Maine Yankee

RELIABLE ELECTRICITY FOR MAINE SINCE 1972

EDISON DRIVE • AUGUSTA, MAINE 04330 • (207) 622-4868

April 14, 1989
MN-89-58 GDW-89-139

UNITED STATES NUCLEAR REGULATORY COMMISSION
Attention: Document Control Desk
Washington, D. C. 20555

References: (a) License No. DPR-36 (Docket No. 50-309)

Subject: Annual Financial Report

Gentlemen:

Pursuant to 10 CFR 50.71(b), please find enclosed a copy of the 1988 Annual Financial Report (Form 10K) for Maine Yankee Atomic Power Company. The original report is on file with the Securities and Exchange Commission.

Very truly yours,

MAINE YANKEE

G D Whittier

G. D. Whittier, Manager
Nuclear Engineering & Licensing

GDW:DVG

Enclosure: MYAPCo Form 10-K for the Fiscal Year Ended December 31, 1988

c: Mr. Richard H. Wessman
Mr. William T. Russell
Mr. Patrick M. Sears
Mr. Cornelius F. Holden

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APR 5 1989

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended	Commission file number
December 31, 1988	1-6554

MAINE YANKEE ATOMIC POWER COMPANY
(Exact name of registrant as specified in its charter)

Maine	01-0278125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Edison Drive, Augusta, Maine	04336
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 207-623-3521

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

Title of each class	Name of each exchange on which registered
First Mortgage Bonds, Series A (Sinking Fund) 9.10% Due 2002	New York Stock Exchange, Inc.
First Mortgage Bonds, Series B (Sinking Fund) 8 1/2% Due 2002	New York Stock Exchange, Inc.
First Mortgage Bonds, Series C (Sinking Fund) 7 5/8% Due 2002	New York Stock Exchange, Inc.

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

Yes x No ___

The aggregate value of the voting stock held by non-affiliates of the registrant is $50,000,000, based solely on the par value of the common stock. There is no market in this security.

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

Class	Shares Outstanding as of March 15, 1989
Common Stock, $100 par value	500,000

DOCUMENTS INCORPORATED BY REFERENCE
No documents are incorporated in this report by reference.

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Maine Yankee Atomic Power Company

Form 10-K - 1988

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PART I

ITEM 1 - BUSINESS

(a) General. Maine Yankee Atomic Power Company (the "Company" or "Maine Yankee"), incorporated under the laws of Maine on January 3, 1966, owns and operates a pressurized-water nuclear-powered electric generating plant at Wiscasset, Maine, with a current net capability of approximately 855 megawatts electric (the "Plant"). The Company sells its capacity and output to its ten sponsoring utilities. The Company's principal office address is Edison Drive, Augusta, Maine 04336, and its telephone number is (207) 623-3521.

The Company is sponsored by ten investor-owned New England utilities (the "Sponsors" or the "Stockholders"), each of which committed itself under a Power Contract with the Company to purchase a specified percentage of the capacity and output of the Plant and pay therefor, beginning on January 1, 1973, a like percentage of amounts sufficient to pay its fuel costs, operating expenses (including a depreciation accrual at a rate sufficient to fully amortize the investment in the Plant and amounts estimated to be sufficient to decommission the Plant), interest on its debt and a return on its equity. The Company and its Sponsors have also executed the Additional Power Contract which extends the term of the Power Contract, as amended, from 2002 to the end of the useful life and the completion of decommissioning of the Plant. Each Sponsor has also agreed under a Capital Funds Agreement with the Company to provide a like percentage of the Company's capital requirements not obtained from other sources, subject to obtaining necessary authorizations of regulatory bodies in each instance. All such obligations are subject to the continuing jurisdiction of various federal and state regulatory bodies.

(b) (i) Problems Affecting the Industry and the Company. Substantial controversy exists concerning nuclear generating plants, which intensified when events in 1979 at the Three Mile Island Nuclear Unit No. 2 in Pennsylvania ("TMI") caused increased concern about the safety of such plants. This prompted a rigorous reexamination of safety related equipment and operating procedures in all nuclear facilities and caused the United States Nuclear Regulatory Commission ("NRC") to promulgate numerous requirements in response to TMI, including both near-term modifications to upgrade certain safety systems and instrumentation and longer-term design changes, ranging from equipment changes to operational support. The Company has made the modifications required by the NRC. World-wide concern was increased by an accident in April 1986 resulting in the release of radioactivity from the Chernobyl nuclear generating facility in the Soviet Union, and concern in Maine was intensified in early 1986 by the identification of two locations in Maine as potential sites, later rejected, for high-level nuclear waste disposal facilities by the federal Department of Energy ("DOE").

ITEM 1 - BUSINESS (continued)

(b)(i) Problems Affecting the Industry and the Company. (continued)

In addition, the NRC is continuing its safety reviews under both long-standing and new regulations and may at any time issue orders which could materially affect the Company's affairs and financial condition and the operation of the Plant. Public and regulatory attention has also focused on the disposal of both low- and high-level nuclear wastes. Certain aspects of the disposal of nuclear wastes and the decommissioning of nuclear generating facilities have been regulated under federal and Maine law and further regulation is likely in this area. Public concern about the operation of nuclear generating facilities and the disposal of nuclear wastes has sometimes resulted in public campaigns to close such facilities. See Item 1(g), BUSINESS, "Nuclear Referenda". Although affecting various nuclear generating facilities in varying degrees, such events, as well as other problems of the industry, have had, and will continue to have, a direct effect on the affairs and financial condition of the Company.

(b) (ii) Seabrook. Stockholders of the Company owning an aggregate of approximately 41% of the entitlement percentages of the Plant's output are participants in the Seabrook nuclear project, located in Seabrook, New Hampshire. One of the Stockholders of the Company, Public Service Company of New Hampshire ("PSNH"), which is entitled to approximately 5% of the output of the Plant, filed a petition for protection under Chapter 11 of the federal bankruptcy laws on January 28, 1988. PSNH had paid in full the amount due under its Power Contract with the Company through January in advance of its filing on January 28, and has paid its post-filing obligations to the Company as they have become due. The Company expects that PSNH will make future Power Contract payments when due, although there is no firm assurance as yet that it will do so. Other Stockholders of the Company entitled in the aggregate to approximately 52% of the Plant's output (including Central Maine Power Company, whose entitlement is 38%) sold their interests in the Seabrook project in November 1986. The Company cannot predict what effect the bankruptcy filing may have on the Seabrook project.

A default by a Stockholder of the Company in making payments under the Power Contract or Capital Funds Agreement could have a material adverse effect on the Company, depending on the magnitude of the default, and would constitute a default under the Company's First Mortgage Indenture and two other major credit agreements unless cured within applicable grace periods by the defaulting Stockholder or other Stockholders. Although no assurances can be given, the Company believes that in light of the operating history of the Plant and the relatively low cost of power produced by the Plant, it is unlikely that there would be a default by a Stockholder that would materially and adversely affect the continued operation of the Plant.

ITEM 1 - BUSINESS (continued)

(c) Regulation and Environmental Matters. The Plant is subject to extensive regulation by the NRC, which is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health, safety, environmental and antitrust matters.

The United States Environmental Protection Agency ("EPA") administers programs established under the Federal Water Pollution Control Act and the Clean Air Act which affect the Plant. The former Act establishes a national objective of complete elimination of discharges of pollutants into the nation's water and creates a rigorous permit program designed to achieve this objective. The latter Act empowers EPA to establish clean air standards which are implemented and enforced by state agencies.

In addition, pursuant to the Federal Resource Conservation and Recovery Act of 1976, EPA regulates the generation, transportation, treatment, storage and disposal of hazardous wastes, but not radioactive wastes. The EPA has broad authority in administering these programs, including the ability to require installation of pollution control and mitigation devices.

The National Environmental Policy Act of 1969 ("NEPA") requires that detailed statements of the environmental effects of major federal actions be prepared by federal agencies. Major federal actions can include licenses or permits issued to the Company by the NRC and other federal agencies for construction or operation of generation and transmission facilities. NEPA requires that federal licensing agencies make an independent evaluation of the environmental impact of, and alternatives to, the proposed action. Future construction modifications or other activities at the Plant could require federal licenses or approvals that involve NEPA requirements.

The Company is also subject to regulation as to environmental matters and land use by various state authorities in Maine.

Under their continuing jurisdiction, the NRC and one or more of the EPA and the state authorities having jurisdiction over the Company's facilities may modify permits or licenses which have already been issued, or impose new conditions on such permits or licenses, and may require additional capital expenditures or require that the level of the operation of a unit be temporarily or permanently reduced. See "Problems Affecting the Industry and the Company" above. The Sponsors of the Company have agreed, subject to certain exceptions including regulatory approval, (i) to provide the required capital not otherwise available, (ii) to take the total output of the Plant, and (iii) to pay all costs including capital costs.

ITEM 1 - BUSINESS (continued)

(d) Nuclear Fuel Disposal. The Company has entered into a contract with the DOE for disposal of its spent nuclear fuel, as required by the Nuclear Waste Policy Act of 1982, pursuant to which a fee of $1.00 per megawatt-hour is currently assessed against net generation of electricity and paid to the DOE quarterly. Under this Act, the DOE has assumed the responsibility for disposal of spent nuclear fuel produced in private nuclear reactors. In addition, Maine Yankee is obligated to make a payment of $50,367,000 with respect to generation prior to April 7, 1983 (the date current DOE assessments began), all of which the Company has already collected from its customers, but for which a reserve was not funded. The Company has elected under terms of this contract to make a single payment of this obligation prior to the first delivery of spent fuel to DOE, scheduled to begin no earlier than 1998. The payment will consist of the $50,367,000, which is the approximate one-time fee charge, plus interest accrued at the 13-week Treasury Bill rate compounded on a quarterly basis from April 7, 1983, through the date of the actual payment. Current costs incurred by the Company under this contract are recoverable by it under the terms of its Power Contracts with its sponsoring utilities. The Company has accrued and billed $27,185,000 of interest cost for the period April 7, 1983, through December 31, 1988.

Maine Yankee has formed a trust to provide for payment of its long-term spent fuel obligation, and is funding the trust with deposits of approximately $4,100,000 at least semiannually beginning December 1985 and continuing through May 1995, which is expected to total approximately $85,881,000. The estimated liability, including interest due at the time of disposal, is expected to be approximately $159,458,000. The Company estimates that trust fund deposits plus estimated earnings will meet this total liability if operations continue without material changes. The trust funds are included in Deferred Charges and Other Assets on the accompanying balance sheet.

Under the terms of a license amendment approved by the NRC in 1984, the present storage capacity of the spent fuel pool at the Plant will be reached in 1999 and after 1996 the available capacity of the pool would not accommodate a full core removal. The Atomic Safety and Licensing Board has approved the Company's proposal to demonstrate a further modification which would, if implemented, permit storage capacity through the operating life of the Plant. That implementation would require further approval from the NRC. A Maine statute provides that after July 1, 1992, spent nuclear fuel may not be stored on-site for a period exceeding three years from the date of removal of the fuel from the reactor. The Company estimates that shipments of spent nuclear fuel to the DOE will not commence until 1998 at the earliest. The Company cannot predict whether, or to what extent, the Maine statute and storage capacity limitations referred to above may be modified and whether, or to what extent, they will affect the operation of the Plant.

ITEM 1 - BUSINESS (continued)

(e) Decommissioning. The NRC currently recognizes three decommissioning methods - complete dismantling and removal, in-place encapsulation or "entombment" and mothballing - or a combination of these methods. The Company currently proposes to use, consistent with its understanding of NRC and Federal Energy Regulatory Commission ("FERC") staff policy, the complete dismantling and removal method. Through 1988 the Company had collected $23,789,769 for decommissioning. The total Decommissioning Fund balance as of December 31, 1988, was $27,678,424 (including interest earned) and is included in Deferred Charges and Other Assets on the accompanying balance sheet.

The Company's most recent study, conducted in 1987 by an external engineering consultant, estimated decommissioning costs of $178,098,000 (in mid-1987 dollars). The Company recognizes the relative uncertainty of decommissioning, the changing technology of decommissioning and the possibility of new requirements of law, and therefore recognizes the need to monitor and adjust decommissioning collections through supplemental rate filings.

The State of Maine enacted a statute in 1982 which requires the Company to submit a detailed decommissioning financing plan to the Public Utilities Commission of the State of Maine ("PUC") for approval. The Company completed the filing of its original decommissioning financing plan in 1984. On March 24, 1989, Maine Yankee filed a motion to amend its original plan with updated information and requested that the plan, as amended, be approved. The PUC has not yet approved the plan and the Company is unable to predict whether the plan will be approved. The statute further provides that if the decommissioning trust fund is insufficient to decommission the Plant the Company as licensee would be responsible for the deficiency, but if the Company were unable to provide the full amount the statute provides that owners would be jointly and severally responsible for the balance. Funds now being collected for decommissioning are deposited in trust by the Company pending their ultimate use.

For further information on decommissioning, see Note 1 of the Notes to Financial Statements.

(f) Low-level Waste Disposal. In 1986 the federal Low-Level Radioactive Waste Policy Amendments Act (the "Act") was enacted. The Act requires the present disposal sites to accept low-level nuclear wastes from other states until December 31, 1992. The Act also sets limits on the volume of waste each disposal facility must accept from each state, establishes milestones for the non-sited states to establish sites within their states or regions (pursuant to regional compacts) and authorizes increasing surcharges on waste disposal until 1992. After 1992 the operating disposal sites would be permitted to refuse to accept wastes generated outside their states or compact regions.

In 1987 the Maine Legislature established the Maine Low-Level Radioactive Waste Authority, which was created to provide for a low-level radioactive waste facility for Maine. Pursuant to the statute, the Authority is

ITEM 1 - BUSINESS (continued)

(f) Low-level Waste Disposal. (continued)

assessing Maine Yankee, as the only nuclear plant in Maine, for the current statutory assessment of $10,000,000 over a four-year period ending on March 1, 1992, to be used for the planning, siting, licensing and construction of such a facility. Through December 31, 1988, the Company has been assessed $1,500,000.

In 1985 Maine voters approved an initiated proposal which requires voter approval prior to construction or operation of any facility in Maine for the storage or disposal of low-level radioactive wastes. The proposal also requires voter approval prior to Maine's entering into any compact or agreement with any state or the federal government concerning the disposal or storage of low-level radioactive wastes inside or outside of Maine. The Company currently has the capacity to store approximately five years' production of low-level waste at its Plant site and intends to continue to ship its wastes to present off-site facilities for as long as possible in order to preserve that capacity. The Company cannot predict, however, the long-term effects of the Maine legislation.

(g) Nuclear Referenda. On November 3, 1987, the Maine electorate defeated in referendum by a margin of 59 percent to 41 percent an initiated bill which was intended to shut down the Company's nuclear generating plant on July 4, 1988. This was the third attempt within an eight-year period to close the Company's nuclear generating plant through the referendum process. A similar measure was defeated in Massachusetts in 1988.

(h) Employees. At December 31, 1988, the Company had 334 full-time employees.

ITEM 2 - PROPERTIES

The Plant is located on tidewater on Bailey Point in Wiscasset, Maine, on a 740-acre site which is owned in fee by the Company and is adequate for the Plant and for the associated switchyard facilities (which are owned in part and operated by Central Maine Power Company).

It is a nuclear-powered electric generating plant, utilizing a pressurized water reactor, fueled with slightly enriched uranium oxide. The nuclear steam supply system and certain other equipment were designed and fabricated by Combustion Engineering, Inc. The original turbine generator was supplied by Westinghouse Electric Corporation. Stone & Webster Engineering Corporation, as engineer and constructor, designed and constructed the Plant. The nuclear design and construction of the Plant were supervised by the Nuclear Services Division of Yankee Atomic Electric Company, which has supervised the design and construction of other nuclear generating plants in New England. Construction of the

ITEM 2 - PROPERTIES (continued)

Plant, which began in 1967, was completed in 1972 except for certain discharge temperature control facilities designed to meet the requirements of the Maine Board of Environmental Protection, which were completed in 1975. Under the terms of the Indenture securing the First Mortgage Bonds, substantially all electric plant of the Company is subject to a first mortgage lien.

On August 13, 1988, one of the two main transformers at the Plant failed, resulting in a Plant outage and subsequent reduced level of operation. On August 27, a spare transformer installed in place of the failed transformer also failed, causing a continuation of reduced operation. The second failed transformer was repaired at the Plant and made ready for reenergization during the refueling shutdown from October 15, 1988 to December 16, 1988. Since the refueling shutdown the Plant has, with limited exceptions, operated at full output, but will be without a spare main transformer until the second quarter of 1989 when the first failed transformer is expected to be repaired and returned to the Plant. In the interim, if either installed transformer should fail, the Plant would be incapable of operating at a level of more than approximately 65 percent of its anticipated output. However, in such event payments would continue under the Power Contracts.

ITEM 3 - LEGAL PROCEEDINGS

(a) General. The operation of existing nuclear units and the construction of nuclear units in the United States continue to be a subject of public controversy. Various groups have filed law suits and participated in administrative proceedings claiming that the present state of nuclear technology presents risks to public health and safety and to the environment. In addition, certain of these groups have proposed restrictive legislation relating to nuclear power. Some of the claims made by such groups, if they should prevail, or the existence of the controversy itself, could cause substantial modifications to or extended shutdowns of plants presently in operation. See Item 1, BUSINESS, "Problems Affecting the Industry and the Company" above.

The Maine Yankee Plant was declared commercial on December 28, 1972, with regular operation at approximately 570 megawatts electric (net) starting on January 1, 1973, in accordance with the Power Contracts. Hearings on the Company's application for a forty-year license at full operation were completed in 1972 and the license for full operation at approximately 790 megawatts electric (net) was granted by the Atomic Energy Commission, the predecessor of the NRC, on June 29, 1973. In 1978 the NRC authorized an increase in the output rating of the Plant to approximately 855 megawatts electric (net).

ITEM 3 - LEGAL PROCEEDINGS (continued)

(a) General. (continued)

The original Power Contracts between Maine Yankee and its Sponsors require the Sponsors to continue to make monthly payments thereunder through 2002 whether or not the Plant is in operation, except under circumstances not now applicable which would entitle the Sponsors to cancel the Power Contracts. Additional Power Contracts, which have the effect of extending the terms of the Power Contracts from 2002 to the end of the useful life and the completion of decommissioning of the Plant, have also been executed by the Company and its Sponsors. Subject to certain exceptions including regulatory approval, the Sponsors are also obligated under the Capital Funds Agreements with Maine Yankee to pay their respective shares of the capital requirements of Maine Yankee, not otherwise obtainable, which would include the cost of any modifications to the Plant that may be required pursuant to an NRC order.

The Price-Anderson Act (the "Act") is a federal statute which provides, among other things, for the maximum liability for damages resulting from a nuclear incident. In August 1988, Congress enacted a fifteen-year revision and extension of the Act, which provides for an increase in the limit of liability for a nuclear-related accident from $720 million to approximately $7.25 billion. The primary layer of insurance for the liability increased from $160 million to $200 million of coverage provided by the commercial insurance market. The secondary coverage increased from $560 million to $7.05 billion, based on 112 licensed reactors. The change in the secondary layer would be funded by an increase in the retrospective premium assessment from $5 million to $63 million per nuclear accident per licensed reactor, payable at a rate not exceeding $10 million per year per accident. In addition, the retrospective premium is subject to inflation-based indexing at five-year intervals and, if the sum of all public liability claims and legal costs arising from any nuclear accident should exceed the maximum amount of financial protection, each licensee could be assessed an additional 5% ($3.15 million) of the maximum retrospective assessment.

In addition to the insurance required by the Price-Anderson Act, the Company carries all-risk nuclear property damage insurance in the amount of $500 million plus additional excess nuclear property insurance in the amount of $1.225 billion effective January 15, 1989. Of this additional insurance, $825 million is provided by a nuclear electric utility industry insurance company through a combination of current premiums and retrospective premium assessments. If this company experiences losses in excess of its capacity to pay them, each participating utility may be assessed a retrospective premium assessment of up to 7.5 times its annual premium with respect to industry losses in any policy year. Based on premium rates effective November 15, 1988, this adjustment could range up to approximately $7.4 million for the Company. The remaining excess nuclear property coverage of $400 million is obtained from the commercial insurance market and is not subject to retrospective premium assessments. These excess coverage amounts as of January 15, 1989, were the maximum offered by both the industry company and the commercial market.

ITEM 3 - LEGAL PROCEEDINGS (continued)

(b) Rates. On January 29, 1987, the Connecticut Division of Consumer Counsel (the "Division") filed a complaint with FERC alleging that the allowed rates of return on equity of Maine Yankee, Yankee Atomic Electric Company, Connecticut Yankee Atomic Power Company and Vermont Yankee Nuclear Power Corporation were excessive and should be lowered to reflect then current conditions.

As a result of informal discussions with the FERC, the Company proposed a settlement agreement that provided for a reduction in the return on common equity from 15.5% to 13.6% and an increase of $796,000 in the annual decommissioning collection effective June 1, 1987. The modifications to the settlement agreement were approved by FERC on June 19, 1987, and the complaint filed by the Division was dismissed.

On January 15, 1988, the Company filed a request with the FERC to modify certain billing calculations and to increase its collection for decommissioning effective March 15, 1988. The request sought FERC approval to decrease the level of return on common equity from 13.6% to 13.5%, to provide for depreciation expense based on the recognition of shorter useful lives for certain classes of assets than had previously been assumed, to provide for the amortization of materials and supplies and the last fuel core and to increase the annual decommissioning collection from $4,796,000 to $14,466,467 based on full recovery by 1998, rather than over the NRC operating license life of the Plant, that is, to 2008.

After discussions among the Company, the FERC Staff, and intervenors, and rejection by FERC of the shorter decommissioning collection period, a settlement agreement resolving all outstanding issues under this rate proceeding was certified to the FERC for approval as an uncontested settlement. The FERC approved the settlement by order dated September 20, 1988, with rates effective August 16, 1988. The settlement agreement provided for the following:

(1) Rate of return on common equity at 12.9% per annum.

(2) Annual decommissioning collections of $9,073,943, exclusive of any income tax liability for the remaining licensed life.

(3) Depreciation expense based on the recognition of shorter useful lives for certain classes of assets.

(4) Amortization of materials and supplies and last core fuel.

(5) Agreement by the Company not to propose an increase and by other parties not to make a filing to decrease the annual decommissioning charges to take effect prior to February 16, 1991.

ITEM 3 - LEGAL PROCEEDINGS (continued)

(b) Rates. (continued)

(6) Agreement that no party would oppose an anticipated FERC order (included in its September 20 order) requiring the Company to file an equity reopener provision.

(7) Agreement that no party would oppose a FERC order requiring that the Company make certain filings in the event that the license term of the Plant is modified by the NRC.

The enactment by Congress of the Regulatory Fairness Act, effective October 6, 1988, which provides for customer rate refund relief under Section 206 of the Federal Power Act, has, by the terms of the FERC order of September 20, 1988, obviated the requirement referred to in paragraph (6) above that the Company file an equity reopener clause.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock, owned by the Company's ten utility Sponsors, is not publicly traded. Transfer of the Common Stock is restricted by the Company's bylaws. The Company has paid cash dividends on its Common Stock to its ten utility Sponsors in each year of operation, 1973 through 1988. The following table shows cash dividends paid for years 1988 and 1987:

	Shares Outstanding	1988 Per Share	1987 Per Share
January	500,000	$ 1.50	$ 4.45
April	500,000	5.00	4.00
July	500,000	4.75	2.00
October	500,000	4.50	1.00
		$15.75	$11.45

The Company's net income and earnings per share of common stock were at reduced levels in 1987 due to expenditures relating to the November 1987 referendum which sought to close the Plant. Expenditures for the purpose of influencing public opinion with respect to referendum issues are not recoverable through the Company's cost of service and, therefore, lower the Company's return on equity.

The payment of dividends on the Company's Common Stock is subject to the following restrictions:

(1) The Company's First Mortgage Indenture provides that the Company shall not declare or pay any dividend on any class of its stock, except out of earned surplus, and shall not declare or pay any such dividend or directly or indirectly make any payment on account of the purchase, redemption, acquisition or other retirement of any shares of its stock, unless, after giving effect to such declaration or payment, the Company's Equity shall be at least 35% of Plant Construction Financing, and the Company's Common Equity shall be at least 30% of Plant Construction Financing. The Company was in compliance through December 31, 1988, with the dividend restriction of the First Mortgage Indenture.

(2) The Company's Articles of Incorporation provide that so long as any shares of the Company's Cumulative Preferred Stock, 7.48% Series (Sinking Fund) are outstanding, the payment of dividends on the Common Stock (other than dividends in Common Stock) and the making of distributions thereon is limited to 50% of Net Income Available for Dividends on Common Stock for the preceding twelve months if the Common Stock Equity (after such action) is less than 20% of Total Capitalization, and to 75% of such Net Income if such Common Stock Equity (after such action) is 20% or more but less than 25% of Total Capitalization. The Company was in compliance through December 31, 1988, with the dividend restriction of the Articles of Incorporation.

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ITEM 6 - SELECTED FINANCIAL DATA

(Dollars in Thousands Except Per Share Amounts)

	1988	1987	1986	1985	1984
Selected Income Statement Data:					
Electric Operating Revenues	$157,097	$144,404	$122,965	$134,785	$128,080
Earnings Applicable to Common Stock	9,000	4,499	9,891	9,879	6,730
Earnings Per Share of Common Stock	18.00	9.00	19.78	19.76	13.46
Dividends Declared Per Share of Common Stock	18.25	8.50	19.85	20.70	12.45
Selected Balance Sheet Data:					
Total Assets	$413,015	$375,967	$368,399	$370,427	$371,075
First Mortgage Bonds	63,412	67,751	72,970	76,750	81,924
Nuclear Fuel Financing Notes	42,000	30,800	27,950	37,850	39,350
Long-Term Fuel Disposal Liability	77,552	72,622	68,331	64,171	59,076
Trust Fund to Satisfy Long-Term Fuel Disposal Liability	37,073	26,559	17,091	4,167	-
Redeemable Preferred Stock	7,475	8,380	8,449	9,055	10,069

Maine Yankee Atomic Power Company

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For a period commencing January 1, 1973, extending for thirty years thereafter, and subsequently extended to 2008, in accordance with the Power Contracts as amended and subject to certain limitations, each Sponsor receives its entitlement percentage of Plant output and is obligated to pay its entitlement percentage of the Company's total costs, including a return on invested capital, regardless of the level of operation of the Plant.

The following is management's analysis of certain significant factors which have affected the Company's operating results and financial condition for the period 1986 through 1988.

Operating Results

Fuel Amortization expense is based on the cost of nuclear fuel in the reactor core and is allocated to the accounting period based on the level of energy produced. Fuel Amortization increased by $7.3 million over 1987 due to increased generation during 1988. The 1987 decrease in fuel amortization reflects the impact of a 1987 non-scheduled outage for low-pressure turbine vibration analysis and repairs from June 19 to August 24, 1987.

Fuel Disposal expense results from a disposal fee of $1.00 per megawatt-hour of net generation which is assessed by the Department of Energy ("DOE") and is paid quarterly. Fuel Disposal expense therefore fluctuates with the level of production also.

Operation expense increased by $6.7 million in 1988. This increase resulted from (1) contracted support services for the 1988 scheduled outage, (2) increased Nuclear Regulatory Commission support fees, (3) State of Maine fees associated with the Maine Low-Level Radioactive Waste Authority, which was created to provide for a low-level waste facility for Maine and (4) the continuing commitment to public awareness and communication on the operating activities of the Company.

Maintenance expense decreased by $3.6 million in 1988. This decrease reflects the absence in 1988 of a non-scheduled outage of similar duration as that incurred in 1987 to repair the low-pressure turbine rotors.

The increase in Operation and Maintenance expense in 1987 of $30.2 million, compared to 1986, was associated with the scheduled 1987 maintenance and refueling outage and the subsequent non-scheduled outage to repair the low-pressure turbine rotors.

Maine Yankee Atomic Power Company

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Depreciation expense increases for 1988 and 1987 result primarily from additional depreciable property placed in service. The 1988 increase also reflects the impact of the allowed increase in depreciation rates by the Federal Energy Regulatory Commission ("FERC") effective August 16, 1988.

Decommissioning costs increased by $1.9 million in 1988 and $.5 million in 1987. The 1988 increase resulted from the 1988 FERC Settlement Agreement to increase the decommissioning collection to $9,073,943 annually, effective August 16, 1988. A modification to the 1985 Settlement Agreement to increase the decommissioning collection by $796,000 annually, effective June 1, 1987, is reflected in the 1987 increase. See Notes to Financial Statements, Note 3, "Ratemaking Matters", with respect to certain decommissioning issues.

The increase in income tax expense for 1988 resulted primarily from the recapture of investment tax credits associated with prior period nuclear fuel reloads and the previously flowed-through credits freed up as a result of allowed decommissioning deductions for years 1984 through 1986. The increase in income tax expense in 1987 was due primarily to the reduction in the flowback of investment tax credits on nuclear fuel.

While the Company's revenue requirements were reduced as a result of the lower corporate federal income tax rate, provided by the Tax Reform Act of 1986, several aspects of the Act could result in a significant increase in capital requirements for the utility industry and the Company. These potential increases depend heavily upon the level of future construction activities and relate primarily to the elimination of investment tax credits and the slowing of the depreciation for newly acquired or constructed assets. The Financial Accounting Standards Board has enacted a change in the accounting for income taxes which will require adjusting deferred tax balances to reflect changes in tax rates. For utilities, however, such immediate adjustments are currently restricted by income tax law. Since income taxes are fully recoverable as a component of the Company's cost of service rate, these changes in the tax laws will not affect net income.

Other Income for 1988 primarily reflects earnings associated with the Company's prior fuel disposal trust fund. The primary impact on Other Income during 1987 was the expenditure of $5.6 million associated with the opposition to an initiated referendum bill defeated by the electorate on November 3, 1987, to shut down the Company's nuclear generating plant on July 4, 1988. Expenditures for the purpose of influencing public opinion with respect to referendum issues are not recoverable through the Company's cost of service rate and therefore lower the Company's return on equity.

Maine Yankee Atomic Power Company

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The Company is accruing interest on its obligation to the DOE for fuel burned prior to April 7, 1983. This interest expense is compounded quarterly on the original obligation of $50.4 million at the 13-week Treasury Bill rate. The interest expense associated with this liability is reflected as Interest Charges - Fuel Disposal Liability. During 1988 the increase in expense reflects the impact of increased average interest rates and the quarterly compounding of interest expense. In 1987 the average interest rate, while lower than 1986, was offset by the quarterly compounding of the interest expense.

Fluctuations in the amount of allowance for funds (equity and borrowed) normally occur as the result of changes in the level of investments in construction and nuclear fuel in process, and/or the rate used for capitalization of these funds. During 1987, Allowances for Funds Used During Construction ("AFC") were higher than in 1986 due to an increased level of investment in construction work in progress while Allowances for Nuclear Fuel in Process ("AFN") were substantially lower due to lower levels of nuclear fuel in the process of construction.

The average level of borrowings on fuel financing notes was lower in 1988 than in 1987. This lower level of borrowings resulted in lower interest expense in 1988. Interest expense for these fuel financing notes was at similar levels in 1987 and 1986 as there was little change in the average interest rate or level of borrowings.

Liquidity and Capital Resources

Financings and Capitalization

Cash flow needs for 1988 were provided from Operating Activities in the amount of $62.9 million and $1.8 million from Financing Activities.

The primary use of cash was for various corporate purchases such as: (1) nuclear fuel acquisitions of $24.6 million, which reflects primarily costs incurred for the 1988 reload of fuel assemblies, (2) construction of operating property which utilized $29.4 million primarily for two new low-pressure turbine rotors, (3) and trust fund investments of $17.8 million to meet future Spent Fuel Permanent Disposal and Plant Decommissioning costs.

The Company's current 1989 budget for construction of electric property amounts to $13.3 million, and for procurement of nuclear fuel to $7.4 million, exclusive of AFC and AFN. See Note 10, "Commitments and Contingencies", for additional information concerning the Company's 1989 construction program and the projected Acquisition of Nuclear Fuel requirements for 1990 through 1993.

Maine Yankee Atomic Power Company

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The Company currently has capital resources available from secured and unsecured lines of credit totaling $91,000,000, of which $47,500,000 was utilized at year-end. See Notes 4, 6 and 7 of Notes to Financial Statements for further discussion.

The Company expects to apply to various regulatory agencies for an increase in its lines of credit of $15,000,000 during 1989.

The Company, as well as the nuclear electric industry in general, has been challenged by common problems in recent years including those of increasing operating costs and expenditures for Plant modifications attributable to greater regulatory requirements and uncertainties caused by political involvement in nuclear utility regulation. It is not possible at this time to predict what impact these uncertainties will have on the future financial operation of the Company.

Liquidity

In addition to funding its short-term needs, the Company must also fund the payment of its spent fuel disposal liability of $50.4 million and accrual of interest from April 7, 1983, to the time of payment, which through December 31, 1988, amounts to $27.2 million. Maine Yankee has entered into an Indenture of Trust with a trustee to provide for payments of this liability. Payment from the trust to the DOE is planned for 1998. Funding of the trust is being made by deposits of $4.1 million at least semiannually from December 1985 through May 1995 totaling $85.9 million. The estimated liability including interest due at time of payment is projected to be approximately $159.5 million. The trust fund deposits plus estimated earnings are projected to meet this total liability if operations continue without material changes.

The Company must also provide for the eventual decommissioning of the Plant at the end of its operating life. The Company's 1987 external engineering study estimated the cost of decommissioning, including a 25% contingency, to be $178,098,000 in mid-1987 dollars. The Company is currently allowed to collect $9,074,000 annually in rates, based on the FERC-approved settlement amount of $167,000,000 (in mid-1987 dollars), and is funding two external trusts with the collections to provide for the funds necessary to meet this future obligation.

Maine Yankee Atomic Power Company

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX OF FINANCIAL STATEMENTS AND SCHEDULES

The information required to be furnished in response to this Item is submitted on the following pages:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF
MAINE YANKEE ATOMIC POWER COMPANY:

We have audited the accompanying balance sheet and statement of capitalization of MAINE YANKEE ATOMIC POWER COMPANY (a Maine corporation) as of December 31, 1988 and 1987, and the related statements of income, changes in common stock investment and cash flows for each of the three years in the period ended December 31, 1988. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAINE YANKEE ATOMIC POWER COMPANY as of December 31, 1988 and 1987, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1988, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index of the financial statement schedules are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
February 2, 1989.

Maine Yankee Atomic Power Company

STATEMENT OF INCOME
(Dollars in Thousands Except Per Share Amounts)

	Year Ended December 31,		
	1988	1987	1986
ELECTRIC OPERATING REVENUES	$157,097	$144,404	$122,965
OPERATING EXPENSES			
Fuel			
Amortization (Note 1)	29,229	21,893	33,203
Disposal Cost (Note 1)	5,017	4,043	5,687
Operation	55,004	48,257	37,527
Maintenance	19,594	23,206	3,716
Depreciation (Note 1)	10,427	9,465	9,305
Decommissioning (Note 1)	6,406	4,464	4,000
Taxes			
Federal and State Income (Note 2)	5,562	4,831	1,974
Local Property	6,956	6,294	5,784
Total Operating Expenses	138,195	122,453	101,196
OPERATING INCOME	18,902	21,951	21,769
OTHER INCOME (EXPENSE)			
Allowance for Equity Funds Used			
During Construction (Note 1)	145	188	74
For Nuclear Fuel (Note 1)	4	16	234
Other, Net	2,358	(4,667)	49
INCOME BEFORE INTEREST CHARGES	21,409	17,488	22,126
INTEREST CHARGES			
Long-Term Debt (Note 5)	5,181	5,839	6,060
Fuel Disposal Liability (Note 1)	4,930	4,291	4,159
Fuel Financing Notes (Notes 6 and 7)	1,877	2,298	2,469
Other Interest Charges (Note 4)	415	433	111
Allowance for Borrowed Funds Used			
During Construction (Note 1)	(105)	(111)	(45)
For Nuclear Fuel (Note 1)	(482)	(392)	(1,153)
Total Interest Charges	11,816	12,358	11,601
NET INCOME	9,593	5,130	10,525
Dividends on Preferred Stock	593	631	634
EARNINGS APPLICABLE TO COMMON STOCK	$ 9,000	$ 4,499	$ 9,891
SHARES OF COMMON STOCK OUTSTANDING	500,000	500,000	500,000
EARNINGS PER SHARE OF COMMON STOCK	$ 18.00	$ 9.00	$ 19.78
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 18.25	$ 8.50	$ 19.85

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

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

ASSETS

	December 31, 1988	December 31, 1987
ELECTRIC PROPERTY, at Original Cost (Note 5) (Sch. V)	$347,764	$326,368
Less: Accumulated Depreciation and Amortization (Note 1) (Sch. VI)	121,850	120,444
	225,914	205,924
Construction Work in Progress	559	861
Net Electric Property	226,473	206,785
NUCLEAR FUEL, at Original Cost (Note 1) (Sch. V)		
Nuclear Fuel in Reactor	125,225	136,432
Nuclear Fuel-Spent	242,249	204,414
Nuclear Fuel-Stock	13,425	8,950
	380,899	349,796
Less: Accumulated Amortization (Note 1) (Sch. VI)	306,156	276,928
	74,743	72,868
Nuclear Fuel in Process	8,916	15,457
Net Nuclear Fuel	83,659	88,325
Net Electric Property and Nuclear Fuel	310,132	295,110
CURRENT ASSETS		
Cash (Note 4)	466	50
Accounts Receivable	24,093	14,008
Materials and Supplies, at Average Cost	8,529	8,542
Prepayments	3,543	3,434
Total Current Assets	36,631	26,034
DEFERRED CHARGES AND OTHER ASSETS		
Trust Funds (Note 1)		
Fuel Disposal	37,073	26,559
Plant Decommissioning	27,678	20,361
Accumulated Prepaid Income Taxes (Note 2)	285	6,897
Other Deferred Charges and Other Assets	1,216	1,006
Total Deferred Charges and Other Assets	66,252	54,823
	$413,015	$375,967

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

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

STOCKHOLDERS' INVESTMENT AND LIABILITIES

	December 31, 1988	December 31, 1987
CAPITALIZATION (See Separate Statement)		
Common Stock Investment	$ 68,024	$ 68,139
Redeemable Preferred Stock	7,475	8,380
Long-Term Debt	63,412	67,751
Total Capitalization	138,911	144,270
LONG-TERM FUEL DISPOSAL LIABILITY (Note 1)	77,552	72,622
NUCLEAR FUEL FINANCING NOTES (Notes 6 and 7)	42,000	30,800
CURRENT LIABILITIES		
Notes Payable to Banks (Note 4) (Sch. IX)	5,500	-
Current Sinking Fund Requirements (Note 5)	301	1,470
Accounts Payable	24,346	7,051
Fuel Disposal Cost Payable (Note 1)	265	1,763
Dividends Payable	2,140	907
Accrued Interest and Taxes	2,671	1,321
Other Current Liabilities	702	282
Total Current Liabilities	35,925	12,794
COMMITMENTS AND CONTINGENCIES (Note 10)		
RESERVES AND DEFERRED CREDITS		
Plant Decommissioning Reserve (Note 1) (Sch. VIII)	28,460	20,828
Deferred Credits		
Accumulated Deferred Income Taxes (Note 2)	72,815	73,992
Unamortized Investment Tax Credits (Note 2)	9,928	12,909
Unamortized Gains on Reacquired Debt (Note 1)	7,041	7,439
Other Deferred Credits	383	313
Total Reserves and Deferred Credits	118,627	115,481
	$413,015	$375,967

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

Maine Yankee Atomic Power Company

STATEMENT OF CAPITALIZATION
(Dollars in Thousands)

	December 31, 1988	December 31, 1987
COMMON STOCK INVESTMENT		
Common Stock, $100 Par Value, 500,000 Shares Authorized and Outstanding	$50,000	$50,000
Other Paid-in Capital	16,754	16,764
Capital Stock Expense	(122)	(138)
Gain on Redemption of Preferred Stock	1,089	1,073
Premiums on Preferred Stock	110	123
Retained Earnings	193	317
	68,024	68,139
REDEEMABLE PREFERRED STOCK - 7.48% Series, $100 Par Value, Authorized 170,000 Shares, Outstanding 74,750 in 1988 and 83,800 in 1987 (Note 8)	7,475	8,380
LONG-TERM DEBT (Note 5)		
First Mortgage Bonds		
Series A - 9.10 % due May 1, 2002	34,914	37,854
Series B - 8 1/2% due May 1, 2002	22,301	24,866
Series C - 7 5/8% due May 1, 2002	6,554	6,569
	63,769	69,289
Less: Current Sinking Fund Requirements	301	1,470
Unamortized Debt Discount, Net of Premium	56	68
	63,412	67,751
Total Capitalization	$138,911	$144,270

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

Maine Yankee Atomic Power Company

STATEMENT OF CHANGES IN COMMON STOCK INVESTMENT
for the Three Years Ended December 31, 1988
(Dollars in Thousands)

	Shares	Amount at Par Value	Other, Net	Retained Earnings	Total
Balance-December 31, 1985	500,000	$50,000	$17,755	$ 102	$67,857
Add (Deduct):					
Net Income	-	-	-	10,525	10,525
Cash Dividends					
Declared on -					
Common Stock	-	-	-	(9,925)	(9,925)
Preferred Stock	-	-	-	(634)	(634)
Redemption of					
Preferred Stock	-	-	68	-	68
Other	-	-	(3)	-	(3)
Balance-December 31, 1986	500,000	50,000	17,820	68	67,888
Add (Deduct):					
Net Income	-	-	-	5,130	5,130
Cash Dividends					
Declared on -					
Common Stock	-	-	-	(4,250)	(4,250)
Preferred Stock	-	-	-	(631)	(631)
Redemption of					
Preferred Stock	-	-	2	-	2
Balance-December 31, 1987	500,000	50,000	17,822	317	68,139
Add (Deduct):					
Net Income	-	-	-	9,593	9,593
Cash Dividends					
Declared on -					
Common Stock	-	-	-	(9,124)	(9,124)
Preferred Stock	-	-	-	(593)	(593)
Redemption of					
Preferred Stock	-	-	16	-	16
Other	-	-	(7)	-	(7)
Balance-December 31, 1988	500,000	$50,000	$17,831	$ 193	$68,024

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

Maine Yankee Atomic Power Company

STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Year Ended December 31,		
	1988	1987	1986
Operating Activities			
Net Income	$ 9,593	$ 5,130	$10,525
Items Not Requiring (Not Providing) Cash			
Fuel Amortization	29,229	21,893	33,203
Depreciation and Decommissioning	16,833	13,929	13,305
Deferred Income Taxes and Investment Tax Credits, Net	2,454	3,232	98
Allowance for Equity Funds Used for Nuclear Fuel and During Construction	(149)	(204)	(308)
Long-Term Fuel Disposal Interest, Net of AFN Recovery	4,593	4,053	3,433
Other, Net	(1,933)	1,060	1,510
Changes in Certain Assets and Liabilities			
Accounts Receivable	(10,085)	310	2,516
Other Current Assets	(96)	(664)	(1,819)
Accounts Payable	11,158	613	(2,109)
Accrued Interest and Taxes	1,350	(1,438)	297
Net Cash Provided by Operating Activities	62,947	47,914	60,651
Investing Activities			
Acquisition of Nuclear Fuel	(24,558)	(15,199)	(19,962)
Construction of Electric Property	(29,449)	(7,440)	(3,640)
Changes in Accounts Payable - Investing Activities	6,292	(3,289)	2,986
Investment Income in Decommissioning Trust	1,225	924	593
Trust Fund Investments			
Fuel Disposal	(10,514)	(9,468)	(12,924)
Plant Decommissioning	(7,317)	(5,319)	(4,862)
Net Cash Used by Investing Activities	(64,321)	(39,791)	(37,809)
Financing Activities			
Issuances (Redemptions)			
Fuel Financing Notes, Net	11,200	2,850	(9,900)
Bank Notes, Net	5,500	(775)	775
Long-Term Debt	(5,520)	(3,755)	(4,045)
Preferred Stock	(905)	(69)	(606)
Dividend Payments			
Common Stock	(7,875)	(5,725)	(10,300)
Preferred Stock	(610)	(632)	(645)
Net Cash Provided (Used) by Financing Activities	1,790	(8,106)	(24,721)
Net Increase (Decrease) in Cash and Cash Equivalents	416	17	(1,879)
Cash and Cash Equivalents at Beginning of Year	50	33	1,912
Cash and Cash Equivalents at End of Year	$ 466	$ 50	$ 33

Supplemental disclosure of cash flow information:
Cash paid during the year for:

	1988	1987	1986
Interest (net of amounts capitalized)	$7,175	$8,581	$8,532
Income taxes	$3,140	$3,303	$2,432

Disclosure of accounting policy:
For purposes of the statement of cash flows, the Company considers cash investments acquired for the purpose of temporarily investing cash to be cash and cash equivalents.

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company: The Company owns and operates a pressurized-water nuclear-powered electric generating plant with a current rated net capacity of approximately 855 megawatts (the "Plant"). The Plant commenced commercial operation on January 1, 1973. The following New England electric utilities own all of the Company's common stock:

Sponsor/Participant	Ownership Interest
Central Maine Power Company	38%
New England Power Company	20
The Connecticut Light and Power Company	12
Bangor Hydro-Electric Company	7
Maine Public Service Company	5
Public Service Company of New Hampshire	5
Cambridge Electric Light Company	4
Montaup Electric Company	4
Western Massachusetts Electric Company	3
Central Vermont Public Service Corporation	2
	100%

For a period commencing January 1, 1973, extending for thirty years thereafter, and subsequently extended to 2008, in accordance with the Power Contracts as amended and subject to certain limitations, each participant receives its entitlement percentage of Plant output and is obligated to pay its entitlement percentage of the Company's total costs, including a return on invested capital, regardless of the level of operation of the Plant.

On January 28, 1988, Public Service Company of New Hampshire, a 5% Stockholder of the Company, filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. The Company believes that in light of the operating history of the Plant and the relatively low cost of power produced by the Plant, it is unlikely this event will materially and adversely affect the continued operation of the Plant.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Regulation: The Company is subject to the regulatory authority of the Federal Energy Regulatory Commission ("FERC"), the Nuclear Regulatory Commission ("NRC") and the Public Utilities Commission of the State of Maine ("MPUC") and other federal and state agencies as to rates, accounting, operations and other matters.

Depreciation: Depreciation is provided using a composite remaining life method designed to fully depreciate the original cost of electric plant over the Plant operating life. Under the composite method, at the time depreciable property is retired, the original cost, plus cost of removal, less salvage, of such property is charged to accumulated depreciation. Effective August 16, 1988, the FERC approved an increase in allowed depreciation rates. (See Note 3, "Ratemaking Matters".)

Decommissioning: The Company accrues for estimated decommissioning costs in accordance with FERC rate orders. The Company began collecting annual decommissioning charges of $1,826,100 in December 1981. The FERC's April 1985 order permitted the collection of an annual decommissioning charge of $4,000,000, which was subsequently amended in June 1987 to $4,796,000. The FERC approved an uncontested settlement by order dated September 20, 1988, for an annual decommissioning charge of $9,073,943 based on estimated decommissioning costs of $167,000,000 (in mid-1987 dollars), exclusive of any income tax liability, effective August 16, 1988. (See Note 3, "Ratemaking Matters".)

The Company's most recent study, conducted in 1987 by an external engineering consultant, estimated decommissioning costs of $178,098,000 (in mid-1987 dollars) including a 25% contingency. The Company recognizes the relative uncertainty of decommissioning, the changing technology of decommissioning and the possibility of new requirements of law and therefore recognizes the need to monitor and adjust decommissioning collections through supplemental rate filings.

Funds collected for decommissioning are deposited in external irrevocable trusts pending their ultimate use.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Nuclear Fuel: The cost of nuclear fuel in the reactor is amortized to Fuel Expense based on the ratio of energy produced during the period to the estimated total core capability.

Effective August 16, 1988, the Company began amortizing to expense the estimated costs of the unburned nuclear fuel which is expected to be in the reactor core at the expiration of the Plant's NRC operating license life in 2008. These costs are being amortized over the period ending October 2008. (See Note 3, "Ratemaking Matters".)

Amortization of Materials and Supplies: Effective August 16, 1988, the Company began amortization of materials and supplies inventory that is expected to remain unutilized at the end of the Plant's life. This amortization is based on the current inventory balance less the accumulated amortization. This cost is being amortized over the period ending October 2008 on a monthly basis using the prior month's ending balances. (See Note 3, "Ratemaking Matters".)

Fuel Disposal Cost: In 1983 the Company entered into a contract with the Department of Energy ("DOE") for disposal of its spent nuclear fuel, pursuant to which a fee of $1.00 per megawatt-hour is assessed against current generation and is paid to the DOE quarterly. The Company also has an obligation of $50,367,000 with respect to generation prior to April 7, 1983, all of which the Company has already collected from its customers, but for which a reserve was not funded. The Company has elected under terms of this contract to make a single payment of this obligation prior to the first delivery of spent fuel to DOE, scheduled to begin no earlier than 1998. Interest on the obligation accrues at the 13-week Treasury Bill rate compounded on a quarterly basis from April 7, 1983, through the date of the actual payment and is billed under the terms of the Power Contract. Interest accrued and billed through December 31, 1988, amounted to $27,185,000. The Company has formed a trust to provide for payment of this long-term fuel obligation. Funding of the trust is being made by deposits of approximately $4,100,000 at least semiannually beginning December 1985 and continuing through May 1995 totaling approximately $85,881,000. The trust funds are included in Deferred Charges and Other Assets on the accompanying balance sheet. The trust fund deposits plus estimated earnings are projected to meet the total estimated future liability of $159,458,000.

Allowance for Funds Used During Construction ("AFC") and Allowance for Funds Used for Nuclear Fuel ("AFN"): Under the Company's April 1985 and September 1988 rate case settlement agreements, the Company earns a current return on up to 50% of Construction Work in

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Progress ("CWIP") and 50% of Nuclear Fuel in Process ("NFIP"), subject to certain limitations. The Company records the net cost of borrowed funds and the allowed rate of return on equity funds used to finance its remaining construction and nuclear fuel acquisition costs as AFC and AFN. The amount of the allowance recorded is determined by multiplying the applicable average monthly balance of CWIP and NFIP by the weighted average cost rate of the capital used to finance the respective additions.

The following table contains the rates used for the most recent three annual periods:

	AFC on CWIP	AFN on NFIP
1988	9.56%	9.17%
1987	10.28	8.74
1986	9.99	8.64

Unamortized Gain or Loss on Reacquired Debt: Gains and losses on bonds reacquired to satisfy sinking fund requirements of First Mortgage Bonds are deferred and amortized to income over the remaining original terms of the applicable series as prescribed by the Uniform System of Accounts of the FERC.

2. INCOME TAX EXPENSE

The components of federal and state income taxes reflected in the Statement of Income are as follows:

	Year Ended December 31,		
	1988	1987	1986
	(Dollars in Thousands)		
Federal			
Current	$ 2,186	$ 1,251	$ 541
Deferred	4,800	3,709	(2,104)
Investment tax credits, net	(2,691)	(1,570)	2,562
	4,295	3,390	999
State			
Current	922	348	1,335
Deferred	345	1,093	(360)
	1,267	1,441	975
Total federal and state income taxes	$ 5,562	$ 4,831	$ 1,974

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

The Company provides deferred taxes for the tax effects of all timing differences, primarily accelerated depreciation of property and nuclear fuel, for tax purposes.

Excess deferrals were created as a result of the reduction in the federal income tax rate to 34 percent. The excess deferral related to accelerated tax depreciation will be flowed back as a cost of service reduction over the period that the depreciation timing difference reverses (i.e., the period that straight-line depreciation exceeds accelerated depreciation). The excess deferred tax reserve related to other book/tax timing differences is being flowed back on a straight-line basis over the remaining book life of the plant facilities.

Investment tax credits utilized to reduce federal income taxes currently payable are deferred and amortized over the lives of the related assets. At December 31, 1988, the Company had available approximately $4,500,000 of additional investment tax credit.

The following table reconciles the statutory federal income tax rate to the rate determined by dividing the total federal income tax expense by income before that expense.

	Dollars in Thousands					
	1988		1987		1986	
	Amount	%	Amount	%	Amount	%
Statutory federal income tax rate	$4,722	34.0	$ 3,404	40.0	$ 5,301	46.0
Increase (reduction) in taxes resulting from:						
Investment tax credits	1,145	8.2	(2,441)	(28.7)	(4,896)	(42.4)
Referendum expenses	-	-	2,202	25.9	-	-
Flowback of excess deferred income taxes	(1,267)	(9.1)	-	-	-	-
Other	(305)	(2.2)	225	2.6	594	5.1
Calculated rate	$ 4,295	30.9	$ 3,390	39.8	$ 999	8.7

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

In December 1987, the Financial Accounting Standards Board ("FASB") issued a new standard on accounting for income taxes. The Company is required to adopt the new accounting and disclosure rules no later than in its 1990 financial statements, although earlier implementation is permitted. The Company expects to adopt the new standard effective January 1, 1990, and does not plan to restate prior periods. The standard requires the use of the liability method under which existing deferred taxes will be adjusted currently to reflect the effect of tax rates applicable to the years in which these taxes would become payable.

The Company has not completed its analysis of the impact of this new accounting standard, but, based on current ratemaking and tax law, and since income taxes are fully recoverable as a component of the Company's cost of service rate, there will not be an impact on earnings upon adoption of the new standard. There will be adjustments required to accumulated deferred taxes and the recognition of a liability to customers for deferred taxes established in excess of the amount calculated using income tax rates applicable to 1990 and future years.

3. RATEMAKING MATTERS

On January 29, 1987, the Connecticut Division of Consumer Counsel (the "Division") filed a complaint with FERC alleging that the allowed rates of return on equity of Maine Yankee, Yankee Atomic Electric Company, Connecticut Yankee Atomic Power Company and Vermont Yankee Nuclear Power Corporation were excessive and should be lowered to reflect then current conditions.

As a result of informal discussions with the FERC, the Company proposed a modification of an April 1985 settlement agreement that provided for a reduction in the return on common equity from 15.5% to 13.6% and an increase of $796,000 in the annual decommissioning collection effective June 1, 1987. The modifications to the settlement agreement were approved by FERC on June 19, 1987, and the complaint filed by the Division was dismissed.

On January 15, 1988, the Company filed a request with the FERC to modify certain billing calculations and to increase its collection for decommissioning to be effective March 15, 1988. The request sought FERC approval to decrease the level of return on common equity

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

3. RATEMAKING MATTERS (continued)

from 13.6% to 13.5%, to provide for depreciation expense based on the recognition of shorter useful lives for certain classes of assets than had previously been assumed, to provide for the amortization of materials and supplies and the last fuel core and to increase the annual decommissioning collection from $4,796,000 to $14,466,467 based on full recovery by 1998, rather than over the NRC operating license life of the Plant, that is, to 2008.

After discussions among the Company, the FERC Staff, and intervenors, a Settlement Agreement resolving all outstanding issues under this rate proceeding was certified to the FERC for approval as an uncontested settlement. The FERC approved the settlement by order dated September 20, 1988, with rates effective August 16, 1988. The Settlement Agreement provided for the following:

(1) Rate of return on common equity at 12.9% per annum.

(2) Annual decommissioning collections of $9,073,943, exclusive of any income tax liability for the remaining licensed life.

(3) Depreciation expense based on the recognition of shorter useful lives for certain classes of assets.

(4) Amortization of materials and supplies and last core fuel.

(5) Agreement by the Company not to propose an increase and by other parties not to make a filing to decrease the annual decommissioning charges to take effect prior to February 16, 1991.

(6) Agreement that no party would oppose an anticipated FERC order (included in its September 20 order) requiring the Company to file an equity reopener provision.

(7) Agreement that no party would oppose a FERC order requiring that the Company make certain filings in the event that the license term of the Plant is modified by the NRC.

The enactment by Congress of the Regulatory Fairness Act, effective October 6, 1988, which provides for customer rate refund relief under Section 206 of the Federal Power Act, has, by the terms of the FERC order of September 20, 1988, obviated the requirement referred to in paragraph (6) above that the Company file an equity reopener clause.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

4. NOTES PAYABLE TO BANKS

The Company had bank lines of credit totaling $21,000,000 as of December 31, 1988, of which $13,000,000 required an annual fee of 1/4 of 1% of the line and $7,000,000 required 3/8 of 1% of the line. The remaining $1,000,000 line requires a compensating balance of 10% of the line and 10% of any outstanding balance. As of December 31, 1988, $5,500,000 was outstanding under the lines of credit. As of January 15, 1989, the $7,000,000 line of credit requires an annual fee of 1/4 of 1% of the line.

5. FIRST MORTGAGE BONDS

The annual sinking fund requirements of the First Mortgage Bonds currently outstanding for each of the years 1989 through 1993 amount to $4,775,000. Bonds repurchased in advance amounted to $4,606,000 at December 31, 1988, and $3,861,000 at December 31, 1987.

Under the terms of the Indenture securing the First Mortgage Bonds, substantially all electric plant of the Company is subject to a first mortgage lien.

6. MYA FUEL COMPANY NOTES

The Company has a Loan Agreement covering the issuance of up to $50,000,000 principal amount of promissory notes to MYA Fuel Company, a wholly-owned subsidiary of Broad Street Contract Services, Inc. Borrowings are secured by the Company's nuclear fuel investment and the Company pays a commitment fee at the annual rate of 1/8 of 1% of the line. Certain other information relating to this loan arrangement is as follows:

	Year Ended December 31,		
	1988	1987	1986
	(Dollars in Thousands)		
Promissory notes outstanding	$27,000	$20,800	$ 8,950
Average daily outstanding borrowings	$ 8,153	$ 8,882	$23,948
Highest level of borrowings	$27,000	$28,950	$42,500
Annual interest rate at end of periods*	10.69%	9.06%	7.68%
Effective average annual interest rate*	9.48%	8.51%	8.49%

*Includes administrative fees.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

6. MYA FUEL COMPANY NOTES (continued)

In 1985 the Sponsors of the Company agreed to guarantee unconditionally the payment obligations of the Company under a Loan Agreement with MYA Fuel Company. Each Sponsor's guarantee is limited to the percentage of any payment default corresponding to its respective percentage under its Power Contract and Capital Funds Agreement with the Company. The amended Loan Agreement also provides that the arrangement will automatically extend until terminated upon notice of twelve months by the lender or ninety days by the Company.

7. EURODOLLAR REVOLVING CREDIT AGREEMENT

In 1985 the Company entered into a Eurodollar Revolving Credit Agreement with a group of major international banks under which the Company may borrow amounts up to $20,000,000 to meet its short-term requirements. Each loan is due and payable one year after the date of the loan (unless an earlier agreement termination date applies), and bears interest based on the LIBOR rate plus 3/4 percent. A quarterly commitment fee of 3/8 of 1% per annum is required on the unused portion of the line. The loans are secured by a second lien on the Company's nuclear fuel inventory (excluding nuclear fuel inserted in the reactor) and on certain rights under its Power Contracts and Capital Funds Agreements requiring payments or financing of fuel-related costs. The Agreement may be terminated on one year's notice by the banks or five business days' notice by the Company. Certain other information relating to this loan arrangement is as follows:

	Year Ended December 31,		
	1988	1987	1986
	(Dollars in Thousands)		
Promissory notes outstanding	$15,000	$10,000	$19,000
Average daily outstanding borrowings	$11,874	$18,433	$ 5,419
Highest level of borrowings	$20,000	$20,000	$20,000
Annual interest rate at end of periods	9.76%	8.62%	7.25%
Effective average annual interest rate	8.66%	7.87%	6.96%

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

8. REDEEMABLE PREFERRED STOCK

The Company must redeem and cancel 6,000 shares annually of the 7.48% Series Preferred Stock at par value. At the election of the Company, up to an additional 6,000 shares may be redeemed and cancelled at par on each redemption date. The optional provision is not cumulative. The annual sinking fund requirements through December 31, 1993, will be $600,000 annually.

The Company may redeem, in whole or in part, any additional shares of the 7.48% Series Preferred Stock upon not less than thirty or more than fifty days' notice at $103.37 per share on or before December 31, 1992, and at amounts decreasing annually thereafter, to $100.00 per share in each case plus accrued dividends.

Preferred Stock repurchased in advance and not cancelled amounted to 9,250 shares at December 31, 1988, 6,200 shares at December 31, 1987, and 11,510 shares at December 31, 1986.

9. PENSION PLANS

The Company has two separate non-contributory defined benefit pension plans which cover substantially all of its union and non-union employees. The Company's funding policy is to contribute amounts to the separate plans which are sufficient to meet the funding requirements set forth in the Employee Retirement Income Security Act ("ERISA"), plus such additional amounts as the Company may determine to be appropriate. Total pension expense related to these plans amounted to $282,000 in 1988, $410,000 in 1987 and $647,000 in 1986. The principal reasons for the decrease in pension expense in 1988 from 1987 were the settlements of two Group Annuity Contract liabilities through the purchase of non-participating insured annuities. The settlement satisfied pension benefit obligations of $338,000. The settlement was accounted for in accordance with FASB Statement No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefits Pension Plans and for Termination Benefits". This settlement resulted in a $118,000 gain recognized in 1988.

Plan benefits under the union retirement plan are based on average career earnings and length of employee service. Plan benefits under the non-union retirement plan are based on average final earnings, as defined within the plan, and length of employee service.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

9. PENSION PLANS (continued)

A summary of the components of net periodic pension cost for the union and non-union defined benefit plans in 1988 and 1987 and the total contributions charged to pension expense are as follows:

	Union		Non-Union	
	(Dollars in Thousands)			
	1988	1987	1988	1987
Service Cost-Benefits Earned During the Period	$151	$144	$357	$361
Interest Cost on Projected Benefit Obligation	90	88	283	265
Estimated Return on Plan Assets Loss (Gain)	(214)	66	(520)	186
Net Amortization and Deferral	85	(191)	168	(509)
Net Periodic Pension Cost	112	107	288	303
Settlement Loss (Gain)	(38)	-	(80)	-
Total Pension Cost	$74	$107	$208	$303

Assumptions used in the accounting for the union and non-union defined benefit plans in 1988 and 1987 were as follows:

Weighted Average Discount Rate	8.75%
Rate of Increase in Future Compensation Levels	7.00%
Expected Long-Term Return on Assets	8.50%

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

9. PENSION PLANS (continued)

The following table sets forth the actuarial present value of pension benefit obligations, the funded status of the plans and the liabilities recognized on the Company's balance sheet at December 31, 1988 and 1987:

	Union		Non-Union	
	(Dollars in Thousands)			
	1988	1987	1988	1987
Actuarial Present Value of Benefit Obligations:				
Vested Benefit Obligation	$ 169	$ 201	$ 708	$ 767
Accumulated Benefit Obligation	$ 380	$ 428	$1,075	$1,146
Projected Benefit Obligation	$1,056	$ 970	$3,314	$2,987
Plan Assets at Estimated Market Value (primarily, stocks, bonds and, in 1987, guaranteed annuity contracts)	1,367	1,248	4,108	3,511
Funded Status-Projected Benefit Obligation in Excess of (Less Than) Plan Assets	(311)	(278)	(794)	(524)
Unrecognized Net Gain (Loss)	134	41	253	97
Unrecognized Net Asset (Net Obligation)	441	493	599	686
Net Pension Liability (Asset) Recognized in the Balance Sheet	$ 264	$ 256	$ 58	$ 259

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for substantially all of its retired employees. These and similar benefits for active employees are provided through insurance companies acting either as an insurer or plan administrator, and premiums are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits through charging expense in the current period. The cost of health care and life insurance benefits, substantially all of which relates to active employees, aggregated approximately $768,000 in 1988, $573,000 in 1987 and $456,000 in 1986.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES

Construction: The Company anticipates construction expenditures to amount to $13.3 million (exclusive of AFC) for 1989.

Nuclear Fuel: The Company anticipates nuclear fuel expenditures of $7.4 million (exclusive of AFN) for 1989 and $84.6 million for the period 1990 through 1993 (exclusive of AFN).

Nuclear Fuel Storage: Under the terms of a license amendment approved by the NRC in 1984, the present storage capacity of the spent fuel pool at the Plant will be reached in 1999 and after 1996 the available capacity of the pool would not accommodate a full-core removal. The Atomic Safety and Licensing Board has approved the Company's proposal to demonstrate a further modification which would, if implemented, permit storage capacity through the operating life of the Plant. That implementation would require further approval from the NRC. A Maine statute provides that after July 1, 1992, spent nuclear fuel may not be stored on-site for a period exceeding three years from the date of removal of the fuel from the reactor. The Company estimates that shipments of spent nuclear fuel to the DOE will not commence until 1998 at the earliest. The Company cannot predict whether, or to what extent, the Maine statute and storage capacity limitations referred to above may be modified and whether, or to what extent, they will affect the operation of the Plant.

Nuclear Insurance: In August 1988, Congress enacted a fifteen-year extension of the Price-Anderson Act. The revised Act provides for an increase in the limit of liability for a nuclear-related accident from $720 million to approximately $7.25 billion. The primary layer of insurance for the liability increased from $160 million to $200 million of coverage provided by the commercial insurance market. The secondary coverage increased from $560 million to $7.05 billion, based on 112 licensed reactors. The change in the secondary layer is accomplished by an increase in the retrospective premium assessment from $5 million to $63 million per nuclear accident per licensed reactor, payable at a rate not exceeding $10 million per year per accident. In addition, the retrospective premium is subject to inflation-based indexing at five-year intervals and, 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 5% ($3.15 million) of the maximum retrospective assessment.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES (continued)

In addition to the insurance required by the Price-Anderson Act, the Company carries all-risk nuclear property damage insurance in the amount of $500 million plus additional excess nuclear property insurance in the amount of $1.225 billion effective January 15, 1989. Of this additional insurance, $825 million is provided by a nuclear electric utility industry insurance company, which provides this coverage through a combination of current premiums and retrospective premium assessments. If this company experiences losses in excess of its capacity to pay them, each participating utility may be assessed a retrospective premium assessment of up to 7.5 times its annual premium with respect to industry losses in any policy year. Based on premium rates effective November 15, 1988, this adjustment could range up to approximately $7.4 million for the Company. The remaining excess nuclear property coverage of $400 million is obtained from the commercial insurance market and is not subject to retrospective premium assessments. These excess coverage amounts as of January 15, 1989, were the maximum offered by both the industry company and the commercial market.

Low-Level Waste Disposal: In 1986 the federal Low-Level Radioactive Waste Policy Amendments Act (the "Act") was enacted. The Act requires the present disposal sites to accept low-level nuclear wastes from other states until December 31, 1992. The Act also sets limits on the volume of waste each disposal facility must accept from each state, establishes milestones for the non-sited states to establish sites within their states or regions (pursuant to regional compacts) and authorizes increasing surcharges on waste disposal until 1992. After 1992 the operating disposal sites would be permitted to refuse to accept wastes generated outside their states or compact regions.

In 1987 the Maine Legislature established the Maine Low-Level Radioactive Waste Authority, which was created to provide for a low-level radioactive waste facility for Maine. Pursuant to the statute, the Authority is assessing Maine Yankee, as the only nuclear plant in Maine, for the current statutory assessment of $10,000,000 over a four-year period ending on March 1, 1992, to be used for the planning, siting, licensing and construction of such a facility. Through December 31, 1988, the Company has been assessed and charged to expense $1,500,000.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES (continued)

In 1985 Maine voters approved an initiated proposal which requires voter approval prior to construction or operation of any facility in Maine for the storage or disposal of low-level radioactive wastes. The proposal also requires voter approval prior to Maine's entering into any compact or agreement with any state or the federal government concerning the disposal or storage of low-level radioactive wastes inside or outside of Maine. The Company currently has the capacity to store approximately five years' production of low-level waste at its Plant site and intends to continue to ship its wastes to present off-site facilities for as long as possible in order to preserve that capacity. The Company cannot predict, however, the long-term effects of the Maine legislation.

11. UNAUDITED QUARTERLY FINANCIAL DATA

Unaudited quarterly financial data pertaining to the results of operations are shown below.

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(Dollars in Thousands, Except Per Share Amounts)			
1988				
Electric Operating Revenues	$35,102	$33,878	$35,351	$52,766
Operating Income	4,842	4,625	4,487	4,948
Net Income	2,450	2,509	2,377	2,257
Earnings Per Share of Common Stock	4.59	4.70	4.48	4.23
1987				
Electric Operating Revenues	$31,373	$41,351	$36,050	$35,630
Operating Income	5,319	6,047	5,384	5,201
Net Income (Loss)	2,405	2,018	933	(226)
Earnings (Loss) Per Share of Common Stock	4.49	3.72	1.55	(.76)

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

12. TRANSACTIONS WITH ASSOCIATED COMPANIES

During 1988, 1987 and 1986, the Company paid $8,788,289, $7,692,007, and $6,629,675, respectively, to Yankee Atomic Electric Company, an associate of several of the Sponsors, for services at cost for its engineering and nuclear services department. Central Maine Power Company has furnished the Company certain engineering, administrative and legal services, and furnished certain facilities at cost, and electric service at its filed rates. During 1988, 1987 and 1986, Central Maine Power Company was reimbursed in the amount of $4,064,111, $6,231,498, and $4,562,868. respectively, for such services. It is expected that Yankee Atomic Electric Company and Central Maine Power Company will continue to perform similar services for the Company in the future, for which they will be reimbursed by the Company.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. Directors

The directors of the Company and their principal occupations and all positions and offices with the Company are as follows:

Name, Age and Year First Elected Director	Principal Occupation
Charles E. Monty, 62, 1971, Chairman of the Board of Directors (Principal Executive Officer) and Director	Executive Vice President, Central Maine Power Company
Richard A. Crabtree, 42, 1989, Director	Senior Vice President, Customer Services and Division Operations, Central Maine Power Company
John C. Duffett, 61, 1988, Director	President and Chief Executive Officer, Public Service Company of New Hampshire
John F. G. Eichorn, Jr., 65, 1971, Director	Chairman and Chief Executive Officer, Eastern Utilities Associates
David T. Flanagan, 41, 1988, Director	Senior Vice President, Finance and Law, Central Maine Power Company
Bernard M. Fox, 46, 1986, Director	President and Chief Operating and Financial Officer, Northeast Utilities
Frederic E. Greenman, 52, 1984, Director	Vice President and General Counsel, New England Power Company
Thomas A. Greenquist, 60, 1973, Director	Chairman and President, Bangor Hydro-Electric Company
G. Melvin Hovey, 59, 1984, Director	President and Chief Executive Officer, Maine Public Service Company
Matthew Hunter, 54, 1983, Director	Executive Vice President and Acting Chief Executive Officer, Central Maine Power Company
Carroll R. Lee, 39, 1979, Director	Vice President - Planning and Development, Bangor Hydro-Electric Company

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

A. Directors (continued)

John F. Opeka, 48, 1986, Director	Executive Vice President of Engineering and Operations, Northeast Utilities Service Company
Jeffrey D. Tranen, 42, 1984, Director	Vice President, New England Power Company
Thomas C. Webb, 54, 1986, Director	President and Chief Executive Officer, Central Vermont Public Service Corporation

Effective April 1, 1989, Mr. Monty will retire from Central Maine Power Company, but will continue to serve as Chairman of the Board of Maine Yankee.

On January 28, 1988, Public Service Company of New Hampshire, of which Mr. Duffett is President and Chief Executive Officer, filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

Each of the directors has been for the past five years, and each of the directors is now, an officer or employee of the Company, one of the Sponsors or an associated company thereof.

Each of the Sponsors is represented on the Company's Board of Directors, but there is no formal arrangement with respect to such representation. The directors are elected at the annual meeting of stockholders and hold office until their successors are elected and qualified.

B. Executive Officers

The following are the executive officers of the Company with all positions and offices held:

Name	Age	Office and Year First Elected
Charles E. Monty	62	President - 1983 to April 1, 1988 Director - 1971 Chairman of the Board, effective April 1, 1988
John B. Randazza	60	Executive Vice President and Chief Operating Officer 1975 to April 1, 1988 Director, 1975 to February 17, 1989 President, April 1, 1988 through December 31, 1988 Vice Chairman of the Board, January 1, 1989 through April 1, 1989 (Retired)

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

B. Executive Officers (continued)

Charles D. Frizzle, Jr.	46	Vice President and Manager of Operations - 1983 Director - October 16, 1987 to June 17, 1988 Vice President, Operations - April 1, 1988 to January 1, 1989 President effective January 1, 1989
Patrick S. Lydon	46	Vice President, Finance and Administration - 1985
Andrew C. Kadak	43	Vice President, Nuclear Services - 1987
John H. Garrity	40	Assistant Vice President, Engineering - 1988 Vice President, Licensing and Engineering, effective January 1, 1989
E. Thomas Boulette	46	Vice President, Operations, and Plant Manager, effective January 1, 1989
James D. Firth	35	Vice President, Public and Governmental Affairs, effective January 1, 1989
Lee E. Maillet	39	Treasurer - 1985
Robert S. Howe	49	Comptroller and Chief Accounting Officer - 1980
William M. Finn	52	Secretary and Clerk - 1984
Anne M. Pare	35	Assistant Secretary - 1988

Each of the executive officers except Mr. Firth and Ms. Pare has been for the past five years and is now an officer or employee of the Company or one of the Sponsors or an associated company thereof. Mr. Firth has been employed by Maine Yankee since January 1988. Prior to that time he served as Director of Special Projects for Central Maine Power Company (from 1985), and from 1982 to 1985 he was a partner in the energy consulting firm of Weil and Firth. Ms. Pare has been employed as a lawyer by Central Maine Power Company since July 1987. Prior to that time she was associated with the law firm of Pierce, Atwood, Scribner, Allen, Smith & Lancaster, Portland, Maine since 1984.

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

B. Executive Officers (continued)

The executive officers are elected annually by the Board of Directors and hold office until their successors are elected and qualified. All are employees of the Company except Mr. Kadak, who is employed by Yankee Atomic Electric Company, Mr. Finn and Ms. Pare, who are employed by Central Maine Power Company, and Mr. Monty, who will remain Chairman of the Board of Directors of Maine Yankee upon his retirement from Central Maine Power Company on April 1, 1989.

There are no family relationships between any directors or executive officers nor any formal arrangements or understandings pursuant to which any were selected as officers or directors.

C. Other Directorships

The following directors of the registrant hold other directorships as follows:

Director	Other Directorships Held
Richard A. Crabtree	Central Securities Corporation Cumberland Securities Corporation Maine Educational Loan Authority Maine Educational Loan Marketing Corporation Student Educational Enhancement Deposit Plan Fleet Bank of Maine
John C. Duffett	Public Service Company of New Hampshire Yankee Atomic Electric Company Vermont Yankee Nuclear Power Corporation Connecticut Yankee Atomic Power Company New Hampshire Business Development Corporation Manchester Associates, Inc.
John F. G. Eichorn, Jr.	Eastern Utilities Associates (Trustee) Montaup Electric Company EUA Service Corporation EUA Power Corporation EUA Cogenex Blackstone Valley Electric Company Eastern Edison Company Yankee Atomic Electric Company Connecticut Yankee Atomic Power Company Vermont Yankee Nuclear Power Corporation Edison Electric Institute
David T. Flanagan	Central Securities Corporation Cumberland Securities Corporation University of Maine System

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

C. Other Directorships (continued)

Bernard M. Fox	Connecticut Yankee Atomic Power Company
	Vermont Yankee Nuclear Power Corporation
	Yankee Atomic Electric Company
	The Institute of Living
	Connecticut National Bank
	The Connecticut Light and Power Company
	Group America (subsidiary of CM Alliance Cos.)
	Holyoke Power & Electric Company
	Holyoke Water Power Company
	Housatonic Corporation
	Northeast Utilities
	Northeast Utilities Service Company
	Northeast Nuclear Energy Company
	Western Massachusetts Electric Company
	The Quinnehtuk Company
	The Rocky River Realty Company
	Research Park, Inc.
Frederic E. Greenman	New England Electric Transmission Corporation
	New England Hydro-Transmission Corporation
	New England Hydro-Transmission Electric Company, Inc.
	New England Hydro Finance Company, Inc.
	New England Energy Incorporated
	New England Power Company
	New England Power Service Company
	Vermont Yankee Nuclear Power Corporation
	Yankee Atomic Electric Company
	Connecticut Yankee Atomic Power Company
	Granite State Electric Company
	Narragansett Energy Resources Company
Thomas A. Greenquist	Bangor Hydro-Electric Company
	East Branch Improvement Company
G. Melvin Hovey	Maine & New Brunswick Electrical Power Company, Limited
	Maine Public Service Company
	Maine Electric Power Company, Inc.
Matthew Hunter	Central Securities Corporation
	Cumberland Securities Corporation
	Maine Electric Power Company, Inc.
	Uplift, Inc. of Hallowell
	Pine Tree Society for Handicapped Children and Adults
	The Union Water-Power Company

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

C. Other Directorships (continued)

Director	Other Directorships Held
Carroll R. Lee	Maine Electric Power Company, Inc. East Branch Improvement Company Penobscot Hydro Co., Inc.
Charles E. Monty	Central Maine Power Company Q-M Enterprises, Inc.
John F. Opeka	Connecticut Yankee Atomic Power Company Vermont Yankee Nuclear Power Corporation Yankee Atomic Electric Company Northeast Utilities Service Company The Connecticut Light and Power Company Western Massachusetts Electric Company The Quinnehtuk Company Holyoke Water Power Company Holyoke Power & Electric Company The Rocky River Realty Company Reasearch Park, Inc. The Shelton Canal Company Northeast Nuclear Energy Company Nuclear Utility Management and Resources Council Opportunities Industrialization Center of New London County Charter Oak Energy Thames New Science Center of London County
Jeffrey D. Tranen	Connecticut Yankee Atomic Power Company Vermont Yankee Nuclear Power Corporation Yankee Atomic Electric Company
Thomas C. Webb	Central Vermont Public Service Corporation Connecticut Valley Electric Company, Inc. C. V. Realty, Inc. Vermont Yankee Nuclear Power Company Vermont Electric Power Company, Inc. Vermont Electric Transmission Company, Inc. Yankee Atomic Electric Company Connecticut Yankee Atomic Power Company United Vermont Bancorporation Comprehensive Health Resources, Inc.

ITEM 11 - EXECUTIVE COMPENSATION

Prior to April 1, 1988, except for participation by some officers in incentive compensation and benefit plans, the Company's officers and directors were compensated by the Sponsors or other associated companies by which they were principally employed. Commencing April 1, 1988, however, certain Company officers became employees of, and started being compensated by, the Company, and were no longer employees of Central Maine Power Company. In addition, certain other employees compensated by Maine Yankee have been promoted to officer positions. In complying with regulatory requirements, the Company has also reimbursed Central Maine Power Company for services rendered by its employees including Maine Yankee officers and directors. See Item 13, CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

A. Cash Compensation

The following table shows the total cash and cash-equivalent compensation (including payments pursuant to Company plans) paid by the Company for services rendered during 1988 to the three most highly compensated executive officers whose compensation exceeded $60,000, and to all executive officers as a group:

Name of Individual or Number of Persons in Group and Capacities in Which Served	Cash Compensation (Excluding Previously Deferred Compensation)	Previously Deferred Compensation Paid in 1988	Total Compensation
John B. Randazza Executive Vice President and Chief Operating Officer (through March 31, 1988); President (April 1, 1988 through December 31, 1988) and Director	$116,050	$ 30,673	$146,723
Charles D. Frizzle, Jr. Vice President and Manager of Operations (through March 31, 1988); Vice President, Operations (April 1, 1988 through December 31, 1988)	$ 78,096	$ 20,678	$ 98,774
Patrick S. Lydon Vice President, Finance and Administration	$ 60,800	$ 16,313	$ 77,113
(5) Executive Officers as a Group	$382,994	$100,216	$483,210

ITEM 11 - EXECUTIVE COMPENSATION (continued)

Prior to April 1, 1988, Mr. Randazza, Mr. Frizzle, Mr. Lydon and certain other executive officers were employed by, and compensated by Central Maine Power Company. This table includes only compensation paid by Maine Yankee.

B. Compensation Pursuant to Plans

(1) The Company has established an Officer and Manager Incentive Plan which relates incentive payments made to officers and managers of Maine Yankee to the proportion by which each year's performance goals for Maine Yankee are exceeded. In 1988, pursuant to this plan, the three officers listed above, Messrs. Randazza, Frizzle and Lydon, received \$ 30,673, \$ 20,678 and \$ 16,313, respectively, and all executive officers as a group, \$ 100,216, including cash compensation deferred from the prior year under the plan, which amounts are included in the table above.

(2) The Company has also established an Employee Savings and Investment Plan. This plan is open to all non-union employees of the Company with one year of service and permits each participant to contribute between 2 percent and 15 percent of his or her annual compensation to the plan. The Company makes a matching contribution equal to 50 percent of any contributions by a participant which do not exceed 6 percent of his or her annual compensation. The amounts accrued pursuant to the plans which were contributed by the Company during 1988 for the individuals and the group identified in the compensation table above who are participating in the plan are as follows: J. B. Randazza, \$ 2,730; C. D. Frizzle, Jr., \$ 2,238; P. S. Lydon, \$ 1,670; and all executive officers as a group, \$ 10,450.

C. Pension Plan

The Company makes payments to retirement plans on behalf of virtually all full-time employees of the Company, including all eligible officers. Such payments are based on the salaries and wages of the participants.

Retirement benefits are equal to the highest of two values calculated on the basis of two different formulas taking into account a plan participant's length of service with the Company and his or her annual compensation. One benefit formula is based on the average annual eligible earnings of the participant to January 1, 1980. The other benefit formula is based on the average annual eligible earnings of the participant during the five consecutive years within his last ten years of employment with the Company in which such earnings were highest. The following table lists

ITEM 11 - EXECUTIVE COMPENSATION (continued)

C. Pension Plan (continued)

the estimated retirement benefits (assuming election of a straight life annuity) upon normal retirement at age 65 under the plan (which benefits reflect the offset for Social Security benefits payable upon attainment of age 65 in accordance with the plan) covering the Company's officers and under the formula which now appears likely to provide the highest benefit to the persons named in the compensation table below (Messrs. Randazza, Frizzle, and Lydon have been credited with 35, 18, and 18 years of service, respectively, under the plan):

Final Average Compensation	Years of Service 10	20	30	40
$80,000.	12,095	24,230	36,230	39,573
$120,000.	18,895	37,820	56,730	61,974
$160,000.	25,695	51,420	77,130	84,374
$200,000.	32,495	65,020	97,530	106,774

In 1987 the Board of Directors approved a Supplementary Employee Retirement Program for key employees, which will supplement the Company's pension plan. Mr. Randazza is the only participant among the individuals and group identified in the compensation table above. The annual cash benefit to be paid to Mr. Randazza, which is payable for fifteen years after retirement, is $ 29,676.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the ownership of the Company's 500,000 shares of $100 par value Common Stock, all of which is issued and outstanding and all of which is held of record and beneficially. None is held by management.

Name	Amount Owned	Percentage of Class
Central Maine Power Company Edison Drive Augusta, Maine 04336	190,000 shares	38%
New England Power Company 25 Research Drive Westborough, Massachusetts 01582	100,000	20
The Connecticut Light and Power Company P.O. Box 270 Hartford, Connecticut 06141	60,000	12
Bangor Hydro-Electric Company 33 State Street Bangor, Maine 04401	35,000	7
Maine Public Service Company 209 State Street Presque Isle, Maine 04769	25,000	5
Public Service Company of New Hampshire 1000 Elm Street Manchester, New Hampshire 03105	25,000	5
Cambridge Electric Light Company One Main Street Cambridge, Massachusetts 02142-9150	20,000	4
Montaup Electric Company P.O. Box 2333 Boston, Massachusetts 02107	20,000	4
Western Massachusetts Electric Company P.O. Box 270 Hartford, Connecticut 06141	15,000	3
Central Vermont Public Service Corporation 77 Grove Street Rutland, Vermont 05701	10,000	2
	500,000 shares	100%

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the construction period, no return was paid to Sponsors on the money paid by them for Common Stock, but a return (at the rate of 7% per annum through November 30, 1970, and at the rate of 10% per annum thereafter) was charged to plant as an allowance for equity funds used during construction. The amounts so charged were recorded as paid-in capital. This practice terminated as of December 31, 1972, the last day of the last month of the construction period. These amounts are to be paid to the Sponsors on the redemption of Common Stock. The Company's First Mortgage Indenture and the provisions of its Articles of Incorporation relating to its capital stock contain various limitations on redemption.

During 1988 and 1987, the Company paid $8,788,289 and $7,692,007, respectively, to Yankee Atomic Electric Company, an associate of several of the Sponsors, for services at cost for its engineering and nuclear services department. Central Maine Power Company has furnished the Company certain engineering, administrative and legal services, and furnished certain facilities at cost, and electric service at its filed rates. During 1988 and 1987, Central Maine Power Company was reimbursed in the amount of $4,064,111 and $6,231,498, respectively, for such services. It is expected that Yankee Atomic Electric Company and Central Maine Power Company will continue to perform similar services for the Company in the future, for which they will be reimbursed by the Company.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. The following financial statements are filed as a part of this report:

INDEX OF FINANCIAL INFORMATION

(a) 2. The following financial statement schedules of the Company are filed herewith and included in response to Item 14(d):

INDEX OF FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as the required information is not applicable or the information is presented in the Financial Statements or related notes.

(b) Reports on Form 8-K. The Company filed the following reports on Form 8-K during the last quarter of 1988 and thereafter to date:

Date of Report	Items Reported
January 1, 1989	Effective January 1, 1989, the Company implemented several changes in executive officers.

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (continued)

(c) The exhibits which are filed with this Form 10-K or are incorporated herein by reference are set forth in the Exhibit Index, which immediately precedes the exhibits to this report.

(d) The financial statement schedules required to be filed under this paragraph are listed under paragraph (a) 2. of this Item.

SIGNATURES

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

MAINE YANKEE ATOMIC POWER COMPANY

By Patrick S. Lydon s/s
Patrick S. Lydon, Vice President, Finance and Administration
March 29, 1989

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By Charles E. Monty s/s
Charles E. Monty, Chairman of the Board (Principal Executive Officer) and Director
March 29, 1989

By Patrick S. Lydon s/s
Patrick S. Lydon, Vice President, Finance and Administration (Principal Financial Officer)
March 29, 1989

By Lee E. Maillet s/s
Lee E. Maillet, Treasurer (Principal Accounting Officer)
March 29, 1989

By Richard A. Crabtree s/s
Richard A. Crabtree, Director
March 29, 1989

By John C. Duffet s/s
John C. Duffett, Director
March 29, 1989

By John F. G. Eichorn, Jr. s/s
John F. G. Eichorn, Jr., Director
March 29, 1989

By David T. Flanagan s/s
David T. Flanagan, Director
March 29, 1989

By Bernard M. Fox s/s
Bernard M. Fox, Director
March 29, 1989

By Frederic E. Greenman s/s
Frederic E. Greenman, Director
March 29, 1989

By Thomas A. Greenquist s/s
Thomas A. Greenquist, Director
March 29, 1989

By G. Melvin Hovey s/s
G. Melvin Hovey, Director
March 29, 1989

By Matthew Hunter s/s
Matthew Hunter, Director
March 29, 1989

By Carroll R. Lee s/s
Carroll R. Lee, Director
March 29, 1989

By John F. Opeka s/s
John F. Opeka, Director
March 29, 1989

By Jeffrey D. Tranen s/s
Jeffrey D. Tranen, Director
March 29, 1989

By Thomas C. Webb s/s
Thomas C. Webb, Director
March 29, 1989

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1988
(Dollars in Thousands)

	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Transfers & Other Charges	Balance at End of Period
Electric Property					
Organization	$ 7	$ -	$ -	$ -	$ 7
Miscellaneous Intangible Plant	510	-	-	-	510
Land and Land Rights	478	-	-	-	478
Structures and Improvements	66,671	-	(6)	(26,661)	40,004
Reactor Plant Equipment	142,194	-	(975)	31,004	172,223
Turbogenerator Units	83,325	-	(7,519)	23,387	99,193
Accessory Electric Equipment	17,394	-	-	1,172	18,566
Miscellaneous Power Plant Equip.	10,929	-	-	994	11,923
Substation Equip.	4,786	-	-	-	4,786
Miscellaneous Electric Property	74	-	-	-	74
Unfinished Construction	861	29,883	-	(30,185)	559
Total Electric Property	$327,229	$29,883	$(8,500)	$(289)	$348,323
Nuclear Fuel					
Nuclear Fuel in Reactor	$136,432	$ -	$ -	$(11,207)	$125,225
Nuclear Fuel in Process	15,457	24,562	-	(31,103)	8,916
Nuclear Fuel - Spent	204,414	-	-	37,835	242,249
Nuclear Fuel - Stock	8,950	-	-	4,475	13,425
Total Nuclear Fuel	$365,253	$24,562	$ -	$ -	$389,815

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1987
(Dollars in Thousands)

	Balance at Beginning of Period	Additions at Cost	Retire- ments or Sales	Transfers & Other Charges	Balance at End of Period
Electric Property					
Organization	$ 7	$ -	$ -	$ -	$ 7
Miscellaneous Intangible Plant	510	-	-	-	510
Land and Land Rights	478	-	-	-	478
Structures and Improvements	65,965	-	-	706	66,671
Reactor Plant Equipment	134,581	-	(232)	7,845	142,194
Turbogenerator Units	82,437	-	340	548	83,325
Accessory Electric Equipment	17,452	-	(49)	(9)	17,394
Miscellaneous Power Plant Equip.	9,877	-	-	1,052	10,929
Substation Equip.	4,786	-	-	-	4,786
Miscellaneous Electric Property	74	-	-	-	74
Unfinished Construction	3,375	7,628	-	(10,142)	861
Total Electric Property	$319,542	$ 7,628	$ 59	$ -	$327,229
Nuclear Fuel					
Nuclear Fuel in Reactor	$131,720	$ 18	$ -	$ 4,694	$136,432
Nuclear Fuel in Process	15,006	15,197	-	(14,746)	15,457
Nuclear Fuel - Spent	166,032	-	-	38,382	204,414
Nuclear Fuel - Stock	37,280	-	-	(28,330)	8,950
Total Nuclear Fuel	$350,038	$15,215	$ -	$ -	$365,253

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1986
(Dollars in Thousands)

	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Transfers & Other Charges	Balance at End of Period
Electric Property					
Organization	$ 7	$ -	$ -	$ -	$ 7
Miscellaneous Intangible Plant	510	-	-	-	510
Land and Land Rights	478	-	-	-	478
Structures and Improvements	65,940	-	-	25	65,965
Reactor Plant Equipment	133,940	-	-	641	134,581
Turbogenerator Units	82,021	-	-	416	82,437
Accessory Electric Equipment	16,993	-	-	459	17,452
Miscellaneous Power Plant Equip.	9,643	-	(27)	261	9,877
Substation Equip.	4,786	-	-	-	4,786
Miscellaneous Electric Property	74	-	-	-	74
Unfinished Construction	1,463	3,714	-	(1,802)	3,375
Total Electric Property	$315,855	$3,714	$(27)	$ -	$319,542
Nuclear Fuel					
Nuclear Fuel in Reactor	$131,720	$ -	$ -	$ -	$131,720
Nuclear Fuel in Process	27,683	20,196	-	(32,873)	15,006
Nuclear Fuel - Spent	166,032	-	-	-	166,032
Nuclear Fuel - Stock	4,407	-	-	32,873	37,280
Total Nuclear Fuel	$329,842	$20,196	$ -	$ -	$350,038

Schedule VI

Maine Yankee Atomic Power Company

ACCUMULATED PROVISION FOR DEPRECIATION
OF ELECTRIC PLANT AND AMORTIZATION OF NUCLEAR FUEL
For The Years Ended December 31,
(Dollars in Thousands)

	Balance Beginning of Period	Charged to Income*	Retirements	Other Changes	Balance at End of Period
1988					
Electric Property	$120,444	$10,427	$(8,500)	$(521)	$121,850
Nuclear Fuel	$276,928	$29,228	$ -	$ -	$306,156
1987					
Electric Property	$110,895	$ 9,465	$ 59	$ 25	$120,444
Nuclear Fuel	$255,035	$21,893	$ -	$ -	$276,928
1986					
Electric Property	$101,630	$ 9,305	$ (27)	$ (13)	$110,895
Nuclear Fuel	$221,832	$33,203	$ -	$ -	$255,035

*Excludes amounts collected through depreciation rates for Decommissioning and Permanent Disposal Cost. See Note 1 of Notes to Financial Statements for the Company's depreciation and fuel amortization policies.

Schedule VIII

Maine Yankee Atomic Power Company

RESERVES EXCLUSIVE OF RESERVES FOR DEPRECIATION
For the Years Ended December 31,
(Dollars in Thousands)

	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions From Reserves	Balance at Close of Period
1988					
Decommissioning Reserve	$20,828	$6,406	$1,226	$ -	$28,460
1987					
Decommissioning Reserve	$15,440	$4,464	$ 924	$ -	$20,828
1986					
Decommissioning Reserve	$10,846	$4,000	$ 594	$ -	$15,440

Maine Yankee Atomic Power Company

Form 10-K - 1988
Schedule IX
SHORT-TERM BORROWINGS
(Dollars in Thousands)

	Column A Category of Short-Term Borrowings	Column B Balance at End of Year	Column C Weighted Average Interest Rate at End of Period	Column D Maximum Amount Outstanding During the Year	Column E Average Amount Outstanding During the Year	Column F Weighted Daily Average Interest Rate During the Year
Year Ended December 31, 1988	Banks (1)	$5,500	11.00%	$13,500	$ 4,467	8.67%
Year Ended December 31, 1987	Banks (1)	$ -	- %	$13,000	$ 5,133	7.48%
Year Ended December 31, 1986	Banks (1)	$ 775	7.50%	$ 1,700	$ 95	8.37%

(1) See Note 4 of Notes to Financial Statements.

EXHIBIT INDEX

The following designated exhibits, as indicated below, are either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934 or the Public Utility Holding Company Act of 1935 and are incorporated herein by reference to such filings. Reference is made to Item 8 of this Form 10-K for a listing of certain financial information and statements incorporated by reference herein.

Exhibit Number And Description Of Document	Prior Exhibit No.	SEC Docket	Filed Herewith at Page
(3) Articles of Incorporation and Bylaws Incorporated herein by reference:			
3-1 Articles of Incorporation	3.1, 3.3	2-38547	
3-2 Amendment to Exhibit 3-1 setting forth terms of Cumulative Preferred Stock	3.2	2-46226	
3-3 Bylaws, as amended	3.2	2-38547	
3-4 Amendment to Exhibit 3-3	3.5	2-46226	
3-5 Amendment to Exhibit 3-3		1-6554	
(4) Instruments defining the rights of security holders Incorporated herein by reference:			
4-1 First Mortgage Indenture from the Company to Old Colony Trust Company, Trustee, dated as of November 1, 1970	3.2	1-6554	
4-2 First Supplemental Indenture from the Company to The First National Bank of Boston, Trustee, dated as of March 1, 1971	4	70-4976	

Exhibit Number And Description Of Document	Prior Exhibit No.	SEC Docket	Filed Herewith at Page
(4) Instruments defining the rights of security holders (continued)			
4-3 Second Supplemental Indenture from the Company to The First National Bank of Boston, Trustee, dated as of December 1, 1972	4.3	2-46226	
4-4 Third Supplemental Indenture from the Company to the First National Bank of Boston, Trustee, dated as of February 15, 1984	4.4	1-6554	
4-5 Fourth Supplemental Indenture from the Company to the First National Bank of Boston, Trustee, date as of April 1, 1986	4.5	1-6554	76
(10) Material Contracts			
Incorporated herein by reference:			
10-1 Composite copy of Power Contract between the Company and Sponsors dated as of May 20, 1968	(Included in prospectus in 2-46226)		
10-2 Composite copy of Capital Funds Agreement between the Company and Sponsors, dated as of May 20, 1968	(Included in prospectus in 2-46226)		
10-3 Stockholders Agreement dated as of May 20, 1968 among the Sponsors	(Included in prospectus in 2-46226)		
10-4 Loan Agreement between the Company and MYA Fuel Company, dated as of August 26, 1976 as amended	B-1 B-1 B-1	70-5805 70-6765 70-7117	
10-5 Eurodollar Revolving Credit Agreement between the Company and a group of international banks, with Union Bank of Switzerland as Agent Bank, dated as of September 3C, 1985	B-1	70-7165	

Exhibit Number And Description Of Document	Prior Exhibit No.	SEC Docket	Filed Herewith at Page
(10) Material Contracts (continued)			
10-1.1 Amendment No. 1 to Exhibit 10-1, dated as of March 1, 1984	10-1.1	1-6554	
10-1.2 Amendment No. 2 to Exhibit 10-1, dated as of January 1, 1984	10-1.2	1-6554	
10-1.3 Amendment No. 3 to Exhibit 10-1, dated as of October 1, 1984	10-1.3	1-6554	
10-1.4 Additional Power Contract between the Company and Sponsors, dated as of February 1, 1984	10-1.4	1-6554	
10-2.1 Amendment No. 1 to Exhibit 10-2, dated as of August 1, 1985	10-2.1	1-6554	
10-3 Indenture of Trust dated as of March 14, 1988 between the Company and Maine National Bank relating to decommissioning trust fund.	10-6	1-6554 (Form 10-K for 1987)	
10-4 Indenture of Trust dated as of October 16, 1985 between the Company and Norstar Bank of Maine relating to the spent fuel disposal funds.	10-7	1-6554 (Form 10-K for 1985)	

(11) Statements re computation of per share earnings

Not applicable

(12) Statements re computation of ratios

Not applicable

(13) Annual report to security holders

Not applicable

(18) Letter re change in accounting principles

Not applicable

(19) Previously unfiled documents

Not applicable

Exhibit Number And Description Of Document	Prior Exhibit No.	SEC Docket	Filed Herewith at Page
(22) Subsidiaries of the registrant			
None			
(23) Published report concerning matters submitted to vote of security holders			
Not applicable			
(24) Consents of experts and counsel			
Not applicable			
(25) Power of attorney			
Not applicable			
(28) Additional exhibits			
None			