highlights

	Years ended December 31		
	1991	1990 [a]	% change
Operating revenues (000)	$1,319,714	$1,258,546	+ 4.9%
Income available for common stock (000)	$77,059	$77,788	- 0.9%
Common shares outstanding - weighted average (000)	39,348	38,779	+ 1.5%
Common stock data:			
Operating earnings per share	$1.96	$1.60	+ 22.5%
Net earnings per share	$1.96	$2.01	- 2.5%
Dividends declared per share	$1.595	$1.535	+ 3.9%
Payout ratio	81%	76%	+ 6.6%
Book value per share	$17.90	$17.20	+ 4.1%
Market value per share	$24.75	$20.00	+ 23.8%
Return on average common equity	11.3%	11.8%	- 4.2%
Fixed charge coverage (SEC)	1.86x	2.13x	- 12.7%

(a) Includes a gain of $15 million or $0.41 per share after-tax effect from an accounting change.

February 20, 1992

Dear Shareholder:

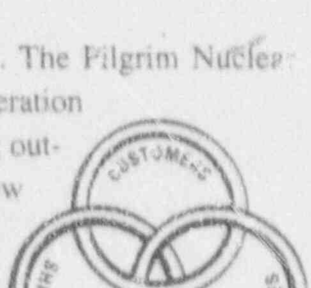
I have just completed my first full year as your Chief Executive Officer, and I am pleased to report progress and accomplishment in 1991. We increased the value of your investment in Boston Edison; we set new operational records at our power plants; we engaged in meaningful partnerships to promote efficiency and economic development with government and our largest customers; we made progress in developing new management information systems to guide us into the next century; and we began the process of positioning Boston Edison ahead of emerging demands.

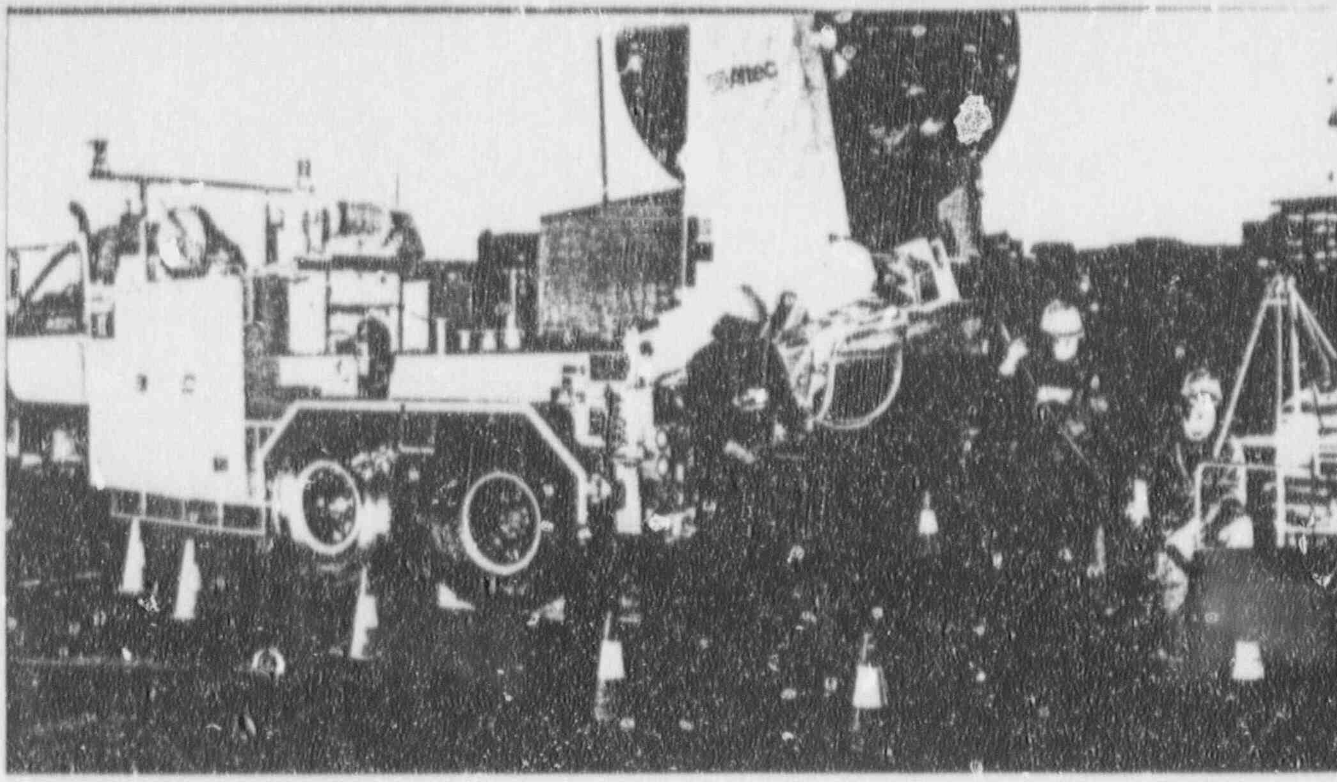
Looking at your Company's financial performance in 1991, earnings from operations reached \$1.96 per share of common stock, compared to \$1.60 per share in 1990. We increased your dividend by 3.8 percent or six cents per share. The price of common stock increased from \$20 per share to \$24.75 at the closing bell on December 31. Combined, these increases provided you with a total return on your investment of 33.8 percent, which means for the third consecutive year, your Company outperformed the electric utility industry and the overall market.

MISSION STATEMENT Energy and energy services are the reason we are in business. To establish and maintain the lasting confidence of all the publics we serve, our mission must be to provide energy and energy services in a safe, environmentally sound, competitively priced and reliable manner. Rising standards of excellence will guide us in achieving our mission.

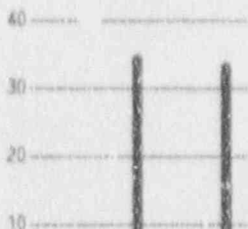
Nevertheless, 1991 was a difficult and challenging year. Actual electricity sales declined by 1.3 percent, largely due to the recession's impact on the local economy. Still, we made financial progress with the aid of new revenues from the 1989 rate settlement and, most importantly, the participation of all employees in reducing operations and maintenance costs.

There were many employee accomplishments in 1991. The Pilgrim Nuclear Power Station set a new record for consecutive days of operation and safely and successfully completed the shortest refueling outage in its history. The generating units of Mystic and New Boston Stations achieved new records for availability and consecutive days of operation, and the 13 peaking units in the Combustion Turbine Division were available for service 92.2 percent of the time, another new record. Employee





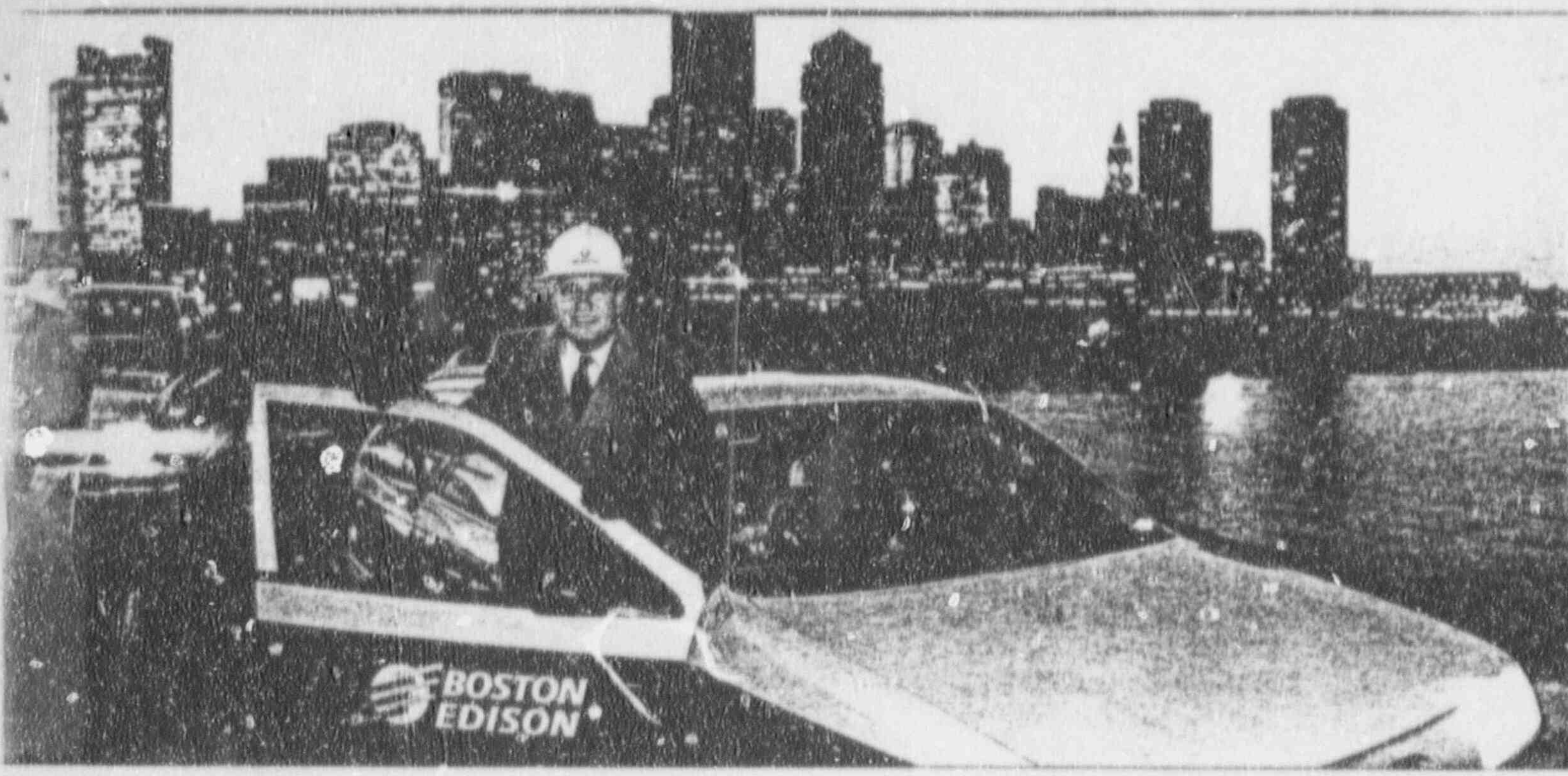
% total return



Total return to shareholders has exceeded industry and market averages for the past three years.

response to the damage caused by Hurricane Bob was extraordinary as we restored service within 24 hours to 91 percent of the 150,000 customers who lost power and to all customers within three days. And, I am pleased to report that in an independent survey conducted by First Market Research of Boston, 85 percent of our residential customers have a favorable or very favorable opinion of Boston Edison, our highest rating ever. As you can see, our employees accomplished higher levels of individual achievement and performed very well as a team.

As a corporate citizen, we initiated efforts in 1991 to increase our role as partners in policy-making with the new Governor, William Weld, his Administration, the Legislature, our regulators and the Greater Boston business community. We adopted an ambitious Environmental Policy and implemented significant initiatives to support it. We also developed a corporate Energy Policy that seeks to ensure least-cost, reliable and environmentally sound future supplies of energy for our customers.



Another initiative, our Economic Development program, was introduced in 1991, offering a new incentive discount electricity rate for new or expanding manufacturers. Along with other business executives, I am serving on the Governor's Council for Economic Growth and Technology, and I am chairing a task force whose mission is to promote Massachusetts as a good place to site new businesses. The rationale for supporting economic development is simple and logical; just as a reliable supply of electricity is important to the economic vitality of Greater Boston, a healthy economy is indispensable for the future financial health of Boston Edison.

Looking to the future, we have assembled a strategic marketing team to assess the value of new electric technologies and other business opportunities that are related to our core business. And, of course, we wish to remain the best at providing the traditional services of an electric utility.

Results in 1991 demonstrate that customer satisfaction is high, employees are performing well and shareholders are realizing returns on their investments that exceed industry averages.

We are in control of our business, and we are creating our future.

Bernard W. Reznicek
President & Chief Executive Officer

CHARLES E. PETERS, Jr.
Senior Vice President
Finance

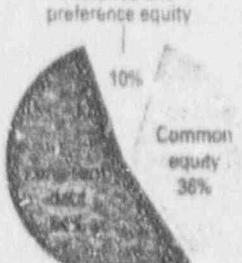
ServiceNet, one of the many new management information systems at Boston Edison, is a high-speed, two-way communications network that allows direct transmission of information between our customers and the Company's billing, information and energy management systems.

STEADY IMPROVEMENT

As reported in the President's Letter, our Company continued in 1991 its pattern of financial progress. Earnings per share from operations increased 22.5 percent; we increased your dividend by 3.8 percent, outpacing the industry average increase of two to three percent; the price of our common stock increased by nearly 24 percent; and we successfully controlled our budgets, reducing costs of operations by 1.2 percent and holding capital expenses $42 million below the previous year's spending.

In a move to strengthen the Company's financial structure, we issued 2.6 million new shares of common stock at $23.75 per share. Proceeds from the offering were used to retire bonds with an 11 percent interest rate and, therefore, improve our debt to equity ratio.

In 1992, we expect modest inflationary increases in operations and maintenance expenses, substantially increased property taxes and a continuing sluggish economy, which will likely result in a further decrease in electricity sales. However, 1992 earnings will benefit from $25 million in additional revenues, the last installment of the 1989 rate case settlement, and from an additional $15 million in after-tax accounting adjustments allowed under that settlement to help the Company achieve a 12 percent return on equity. We also expect 1992 earnings to be positively affected through the continuation of cost control efforts by our managers and employees.



The capital structure at the end of 1991 includes the sale of 2.6 million shares of common stock which improved our financial strength.

Looking beyond 1992, earnings and our allowed rate of return on equity will depend on the outcome of the Company's request to the Massachusetts Department of Public Utilities (MDPU) for increased base rates. As part of our 1989 rate settlement agreement, we are required to file by April 15, 1992 for new rates which will become effective on November 1, 1992.

SERVICES AND OPERATIONS

In 1987, we initiated a quality improvement program called Service Excellence; a program that will develop and maintain Boston Edison as a premier employer and a high quality provider of energy services. Service Excellence calls upon all employees to create the future through innovative problem-solving, participative decision-making, sharing information, strategic thinking, goal setting and calculated risk taking.

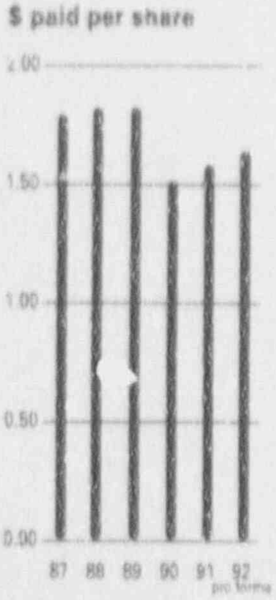
A companion program, called Operational Excellence, is defined as doing the right thing; doing it effectively through goal-setting and doing it efficiently by controlling costs and reaching our goals. A total employee effort, Operational Excellence is a thorough review of all aspects of our operations and is a vehicle for reprioritizing the services we provide.

Examples of excellence include our General Test Division Chemical Laboratory, which has received state certification to analyze metals, minerals and oils, eliminating the expense of outside laboratories to fulfill regulatory requirements. Employees in our General Test Division, who are responsible for the testing, repair and calibration of all portable test equipment, are

JOHN J. HIGGINS
Senior Vice President
Human Resources

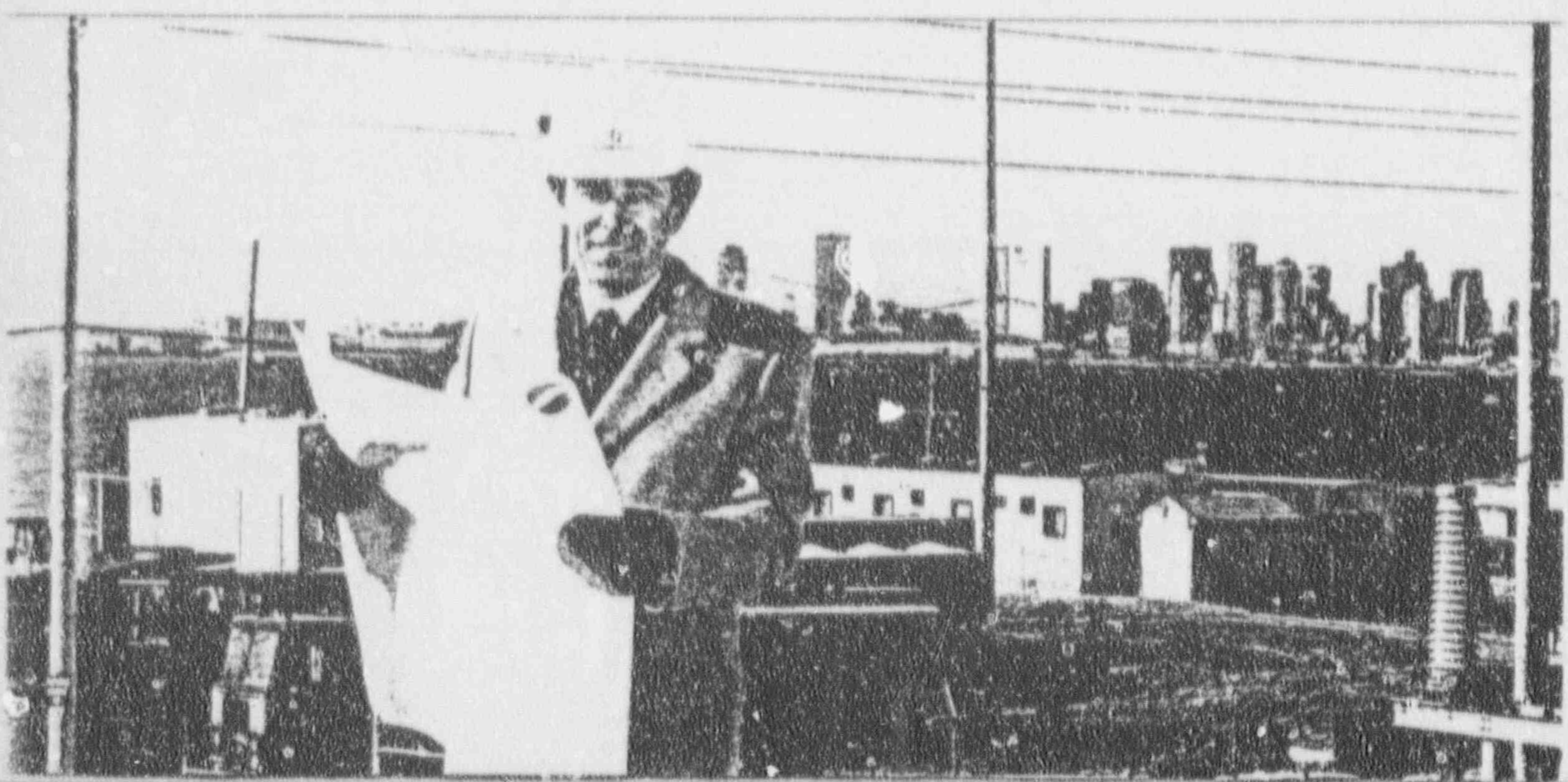
Technical job skills and professional management development are among the training priorities for 1992 at Boston Edison. Another important program, Service Excellence, will continue in its next phase, providing employees with the information necessary to provide top quality service to all internal and external customers.

now saving the Company tens of thousands of dollars annually by servicing (in-house) pieces of equipment that were previously sent to the manufacturer for repair. And, design engineers in our Electronics Division have designed and specified a new microwave communications system that will use fiber optics to link all Company facilities together and create our own independent system-wide telecommunications network. This will eliminate the costs associated with leased telephone lines except for those used for long-distance and measured business charges.



Dividends per share increased $0.06 in each of the last two years.

To achieve excellence, our managers and employees must have information, and we are investing in the systems and processes needed to provide it. They include a revenue collection program for tracking delinquent customer accounts; an Executive Information System (EIS), which allows us to monitor key corporate and department performance indicators, including sales, earnings, stock performance and budgets; a new payroll system that integrates human resource and payroll functions, provides better information on new-hires' skills and work histories and offers employees more information about their pay and benefits; and a work scheduling system for field con-

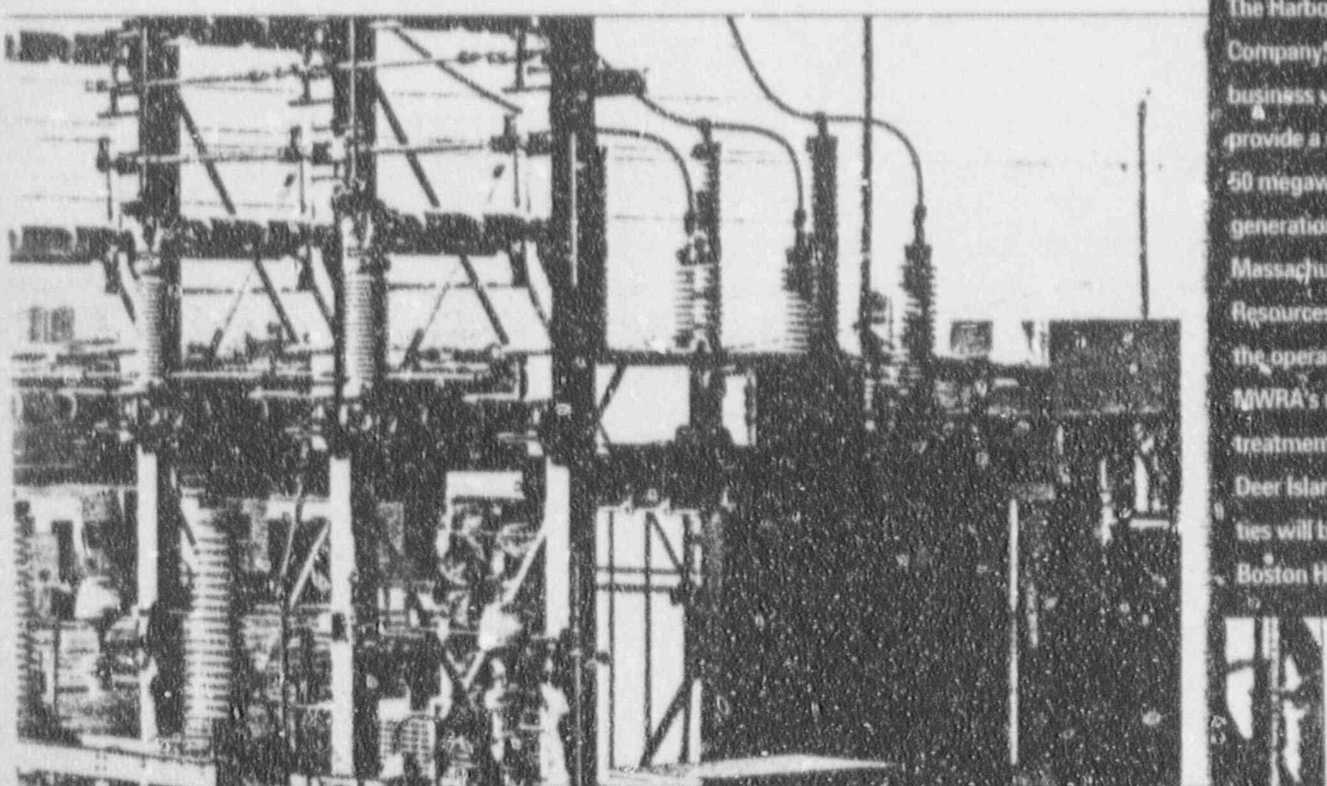


struction teams, which is based on work standards required to complete typical underground and overhead transmission and distribution work activities. Future systems changes include improvements to our electronic distribution monitoring and control system (SCADA) and a prototype demand-side management tracking system to monitor and evaluate the energy efficiency programs being implemented by the Company.

LONG-TERM BENEFITS

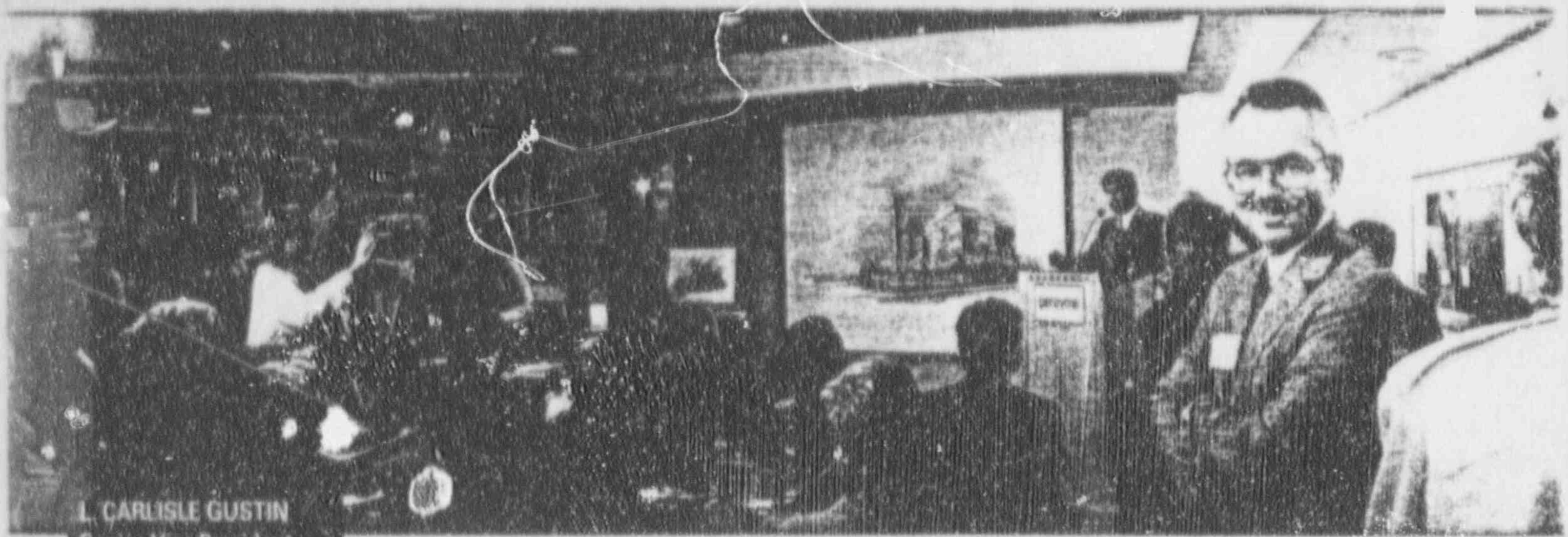
To help the Massachusetts economy turnaround, we initiated and received approval last fall from the Massachusetts Department of Public Utilities for a special Economic Development discount electricity rate designed to entice manufacturing firms to expand or move into the Greater Boston area. Our program offers a four-year discount period and a 40 percent reduction off base rates during the first year.

In cooperation with the City of Boston and the State of Massachusetts, we offered this discount rate to Genzyme Corporation, a Cambridge-based biotechnology firm looking for sites to build a new $75 million manufacturing facility that will provide about 200 jobs. In December 1991, after being courted by several other areas in and out of the state, Genzyme announced that it would site its new facility in Boston.



THOMAS J. MAY
Executive Vice President

The Harbor Electric Energy Company, our first new business venture, will provide a substation and 50 megawatts of standby generation to the Massachusetts Water Resources Authority, for the operation of the MWRA's new wastewater treatment facilities on Deer Island. The new facilities will be used for the Boston Harbor cleanup.

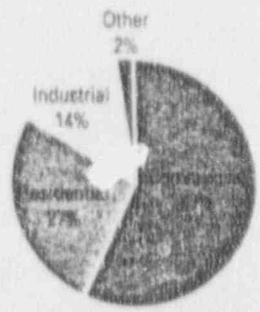


L. CARLISLE GUSTIN
Senior Vice President Marketing & Customer Service

Genzyme Corporation was recruited to our service area through the creative efforts of the City of Boston, the administration of Governor William Weld and your Company, which is assuming a prominent role in economic development.

The discount rate is one element of a more comprehensive Economic Development program sponsored by our Company. We have appointed a full-time Economic Development manager, and we are forming a partnership with other Massachusetts utilities to offer a site-finding service to companies thinking of locating in the state. We offer existing business customers, such as Bull HN, cost-saving measures through our Energy Efficiency Partnership program; and we are providing assistance to non-profit Community Development Corporations (CDC) to help neighborhoods with chronic economic problems turn things around. In Somerville, for instance, we provided advice and assistance to the local CDC in their negotiations to purchase a building.

Partnerships are the key to our success. To paraphrase an editorial aired on Boston's WBZ TV on January 10, 1992..."progress will occur only when city officials and business people break old patterns and begin to work together. ...Take a page from the book of Boston Edison, which has offered a discount rate to promote short-term economic growth and has developed an energy efficiency program for long-term gains. Boston Edison has demonstrated a willingness to do what others have not; become a booster for the city."



The stability of the Commercial and Residential sectors in our 1991 retail customer sales mix helps minimize the effects of regional economic swings.

EFFICIENCY PARTNERSHIPS

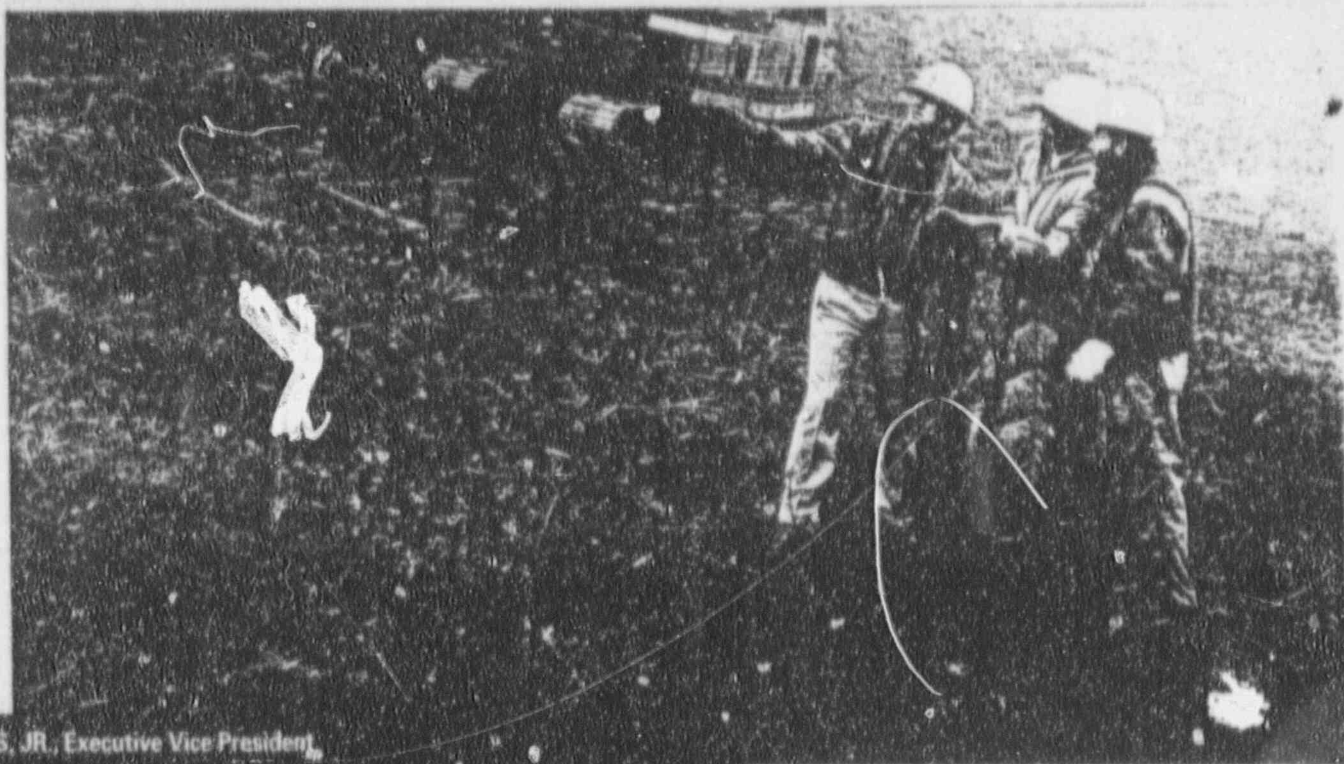
The Waltham Weston Hospital and Medical Center installed energy efficient lighting measures and is projected to reduce its annual energy usage by 1.3 million kilowatthours (kWh) and save more than $100,000 a year. Raytheon, makers of the scud-busting Patriot Missile, will upgrade lighting and install new energy efficient equipment in its Microwave and Power Tube Division in Waltham. When combined with work completed to date, estimated energy savings will exceed 1,300,000 kWh per year and annual cost savings will be about $100,000. And, after installing a state-of-the-art system to control energy usage in two of its buildings, Boston College, a renowned coeducational school in Chestnut Hill, will save nearly $36,000 in annual energy costs and some 554,000 kWh.

Through our broad range of demand-side management (DSM) programs, we are able to help customers save money and use energy more efficiently. Our annual residential lighting promotion, offering instant rebates and free energy efficient light bulbs as incentives, recruited over 28,000 new residential customers to the program. The Energy Fitness Van provided nearly 19,000 households with services such as efficient light installation, water-saving measures, electric water heater wraps and pipe insulation, collectively reducing these customers' electric bills by some $500,000 over the life of these measures.

The major objectives of DSM are to help customers be energy efficient and to stretch existing energy resources to meet as many needs as possible. We expect to begin recovering our DSM costs for 1991 and 1992, as well as base revenues lost as a result of the programs. We have filed a request with our state regulators to recover these costs associated with DSM through customers' 1992 bills.

RONALD A. LEDGETT
Senior Vice President
Power Delivery, Stores and Services

Expected to boost the local economy, Boston's Third Harbor Tunnel and Central Artery Projects are underway. These multi-billion dollar projects will require Boston Edison to relocate power lines and other electrical equipment over the next six years. Our costs will be reimbursed by the Commonwealth and the federal government.



GEORGE W. DAVIS, JR., Executive Vice President

The Brown Brontosaurus, a tracked vehicle with a mechanical arm, allows us to perform selective cutting along our transmission rights-of-way and preserve low-growing plants that are important to wildlife. More important to our neighbors, using these machines means we no longer apply chemicals to control vegetation growth on our rights-of-way.

The potential also exists for the Company to earn incentives above and beyond program costs. The incentives would be based on real kilowatthour savings and would be collected the year after the savings occur. With approval from state regulators, we could collect up to $3 million in incentives in 1992 based on kilowatthour savings realized in 1991.

AGGRESSIVE LEADERSHIP

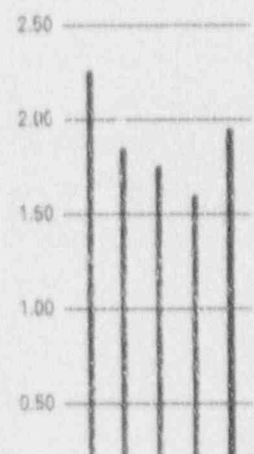
The situation: we needed to replace six aging wooden poles supporting a 115,000 volt transmission line over Hobbs Brook Reservoir in Lexington. The challenge: how do we install the new 65 foot steel towers and remove the old ones without disturbing the sensitive environment? The answer: we pre-assembled the steel towers off-site, flew them by helicopter to the islands on which they would stand and removed the old poles by flying them back to the assembly site. Any necessary digging on the islands was done by hand, no heavy equipment was necessary and the environment of Hobbs Brook Reservoir was not disturbed.

This is just one example of how the employees of Boston Edison are implementing the new Environmental Policy adopted by our Company in 1991. As a

major energy supplier in Massachusetts, we have a special responsibility to provide our services in an environmentally sound manner. It is our goal, therefore, to become an aggressive leader in protecting, preserving and improving the natural environment.

To demonstrate our commitment, we have implemented programs to remove polychlorinated biphenals (PCB's) from our electrical system, and asbestos from our facilities. Our demand-side management programs, which help our customers use electricity more efficiently, are also good for the environment. Operations at our facilities already meet the strict air quality requirements of the recently enacted Clean Air Act, and, in 1989, we were the only major utility in the state to already meet the Commonwealth of Massachusetts' new acid rain standards. For the future, we will no longer use chemicals to control vegetation growth on our transmission rights-of-way. Like other utilities, Boston Edison used to apply government approved herbicides, but our neighbors expressed concerns about the health impacts of the herbicides used. To respond we now mechanically perform selective cutting to control growth and protect reliability.

$ per share



Earnings per share from operations rose 22.5% in 1991.

CAMERON H. DALEY
Senior Vice President
Power Supply

Mystic Unit #6, pictured above during its overhaul, was one of four fossil-fueled generating units to reach new operating records in 1991 for availability and consecutive days of operation. Of note, New Boston Unit #1 ran 220 consecutive days and holds the fifth best record for units of its kind in the nation.

Your Company's environmental record is a good one. Through balanced fuel mixes, research and development of cleaner fuels and renewable resources and a host of other initiatives, Boston Edison will continue to limit the environmental impact of its operations.

NEW OPPORTUNITIES

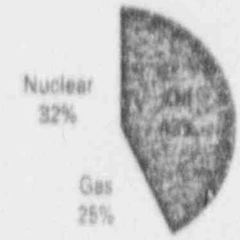
"The best way to predict the future is to create it." Al Kay

Your Company is constantly looking for new business opportunities that are related to our core business of providing energy and energy services. We have established a Strategic Marketing Project Team that is developing a Marketing Plan to incorporate demand-side management, traditional market analysis and the potential for investing in and marketing electric technologies. The team is focused on making electricity the preferred choice of regulators, customers and the general public for both efficiency and the environment.

In 1911, Boston Edison was a recognized leader in promoting electric vehicles. In fact, our enthusiasm led to the opening of a 25-car garage on Atlantic Avenue in Boston to re-charge and service our own fleet as well as privately-owned vehicles. Today, 81 years later, our interest and involvement in the promise of electric vehicles is reborn. We have purchased two electric vans for testing and promotion in 1992. These limited production vehicles are the first of what promises to be a line of future electric vehicles that will compete for customers on the open market.

Another new business opportunity is the Harbor Electric Energy C[illegible] (HEEC), a wholly-owned subsidiary of Bosto[illegible]n established to provide energy and related services to new wastewater treatment facilities being constructed on Deer Island by the Massachusetts Water Resources Authority (MWRA). A submarine cable across Boston Harbor and temporary interconnection facilities on Deer Island are in service and producing about $5 million in annual revenues for the Company. A permanent substation and 50 megawatts of standby generation for the Deer Island facilities are due to be operational in 1994, and are expected to produce some $8 million in annual revenues.

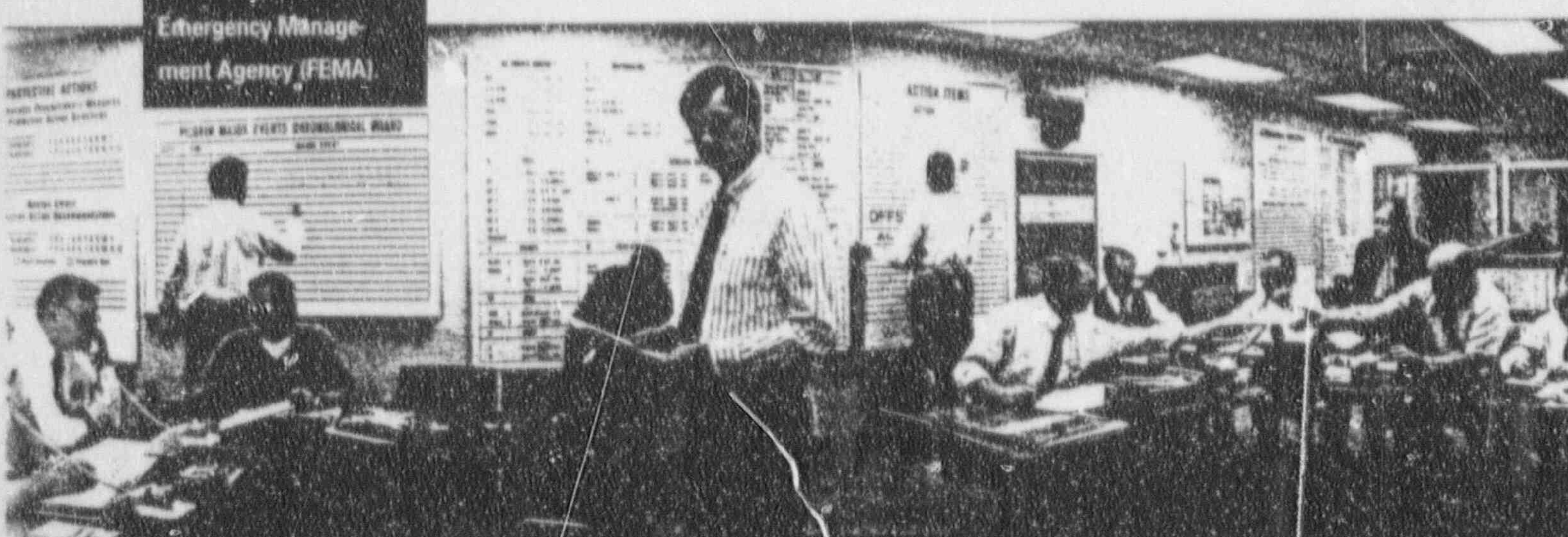
Finally, we will continue to look for reasonable opportunities for new power generation. One example, a proposal to build a 306-megawatt, primarily gas-fired power plant on the site of the former Edgar Station in Weymouth, Massachusetts, faces many regulatory challenges. We are moving forward through the licensing process with the state's Energy Facilities Siting Council, the Massachusetts Department of Public Utilities, the Federal Energy Regulatory Commission and several other environmental and regulatory agencies. Approval by these agencies is required for project completion; their decisions are due in 1992.



1991 Company generated fuel mix was balanced because our three largest fossil units can burn either oil or gas, whichever is cheapest.

ROY A. ANDERSON
Senior Vice President
Nuclear

Pilgrim Station performed well in 1991, setting a new record of 216 consecutive days of operation, and was rated "better than average" by the Nuclear Regulatory Commission (NRC). Pilgrim's emergency preparedness plans were judged to be superior by the NRC and the Federal Emergency Management Agency (FEMA).



Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (our state regulators) approved a Retail Settlement Agreement effective November 1, 1989, relating to certain of our proceedings before them. On November 5, 1990 the Federal Energy Regulatory Commission (our federal regulators) approved the Wholesale Settlement Agreements relating to claims filed by certain of our wholesale customers in connection with the 1986-1988 outage at Pilgrim Nuclear Power Station (Pilgrim Station). Through December 31, 1991, we made cash payments of $57,687,000 to the wholesale settling parties as discussed further below.

As a result of the Retail Settlement Agreement and the Wholesale Settlement Agreements, we recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock. This charge was included in our 1989 year-end consolidated statement of income as a component of "Other income (loss)" consistent with electric utility practices and methods of presentation. We are not allowed to collect the costs of this 1989 one-time charge to earnings from either our retail or wholesale customers. The charge to earnings for all of the settlement agreements included about $75,000,000 for retail demand-side management expenses, $31,000,000 of previously deferred outage-related nuclear expenses, $41,000,000 of litigation, regulatory commission and other expenses, and $31,000,000 for costs to replace the power that would have normally been generated by this unit. Monies spent on our demand-side management activities (not directly associated with the settlement agreements) are normally charged to customers through our rates in accordance with regulatory guidelines. Deferred outage-related nuclear costs (not directly associated with the settlement agreements) are normally included as part of our operating expenses ("Amortization of deferred nuclear outage costs") in the consolidated statement of income. We expect to charge customers for similar costs incurred in the future, as we have been allowed to do in the past by our state regulators.

Results of Operations

1991 Versus 1990

Our earnings per common share amounted to $1.96 in 1991 and $2.01 in 1990. Results of operations for 1990 included $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues).

Our 1991 total operating revenues amounted to $1,319,714,000, which represented an increase of 4.9% over the prior year broken down as follows:

1.3% decrease in retail electric sales billed	$ (3,567,000)
Increase in performance rate revenues [a]	23,401,000
Increase in fuel and purchased power revenues [b]	21,144,000
Change in wholesale sales, interchange, and other	20,190,000
Increase in total revenues	$ 61,168,000

(a) As part of the Retail Settlement Agreement, we were permitted to increase our retail rates by approximately $22,500,000 during the period November 1, 1990 to October 31, 1991 and effective November 1, 1991 to October 31, 1992, by an additional $25,000,000 which is subject to adjustment based upon the operation of Pilgrim Station. No significant adjustment was made for the performance year ended October 31, 1991.

(b) Increases in fuel and purchased power revenues are primarily offset by increases in fuel and purchased power expenses. We had increased purchased power costs associated with new long-term contracts and a 16% decline in output from our fossil units. This decline in our output was primarily due to the order in which the New England Power Pool, of which we are a member, has its participants run their generating units. The major portion of fuel and purchased power expenses are collected from our customers through fuel and purchased power rates with the balance recovered through our base rates.

Other operation and maintenance expenses declined $4,523,000 from 1990. This was primarily due to reduced maintenance and pension expenses, which were partially offset by increases in labor, certain employee benefits, research and development costs, bad debts, and nuclear operations expense. Through December 31, 1991, we deferred $22,871,000 (net) of costs associated with the recently completed refueling outage at Pilgrim Station. We expect to receive approval from our regulators to charge our customers for these costs as we have in prior retail rate orders (excluding the October 1989 Retail Settlement Agreement). Similarly, about $4,300,000 of our non-cash pension costs, $3,600,000 of storm costs associated with damage caused by an August 1991 hurricane, and $9,200,000 of certain demand-side management program costs have been deferred. Since we expect to receive approval from our state regulators to charge our customers for the amortization of these costs over time, we have included these items in "Other deferred debits" on our consolidated balance sheet at December 31, 1991.

Property and other tax expenses increased $10,362,000 due to increases in local property tax rates. Our provision for income taxes declined $12,527,000 as a result of the reversal of certain deferred taxes associated with settlement related issues. Our effective income tax rate was 16.5% in 1991 versus 30.4% in 1990 (including the cumulative effect of a change in accounting principle). Based on the terms of the Retail Settlement Agreement, we added back into income certain municipal tax abatements ($13,000,000 in each period) and certain deferred income taxes of approximately $13,000,000 and $2,000,000 in 1991 and 1990, respectively. In addition, 1991 income reflects a reduction in federal income tax expense of $3,700,000 arising from the deduction of certain payments mandated by the Retail Settlement Agreement.

Allowance for funds used during construction (AFUDC), which represents our financing costs for construction, totaled $8,984,000, an increase of 2% from 1990, due to an increase in our construction work in progress base, partially offset by a lower AFUDC rate. Our total interest expense increased $10,610,000, primarily related to increased interest expense on new long-term debt partially offset by a decrease in short-term interest expense. Increased long-term interest expense resulted from the issuance of $100,000,000 of 9 7/8% debentures (due 2020) in June 1990, the issuance of $100,000,000 of 8 7/8% debentures (due 1995) in December 1990 and the issuance in August 1991 of $125,000,000 of 9 3/8% debentures (due 2021). The decrease in our short-term interest expense was the result of a decline in short-term borrowing rates in 1991. The increase in our average total borrowings has been to cover the cost of our plant expenditures. We finance a portion of our plant expenditures through funds generated by our business with the balance through external financings.

1990 Versus 1989

Our 1990 earnings per common share amounted to $2.01 as compared to a loss of $0.88 in 1989. The 1990 results included $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues). Excluding the cumulative effect of the change in accounting principle, 1990 earnings amounted to $1.60 per common share as compared to a loss of $0.88 per common share (a loss of $0.84 per common share had we been accruing unbilled revenues) in 1989. The 1989 results included a $2.78 per common share charge relating to the settlement agreements and a $0.14 per common share gain from the taking of certain of our property by eminent domain.

Our 1990 total operating revenues amounted to $1,258,546,000, which represented a decrease of 0.9% over the prior year broken down as follows:

0.2% increase in retail electric sales billed	$ 266,000
Increase in performance rate revenues [a]	20,582,000
Decrease in fuel and purchased power revenues	(23,460,000)
Decrease in wholesale sales and interchange	(4,608,000)
Other changes	(3,579,000)
Decrease in total revenues	$ (10,799,000)

(a) As part of the Retail Settlement Agreement, we were permitted to increase our retail rates by approximately $20,000,000 during the period November 1, 1989 to October 31, 1990, and by an additional $22,500,000 during the period November 1, 1990 to October 31, 1991.

Fuel and purchased power revenues and fuel and purchased power expenses decreased by $23,460,000 and $20,328,000, respectively, primarily due to an increase of 9% in electricity generated from our facilities in 1990 as compared to 1989, coupled with a 24% decline in electricity purchased from other utilities. The increase in our output was primarily due to increased generation from Pilgrim Station. The major portion of fuel and purchased power expenses is collected from our customers through our fuel and purchased power rates with the balance recovered through non-fuel related rates.

Other operation and maintenance expenses increased $24,770,000, primarily due to increases in labor, employee benefits expense and bad debts, which were partially offset by decreases in regulatory commission and research and development expenses. Amortization of deferred outage-related nuclear costs decreased $19,876,000 due to our write-off of substantially all deferred outage-related nuclear costs in the fourth quarter of 1989 as part of the $178,650,000 charge discussed previously.

Property and other tax expense decreased $1,118,000 primarily due to lower property taxes resulting from a 1988 settlement of a tax dispute with the City of Boston, Massachusetts. Our provision for income taxes increased $3,416,000 over 1989 primarily due to higher pre-tax income. Our effective income tax rates for 1990 and 1989 were 30.4% (including the cumulative effect of an accounting change) and 26.7% (excluding the settlement agreements), respectively. The lower figure in 1989 is related to the reversal of certain prior years' deferred income taxes. The original accrual was based upon a rulemaking by our federal regulators regarding AFUDC. Because our state regulators had not adopted this method, we added these amounts back to income. In accordance with the terms of the Retail Settlement Agreement, we added to income in 1990 certain municipal tax abatements (approximately $13,000,000), and deferred income taxes ($2,000,000). Our other income in 1989 includes a $0.14 per share gain on a taking of certain of our property by eminent domain.

AFUDC totaled $8,833,000, a decrease of 16% from 1989, due to decreases in both our average construction work in progress base and our AFUDC rate. Our total interest expense increased $5,356,000, primarily related to an increase in our average short-term loan balance outstanding (which is necessary to support our ongoing program of plant expenditures), our June 1990 issuance of $100,000,000 of thirty year 9 7/8% debentures and $100,000,000 of five year 8 7/8% debentures issued in December 1990. We finance a portion of our plant expenditures through funds generated by our business with the balance through external financings.

Financial Condition, Outlook for the Future and Liquidity

Financial Condition

In connection with the Retail Settlement Agreement, we agreed to limit our retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, our ability to maintain or increase earnings through October 31, 1992 will depend primarily on our ability to control costs and increase electric sales, as well as the efficient operation of Pilgrim Station. Effective November 1, 1991 our annual retail revenues increased $25,000,000, subject to adjustment based upon Pilgrim Station's performance. In addition, if we are unable to achieve a retail rate of return of 12.0% in 1992, we may make certain accounting adjustments (but only if they do not result in our exceeding a 12% retail rate of return) by taking into income (i) deferred income taxes of $23,000,000 and (ii) $13,000,000 of certain municipal property tax abatements. During the period November 1, 1992 through October 31, 2000, we agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of our investment in Pilgrim Station and related operating costs. We will file for retail rate relief in the spring of 1992 with a decision expected by November 1, 1992.

Our electric generating units, other than Pilgrim Station, are fossil fuel-fired (using oil or natural gas). Fossil fuel related expenses (excluding net purchased power) accounted for approximately 16%, 21% and 24% of our total operating expenses in each of the years 1991, 1990, and 1989, respectively. The majority of our fossil fuel purchases involve imported residual fuel oil acquired primarily from international suppliers, and natural gas which is supplied to us on an "interruptible" basis. We currently charge our customers for fossil fuel costs incurred through our existing fuel and purchased power rates in both our retail and wholesale rate schedules.

Expected Plant Expenditures, Future Generation Capacity and Outlook for the Future

Our current estimate of plant expenditures over the next five years (which is subject to continuing review and adjustments), is approximately $1,000,000,000 (excluding AFUDC and $79,000,000 in nuclear fuel expenditures). Our long-term debt and medium-term note maturities and sinking fund requirements for our debt, preferred stock and sewage facility revenue bonds total $287,335,000 in the next five years.

A large portion of our electric sales are in the commercial sector as compared to the industrial sector. Since New England continues to experience a sluggish economy, we do not anticipate significant growth in our retail electric sales in the near term. Retail electric sales billed for 1991 were 1.3% lower than 1990. We may also experience lower growth in electric sales because of implementation of demand-side management (DSM) programs which are designed to assist customers in conserving their use of electricity. As part of the Retail Settlement Agreement, we committed to spend $75,000,000 in DSM programs during 1990-1992, of which approximately $26,500,000 remains to be spent as of December 31, 1991. In 1991, we spent about $37,000,000 in DSM programs and we anticipate spending approximately $63,000,000 in 1992. We are requesting approval from our state regulators to charge our customers for about $10,000,000 and $38,000,000 of these expenditures, respectively, as well as lost base revenues and program incentives. The remaining amount was written off in 1989 as a result of the previously discussed Retail Settlement Agreements. Hearings on our 1991 programs were concluded and we expect a decision shortly. Hearings on our 1992 programs are scheduled for the spring of 1992.

Beginning in February and July 1991, our billings include annual rate increases of $6,800,000 and $2,800,000, respectively from certain wholesale customers. Certain of these increases are being collected, subject to refund, pending the outcome of wholesale rate hearings before our federal regulators. We have settled with one wholesale customer and no refund will be necessary to that customer.

We are continually studying various energy alternatives in order to meet our customers' electricity needs. Due to the demand for electricity in the region and regulatory emphasis on least-cost options, along with environmental considerations, a growing share of how we meet those needs is expected to come from DSM. Pursuant to state regulation, the selection of least-cost options is subject to advance approval by our state regulators. In 1991, we continued to seek proposals for purchases of power from cogeneration facilities and/or private power producers, increase emphasis on customer use of our DSM programs, seek the regulatory approvals necessary to begin building new generation capacity at the Edgar Energy Park located on our property in Weymouth, MA, and explore other least-cost power generation options.

Liquidity and Financing

Our scheduled repayments of debt principal in 1992 are $21,800,000. We expect to fund the estimated $120,000,000 of interest on long-term debt outstanding in 1992 through normal cash flow from our operations. The funds we generated internally through operations (excluding the effects of the settlement agreements) represented approximately 39%, 73% and 62% of our plant expenditures in the years 1991, 1990 and 1989, respectively.

Our estimate of working capital needs for 1992 and 1993 is expected to be consistent with our historical levels, except for the additional impact of approximately $32,500,000 of expected future cash outlays in 1992 related to the settlement agreements (classified as a current liability on our consolidated balance sheet at December 31, 1991). Approximately $45,000,000 of similar payments were made to the settling parties in 1991.

We meet our working capital requirements, as well as our interim financing needs to cover our current program of plant expenditures, primarily with internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. We currently have short term borrowing authority from our federal regulators of $350,000,000 which we believe is adequate to cover our working capital and other liquidity requirements. As of December 31, 1991, we had $210,300,000 of short-term debt outstanding (which excludes $21,800,000 of long-term debt due within one year). Included in our $350,000,000 borrowing authority, we have available a three-year $200,000,000 revolving credit facility which expires in February 1993. As of December 31, 1991, we had not applied to our state regulators for approval to incur long-term debt under this agreement, nor had we incurred any short-term debt under it. We also have arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

In July 1991 our state regulators approved our financing plan to issue up to $400,000,000 of debt and/or equity securities prior to December 31, 1992. In August 1991 we issued $125,000,000 of 9 3/8% debentures due August 15, 2021. We used the net proceeds from the sale of these securities to reduce some of our outstanding short-term debt. On December 2, 1991, we issued $50,000,000 of 8.0% mandatory redeemable preferred stock. The proceeds from this issuance was used to retire all of our outstanding stated rate auction preference stock. On December 4, 1991, our wholly-owned subsidiary, Harbor Electric Energy Company (HEEC), issued $36,300,000 of long-term sewage facility revenue bonds. A portion of the net proceeds from this issuance was used to retire $21,000,000 of maturing short-term sewage facility revenue bonds. In December 1991, we sold 2,600,000 shares of our common stock. The net proceeds of $59,774,000 were used to redeem $55,000,000 of our Series X, 11% first mortgage bonds.

Edgar Energy Park

As we previously reported, we have made regulatory filings at the Commonwealth of Massachusetts Energy Facilities Siting Council (EFSC) and our state and federal regulators regarding our Edgar Energy Park project, a 306 MW combined cycle generating station. Through our proposed subsidiary, Edgar Electric Energy Company, we plan to construct this unit on the site of our retired Edgar Generating Station located in Weymouth, Massachusetts.

We have concluded hearings before the EFSC, which will address the issues of need for additional power and the environmental effects of the unit. Additionally, we have also made applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies.

Because of the number and scope of regulatory proceedings that must be completed prior to beginning construction of a project of this magnitude, we are not able to predict with certainty whether we will proceed with this project nor on what date. Assuming receipt of the necessary approvals, we would anticipate that construction could begin by the end of 1992.

We have spent approximately $5,600,000 on this project which is included in "Construction work in progress" on our December 31, 1991 consolidated balance sheet and we are currently committed to spend an additional $700,000. If we do not receive the necessary regulatory approvals or if we elect not to proceed with this project, and if we are not able to charge our customers for these costs, we would be required to write off our investment in this project.

Pilgrim Nuclear Power Station

During 1991, Pilgrim Station continued to meet operational performance targets established by the Retail Settlement Agreement. In January 1991, the Nuclear Regulatory Commission (NRC) extended Pilgrim Station's operating license from the year 2008 to 2012.

In May 1991, a joint Federal Emergency Management Agency (FEMA)/NRC task force completed a detailed review of the status of offsite emergency preparedness plans for Pilgrim Station. In June 1991 FEMA issued a finding that adequate protective measures can be taken offsite to protect the health and safety of the public in the event of a radiological emergency at Pilgrim Station and in July 1991 the NRC Commissioners found that there continued to be reasonable assurance that the offsite emergency preparedness program is adequate. In December 1991, an exercise of the emergency plans was conducted with participation by over 1,000 representatives of our Company and state and local governments. Preliminary assessments of the exercise by the NRC and FEMA were positive and noted no deficiencies. Also in December, the NRC issued its most recent Systematic Assessment of Licensee Performance (SALP) Report for Pilgrim Station which evaluated all areas of the plant's operations and management. In its report, the NRC found that a superior level of performance was achieved in the areas of emergency preparedness, radiological controls, and security; and a good level of performance was achieved for all other areas. Finally, for the sixth consecutive time, Pilgrim Station's class of operator candidates achieved a 100 percent pass rate on the NRC licensing examination.

Notwithstanding these generally favorable developments and findings, the subject of nuclear power, and related issues such as emergency planning, continues to be a matter of public concern and subject to close regulatory scrutiny. We closely monitor all such issues and concerns that may affect the safe, economic and reliable operation of Pilgrim Station and are of the opinion that the continued operation of Pilgrim Station is in the best interests of the Company and our customers.

Income Taxes

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96 - "Accounting for Income Taxes", which, as amended by SFAS No. 109, is now scheduled to become effective in 1993. We anticipate that due to the impact of regulation, the primary effect of this statement will be reflected on our consolidated balance sheet and will result in no significant impact on our net income.

Post Retirement Benefits Other Than Pensions

In December 1990, the FASB issued SFAS No. 106 - "Accounting for Postretirement Benefits Other than Pensions" which will be effective for the 1993 fiscal year. SFAS No. 106 requires use of an actuarial basis for computing the liability for benefits (other than pensions) for retired employees and future retirees. We are currently recognizing these benefits primarily as claims are paid. While we may be faced with recording a large increase in liability (preliminary estimates are in the process of being prepared by our actuaries) we have not yet fully determined the means of recovery of such expenses through the rate-making process or of implementing this accounting pronouncement. The adoption of this pronouncement is not expected to impact our cash flows in the near future

Other Matters

We are affected by inflation with respect to our operation and maintenance costs. We are also affected by inflation in the form of higher construction costs for improvements at our generating stations and for new transmission and distribution equipment. Our level of depreciation expense is based upon the historical cost of our plant. We believe that depreciation expense calculated on a "replacement cost of facilities" basis would be significantly higher.

We have been named as a potentially responsible party by certain environmental authorities with respect to the cleanup of some hazardous waste sites. However, we believe that the likelihood of incurring any material liability with respect to these claims is remote.

In November 1990, amendments were made to the federal Clean Air Act. We have performed a preliminary analysis of these amendments and have determined that there are no major obstacles for us to be able to comply with them. Moreover, our analysis indicates that we have emission allowances in excess of what we will need and that these may be marketable.

We have a $2 million investment ([illegible].5% interest) in the Yankee Atomic Electric Company (Yankee Atomic), which owns and operates the oldest nuclear power plant in the country. On October 1, 1991, that unit was shut down in response to a Nuclear Regulatory Commission concern over the condition of the reactor vessel. On February 26, 1992, the Board of Directors of Yankee Atomic voted to permanently close the unit and prepare for early decommissioning of the plant. Yankee Atomic will be filing with federal regulators to collect the costs associated with this shutdown and decommissioning between now and the year 2000 from its contract customers. We will be responsible for our proportionate share. Yankee Atomic has a decommissioning estimate of approximately $[illegible],[illegible]00,000 as of January 1, 1989, and is working on a new estimate which is expected to be significantly higher. We expect to receive recovery from our customers for all of these costs.

Consolidated Statements of Income (Loss)

(in thousands, except earnings (loss) per share)	1991	1990	1989
		years ended December 31,	
Operating revenues	$ 1,319,714	$ 1,258,546	$ 1,269,345
Operating expenses:			
Fuel	200,912	276,333	277,274
Net purchased power	299,742	187,801	207,188
Other operations and maintenance	376,897	381,420	356,650
Depreciation and amortization	126,151	121,881	120,759
Amortization of deferred cost of cancelled nuclear unit	24,381	24,381	24,381
Amortization of deferred nuclear outage costs	2,443	1,500	21,376
Taxes - property and other	66,216	55,854	56,972
Provision for income taxes	17,111	29,538	26,222
Total operating expenses	1,113,853	1,078,808	1,090,822
Operating income	205,861	179,738	178,523
Other income (loss):			
Rate and contract settlements	0	0	(178,650)
Income taxes on rate and contract settlements	0	0	72,370
Allowance for other funds used during construction	0	0	1,362
Other, net	5,684	6,294	11,041
Operating and other income	211,545	186,032	84,646
Interest charges:			
Long-term debt	108,912	93,706	91,674
Other	16,947	21,543	18,219
Allowance for borrowed funds used during construction - credit	(8,984)	(8,833)	(9,112)
Total interest charges	116,875	106,416	100,781
Income (loss) before cumulative effect of accounting change	94,670	79,616	(16,135)
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819	0	15,824	0
Net income (loss)	94,670	95,440	(16,135)
Preferred and preference dividends provided	17,611	17,652	17,653
Balance available for common stock	$ 77,059	$ 77,788	$ (33,788)
Common shares outstanding (weighted average)	39,348	38,779	38,246
Earnings (loss) per share of common stock:			
Before cumulative effect of accounting change	$ 1.96	$ 1.60	$ (0.88)
Cumulative effect of accrual of unbilled revenues	0	$ 0.41	0
Total	$ 1.96	$ 2.01	$ (0.88)
Dividends declared per common share	$ 1.595	$ 1.535	$ 1.745

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

Consolidated Balance Sheets

(in thousands)		1991		years ended December 31, 1990
Assets				
Property, plant and equipment, at original cost:				
Utility plant in service	$ 3,533,007		$ 3,317,696	
Less: accumulated depreciation	1,097,991	$ 2,435,016	1,015,371	$ 2,302,325
Nuclear fuel	256,199		248,585	
Less: accumulated amortization	180,137	76,062	163,694	84,901
Construction work in progress		99,870		142,233
Total		2,610,948		2,529,459
Investments in electric companies, at equity		27,308		25,793
Nuclear decommissioning fund		43,661		37,765
Current assets:				
Cash and cash equivalents	4,279		1,667	
Accounts receivable	167,307		163,648	
Accrued unbilled revenues	28,632		28,772	
Fuel, materials & supplies, at average cost	93,817		106,533	
Prepaid expenses & other current assets	7,240	301,275	6,116	306,736
Deferred debits:				
Deferred cost of cancelled nuclear unit	43,665		64,777	
Deferred nuclear outage costs	22,871		809	
Other	69,860	136,396	48,830	114,416
Total assets		$ 3,119,588		$ 3,014,169

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

Consolidated Balance Sheets

(in thousands)		1991		years ended December 31, 1990
Capitalization and Liabilities (see accompanying Schedules of Capital Stock and Indebtedness)				
Common stock equity		$ 753,496		$ 671,362
Cumulative preferred stock:				
Non-mandatory redeemable series		83,000		83,000
Mandatory redeemable series		100,000		50,000
Cumulative preference stock				
Non-mandatory redeemable series		38,333		38,333
Mandatory redeemable series		0		50,000
First mortgage bonds		690,425		774,025
Sewage facility revenue bonds, net		21,120		0
Debentures		325,000		200,000
Unsecured medium-term notes		100,000		100,000
Current liabilities:				
Sewage facility revenue bonds	$ 0		$ 21,000	
Long-term debt due within one year	21,800		56,800	
Notes payable	210,300		153,530	
Accounts payable	112,354		132,211	
Income, property and other taxes accrued	2,229		7,278	
Interest accrued	23,265		21,878	
Dividends payable	20,193		18,073	
Other	12,458		6,376	
Rate and contract settlements	32,538	435,137	53,784	470,930
Deferred credits:				
Accumulated deferred income taxes	434,810		405,895	
Accumulated deferred investment tax credits	79,510		89,271	
Nuclear decommissioning reserve	48,654		41,323	
Rate settlement	0		23,300	
Other	10,103	573,077	16,730	576,519
Commitments and contingencies		-		-
Total capitalization and liabilities		$ 3,119,588		$ 3,014,169

Consolidated Statements of Retained Earnings

(in thousands)	1991	years ended December 31, 1990	1989
Balance at beginning of year	$ 161,143	$ 142,952	$ 243,569
Net income (loss)	94,670	95,440	(16,135)
Subtotal	255,813	238,392	227,434
Cash dividends declared:			
Preferred	9,476	9,147	9,147
Preference	8,135	8,505	8,506
Common	63,725	59,597	66,829
Subtotal	81,336	77,249	84,482
Balance at end of year	$ 174,477	$ 161,143	$ 142,952

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

Consolidated Statements of Cash Flows

(in thousands)	1991	years ended December 31, 1990	1989
Cash flows from operating activities:			
Net income (loss)	$ 94,670	$ 95,440	$ (16,135)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect (net) for years prior to 1990 of change for unbilled revenues	0	(15,824)	0
Rate and contract settlements, net	(44,546)	(68,070)	98,630
Depreciation	113,756	107,659	106,727
Amortization of nuclear fuel	18,869	25,913	10,614
Amortization of deferred cost of cancelled nuclear unit (net)	21,112	19,967	18,898
Other amortization	9,904	12,922	12,159
Allowance for funds used during construction	(8,984)	(8,833)	(10,474)
Increase (decrease) in deferred income taxes	24,475	29,028	(7,795)
(Deferral) amortization of nuclear outage costs, net	(22,062)	1,500	21,376
Net changes in:			
Accounts receivable	(3,519)	21,173	(27,515)
Fuel, materials & supplies	12,716	(16,890)	(1,536)
Accounts payable	(19,857)	16,320	5,502
Other current assets and liabilities	1,626	(105)	14,783
Other, net	(27,469)	(23,832)	11,661
Net cash provided by operating activities	171,691	196,368	236,895
Cash flows provided (used) by investing activities:			
Plant expenditures (excluding AFUDC)	(214,213)	(255,784)	(235,946)
Decommissioning fund	(5,896)	(6,679)	(6,983)
Investments in electric companies	(1,515)	(3,367)	(11,207)
Proceeds from asset dispositions	0	0	9,145
Net cash (used) by investing activities	(221,624)	(265,830)	(244,991)
Cash flows provided (used) by financing activities:			
Issuances:			
Common stock	68,800	8,623	10,943
Preferred stock	50,000	0	0
Long-term debt	146,120	200,000	0
Redemptions:			
Debt retirements	(118,600)	(23,689)	(16,270)
Preference stock	(50,000)	0	0
Net change in short-term debt	35,770	(39,310)	99,260
Dividends paid	(79,545)	(76,484)	(87,083)
Net cash provided by financing activities	52,545	69,140	6,850
Net increase (decrease) in cash and cash equivalents	2,612	(322)	(1,246)
Cash and cash equivalents at the beginning of the year	1,667	1,989	3,235
Cash and cash equivalents at the end of the year	$ 4,279	$ 1,667	$ 1,989
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 115,488	$ 105,64[illegible]	$ 100,647
Income taxes	$ 18,979	$ 19,227	$ 42,139

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

Consolidated Schedules of Capital Stock

(in thousands, except per share amounts)	December 31, 1991	1990
Common stock equity:		
Common stock		
Shares outstanding; 100,000,000 and 50,000,000 authorized, respectively	42,047	38,999
Par value per share	$ 1.00	$ 5.00
Total par value	$ 42,047	$ 194,993
Premium on common stock	536,567	214,821
Retained earnings	174,477	161,143
Surplus invested in plant	405	405
Total	$ 753,496	$ 671,362

Cumulative preferred stock:

Par value $100 per share, 2,830,000 shares authorized; issued and outstanding:

Non-mandatory redeemable series:

Series	Shares	Redemption Price/Share	1991	1990
4.25%	180,000	$ 103.625	$ 18,000	$ 18,000
4.78%	250,000	$ 102.80	25,000	25,000
8.88%	400,000	$ 102.00	40,000	40,000
Total			$ 83,000	$ 83,000

Mandatory redeemable series:

Series	Shares	1991	1990
7.27%	500,000	$ 50,000	$ 50,000
8.00%	500,000	50,000	0
Total		$ 100,000	$ 50,000

Cumulative preference stock:

Par value $1 per share, 8,000,000 shares authorized; issued and outstanding:

	1991	1990
Non-mandatory redeemable series:		
$1.46 Series - 2,675,000 shares	$ 2,675	$ 2,675
Premium on $1.46 Series	35,658	35,658
Total	$ 38,333	$ 38,333
Mandatory redeemable series:		
Stated rate auction preference stock - 0 and 500,000 shares	$ 0	$ 500
Premium on stated rate auction preference stock	0	49,500
Total	$ 0	$ 50,000

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

Consolidated Schedules of Indebtedness

Long-term debt:
Boston Edison Company:
First mortgage bonds:

			(in thousands)	
	Interest			December 31,
Series	Rate (%)	Maturity	1991	1990
H	4 1/4	June 1, 1992	$ 15,000	$ 15,000
I	4 3/4	Nov. 1, 1995	25,000	25,000
J	6 1/8	June 1, 1997	40,000	40,000
K	6 7/8	Nov. 1, 1998	50,000	50 000
L	9	Dec. 1, 1999	50,000	50,000
M	9 3/8	July 1, 2000	60,000	60,000
N	8 1/8	May 15, 2001	75,000	7[illegible],000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9 3/4	Dec. 15, 2003	66,975	74,575
R	10.95	Oct. 31, 2004	50,250	56,250
P	9 1/4	Apr. 15, 2007	60,000	60,000
U	10 1/4	Apr. 1, 2014	15,000	15,000
W	9 1/2	July 15, 2016	135,000	135,000
X	11	Sept. 15, 2017	45,000	100,000
Total first mortgage bonds			712,225	780,825
Less: due within one year			21,800	6,800
First mortgage bonds - net			$ 690,425	$ 774,025

Unsecured medium-term notes	$ 100,000	$ 150,000
Less: due within one year	0	50,000
Unsecured medium-term notes - net	$ 100,000	$ 100,000

Debentures:		
9 7/8%, due June 1, 2020	$ 100,000	$ 100,000
8 7/8%, due December 15, 1995	100,000	100,000
9 3/8%, due August 15, 2021	125,000	0
Total debentures	$ 325,000	$ 200,000

Harbor Electric Energy Company:

Sewage facility revenue bonds	$ 36,300	$ 0
Less: funds held by trustee	15,180	0
Total	$ 21,120	$ 0

Short-term debt:
Boston Edison Company:

Notes payable:		
Bank loans	$ 89,000	$ 72,500
Commercial paper	121,300	81,030
Total notes payable	$ 210,300	$ 153,530

Harbor Electric Energy Company:

Sewage facility revenue bonds	$ 0	$ 21,000

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

Notes to Consolidated Schedules of Capital Stock and Indebtedness

1. Common Stock

Since December 31, 1988, we have issued the following shares of common stock:

	Number of Shares	Total Par Value	Premium on Common Stock
Balance December 31, 1988	37,893,791	$189,468,955	$300,779,099
Dividend reinvestment plan	632,294	3,161,470	7,781,966
Balance December 31, 1989	38,526,085	192,630,425	308,561,065
Dividend reinvestment plan	472,446	2,362,230	6,260,499
Balance December 31, 1990	38,998,531	194,992,655	314,821,564
Dividend reinvestment plan [a]	448,825	2,181,357	6,844,492
Change in par value of common stock [b]	0	(157,726,656)	157,726,656
New issue [c]	2,600,000	2,600,000	57,174,000
Balance December 31, 1991	42,047,356	$ 42,047,356	$536,566,712

(a) At December 31, 1991, the remaining authorized common shares reserved for future issuance under the Dividend Reinvestment and Common Stock Purchase Plan are 1,597,041 shares.

(b) In November 1991, we amended our Restated Articles of Organization increasing our authorized common stock from 50,000,000 to 100,000,000 shares and reducing the par value from $5 to $1 per common share.

(c) We issued 2,600,000 shares of common stock in December 1991. The net proceeds were used to retire $55,000,000 of Series X, 11% first mortgage bonds.

2. Cumulative Non-Mandatory Redeemable Preferred and Preference Stock

Holders of our cumulative non-mandatory redeemable preferred stock are entitled to $100 per share upon any liquidation of the Company. Our cumulative non-mandatory redeemable preference stock may be redeemed as a whole or in part upon resolution of the Board of Directors. The redemption price at December 31, 1991 was $15.00 per share. Subject to the prior preferential rights of our cumulative preferred stockholders, upon involuntary liquidation of the Company, holders of our $1.46 Series are entitled to receive $15 per share.

3. Cumulative Mandatory Redeemable Preferred and Preference Stock

The 500,000 shares of our 7.27% sinking fund series $100 par value, cumulative preferred stock are redeemable at our option at $107.27 prior to May 1, 1992, provided that we may not make a redemption prior to May 1, 1992 by refunding from the issuance of debt or certain stock having an interest rate, dividend rate or cost to us of less than 7.334% per year. Commencing May 1, 1992, the redemption price declines from $104.85 per share to par value on May 1, 2002. The 7.27% preferred stock will be entitled to a sinking fund to retire 20,000 shares at $100 per share, plus accrued dividends, on May 1 of each year, beginning in 1993. On May 1 in any year, beginning in 1993, we have the non-cumulative option to redeem an additional number of shares, not to exceed 20,000 for the sinking fund at $100 per share, plus accrued dividends. Upon any liquidation of the Company, holders are entitled to $100 per share.

On December 2, 1991, we sold 500,000 shares of $100 par value cumulative preferred stock, [illegible]% series. We are not able to redeem this series, in whole or in part, prior to December 1, 2001. The entire series of the preferred stock is subject to mandatory redemption, out of funds legally available for this purpose, on December 1, 2001, at $100 per share, plus accrued and unpaid dividends. There is no sinking fund for this preferred stock. Holders are entitled to $100 per share net upon any liquidation of the Company. We used the proceeds of this issuance to redeem all our outstanding stated rate auction preference stock in December 1991.

4. Long-Term Debt

Substantially all our property, plant and equipment and materials and supplies are subject to lien under the terms of our Indenture of Trust and First Mortgage dated December 1, 1940, and its supplements.

The aggregate principal amounts of our first mortgage bonds, debentures, medium-term notes and sewage facility revenue bonds (including sinking fund requirements) due in the five years 1992 through 1996 are $21,800,000, $56,800,000, $[illegible],800,000, $132,400,000, and $11,535,000, respectively.

Our first mortgage bonds, Series S, adjustable rate due 2002, bore interest at 10.50% per year for the period January 15, 1991 through January 14, 1992. The rate is adjusted annually and is based upon the ten year constant maturity Treasury Rate as published by the Federal Reserve Board. The interest rate for the period January 15, 1992 through January 14, 1993 is 9.50%.

On September 15, 1988, we issued $150,000,000 medium-term notes, Series A, in three equal increments of $50,000,000, bearing interest at 9.35%, 9.65% and 9.75% per annum and maturing on September 16, 1991, September 15, 1993, and September 15, 1994, respectively. The 9.35% medium-term notes were retired in full at their maturity in September 1991. The notes are unsecured obligations of the Company.

In December 1991, we deposited a $59,774,000 repurchase agreement and cash of $1,567,000 in an irrevocable trust to pay the principal, call premium and interest payments on $55,000,000 of Series X 11% first mortgage bonds. The repurchase agreement was secured by certain Government National Mortgage Association (GNMA) securities and matured on January 21, 1992. The bonds were selected for a partial redemption on January 23, 1992 at a call premium of 8.10%. As a result of these actions, the debt, associated accrued interest, repurchase agreement and cash were removed from our consolidated balance sheet at December 31, 1991.

In August 1991, we issued $125,000,000 of debentures. The debentures bear an interest rate of 9 3/8% per annum and mature on August 15, 2021. On and after August 15, 2001 the debentures are redeemable at prices declining from 104.612% of par beginning on August 15, 2001 to 100% of par on and after August 15, 2011.

5. Short-Term Debt

We have available a $200,000,000 revolving credit agreement with a group of banks. This agreement is intended to provide us with a standby source of short-term borrowings. The agreement terminates on the earlier of (i) February 28, 1993 or (ii) the 364th day following the first borrowing made under the agreement if we have not received approval from our state regulators to borrow under the agreement for a period of more than one year. As of December 31, 1991, we have not applied to our state regulators for approval to borrow on a long-term basis under the agreement, nor had we borrowed on a short-term basis under the agreement. We must pay commitment fees on the unused portion of the total agreement amount.

Under the terms of this agreement, we are required to maintain certain financial ratios related to our capitalization and interest coverages. The most restrictive covenant requires that we not declare dividends or make other distributions on our common stock, or incur additional debt, if certain capitalization ratios are not maintained. As of December 31, 1991, our capitalization ratios exceeded the minimum requirement.

We have arrangements with certain banks to provide short-term credit on a committed as well as an uncommitted and as available basis. We currently have authority to issue up to $350,000,000 of short-term debt and had $210,300,000 outstanding at December 31, 1991.

Information regarding our short-term borrowings, comprised of bank loans, commercial paper, and short-term sewage facility revenue bonds, is as follows:

(thousands of dollars)	1991	1990	1989
Maximum short-term borrowings	$324,400	$302,900	$233,275
Daily weighted average amount outstanding	$221,481	$221,525	$169,377
Weighted daily average interest rates, excluding commitment fees, on balance during the year	6.4%	8.5%	9.4%

6. Sewage Facility Revenue Bonds

In December 1991, Harbor Electric Energy Company (HEEC), our wholly owned subsidiary, issued $36,300,000 of long-term sewage facility revenue bonds (the bonds). The bonds are tax-exempt and are subject to annual mandatory sinking fund redemption requirements and mature in the years 1995-2015. The bonds have a weighted average coupon rate of 7.3%. On December 10, 1991, a portion of the proceeds from the bonds was used to retire $21,000,000 of short-term sewage facility revenue bonds at maturity. The remainder of the proceeds, which is on deposit with the trustee, is expected to ultimately finance the construction of HEEC's permanent substation to be located on Deer Island (in Boston harbor) and to fund an amount which must remain in reserve with the trustee. In certain circumstances, should HEEC have insufficient funds to pay certain costs on a timely basis or be unable to meet certain net worth requirements, we would be required to make additional capital contributions or loans to the subsidiary up to a maximum of $7,000,000.

Note A. Summary of Significant Accounting Policies

We are regulated by various agencies. Because rates charged to our customers are set by these agencies, there are differences in the generally accepted accounting principles applied to our business and to nonregulated businesses. These differences are primarily due to the timing of including various items in calculating net income in accordance with the objective of matching our costs and revenues.

1. Basis of Consolidation

Our consolidated financial statements include the activities of Harbor Electric Energy Company, our wholly owned subsidiary. All intercompany transactions between the subsidiary and us have been eliminated.

2. Depreciation, Amortization and Maintenance

Our physical property (excluding a factor for the cost of decommissioning nuclear units) was depreciated on an annual straight-line basis in 1991, 1990 and 1989 at approximately 3.41%, 3.41% and 3.59% per year, respectively, using the average remaining life method of computing depreciation. When these property units are retired, the cost and the net of the cost to remove them and the salvage value are charged to accumulated depreciation.

The cost of our nuclear fuel is amortized (expensed) based on the amount of electricity our nuclear unit produces. Our nuclear fuel expense also includes an amount for the estimated costs of ultimately disposing of the spent nuclear fuel. These costs are expensed and included in the costs we charge our customers for fuel and purchased power.

We charge maintenance expense for the cost of current repairs and the replacement or addition of minor parts to our plants and properties as we complete the work.

3. Forecasted Fuel and Performance Rates

The rate we charge our retail customers for fuel and purchased power allows for all fuel costs, the capacity portion of some purchased power costs, some transmission costs and demand-side management costs to be billed to our customers monthly using a forecasted rate. The difference between our actual and estimated costs is included in accounts receivable on our consolidated balance sheet until we adjust subsequent rates. The non-fuel portion of some of our purchased power costs are collected through our base rates. Our state regulators have the right to reduce our subsequent fuel rates if they find that we have been unreasonable or imprudent in the operation of our generating units or in purchasing fuel. As part of our Retail Settlement Agreement, we began charging our retail customers a performance charge from November 1989 through October 31, 1992.

4. Revenue Recognition

In the first quarter of 1990, we began recording revenues for electricity used by our customers but not billed, in order to match our revenues more closely with expenses. Before this, we recorded revenues only after bills had been sent to our customers.

5. Amortization of Discounts, Premiums and Redemption Premiums on Debt

We amortize discounts, premiums, redemption premiums and related expenses associated with issuances of debt or refinancing of existing debt in equal annual installments over the life of the new debt.

6. Allowance for Funds Used During Construction

We include in the cost of our plant expenditures an allowance for funds used during construction (AFUDC). AFUDC represents our estimated financing costs and the cost of equity which we use to finance our plant expenditures. We receive payment for those costs from our customers over the service life of the plant in the form of increased revenues collected as a result of higher depreciation expense. Our AFUDC rates for the years 1991, 1990 and 1989 were 6.85%, 9.00% and 10.20%, respectively.

7. Cash and Cash Equivalents

Cash and cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less. We record outstanding checks in accounts payable until they are presented to us for payment.

8. Deferred Debits

Through December 31, 1991, we deferred approximately $40,000,000 of certain nuclear outage-related, storm, pension and demand-side management program costs, in accordance with generally accepted accounting principles applicable to our business, and for which our state regulators have permitted cost recovery consistent with similar retail rate orders of other Massachusetts electric utilities. We have included these items in "Other deferred debits" on our consolidated balance sheet at December 31, 1991 and will expense them over the same period that we expect to charge our customers.

9. Reclassifications

We have made certain reclassifications, not affecting income, to amounts we reported in prior years to conform to our 1991 presentation.

Note B. Income Taxes

We incurred deferred income tax expense when certain income and expenses were reported on the tax return in different years than reported in the financial statements. Investment tax credits are included in our income over the estimated useful lives of the related property. Components of our income tax expense are as follows:

(in thousands)	1991	1990	1989
Cancelled nuclear unit	$ (8,998)	$ (8,998)	$ (8,998)
Excess tax depreciation over book depreciation	10,802	11,165	4,464
Deferred fuel expense	56	(4,141)	(879)
Debt portion of allowance for funds used during construction	2,856	2,966	2,897
Massachusetts corporate franchise tax	7,140	5,964	(946)
Deferred nuclear outage expense	7,014	(477)	(6,795)
Unbilled revenues	0	(873)	(1,938)
Cost of removal	4,277	3,063	1,359
Revenue reserve adjustment	(760)	(1,297)	4,843
Rate and contract settlements	10,196	20,389	0
Municipal property taxes	3,745	3,150	261
Conservation/load management programs	2,256	494	1,862
Settlement agreement	(13,000) [a]	(2,000) [a]	0
Other	(2,360)	(2,073)	(6,023) [b]
Subtotal deferred income taxes	23,224	27,332	(9,893)
Current income tax expense	(1,823)	7,046	40,348
Investment tax credits	(4,290)	(4,740)	(4,233)
Provision for income taxes	17,111	29,638	26,222
Taxes on other income:			
Current	405	518	1,065
Deferred	1,252	1,689	5,511
Subtotal	1,657	2,207	6,576
Change in accounting principle:			
Current	0	876	0
Deferred	0	8,943	0
Subtotal	0	9,819	0
Rate and contract settlements:			
Current	0	0	(2,929)
Deferred	0	0	(69,441)
Subtotal	0	0	(72,370)
Total	$ 18,768	$ 41,664	$ (39,572)

(a) In 1991 and 1990, as we agreed to do in the Retail Settlement Agreement, we included in net income $13,000,000 and $2,000,000, respectively of deferred taxes.

(b) In 1989 we reduced deferred income tax expense by $5,900,000 or $0.15 per common share resulting from the reversal of some AFUDC related deferred taxes recorded during the years 1977-1979, which were calculated based upon the method required by our federal regulators. Because our state regulators have not adopted our federal regulators' method for these years, the excess deferred tax amounts were added back to income.

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

	1991	1990	1989
Statutory tax rate (benefit)	34.0%	34.0%	(34.0)%
Allowance for other funds used during construction	-	-	(0.8)
Massachusetts corporate franchise tax	4.1	4.1	(4.5)
Investment tax credit	(3.8)	(3.4)	(8.2)
Municipal property tax adjustment	(1.6)	(1.3)	(3.2)
Reversal of outage expense deferred taxes	-	-	(7.1)
Reversal of deferred taxes - settlement agreements	(11.5) [a]	(1.5) [a]	-
Federal tax benefit of mandated payments from settlement agreements	(3.3)	-	-
Other	(1.4)	(1.5)	(13.2) [b]
Total	16.5%	30.4%	(71.0)%

(a) In 1991 and 1990, as we agreed to do in the Retail Settlement Agreement, we included in net income $13,000,000 and $2,000,000, respectively of deferred taxes.

(b) In 1989 we reduced deferred income tax expense by $5,900,000 or $0.15 per common share resulting from the reversal of some AFUDC related deferred taxes recorded during the years 1977-1979, which were calculated based upon the method required by our federal regulators. Because our state regulators have not adopted our federal regulators' method for these years, the excess deferred tax amounts were added back to income.

Note C. Settlement of Certain Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (our state regulators) approved a Retail Settlement Agreement effective November 1, 1989, relating to certain of our proceedings before them. On November 5, 1990 the Federal Energy Regulatory Commission (our federal regulators) approved the Wholesale Settlement Agreements relating to claims filed by certain of our wholesale customers in connection with the 1986-1989 outage at Pilgrim Nuclear Power Station (Pilgrim Station). Through December 31, 1991, we made cash payments of $57,687,000 to the wholesale settling parties as discussed further below.

As a result of the Retail Settlement Agreement and the Wholesale Settlement Agreements, we recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock. This charge was included in our 1989 year-end consolidated statement of income as a component of "Other income (loss)" consistent with electric utility practices and methods of presentation. We are not allowed to collect the costs of this 1989 one-time charge to earnings from either our retail or wholesale customers. The charge to earnings for all of the settlement agreements included about $75,000,000 for retail demand-side management expenses, $31,000,000 of previously deferred outage-related nuclear expenses, $41,000,000 of litigation, regulatory commission and other expenses, and $31,000,000 for costs to replace the power that would have normally been generated by this unit. Monies spent on our demand-side management activities (not directly associated with the settlement agreements) are normally charged to customers through our rates in accordance with regulatory guidelines. Deferred outage-related nuclear costs (not directly associated with the settlement agreements) are normally included as part of our operating expenses ("Amortization [illegible] deferred nuclear outage costs") in the consolidated statement of income. We expect to charge customers for si[illegible] r costs incurred in the future, as we have been allowed to do in the past by our state regulators. We made cash payments for these settlement agreements of approximately $68,070,000 in 1990 and approximately $45,000,000 in 1991. As of December 31, 1991, we expect to make cash payments in 1992 of approximately $32,500,000 as part of these approved settlement agreements.

As part of the Retail Settlement Agreement, we agreed to limit increases in our retail revenues prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Therefore, our ability to maintain or increase earnings through October 31, 1992 will depend primarily on our ability to control costs and increase electric sales, as well as how efficiently we operate Pilgrim Station. During the period November 1, 1990 through October 31, 1991 we received approximately $22,500,000 from this retail revenue increase. Effective November 1, 1991 our annual retail revenues increased an additional $25,000,000, which is subject to adjustment for Pilgrim Station's performance. In addition, if we are not able to achieve a retail rate of return of 12.0% in 1992, we may make certain accounting adjustments (but only if they do not result in a retail rate of return in excess of 12%) by taking into income (i) deferred income taxes of $23,000,000 and (ii) additional municipal property tax abatements of approximately $13,000,000. During the period November 1, 1992 through October 31, 2000, we agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of our investment in Pilgrim Station and related operating costs. We will file for retail rate relief in the spring of 1992 with a decision expected by November 1, 1992.

Note D. Commitments and Contingencies

1. Capital Commitments

At December 31, 1991, we had estimated contractual obligations for plant and equipment of approximately $52,000,000.

2. Lease Commitments

We had leases covering certain facilities and equipment at December 31, 1991 and 1990. Our estimated minimum rental commitments under both noncancellable leases and transmission agreements for the years after 1991 are as follows:

(in thousands)	Total
1992	$ 33,199
1993	31,050
1994	24,739
1995	20,587
1996	19,541
Years thereafter	176,651
Total	$ 305,767

We will capitalize a portion of these lease rentals as part of plant expenditures in the future. Our total expense for both lease rentals and transmission agreements for the years ended December 31, 1991, 1990 and 1989 was $33,500,000, $32,000,000 and $29,300,000, respectively, net of capitalized expenses of $4,800,000, $3,000,000 and $4,600,000, respectively. Lease payments under certain transmission line agreements are expected to be offset by the savings from a related energy contract. Recovery of these lease payments (net of any savings) are collected through our retail fuel and purchased power rates.

3. Nuclear Insurance

The federal Price-Anderson Act currently provides $7,807,000,000 of financial protection for public liability claims and legal costs arising from a single nuclear related accident. The first $200,000,000 of nuclear liability is covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7,245,000,000 is provided by a retrospective assessment of up to $63,000,000 per incident levied on each of the 115 units licensed to operate in the United States, with a maximum assessment of $10,000,000 per reactor per accident in any year. The additional nuclear liability insurance amount may change as new commercial nuclear units are licensed and existing units give up their license. In addition to the nuclear liability retrospective assessments discussed above, if the sum of all public liability claims and legal costs arising from any nuclear accident exceeds the maximum amount of financial protection, each licensee can be assessed an additional five percent ($3,150,000) of the maximum retrospective assessment.

We have purchased insurance from Nuclear Electric Insurance Limited (NEIL) to cover some of the costs to purchase replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement, decontamination or decommissioning of our utility property resulting from covered incidents at Pilgrim

Station. Our maximum potential assessments for losses which occur during current policy years are approximately $9,000,000 under both the replacement power policy and excess property damage, decontamination and decommissioning policies. All companies insured with NEIL are subject to retroactive assessments if losses are in excess of the total funds available to NEIL. While assessments may also be made for losses in certain prior policy years, we are not aware of any losses in those years which we believe are likely to result in an assessment.

4. Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted, we and others are exposed to potential joint and several liability with respect to the cleanup of sites where hazardous wastes may have been spilled or disposed of in the past. We have had claims asserted against us related to cleanup costs at a number of these sites in Massachusetts and other states. While we are currently unable to predict the ultimate total cleanup costs for these sites or what our share of costs will be for each of these sites, based on the information we presently have available, we believe it is remote that we will incur any material liability for these sites.

5. Hydro-Quebec

Along with other New England electric utilities, we have entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. These transmission facilities were transferred to the New England Power Exchange for commercial operations on November 1, 1990. We have approximately an 11% equity ownership interest in two companies who own these transmission facilities, which is included in our consolidated financial statements. All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants who do not meet certain credit criteria and are compensated accordingly. At December 31, 1991, our portion of these guarantees was approximately $25,000,000.

6. Yankee Atomic Electric Company — Subsequent Event

We have a $2 million investment (9.5% interest) in the Yankee Atomic Electric Company (Yankee Atomic), which owns and operates the oldest nuclear power plant in the country. On October 1, 1991, that unit was shut down in response to a Nuclear Regulatory Commission concern over the condition of the reactor vessel. On February 26, 1992, the Board of Directors of Yankee Atomic voted to permanently close the unit and prepare for early decommissioning of the plant. Yankee Atomic will be filing with federal regulators to collect the costs associated with this shutdown and decommissioning between now and the year 2000 from its contract customers. We will be responsible for our proportionate share. Yankee Atomic has a decommissioning estimate of approximately $98,000,000 as of January 1, 1989, and is working on a new estimate which is expected to be significantly higher. We expect to receive recovery from our customers for all of these costs.

7. Litigation

On March 8, 1991, we were named in a lawsuit brought in the United States District Court for the District of Massachusetts. This suit alleges discriminatory employment practices under the Age Discrimination in Employment Act of 1967 concerning forty-six employees affected by our 1988 workforce reduction. We are currently analyzing the allegations made in these actions, along with our legal counsel, and intend to vigorously defend our position. Based on the information we presently have available, we do not believe they will have a material negative impact on our financial condition.

Note E. Pensions and Other Post-Retirement Benefits

We have a noncontributory funded retirement plan, with certain features that allow voluntary contributions. Benefits are based upon an employee's years of service and compensation during the last years of employment. Our funding policy is to contribute annually an amount which at least equals the minimum amount required by the government's funding standards, but does not exceed the amount which we can deduct for federal income tax purposes. Plan assets are primarily insurance contracts, equities and real estate.

Our retirement plan costs for 1991, 1990 and 1989 were $4,322,000, $2,580,000 and $3,728,000, respectively, of which $0, $748,000 and $837,000, respectively, was capitalized.

The components of our net pension cost for 1991, 1990 and 1989 were as follows:

(in thousands)	1991	1990	1989
Current service cost - benefits earned during the period	$ 8,567	$ 6,686	$ 5,821
Interest cost on projected benefit obligation	29,817	31,627	29,823
Actual return on plan assets	(60,873)	(9,464)	(50,261)
Net amortization and deferral	26,811	(26,269)	18,345
Net pension cost	$ 4,322[(a)]	$ 2,580	$ 3,728

(a) In 1991, in accordance with generally accepted accounting principles applicable to rate regulated companies in our state, we deferred our net pension costs. We expect our regulators to approve recovery of these costs from our customers in the future.

The following table sets forth the plan's funded status at December 31, 1991 and 1990:

(in thousands)	1991	1990
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $314,666 and $270,561	$ 331,997	$ 286,143
Plan assets at fair value	$ 402,977	$ 371,400
Projected obligation for service rendered to date	(409,265)	(350,865)
Plan assets in excess of projected benefit obligations	(6,288)	20,535
Unrecognized prior service cost	9,495	10,082
Unrecognized net gain	(21,899)	(45,921)
Unrecognized net obligation	11,800	12,734
Accrued pension cost included in accounts payable at December 31	$ (6,892)	$ (2,570)

The weighted average discount rates we used to measure our projected benefit obligation for 1991 and 1990 were 8.25% and 9.0%, respectively. Our expected weighted average long-term rates of return on plan assets for 1991 and 1990 were 10.0% and 9.25%, respectively. Our rate of compensation increase for both 1991 and 1990 was 4.5%.

In addition to pension benefits, we also provide certain health care and life insurance benefits to our retired employees. The cost of providing those benefits was approximately $8,200,000 in 1991, $6,900,000 in 1990 and $4,600,000 in 1989. We record health care benefits and death benefits as claims are paid. New accounting rules effective in 1993 will require us to use an actuarial basis for calculating these benefits. Preliminary estimates are in the process of being prepared by our actuaries. However, we have not yet fully determined the means of recovery of such expenses through the ratemaking process or of implementing this accounting pronouncement. The adoption of this pronouncement is not expected to impact our cash flows in the near future.

Note F. Long-Term Power Contracts

1. Long-Term Contracts for the Purchase of Electricity

We have certain long-term contracts for purchasing electric power. Under these contracts, we pay our share of the operating costs (including depreciation and a return on capital) through the contract expiration date. We included the total annual costs under these contracts with our purchased power expense in our consolidated statements of income. These contracts are as follows:

				proportionate share (in thousands)		
Generating Unit	Contract Expiration Date	%	Units of Capacity Purchased[a] MW	1991 Minimum Debt Service	1991 Interest Portion of Minimum Debt Service	Debt Outstanding Through Cont. Exp. Date
Canal Unit #1	2001	25.0	142	$ 882	$ 343	$ 2,416
Connecticut Yankee Atomic	2007	9.5	56	3,196	2,331	18,864
Yankee Atomic	2000	9.5	16	313	151	2,850
Mass. Bay Transportation Authority Gas Turbine	2005	100.0	35	(b)	(b)	(b)
Northeast Utilities - Base Load	1993	-	300	11,212	8,661	4,591
Ocean State Power - Unit #1	2010	23.5	65	5,320	4,051	24,480
Ocean State Power - Unit #2	2011	23.5	65	4,432	3,399	19,942
Northeast Energy Associates	(c)	(c)	219	(c)	(c)	(c)
Down East Peat	2008	100.0	24	(d)	(d)	(d)
				$ 25,355	$ 18,936	$ 73,143

(a) The Northeast Utilities and the Northeast Energy Associates contracts represent 8.0% and 6.8%, respectively, of our installed net capability. The remaining units listed above aggregate 14.3%.

(b) We are required to pay the greater of $22.00 per kilowatt-year or 90% of NEPOOL Capability Responsibility Adjustment Charge up to $63.00 per kilowatt-year times the qualified capacity (presently 33.6MW) plus incremental operating, maintenance and fuel costs. The total charges for this contract in 1991 were approximately $2,100,000.

(c) We purchase approximately 75.5% of the energy output of this unit under two contracts. One contract represents 135MW and expires in the year 2015; the other contract is for 84MW and expires in 2010. We pay for this energy based upon a price per kWh received. The total charges for these contracts in 1991 were $28,675,000.

(d) We purchase 100% of the energy output of this unit. We pay for this energy based upon a price per kWh received. The total charges under this contract in 1991 were $12,177,000.

Our total fixed and variable costs for these contracts in 1991, 1990 and 1989 were $153,577,000, $93,707,000 and $62,334,000, respectively. The variable component represents fuel costs which we included with net purchased power in our consolidated statements of income.

The aggregate principal amounts of our future unconditional purchase obligations due in the period 1992 through 1996 and 1997 & thereafter are $130,792,000, $123,471,000, $77,975,000, $75,528,000, $76,080,000 and $844,520,000, respectively. The aggregate present value of these obligations is $709,658,000.

2. Long-Term Power Sales

We sell a portion of the output from Pilgrim Nuclear Power Station to other utilities under long-term contracts for the sale of electric power. The contracts are as follows:

Contract	Year of Contract Expiration	%	Units of Capacity Sold MW
Commonwealth Electric Company	2012	11.0	73.7
Montaup Electric Company	2012	11.0	73.7
Various municipalities	2000[a]	3.7	25.0
		25.7	172.4

(a) Subject to certain adjustments.

Under these contracts, the participating utilities bear their proportional share of the costs of operating Pilgrim Nuclear Power Station and associated transmission facilities, including operation and maintenance expenses, insurance, local taxes, depreciation, decommissioning and a return on the capital invested.

Note G. Estimated Future Costs of Disposing of Spent Nuclear Fuel and Retiring Nuclear Generating Plants

We have expanded our spent nuclear fuel storage facility at Pilgrim Station to include sufficient room for spent nuclear fuel through approximately the year 1995. However, under the Nuclear Waste Policy Act of 1982, the United States Department of Energy (DOE) is responsible for the ultimate disposal of spent nuclear fuel.

We are receiving funds from customers each year to cover our cost of decommissioning (i.e., retiring) Pilgrim Station at the end of its useful life. The funds collected for decommissioning are restricted in their use. These funds collected in the rates charged to our customers are based upon a 1985 estimate of $122,000,000 to decommission the plant (immediate dismantlement method) as approved by our state regulators. Our most recent estimate (1988) was $218,000,000 and we will include a revised estimate in our next rate case, which will be filed in April 1992. Securities held in the nuclear decommissioning fund are stated at cost, which approximates market. We also collect a provision for the cost of decommissioning Pilgrim Station from those customers (other utility companies and municipalities) with contracts to purchase a portion of the electricity generated by the unit over its lifetime.

We are also an investor in two other domestic nuclear units. Both of these units receive through the rates charged to their customers an amount to cover the estimated cost to dispose of their spent nuclear fuel and to retire the units at the end of their useful lives.

Note H. Change in Accounting Principle - Unbilled Revenues

Effective January 1, 1990, we began to record revenues for electricity used by our customers, but not yet billed, in order to more closely match our revenues with our expenses. The cumulative effect of this accounting change as of January 1, 1990, was to increase our 1990 earnings by $0.41 per common share ($15,824,000, net of taxes of $9,819,000). Had we recorded these unbilled revenues in 1989, the pro forma effect of this change on the year ended December 31, 1989 results would have been as follows (in thousands, except loss per share):

	1989	
	as reported	pro forma
Net loss	$ (16,135)	$ (14,646)
Balance available for common stock	$ (33,788)	$ (32,299)
Loss per common share	$ (0.88)	$ (0.84)

Note I. Cancelled Nuclear Unit

We began amortizing the cost of our cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years in accordance with an order received from our state regulators. These costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by our state regulators.

In 1987, we adopted the Statement of Financial Accounting Standards (SFAS) No. 90, "Accounting for Abandonments and Disallowances of Plant Costs", which requires us to include in net income an amount for interest effectively earned from the revenues we collect from our customers to recover the costs of cancelling this unit. This had the effect of increasing net income for 1991, 1990 and 1989 by $2,017,000 ($0.05 per common share), $2,724,000 ($0.07 per share) and $3,384,000 ($0.09 per share), net of taxes of $1,251,000, $1,690,000 and $2,099,000, respectively. At December 31, 1991, the unamortized discount was approximately $2,765,000, with related deferred taxes of $1,059,000.

Note J. Eminent Domain

On May 4, 1989 the Commonwealth of Massachusetts Metropolitan District Commission (the MDC) filed an order of land taking with respect to certain Company-owned property located in Quincy, MA. The MDC paid us $9,145,000 on August 24, 1989, and we recorded a gain of $0.14 per common share, which is reflected in the accompanying financial statements. We have three years from the eminent domain taking to determine whether to pursue additional damages in court.

Report of Independent Accountants

We have audited the accompanying consolidated balance sheets and schedules of capital stock and indebtedness of Boston Edison Company and subsidiary (the Company) as of December 31, 1991 and 1990 and the related consolidated statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1991. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note H of "Notes to Consolidated Financial Statements", in 1990 the Company changed to the unbilled method of recognizing revenues.

Coopers & Lybrand

Boston, Massachusetts
January 21, 1992, except as to
the information presented in
Item C of Note D for which the
date is February 26, 1992

Selected Consolidated Financial Statistics (Unaudited)

Quarterly Financial Data

(in thousands, except earnings/(loss) per common share)

	Operating Revenues	Operating Income	Net Income/(Loss)	Balance Available for Common Stock	Earnings/(Loss) Per Share of Common Stock[a]
1991					
First Quarter	$ 307,730	$ 35,214	$ 8,491	$ 4,078	$ 0.10
Second Quarter	290,018	32,213	4,618	205	0.01
Third Quarter	392,303	97,697	68,780	64,367	1.64
Fourth Quarter	329,663	40,737	12,781	8,409	0.21
1990					
First Quarter	$ 309,664	$ 39,213	$ 30,595[b]	$ 26,182[b]	$ 0.68[b]
Second Quarter	269,652	22,905	(2,048)	(6,462)	(0.17)
Third Quarter	353,863	81,483	56,914	52,502	1.35
Fourth Quarter	325,367	36,137	9,979	5,566	0.14

(a) Based upon the weighted average number of common shares outstanding during the quarter.
(b) Includes a gain of $15,824,000 or $0.41 per common share from an accounting change.

Our electricity sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, under order of state regulators, the non-fuel related rates billed to our retail customers, are, on average, forty percent higher in the billing months of July through October when demand is usually higher. Accordingly, a significant portion of our annual earnings occurs in the third quarter.

Quarterly Stock Data

Following are the reported high and low sales prices of our common stock on the New York Stock Exchange Consolidated Tape for each of the quarters of 1991 and 1990 and the dividends declared per share during each of those quarters:

	1991 High	1991 Low	1991 Dividends	1990 High	1990 Low	1990 Dividends
First Quarter	$20 1/2	$18 1/4	$0.395	$19 7/8	$17 5/8	$0.380
Second Quarter	20 5/8	19 1/8	0.395	19 5/8	17 3/4	0.380
Third Quarter	21 3/4	18 1/2	0.395	19 3/8	16 1/2	0.380
Fourth Quarter	24 7/8	21 1/4	0.410	20 1/4	17 1/4	0.395

Selected Consolidated Operating Statistics

	1991	1990	1989	1988	1987
Capacity - MW:					
New Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,015	1,014	1,018	1,027	1,036
L Street Station	22	22	22	22	22
W.F. Wyman Unit 4	36	36	36	36	36
Jet turbines	259	259	251	249	256
Total	2,762	2,761	2,757	2,764	2,780
Contract purchases	1,293	924	1,102	1,301	901
Contract sales	(293)	(173)	(171)	(173)	(258)
Net capability at year-end	3,752	3,512	3,688	3,892	3,423
Net capability at peak-MW	3,695	3,505	3,483	3,200	3,200
Capability responsibility to NEPOOL at peak-MW	3,311	3,393	3,443	3,253	2,827
Edison territory:					
Hourly peak-MW	2,652	2,548	2,626	2,626	2,432
Load factor	60.0 %	62.2 %	61.4 %	60.5 %	62.7 %
Generating station economy: (BTU/net kWh)	10,331	10,403	10,309	10,050	10,151
Average cost of fuel (Company)- ¢ per million BTU:					
Fossil	240.18	255.51	254.56	226.91	272.24
Nuclear	56.18	59.05	56.79		-
Composite	180.49	191.48	223.86	-	-
Capability (net kW):					
Fossil	81 %	81 %	82 %	83 %	80 %
Nuclear	19 %	19 %	18 %	17 %	20 %
Generation (system kWh excluding interchange):					
Fossil	70 %	72 %	87 %	90 %	90 %
Nuclear	30 %	28 %	13 %	10 %	10 %
Utility plant ($):					
Expenditures	202,589	240,902	234,253	244,807	317,737
Retirements	30,333	27,180	14,042	12,017	23,070
Accumulated depreciation	1,097,991	1,015,371	950,298	862,297	779,246
Depreciable plant	3,488,269	3,277,616	3,130,031	2,910,390	2,492,547
Number of employees at year-end	4,654	4,738	4,686	4,559	4,532

Selected Consolidated Sales Statistics

	1991	1990	1989	1988	1987
Electric energy (kWh in thousands)					
Sources (net system output):					
Generated	10,602,110	12,744,238	11,679,060	8,653,274	8,951,229
Purchased	4,651,101	3,305,491	4,177,079	4,474,726	3,129,045
Interchange	21,990	(819,434)	(919,391)	1,116,394	1,501,746
Total	15,275,201	15,230,295	14,936,748	14,244,394	13,582,020
Disposition:					
Retail sales:					
Commercial	7,132,179	7,183,347	7,095,297	7,004,452	6,750,870
Residential	3,382,306	3,430,720	3,413,801	3,430,611	3,188,748
Industrial	1,684,864	1,750,325	1,845,441	1,839,363	1,853,019
Street lighting	130,823	132,016	132,791	131,549	132,666
Railroads	148,717	143,197	126,971	90,697	0
Total retail	12,478,889	12,639,605	12,614,301	12,496,672	11,925,303
Sales for resale - total requirements	333,025	336,343	332,800	331,918	315,354
Territory total	12,811,914	12,975,948	12,947,101	12,828,590	12,240,657
Sales for resale - partial requirements	1,327,322	1,337,771	805,882	282,929	219,298
Total - system	14,139,236	14,313,719	13,752,983	13,111,519	12,459,955
Miscellaneous usage	1,135,965	916,576	1,183,765	1,132,875	1,122,065
Total	15,275,201	15,230,295	14,936,748	14,244,394	13,582,020
Kilowatthours - annual growth percent:					
Retail sales:					
Commercial	(0.7) %	1.2 %	1.3 %	3.8 %	6.1 %
Residential	(1.4)	0.5	(0.5)	7.6	4.6
Industrial	(3.7)	(5.2)	0.3	(0.7)	0.9
Street lighting	(0.9)	(0.6)	0.9	(0.8)	(1.1)
Railroads	3.9	12.8	40.0	-	-
Total retail	(1.3)	0.2	0.9	4.8	4.8
Sales for resale - total requirements	(1.0)	1.1	0.3	5.3	4.3
Territory total	(1.3)	0.2	0.9	4.8	4.8
Sales for resale - partial requirements	(0.8)	66.0	184.8	29.0	(69.3)
Total - system	(1.2) %	4.1 %	4.9 %	5.2 %	0.5 %
System total electric revenues by class:					
Commercial	48 %	48 %	48 %	48 %	49 %
Residential	27 %	28 %	27 %	28 %	28 %
Industrial	10 %	10 %	11 %	11 %	12 %
Sales for resale	10 %	9 %	10 %	9 %	9 %
Other	5 %	5 %	4 %	4 %	2 %
Electric sales statistics:					
Residential averages:					
Annual kWh use	6,053	6,150	6,160	6,270	5,903
Revenue per kWh [(a)]	10.51 ¢	10.10 ¢	10.19 ¢	9.95 ¢	10.26 ¢
Annual bill [(a)]	$636.17	$621.15	$627.70	$623.87	$605.65
Customer:					
Average number	642,967	642,041	637,871	629,659	621,083

(a) Excludes deferred fuel revenue.

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1991.

Selected Consolidated Financial Statistics

	1991	1990	1989	1988	1987
Operating revenues (000)	$1,319,714	$1,258,546	$1,269,345	$1,202,655	$1,181,097
Balance for common (000))	$77,059	$77,788	$(33,788)	$70,071	$84,255
Per common share:					
Earnings (loss)	$1.96	$2.01 (d)	$(0.88) (a)	$1.86	$2.27 (b)
Dividends declared	$1.595	$1.535	$1.745	$1.82	$1.80
Dividends paid	$1.58	$1.52	$1.82	$1.82	$1.79
Book value	$17.90	$17.20	$16.71	$19.36	$19.35
Cash flow (e)	$5.64	$6.86	$5.10	$4.55	$5.53
Payout ratio	81 %	76 %	- (c)	98 %	79 %
Return on average common equity	11.3 %	11.8 %	(4.6) %	9.6 %	11.9 %
Year-end dividend yield	6.6 %	7.9 %	7.6 %	11.03 %	9.71 %
Fixed charge coverage (SEC)	1.86 x	2.13 x	0.52 x	2.08 x	2.85 x
Capitalization:					
Long-term debt	54 %	55 %	52 %	50 %	48 %
Preferred and preference equity	10 %	11 %	12 %	12 %	10 %
Common equity	36 %	34 %	36 %	38 %	42 %
Long-term debt (000)	$1,136,545	$1,074,025	$948,839	$966,534	$822,659
Mandatory redeemable preferred/ preference stocks (000)	$100,000	$100,000	$100,000	$100,000	$50,000
Total assets (000)	$3,119,588	$3,014,169	$2,878,271	$2,817,050	$2,072,960
Internal generation after dividends (000)(a)	$191,016	$187,954	$147,449	$104,241	$148,644
Plant expenditures (000)	$214,213	$255,784	$235,946	$245,103	$309,239
Internal generation (e)	89 %	73 %	62 %	43 %	48 %
Common stockholders at year-end	44,687	[illegible],626	49,149	49,976	48,063
Common shares outstanding:					
Weighted average	39,347,824	38,778,901	38,245,648	37,683,515	37,168,722
Year-end	42,047,356	38,998,531	38,526,085	37,893,791	37,424,910
Stock price					
High	24 7/8	20 1/4	22 1/8	18 3/4	28
Low	18 1/4	16 1/2	15 3/8	12 1/2	16 3/4
Year-end	24 3/4	20	20	16 1/2	18 3/4
Year-end market value (000)	$1,040,672	$779,971	$764,913	$625,248	$701,717
Trading volume	17,464,300	19,652,300	20,938,900	46,517,500	30,040,900
Market/book (year-end)	1.38	1.16	1.20	.85	.97
Price/earnings ratio (year-end)	12.6	10.0	- (c)	8.8	8.3

(a) Includes $2.78 per common share loss applicable to rate and contract settlements.

(b) Includes $0.30 per common share from discontinued operations.

(c) Not calculated based upon a loss per common share. A payout ratio of 96% and a price/earnings ratio of 10.5 were calculated based upon $1.90 operating earnings per common share, excluding the $2.78 per common share loss due to rate and contract settlements.

(d) Includes $0.41 per common share from an accounting change.

(e) Excludes effect of rate and contract settlements.

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1991.

Officers

Bernard W. Reznicek, President and Chief Executive Officer

Thomas J. May, Executive Vice President

George W. Davis, Jr., Executive Vice President

Roy A. Anderson, Senior Vice President - Nuclear

Cameron H. Daley, Senior Vice President - Power Supply

L. Carlisle Gustin, Senior Vice President - Marketing & Customer Service

John J. Higgins, Jr., Senior Vice President - Human Resources

Ronald A. Ledgett, Senior Vice President - Power Delivery, Stores and Service

Charles E. Peters, Jr., Senior Vice President - Finance

Marc S. Alpert, Vice President and Treasurer

(1) E. Thomas Boulette, Vice President - Nuclear Operations and Station Director

C. Bruce Damrell, Vice President - Power Delivery System

John J. Desmond, III, Vice President and General Counsel

Richard S. Hahn, Vice President - Marketing

Joel Y. Kamya, Vice President - Production Operations

Martin S. Karl, Vice President - Corporate Planning

Craig D. Peffer, Vice President - Customer Service

Arthur P. Phillips, Jr., Vice President - Corporate Information Services

Edwin J. Wagner, Vice President - Nuclear Engineering

Robert J. Weafer, Jr., Vice President, Controller and Chief Accounting Officer

Theodora S. Convisser, Clerk of the Corporation

Donald Anastasia, Assistant Treasurer

James J. Judge, Assistant Treasurer

Jean C. Quinn, Assistant Clerk of the Corporation

(1) Effective February 1, 1992.

Directors

(a) (b) (c) (d) William F. Connell, Chairman and Chief Executive Officer, Connell Limited Partnership (metals recycling and processing and industrial production)

(d) (e) Gary L. Countryman, President and Chief Executive Officer, Liberty Mutual Insurance Company

George W. Davis, Jr., Executive Vice President, Boston Edison Company

(b) (c) (e) Thomas G. Dignan, Jr., Partner, Ropes & Gray (law firm)

(b) (c) (d) Charles K. Gifford, President, Bank of Boston Corporation (bank holding company) and The First National Bank of Boston

(a) (e) Nelson S. Gifford, Vice Chairman, Avery Dennison Corporation (pressure-sensitive adhesives and materials, office products, product identification and control systems and specialty chemicals)

(a) (e) Kenneth I. Guscott, General Partner, Long Bay Management Company (real estate development)

(b) (d) Matina S. Horner, Executive Vice President, Teachers Insurance and Annuity Association and College Retirement Equities Fund

(d) (e) William D. Manly, Former Executive Vice President, Cabot Corporation (energy and performance chemicals)

(c) Thomas J. May, Executive Vice President, Boston Edison Company

(b) (d) Sherry H. Penney, Chancellor, University of Massachusetts at Boston, MA

(a) (c) Bernard W. Reznicek, President and Chief Executive Officer, Boston Edison Company

(a) (d) Herbert Roth, Jr., Former Chairman of the Board and Chief Executive Officer, LFE Corporation (traffic and industrial process control systems)

(e) Stephen J. Sweeney, Chairman and former Chief Executive Officer, Boston Edison Company

(b) (d) Paul E. Tsongas, of counsel, Foley, Hoag and Eliot (law firm)

(b) (e) Charles A. Zraket, Trustee, The MITRE Corporation (not-for-profit systems research and engineering firm)

(a) Member of Executive Committee

(b) Member of Audit, Finance and Insurance Committee

(c) Member of Pricing Committee

(d) Member of Executive Personnel Committee

(e) Member of Nuclear Operations Review Committee

Dividend Reinvestment Plan

Our Dividend Reinvestment and Common Stock Purchase Plan is available to our common, preferred and preference stockholders. Under the plan, common, preferred and preference stockholders may have their dividends reinvested in our common stock at current market prices. All participants may invest optional cash contributions, up to a maximum of $5,000 per quarter, which will be invested at the current market price. Participants do not pay fees or commissions.

All recordholders of shares of common, preferred or preference stock are eligible to participate directly in the Plan. Beneficial owners of our stock whose shares are registered in names other than their own (e.g., a broker or bank nominee) must arrange participation with the recordholder. If for any reason a beneficial owner is unable to arrange participation with their broker or bank nominee, they must become a recordholder by having the shares transferred to their own name.

All correspondence concerning changes in plan ownership should be directed to the Plan Agent:

The First National Bank of Boston
Dividend Reinvestment Unit
Mail Stop: 45-01-06
P. O. Box 1681
Boston, Massachusetts 02105-1681

Important Stockholder Information

Annual Meeting
Our Annual Meeting of Stockholders will be held on April 28, 1992, at 11:00 a.m. If you wish to receive a copy of Bernie Reznicek's remarks, please write to our Investor Relations Department.

Company Contact
Theodora S. Convisser
Clerk of the Corporation

Investor Relations Contact
Daniel L. Desjardins
Director, Investor Relations

General Offices
800 Boylston Street, Boston, Massachusetts
02199-2599
(617) 424-2000

Stock Listings
New York and Boston stock exchanges

Stock Symbol
BSE

Dividend Payment Dates
Common and Preferred
1st of February, May, August, November
Preference
1st of March, June, September, December

Tax Status of 1991 Dividends
No part of the dividends paid in 1991 on our common, preferred and preference stock were considered a return of capital.

Stock Transfer Agent, Registrar of Stock and Dividend Reinvestment Plan Agent
The First National Bank of Boston

SEC Form 10-K
Stockholders may obtain a copy of our annual report to the Securities and Exchange Commission, on Form 10-K, including our financial statements and related schedules by making a written request to our Investor Relations Department.

Inquiries Concerning Stock
If you have questions concerning your dividend payments, dividend reinvestment plan status, transfer procedures and other stock account matters, please contact our Stock Transfer Agent at the following address:

The First National Bank of Boston
Shareholder Services Division
Mail Stop: 45-02-09
P. O. Box 644
Boston, Massachusetts 02102-0644

If you are submitting documents requesting a transfer, address change or account consolidation, please use this same address with Mail Stop: 45-01-05. If you would like to contact the Bank by telephone, a toll-free number is now available to shareholders outside of Massachusetts. Please call 1-800-442-2001.

BOSTON EDISON
800 Boylston St. Boston, MA 02199-2599